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# ***Business Report for FY2008***

***-From Apr.2008 to Sept.2008-***

**SMK Corporation**

**October, 2008**

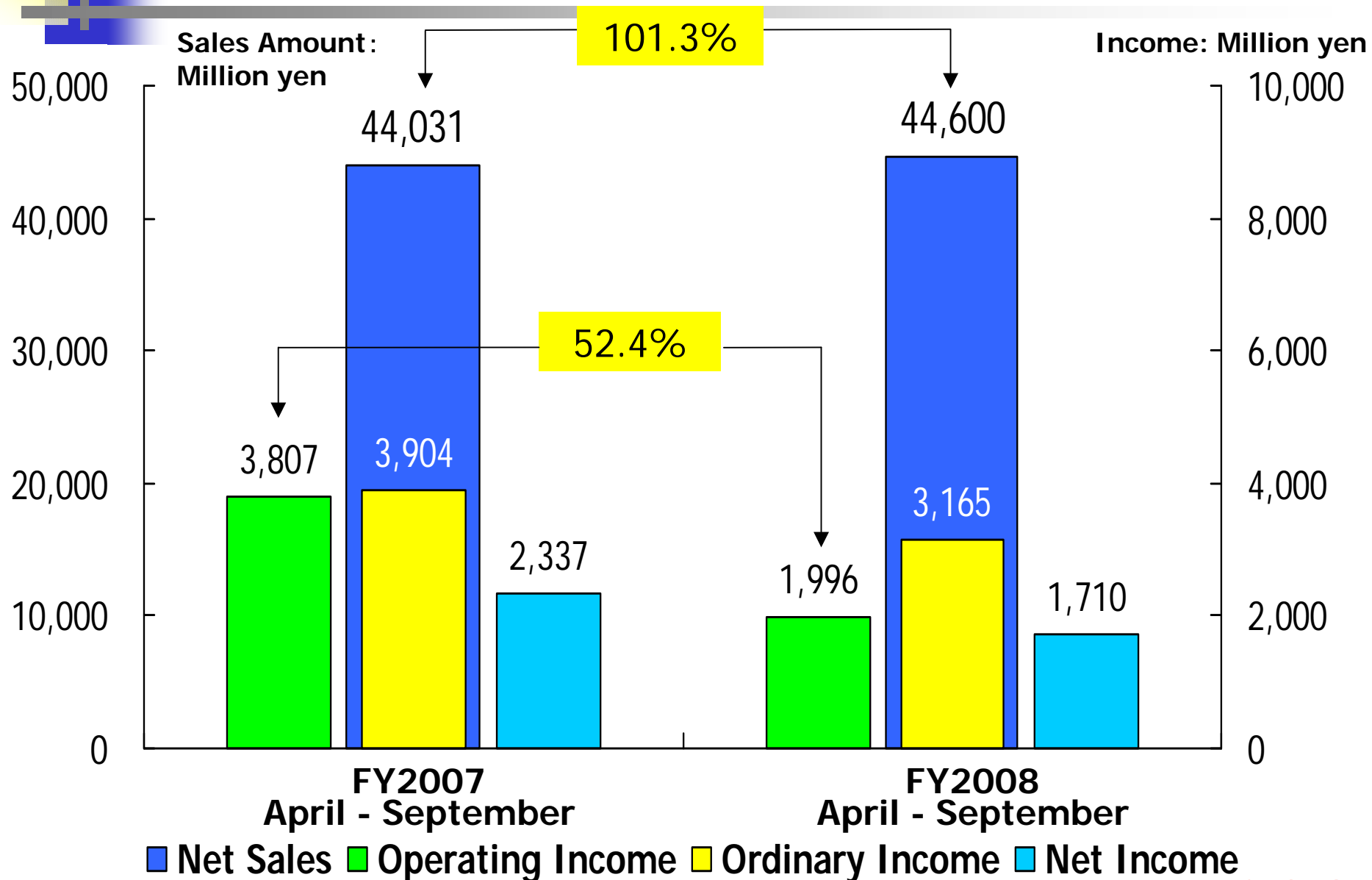


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# **FY2008 Outline of 2Q Financial Statement**

