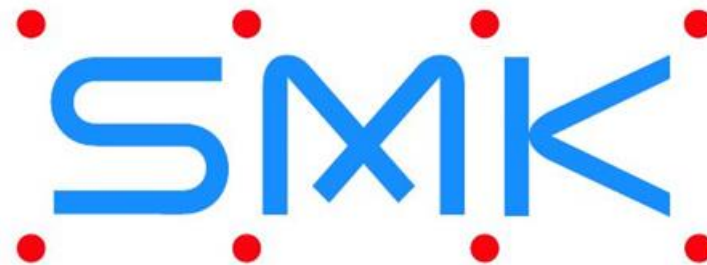


Business Report for FY2018



FY2018

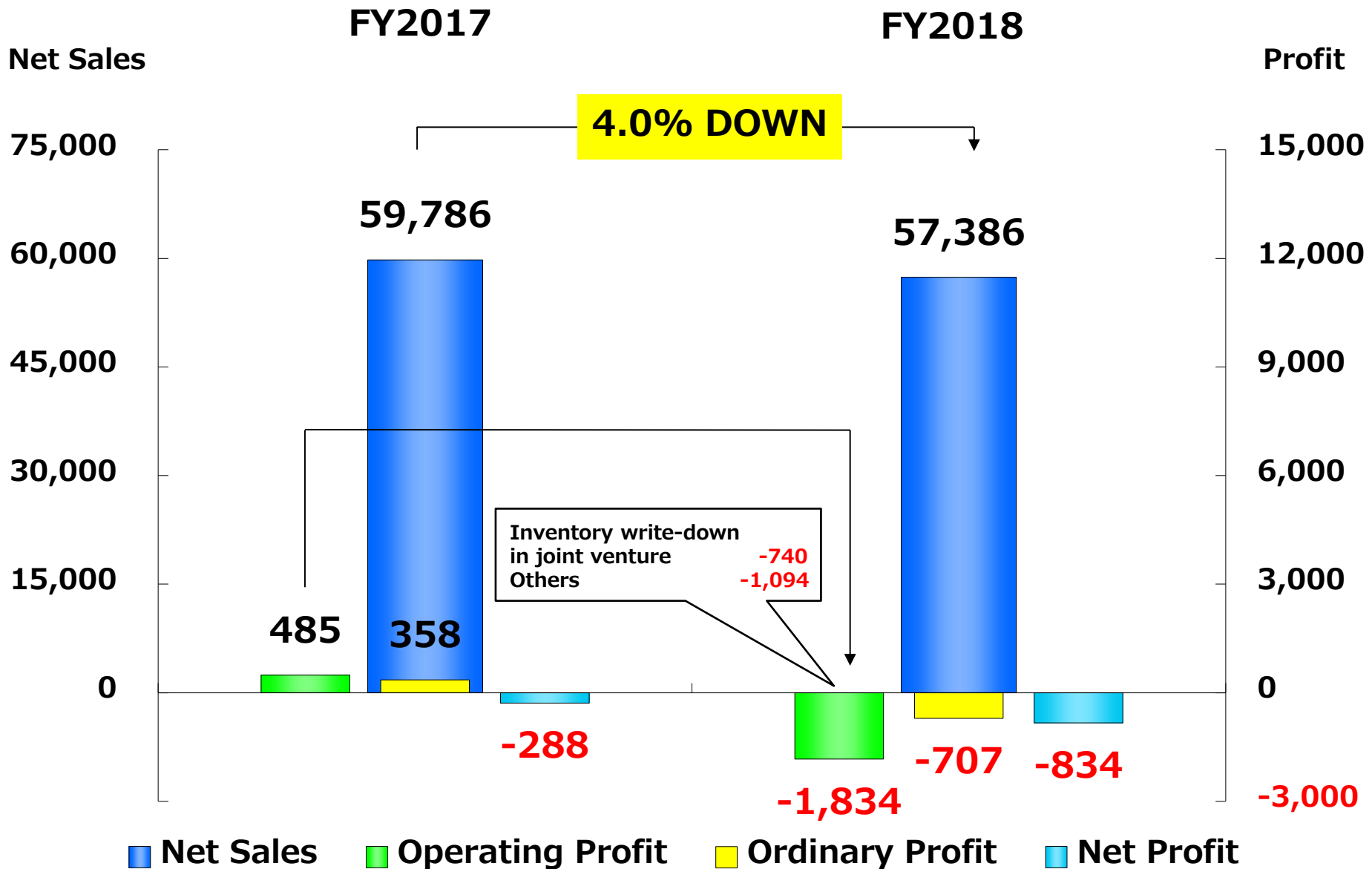
Outline of Financial Statement

Executive Vice President and CFO

KOHEI OHGAKI

<Consolidated> Financial Results

Unit: Million yen



<Consolidated> Operating Expenses

Unit: Million yen

FY2017

FY2018

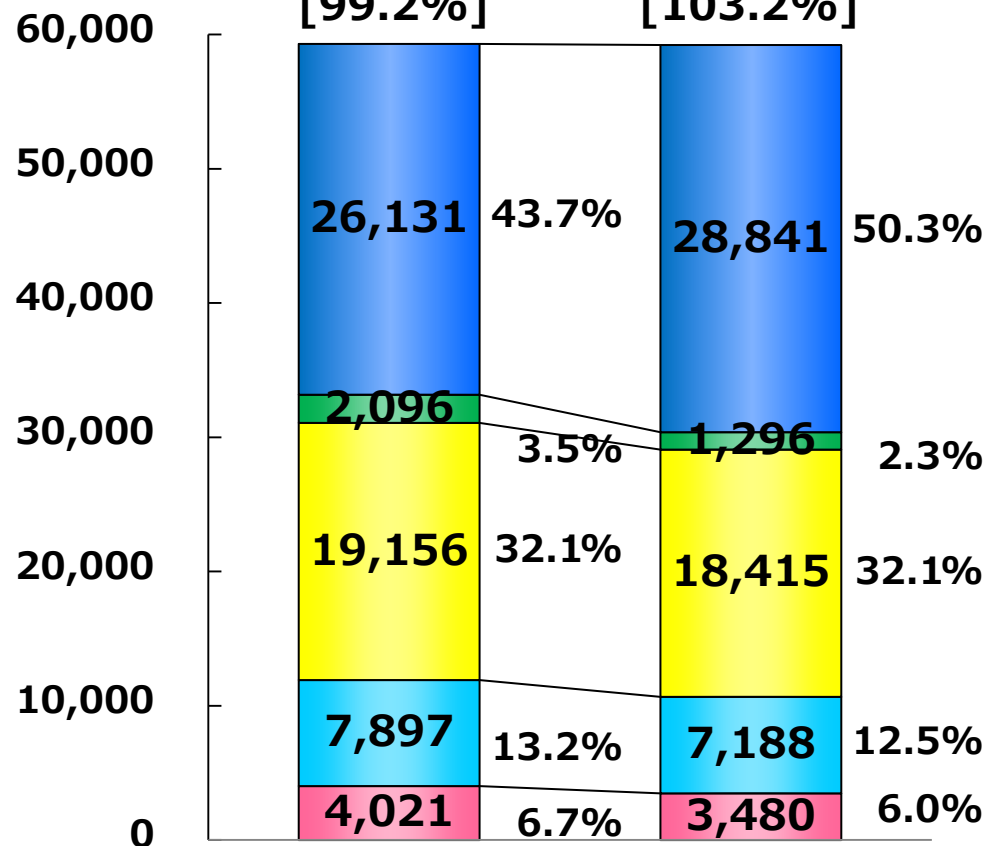
59,301

59,220

[]: Sales Ratio

[99.2%]

[103.2%]



■ Material costs

■ Amount paid to subcontractors

■ Labor costs