**Director and Executive Vice President  
Hajime Yamada**

## &lt;Consolidated&gt; 2Q Financial Result (April to September)



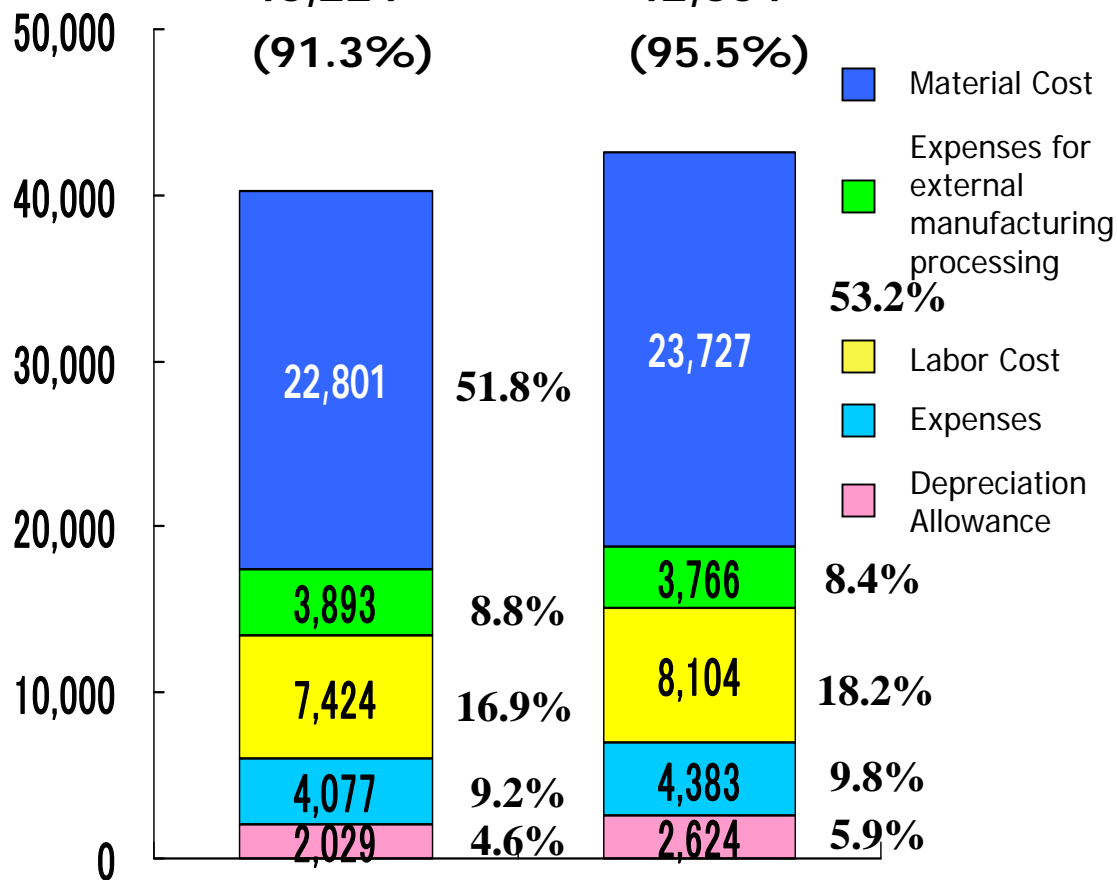
# <Consolidated> Sales Expenses

(Unit: Million yen)

**FY2007**  
Apr-Sept  
40,224  
(91.3%)

**FY2008**  
Apr-Sept  
42,604  
(95.5%)

( ):Ratio to total sales



[(Material Cost+External Manufacturing Processing) worsened by 1.0%]  
60.6%→61.6%  
Approx. 454 million yen

[Labor Cost Increase by 680 million yen]  
Newly Consolidated Subsidiary Companies (3 companies 300 people) and Increase in workers in overseas works  
FY2007/Apr.-Sept. 13,000 people  
FY2008/Apr.-Sept. 13,400 people } Increase by 400 people  
Main works reporting increase  
Malaysia, the Philippines

Operating Income

3,807

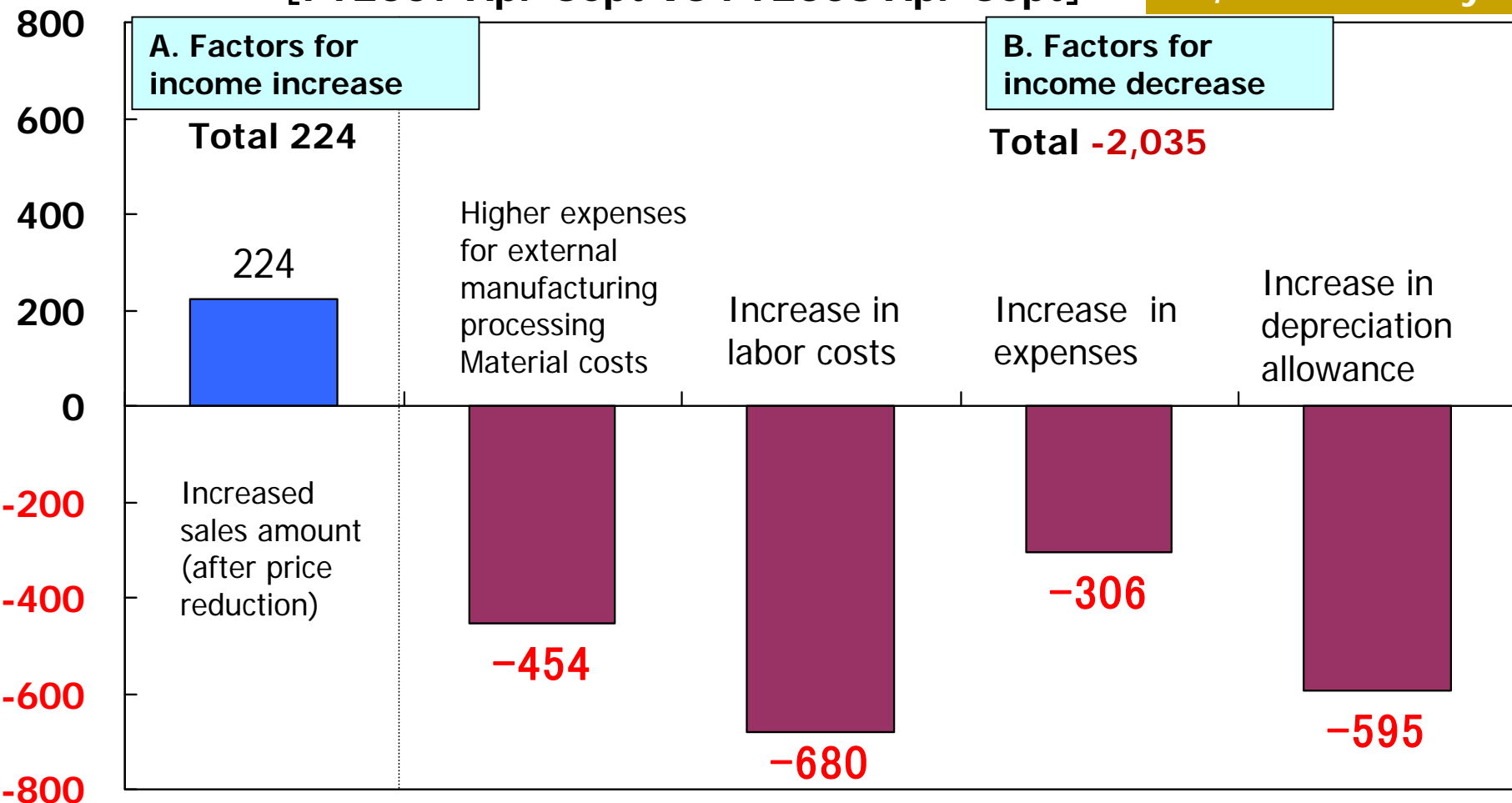
1,996

# <Consolidated> Analysis of Sales Expenses

(Unit: Million yen)

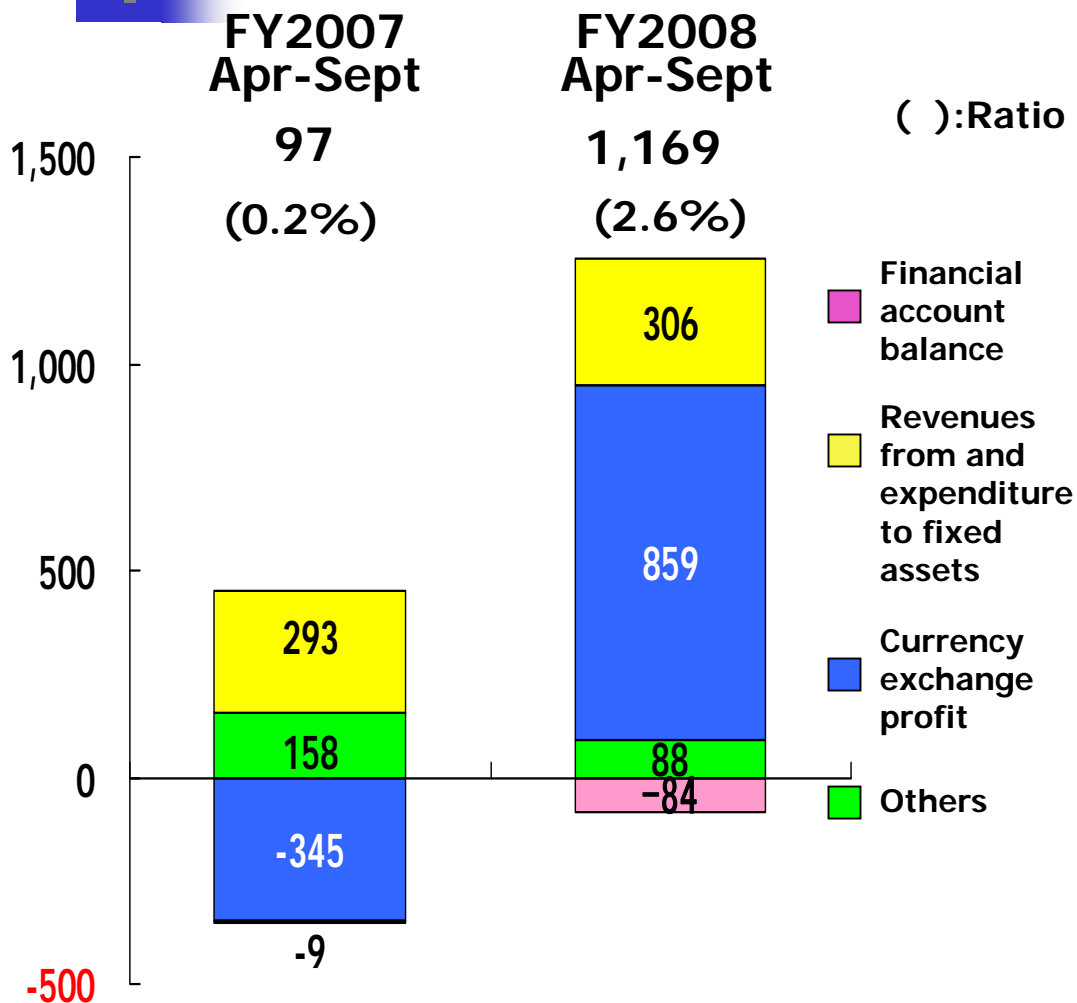
Analysis of factors for increase/decrease of consolidated operating income  
[FY2007 Apr-Sept VS FY2008 Apr-Sept]

**Net Total**  
**-1,811 million yen**



# <Consolidated> Non-operating income and loss

(Unit: Million yen)



( ):Ratio to total sales

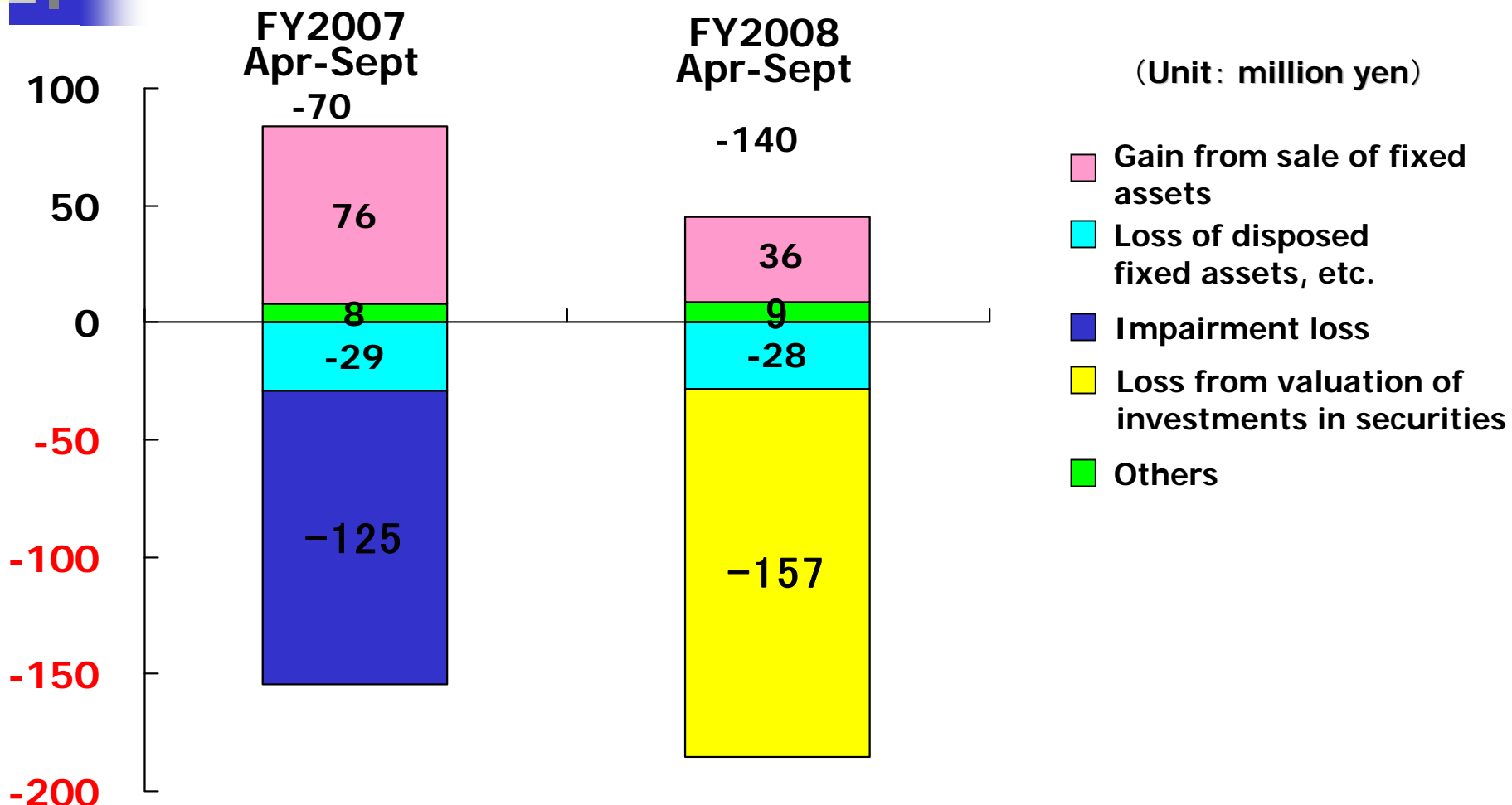
Comparison to the same quarter of the previous year +1,072 million yen  
 Increase in currency exchange profit +1,204 million yen  
 Previous 2Q Yen higher by 2.62 yen  
 (At the end of September 2007)  
 [118.05 (Mar. 07)-115.43 (Sept. 07)]  
 Current 2Q Yen lower by 3.38 yen  
 (At the end of September 2008)  
 [100.19 (Mar. 08) - 103.57 (Sept. 08) ]