■ Expenses

■ Depreciations

- Raise by 5.4%
in ratio of material costs &
amount paid to subcontractors
47.2% → 52.6%
(The ratio of material costs
worsened due to product mix)
- Improved by 0.7%
in ratio of labor costs & expenses
45.3% → 44.6%

Operating
Profit/Loss

485
[0.8%]

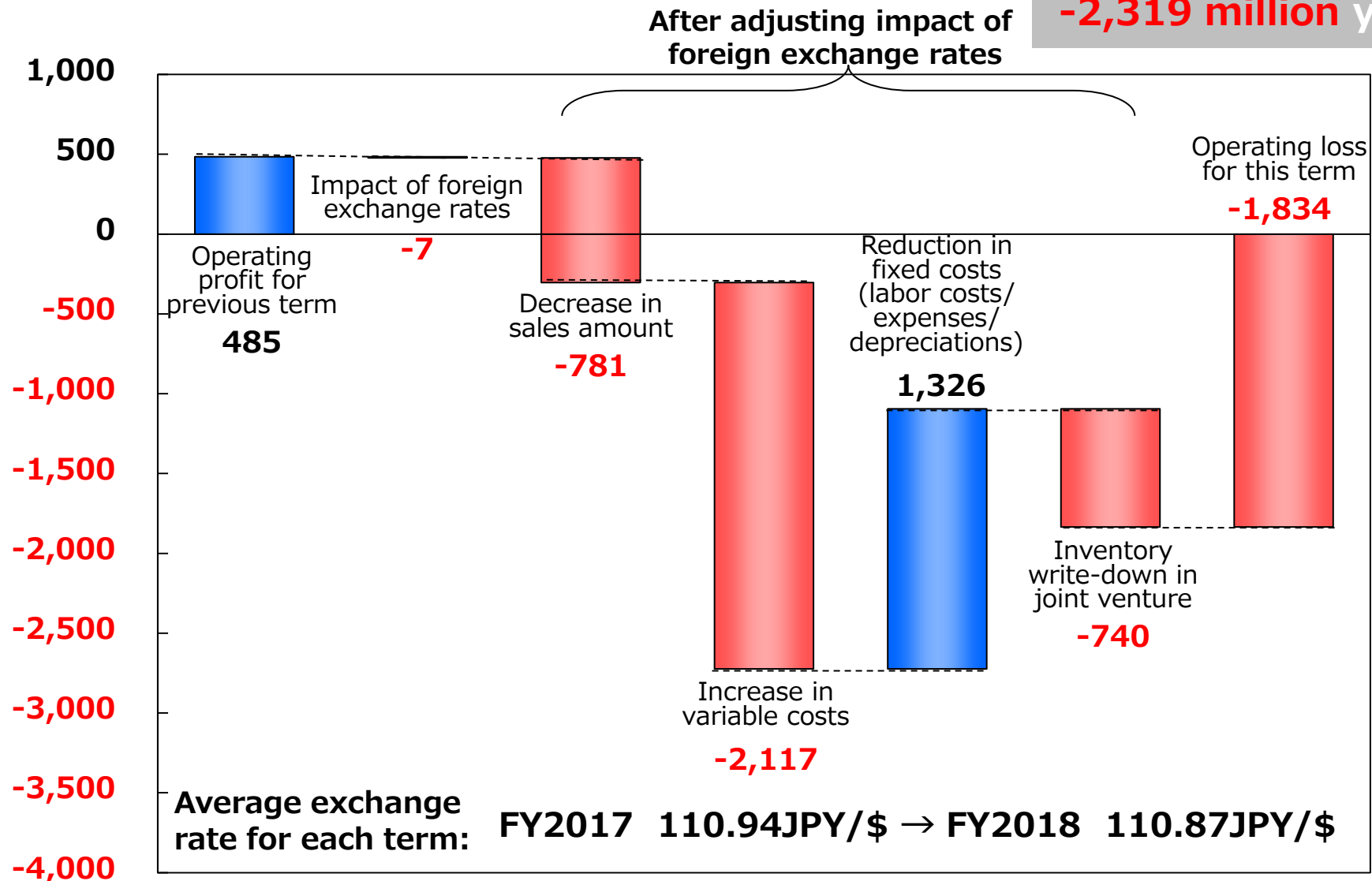
-1,834
[-3.2%]

<Consolidated> Analysis of Sales Expenses

Analysis of factors for increase/decrease
of consolidated operating profit
[FY2017 vs FY2018]