Ordinary Income

3,904

3,165

# <Consolidated> Extraordinary gain or loss



Income before income taxes	3,834	3,025
Income taxes (Current and deferred)	-1,497	-1,315
<b>Net income</b>	<b>2,337</b>	<b>1,710</b>

# <Consolidated> Financial Highlights (Quarterly)

## 1. FY2008 Prospect

(Unit: Million yen)

	1st Half Term			2nd Half Term		Fiscal Term
	1Q (Apr 08~ June 08) (Result)	2Q (July 08~ Sept 08) (Result)	Total (Apr 08~ Sept 08) (Result)	Total (Oct 08~ Mar 09) (Prospect)		(Apr 08~ Mar 09) (Prospect)
① Net Sales Compared to last fiscal term (%)	21,357	23,243	44,600	42,000		86,600
		98.4	101.3	96.3		98.8
② Operating Income Compared to last fiscal term (%)	1,067	929	1,996	1,604		3,600
		44.5	52.4	86.8		63.7
③ Ordinary Income Compared to last fiscal term (%)	2,141	1,024	3,165	1,935		5,100
		66.6	81.1	457.4		117.9
④ Net Income Compared to last fiscal term (%)	1,493	217	1,710	1,090		2,800
		29.4	73.2	-		133.7

## 2. FY2007 Result

(Unit: Million yen)

	1st Half Term			2nd Half Term			Fiscal Term
	1Q (Apr 07~ June 07)	2Q (July 07~ Sept 07)	Total (Apr 07~ Sept 07)	3Q (Oct 07~ Dec 07)	4Q (Jan 08~ Mar 08)	Total (Oct 07~ Mar 08)	(Apr 07~ Mar 08)
① Net Sales Compared to last fiscal term (%)	20,421	23,610	44,031	22,940	20,688	43,628	87,659
		113.5	112.0	117.5	102.2	109.7	110.9
② Operating Income Compared to last fiscal term (%)	1,719	2,088	3,807	1,541	306	1,847	5,654
		119.6	114.9	169.3	32.4	99.7	109.4
③ Ordinary Income Compared to last fiscal term (%)	2,366	1,538	3,904	1,652	-1,229	423	4,327
		70.4	101.8	141.1	-203.7	18.0	69.9
④ Net Income Compared to last fiscal term (%)	1,598	739	2,337	913	-1,156	-243	2,094
		56.8	100.1	112.7	-310.9	-117.9	56.7





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# **FY2008 2Q Result and Prospect**

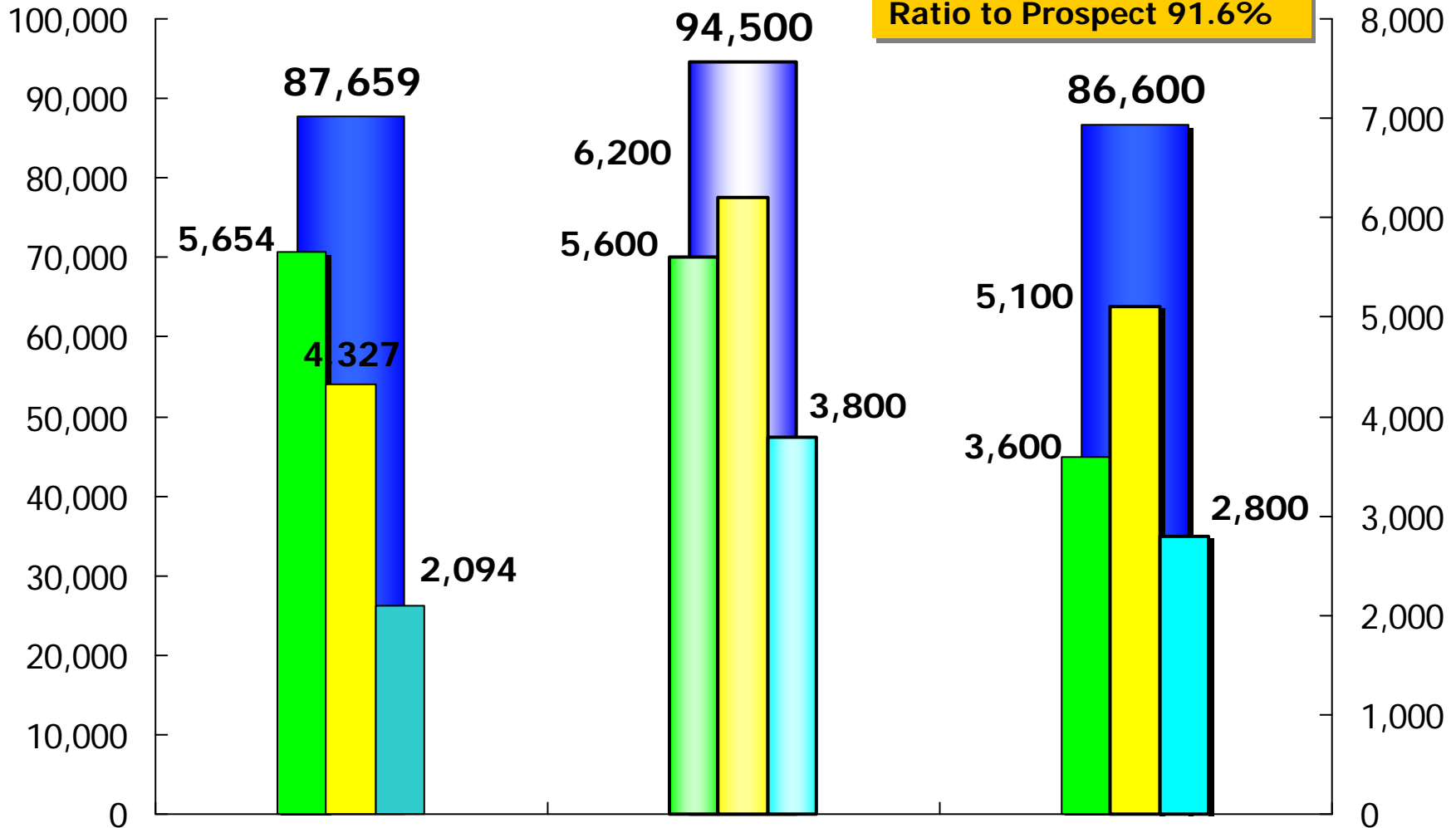
**President and COO Tetsuya Nakamura**

# Trends in Net Sales and Income by Fiscal Term (FY2007 ~ FY2008)

Income: Million yen

Ratio to FY2007 98.8%  
Ratio to Prospect 91.6%

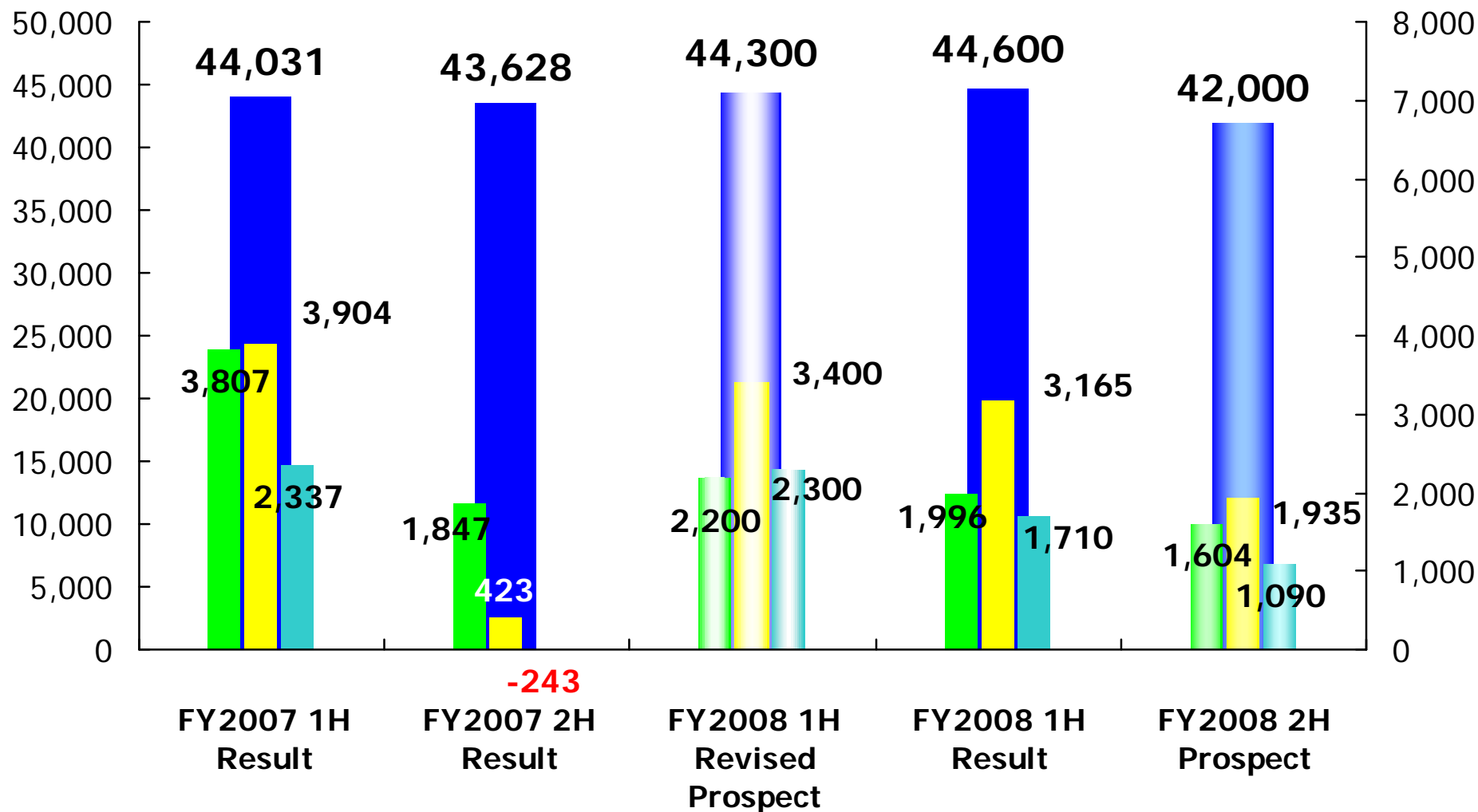
Net Sales: Million yen