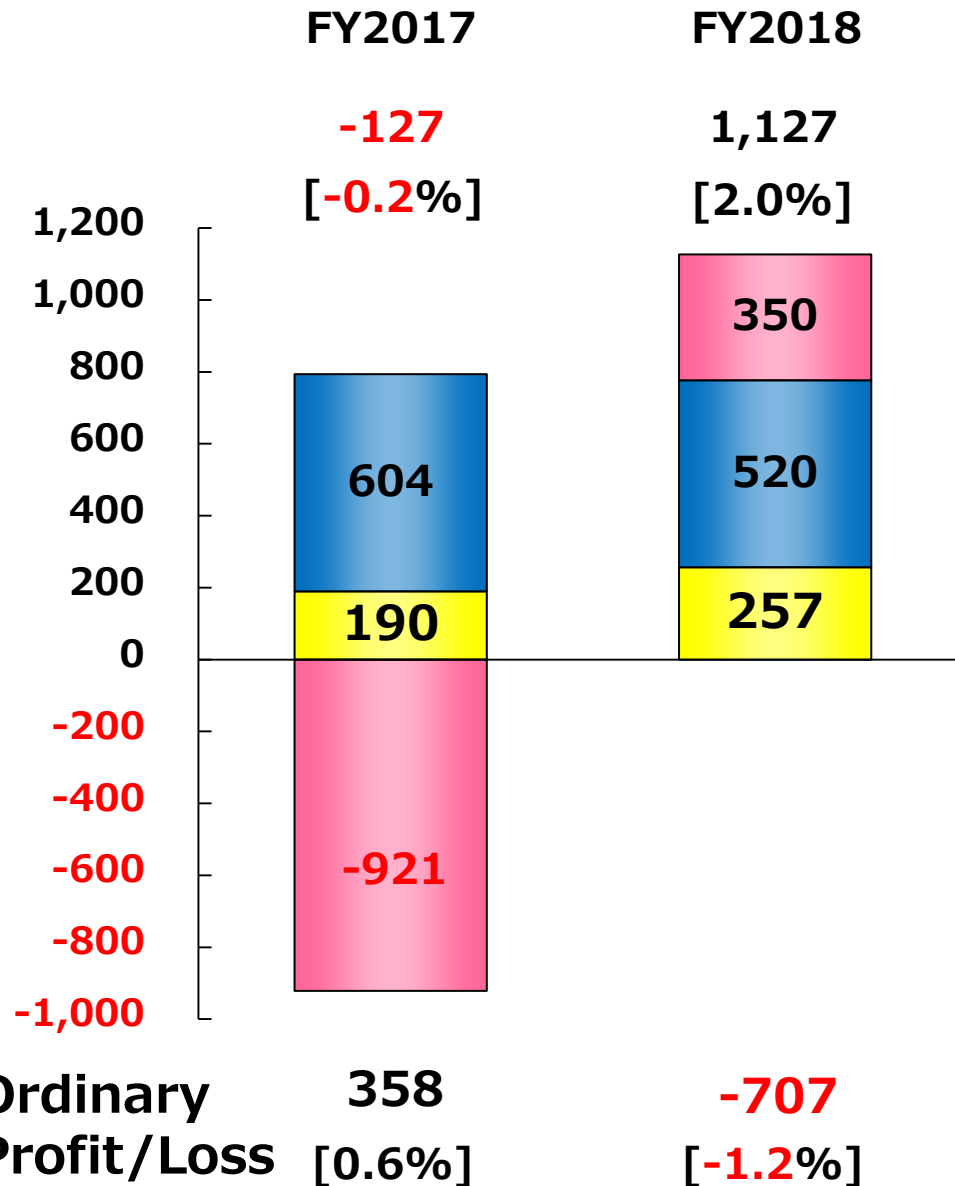
Unit: Million yen

Total
-2,319 million yen



<Consolidated> Non-operating Profit and Loss

Unit: Million yen



[]: Sales Ratio

Foreign exchange profit/loss

Revenue from and expenditure to real estates

Others

【Exchange loss ⇒ Exchange gain】
+ 1,272 million yen

1. FY2017

Mar. 2017 112.19JPY/\$

Mar. 2018 106.24JPY/\$

Yen strengthened by 5.95 yen

2. FY2018

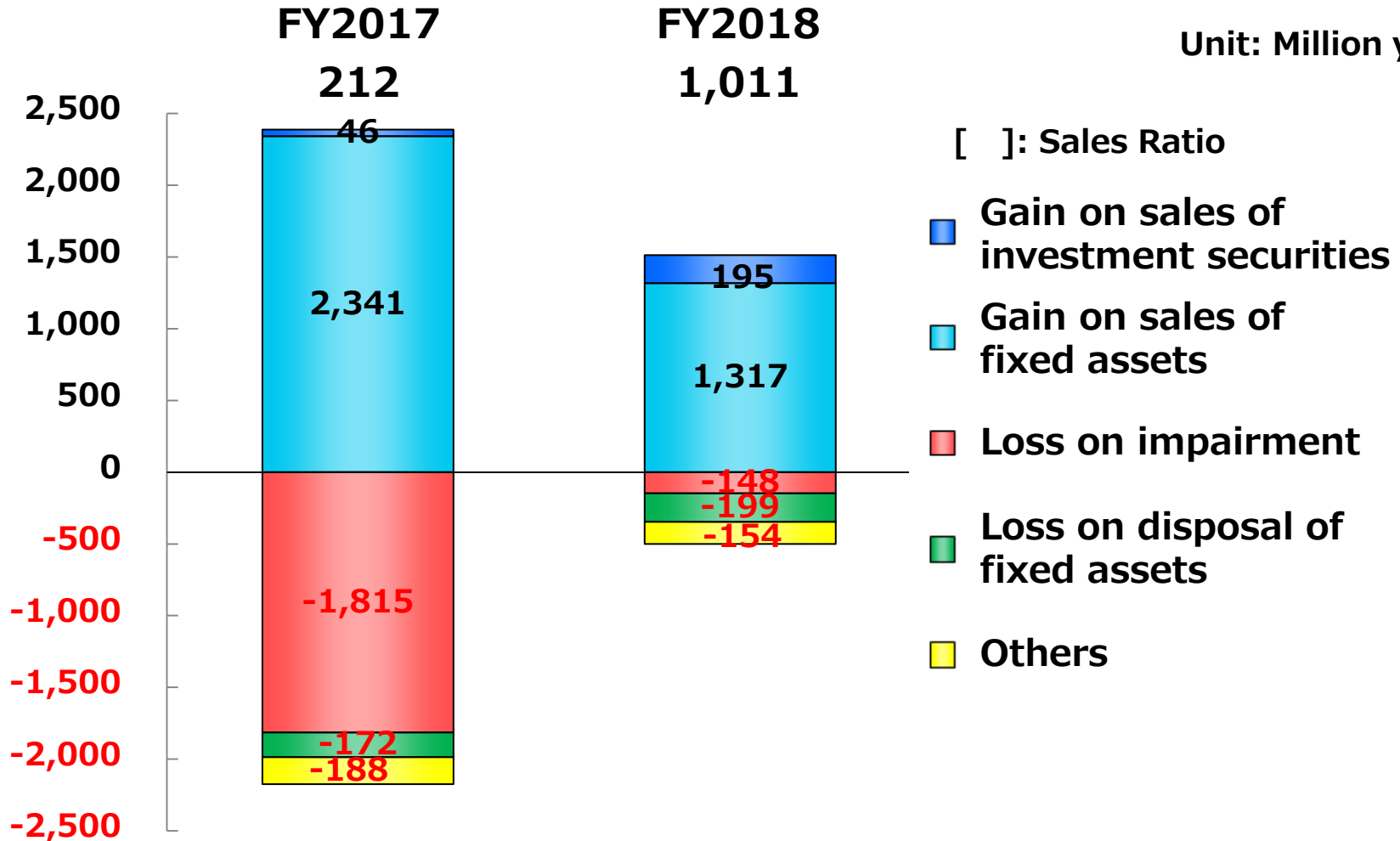
Mar. 2018 106.24JPY/\$

Mar. 2019 110.99JPY/\$

Yen weakened by 4.75 yen

<Consolidated> Extraordinary Profit and Loss

Unit: Million yen



Profit before taxes	570	303
Income taxes	-873	1,138
Loss attributable to non-controlling interests	-14	-
Net Profit/Loss	288	-834
	[-0.5%]	[-1.5%]

<Consolidated> Segment Information

Unit: Million yen

FY2018

	Reporting Segment					Others*	TOTAL
	CS Division	FC Division	TP Division	R&D Center	Total		
Net Sales	21,712	26,007	9,173	471	57,365	21	57,386
Operating Profit (Loss)	258	(412)	(449)	(316)	(919)	(914)	(1,834)

FY2017

	Reporting Segment					Others*	TOTAL
	CS Division	FC Division	TP Division	R&D Center	Total		
Net Sales	28,422	21,420	9,581	354	59,779	7	59,786
Operating Profit (Loss)	3,401	(1,250)	(756)	(358)	1,036	(551)	485

*Others: Other components business, lease, real-estate rental, and worker dispatching undertaking

<Consolidated> Cash Position

Unit: Million yen

	Mar. 2018 (A)	Mar. 2019 (B)	Differential (B – A)
Assets	61,474	58,713	(2,761)
Cash and cash equivalents	10,599	10,889	289