# Trends in Net Sales and Income by Half Term (FY2007 ~ FY2008/2H)

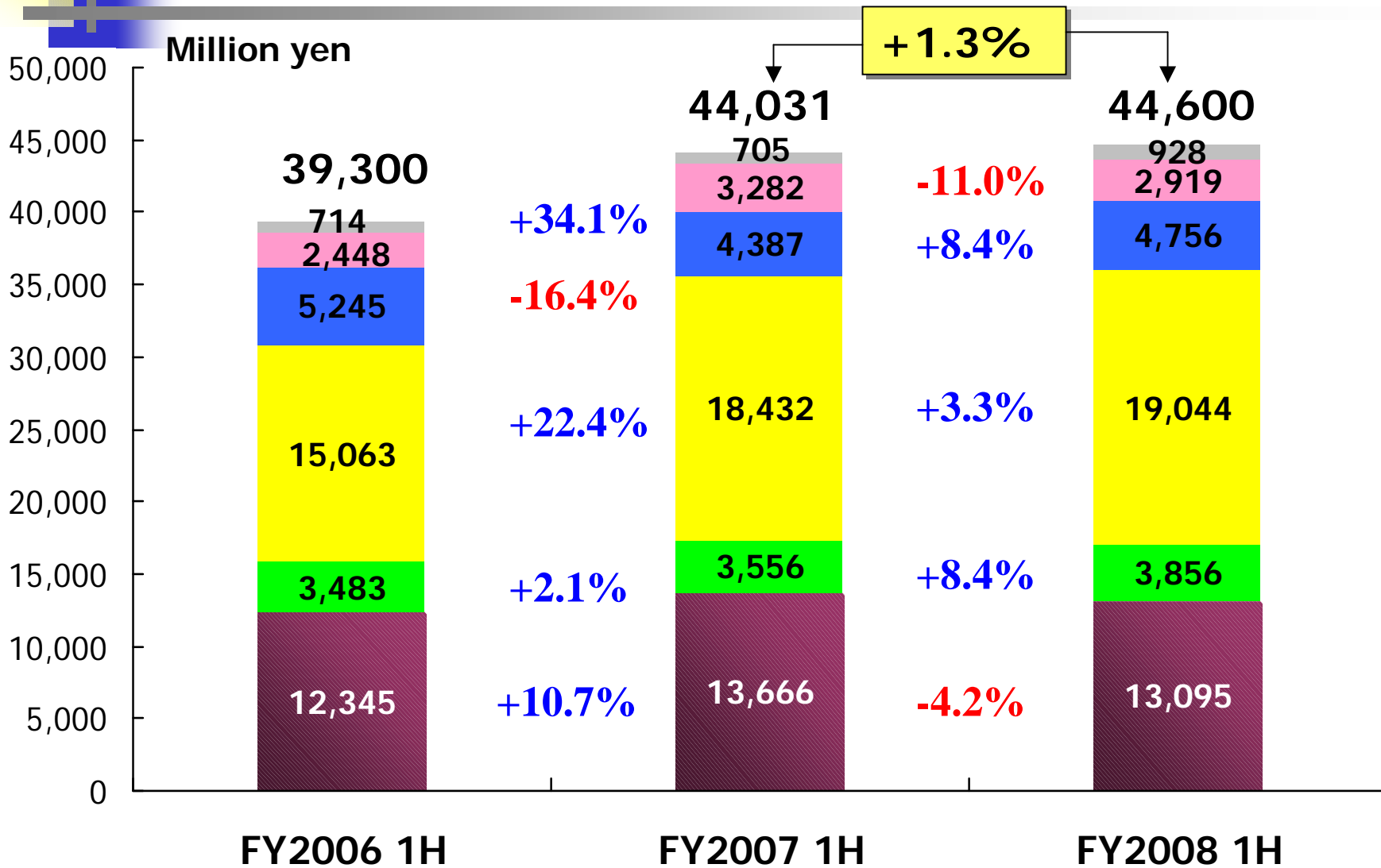
Net Sales: Million yen

Income: Million yen



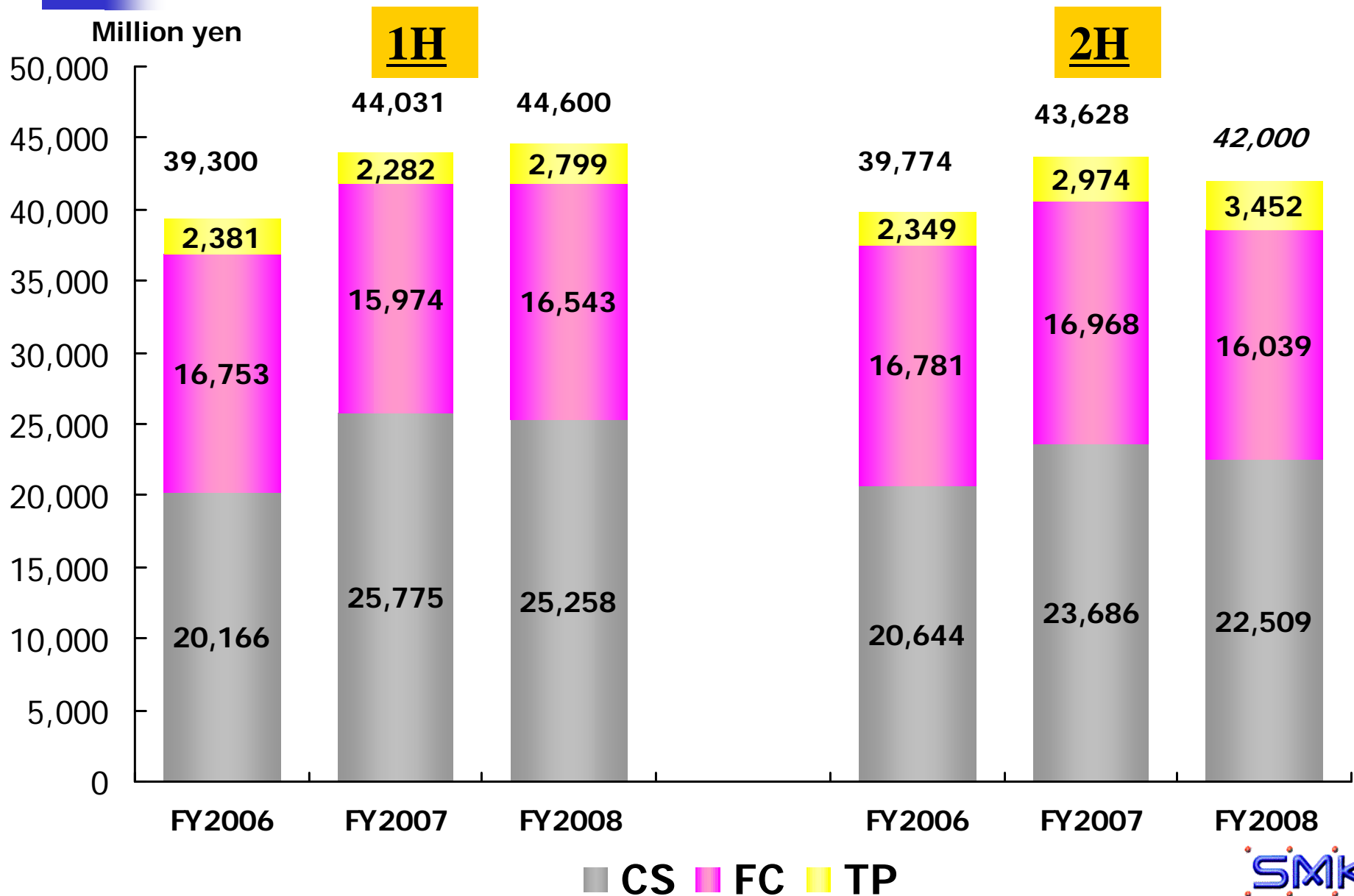
■ Net Sales   
 ■ Operating Income   
 ■ Ordinary Income   
 ■ Net Income