Accounts receivable	15,251	14,496	(754)
Inventories	8,775	8,071	(704)
Fixed assets	25,465	24,430	(1,035)
Liabilities	30,837	30,101	(735)
Accounts payable and accrued expenses	8,726	6,792	(1,933)
Interest-bearing debt	17,258	18,865	1,606
Net assets	30,637	28,612	(2,025)
Common stock	7,996	7,996	–
Capital adequacy ratio	49.8%	48.7%	(1.1)%

<Consolidated> Cash Flow Position

Unit: Million yen

	FY2017	FY2018
Cash flow from operating activities	2,788	1,608
Working capital	(658)	(678)
Profit before taxes	570	303
Depreciation	4,187	3,664
Others	(1,311)	(1,681)
Cash flow from investing activities	(787)	(2,091)
Free cash flow	2,001	(483)
Cash flow from financing activities	(1,774)	997
Increase/decrease in interest-bearing debt	(1,185)	1,614
Increase/decrease in treasury stock	(4)	(344)
Dividends paid	(594)	(264)
Initial balance	10,011	10,482
Final balance	10,482	10,776

Financial Forecast and Annual Dividend

%: Increase (decrease)
ratio to previous term

(1) Forecast of Consolidated Financial Results

	Net Sales		Operating Profit (Loss)		Ordinary Profit (Loss)		Net Profit (Loss)	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2018	57,386	(4.0)	(1,834)	—	(707)	—	(834)	—
FY2019 Forecast	57,600	0.4	600	—	1,100	—	700	—

(2) Annual Dividend

	At second quarter end	At fiscal year end	Annual
FY2018	—	50.00 yen	50.00 yen
FY2019 Forecast	—	50.00 yen	50.00 yen

FY2018 Result and FY2019 Prospect

President, CEO and COO

YASUMITSU IKEDA

SMK Executive Appointment (June 25, 2019)

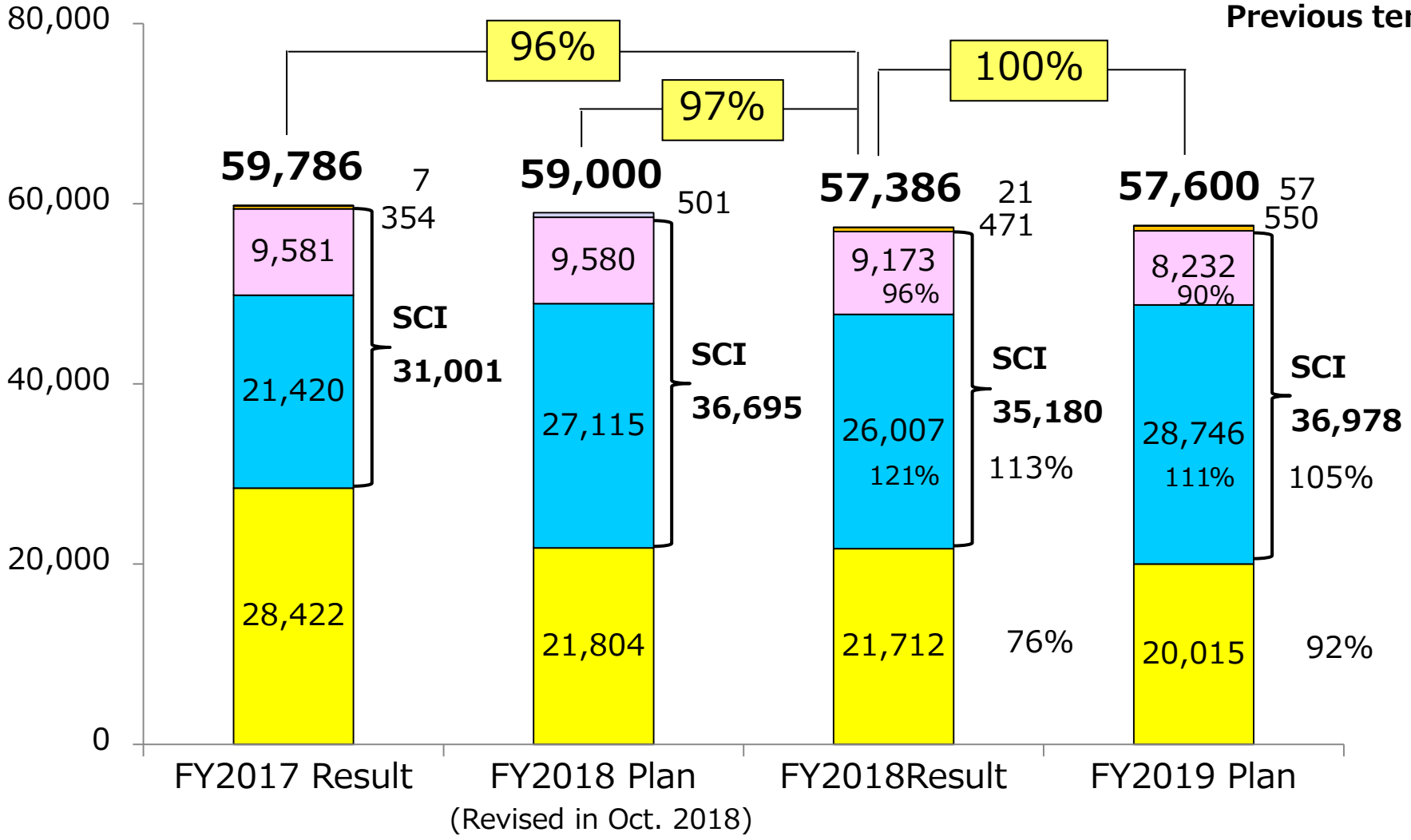
13/22

1. New Director Candidate	New Post	Present Post	Name
	Director and Executive Vice President Transnational Sales Division, Sales Division (Division Director), Sales for Asia Area Business	Executive Vice President Transnational Sales Division, Sales Division (Division Director), Sales for Asia Area Business	Tetsuo Hara
2. Retiring Director	New Post	Present Post	Name
	Senior Adviser SCI Division	Director and Executive Vice President SCI Division (Adviser)	Mikio Wakabayashi
3. New Auditor Candidate	New Post	Present Post	Name
	Auditor (Outside)	Adviser of NIPPON CARBIDE INDUSTRIES CO.,INC.	Fumio Nishimura
4. Retiring Auditors	New Post	Present Post	Name
	Expiration of the term of office	Full-time Auditor Chairman of Auditors' Meeting	Tetsuya Nakamura
	Expiration of the term of office	Auditor (Outside)	Ichiro Shimizu
5. Retiring Vice Presidents	New Post	Present Post	Name
	Adviser General Affairs Dept., Secretarial Dept., President of Showa Enterprise Corporation	Vice President General Affairs Dept. (Adviser), Secretarial Dept. (Adviser), President of Showa Enterprise Corporation	Hideo Matsumoto
	Adviser Sales Division	Vice President Sales Division (Adviser)	Hiroshi Miyakawa

Net Sales by Product Division (FY2017-FY2019)