# 1H Net Sales by Market (FY2006 ~ FY2008)

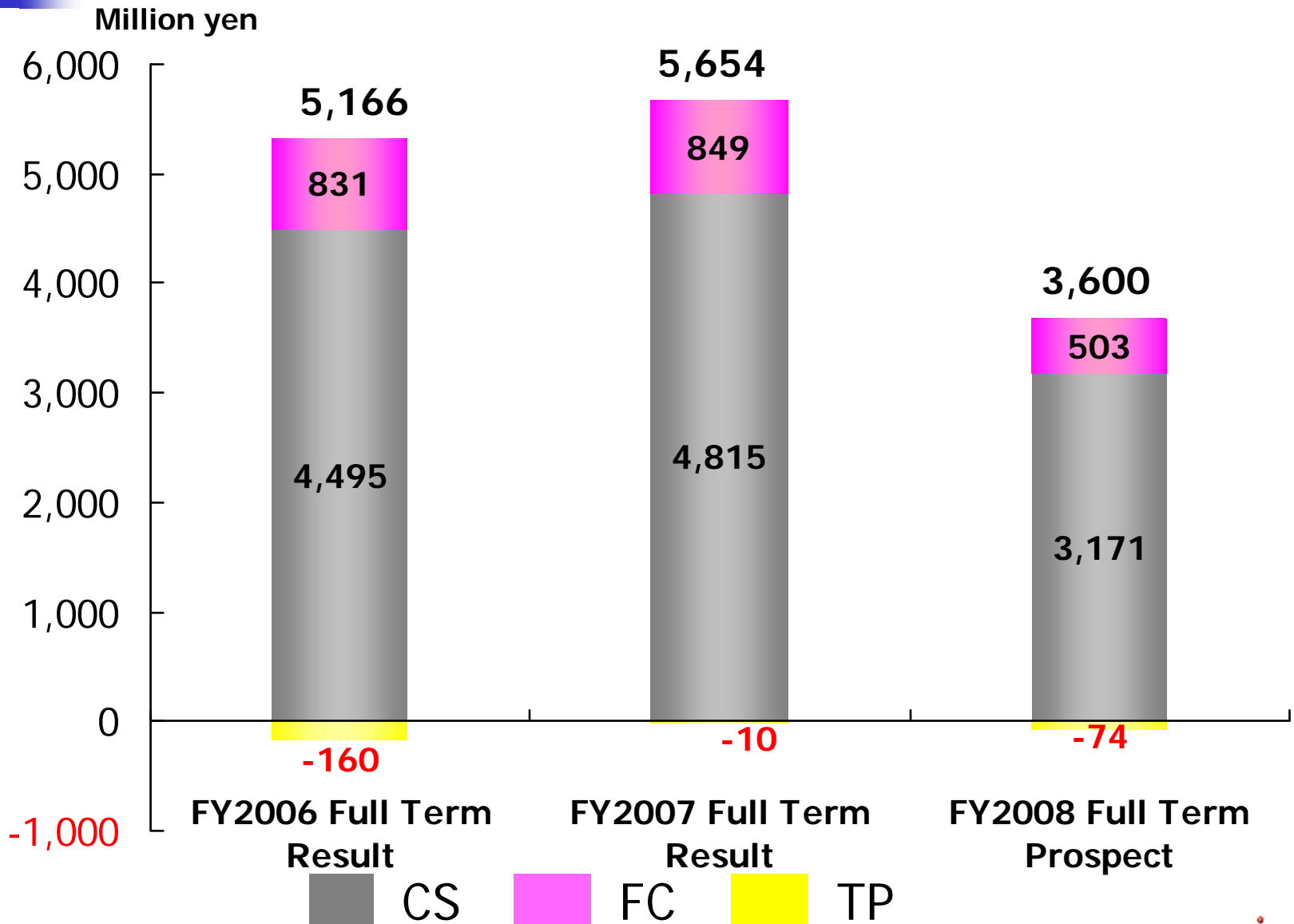


- Audio & Visual
- Car electronics
- Telecom
- Computer
- Amusement & Appliance
- Others