Unit: Million yen

%: Compared to Previous term



Exchange rate

1USD=110.94JPY

1H: 110.09JPY
2H: 110.00JPY

110.87JPY

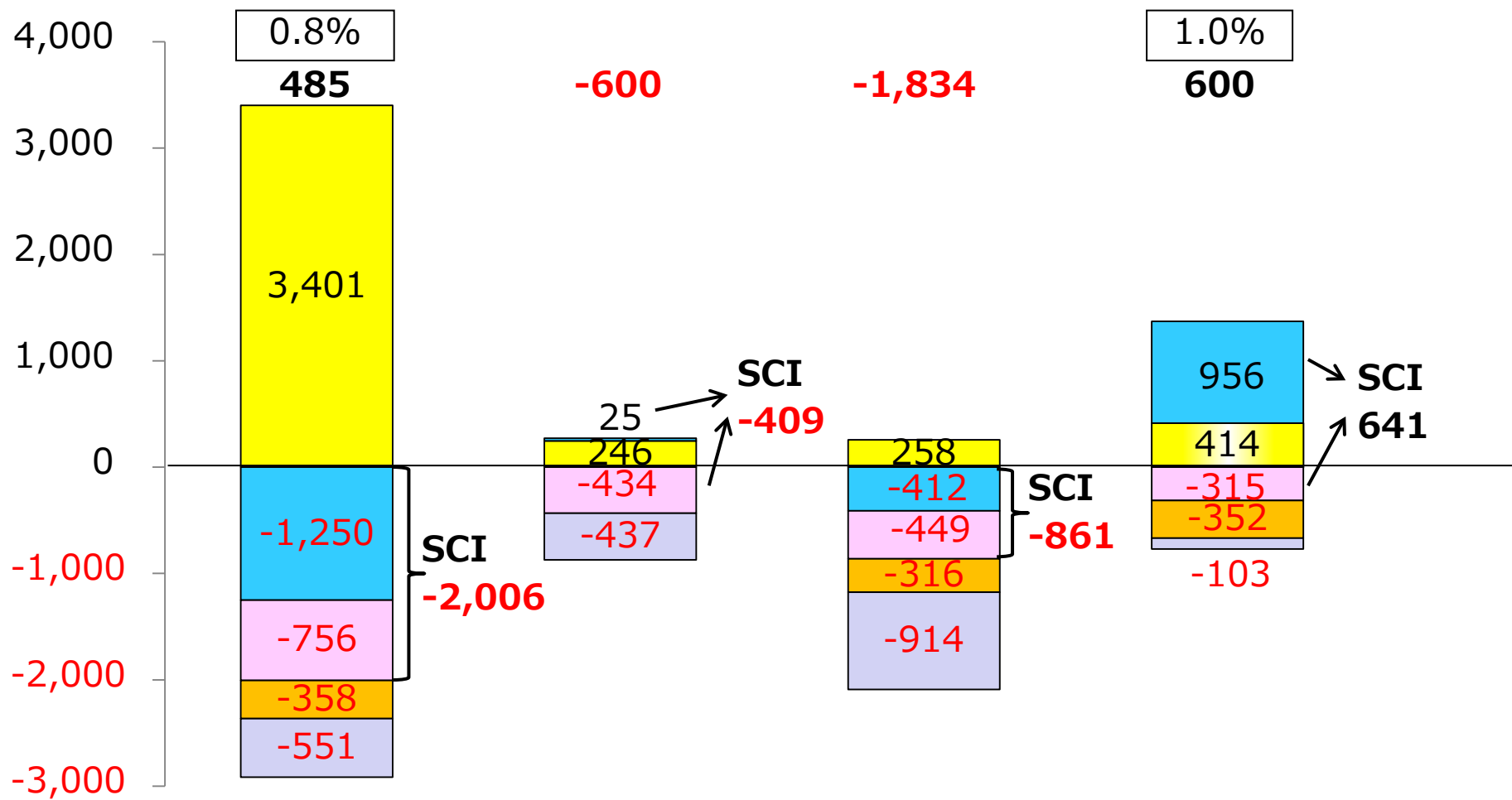
108.00JPY



Operating Profit by Product Division (FY2017-FY2019)

Unit: Million yen

Profitability (%) = Profit/Sales



FY2017 Result FY2018 Plan (Revised in Oct. 2018) FY2018 Result FY2019 Plan

Exchange rate

1USD=110.94JPY

1H: 110.09JPY
2H: 110.00JPY

110.87JPY

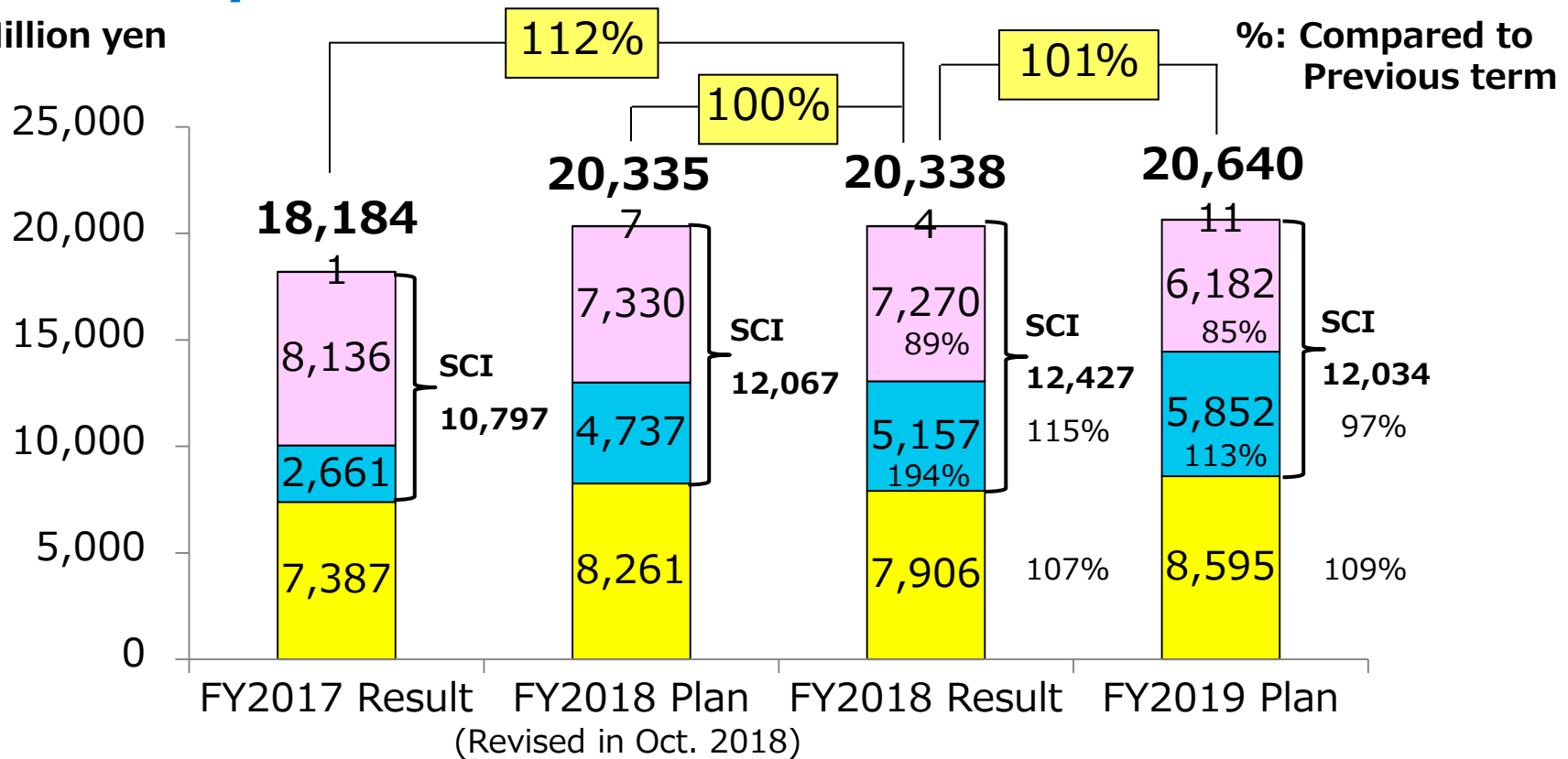
108.00JPY

CS FC TP R&D Others

Reference: <Car Electronics Market>

Net Sales by Product Division (FY2017-FY2019)

Unit: Million yen



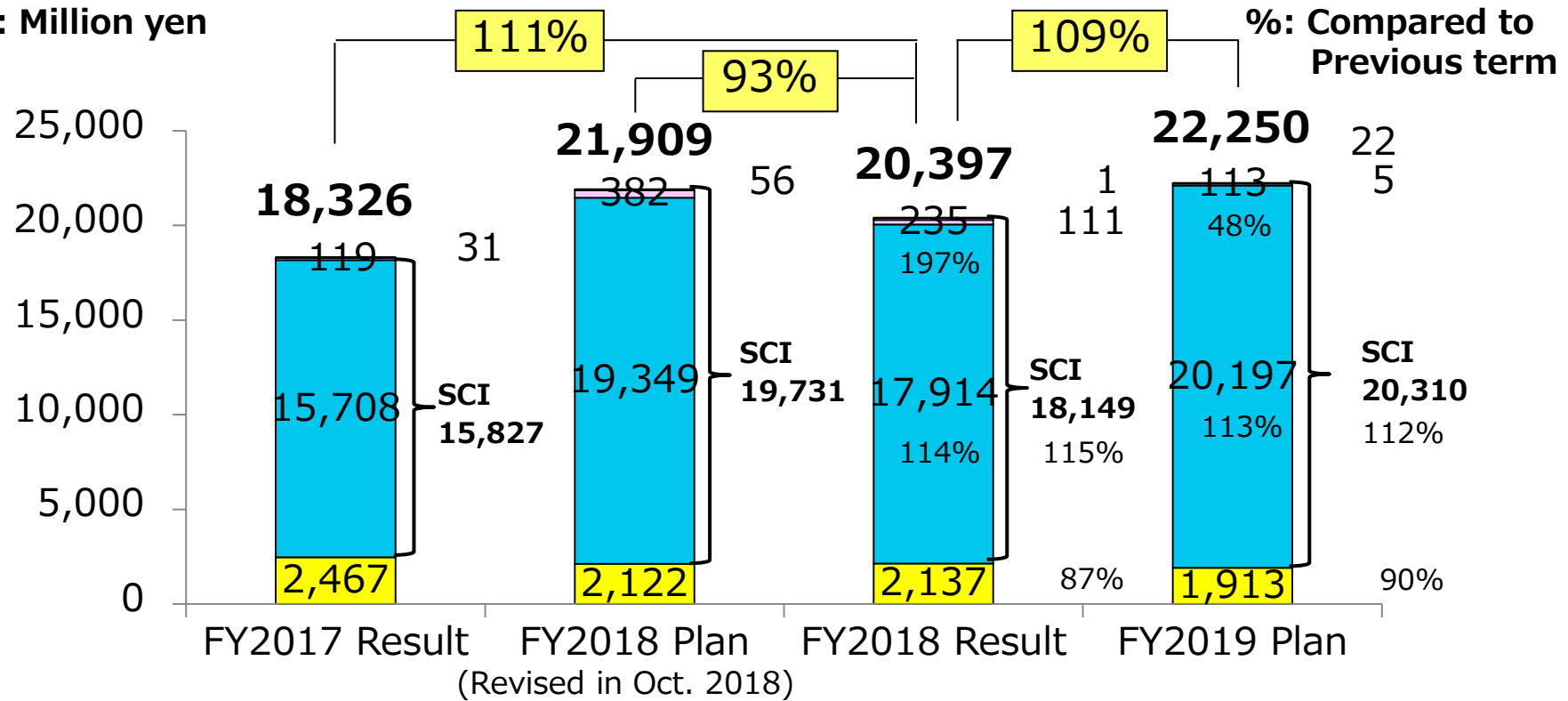
<Growth Strategy in the Car Electronics Market>

1. Develop new products adapted to the "CASE" era.
2. Strengthen approach to car manufacturers.

Reference: <Home Appliance Market>

Net Sales by Product Division (FY2017-FY2019)

Unit: Million yen



Exchange rate

1USD=110.94JPY

1H: 110.09JPY
2H: 110.00JPY

110.87JPY

108.00JPY

CS

FC

TP

R&D

Others

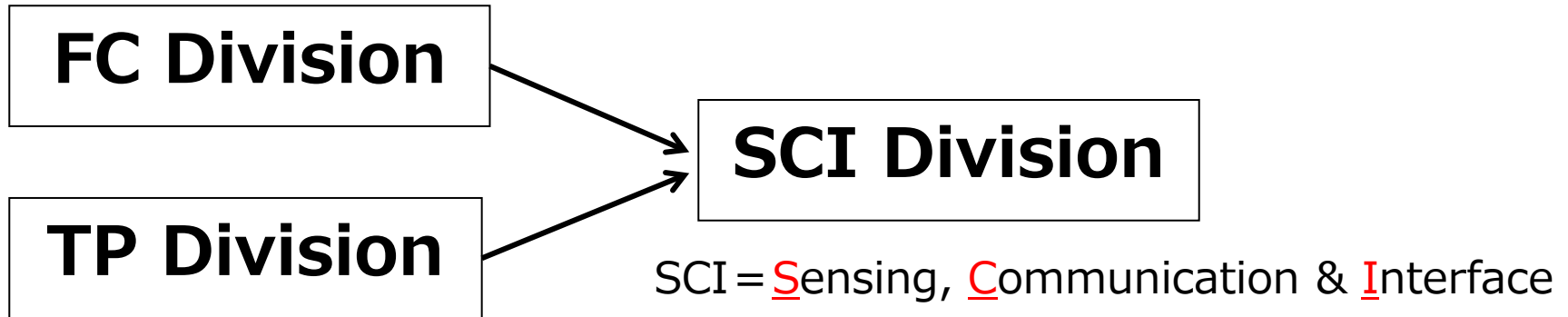
<Growth Strategy in the Home Appliance Market>

1. Focus on growing applications and customers.
2. Develop new products and expand solution sales.

- 1. Restore profitability
by reducing break-even point.**
- 2. Expand business
by enhancing cooperation
between new system of
Product & Sales Div.**
- 3. Create new business
through open innovation.**

Organization Change (effective as of April 1, 2019)

<Consolidation of Product Divisions>



<Vision>

SCI Division creates "Only One" products, focusing on development of "Sensing technology" supporting the IoT era, "Communication technology" contributing to the advancement of an information society and "Interface technology" pursuing better operability in automotive and other application.

<Objective>

Create new business and products through integrating FC and TP technologies and pursue efficient operation.

<New Organizations>

- Sales Engineering Dept.: Strengthen the function of sales engineer
- PM Sec.: Strengthen the function of project manager

Organization Change (effective as of April 1, 2019)

<New Structure of Sales Division>

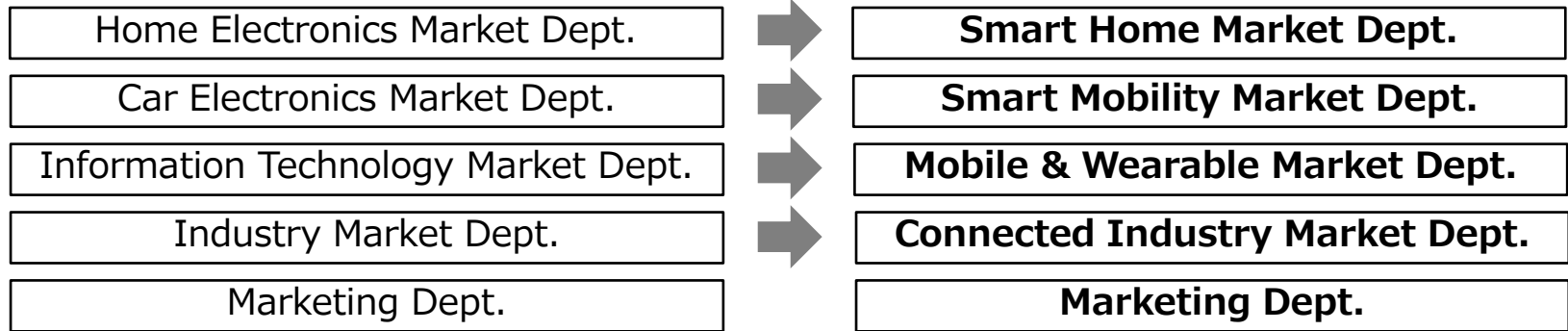
1. Personnel Change of Sales Division Director

Mikio Wakabayashi
Director and Executive Vice President



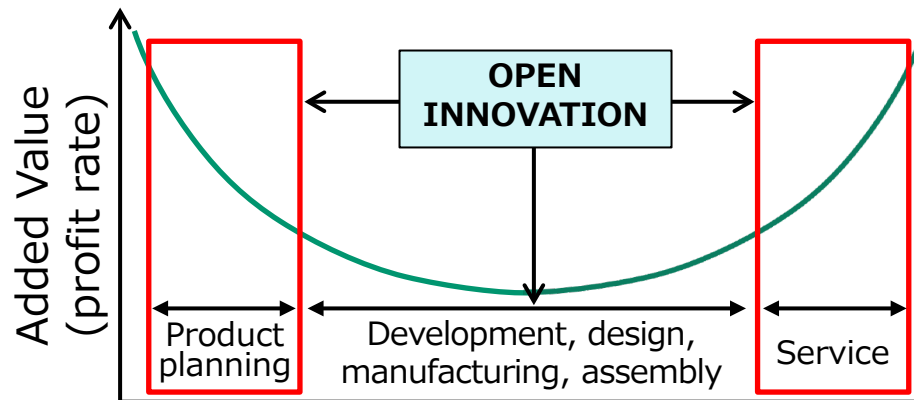
Tetsuo Hara
Director and Executive Vice President
(From June 25, 2019)

2. Reorganization Based on the Redefinition of Target Market



3. Establishment of Business Development Sec. for Creation of New Business

<New> Business Development Sec.



Business Development Sec.:
Propose solutions from upstream (customer's product planning) to downstream (service).

□ : Scope of Business Development Sec.

Business Flow of Manufacturing Industry

Approach to New Business

Caaresys



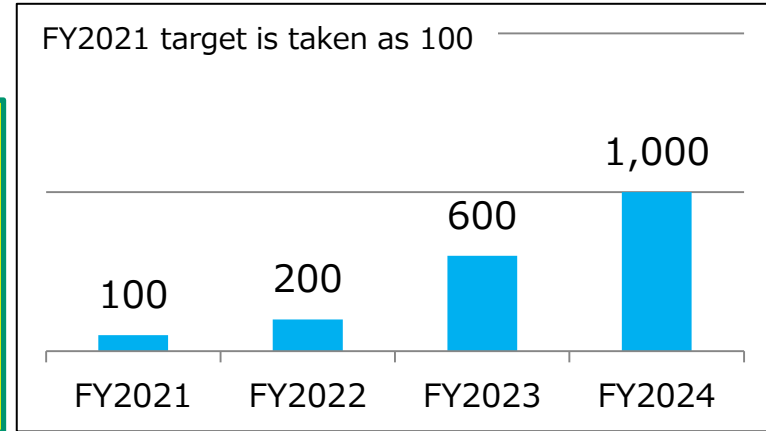
Contactless Occupancy Detection/ Biometric Sensor



Prevent leaving children in vehicle

Prevent drowsy driving

【SMK's Sales Target】



CoreNetix



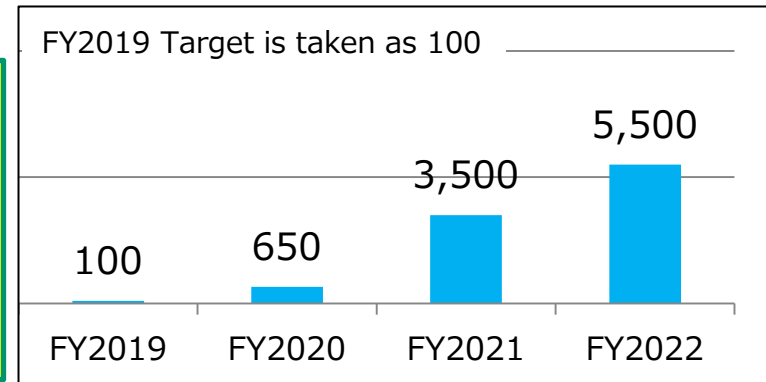
IP500® (LPWA Module)



CNX Series

Inside building/factory management

【SMK's Sales Target】



Notice

All information in this material concerning the forecast of business achievements, projections of general business conditions and our business strategies is dependent on our conclusion made to a normally foreseeable extent applying information reasonably accessible to us at the time of preparation of this material.

However, the reality is that it contains risks and uncertainties which may cause result to materially differ from business projections, stated or implied, due to situations which are unforeseeable under normal conditions, or of results which are beyond a reasonably foreseeable outcome at that time.

Despite our active efforts to disclose information which is considered to be important to investors of our company, total dependence on the business projections in this material, stated or implied, must be refrained from when decisions of any kind are made regarding our company.

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