# Reference: Net Sales by Product Division 1H and 2H (FY2006~FY2008)



# Reference: Operating Income by Product Division (FY2006~FY2008)

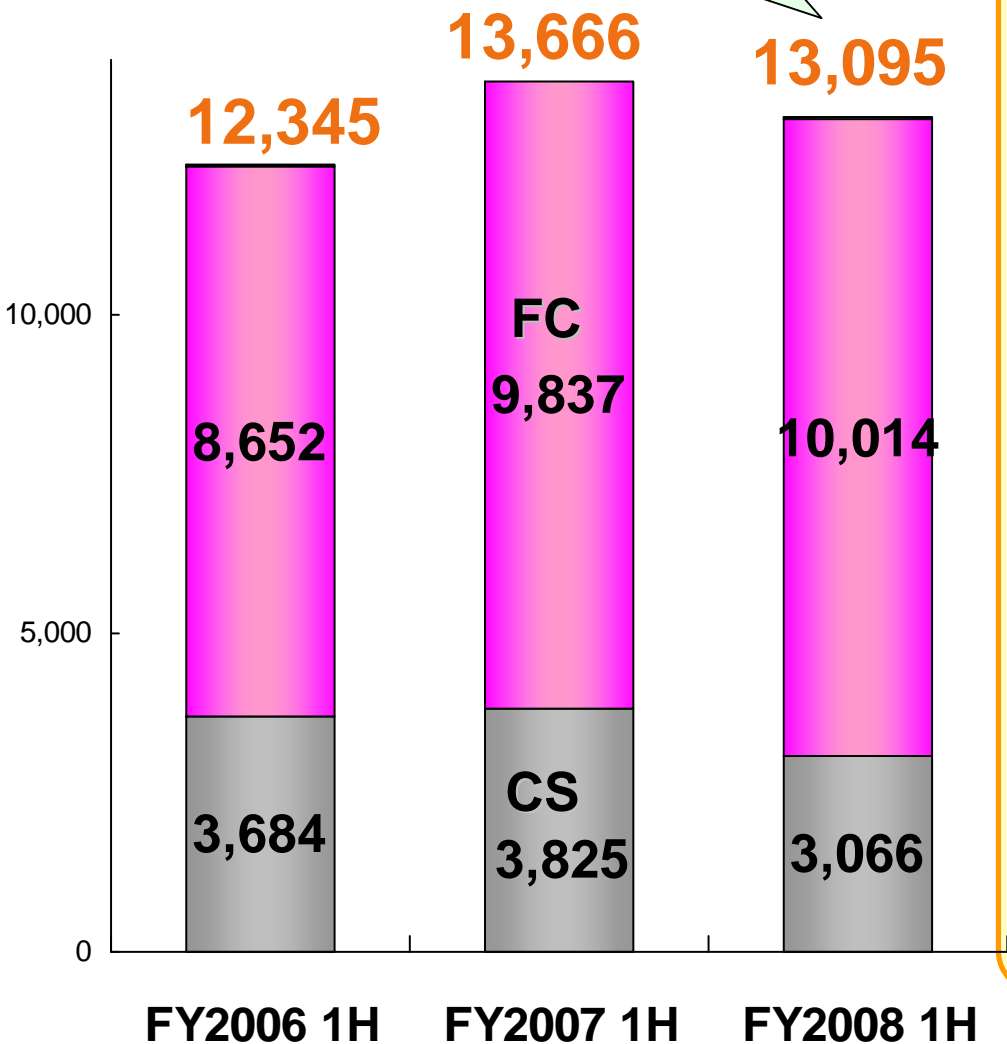


# Audio/Visual (AV)

## < Sales >

Comparison to last year's performance 95.8%

Unit: Million yen



### ■ Increase in Remote Control Units

Contribution to sales by remote control units for projectors and flat panel TVs



### ■ Decrease in Connectors

Decrease in connectors for AV amplifiers and flat panel TVs

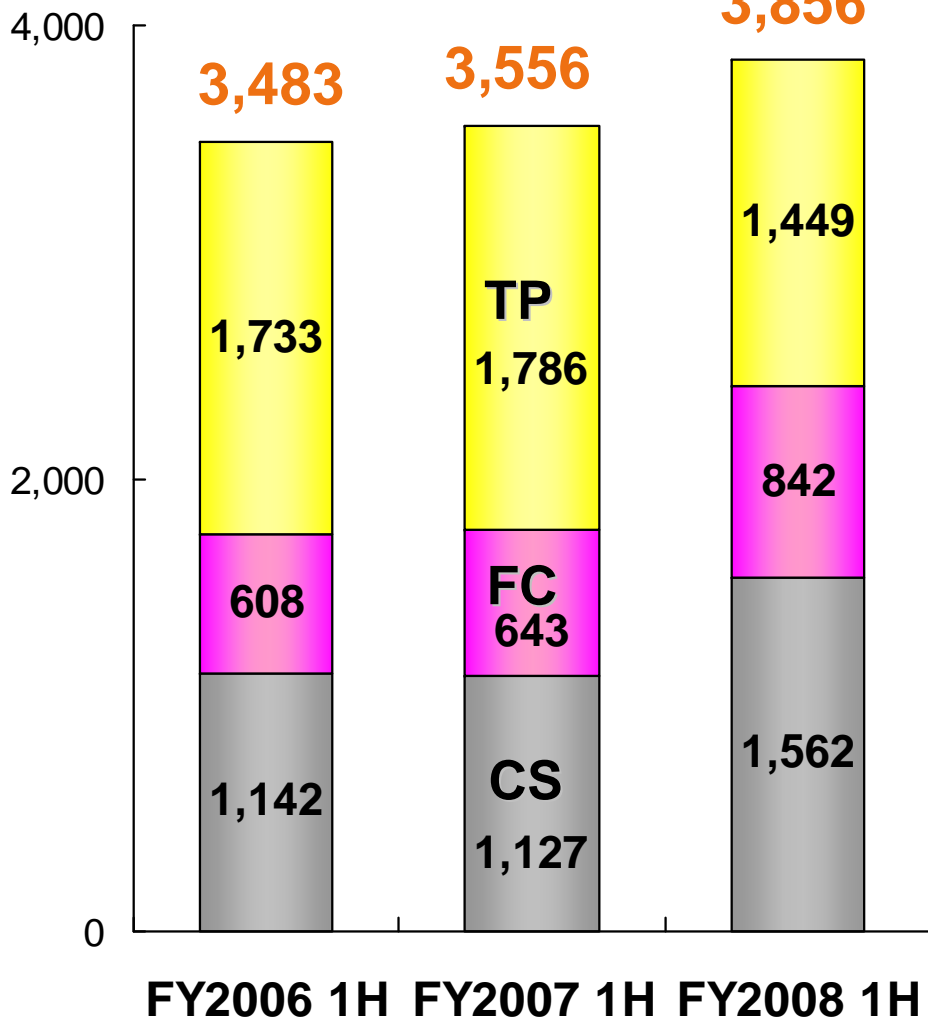


# Car electronics

Comparison to last year's performance 108.4%

## <Sales>

Unit: Million yen

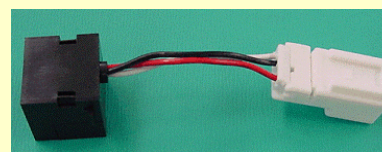


### ■ Increase in Connectors



Increased sales amounts of antenna connectors for terrestrial digital tuners for domestic markets

### ■ Increase in Remote Controls and Units



Increase in factory installation microphone units for domestic markets



Increase in factory installation and retrofitting remote control units for domestic markets

### ■ Decrease in Touch Panels



Decreased sales amounts of factory installation touch panels for domestic and overseas markets

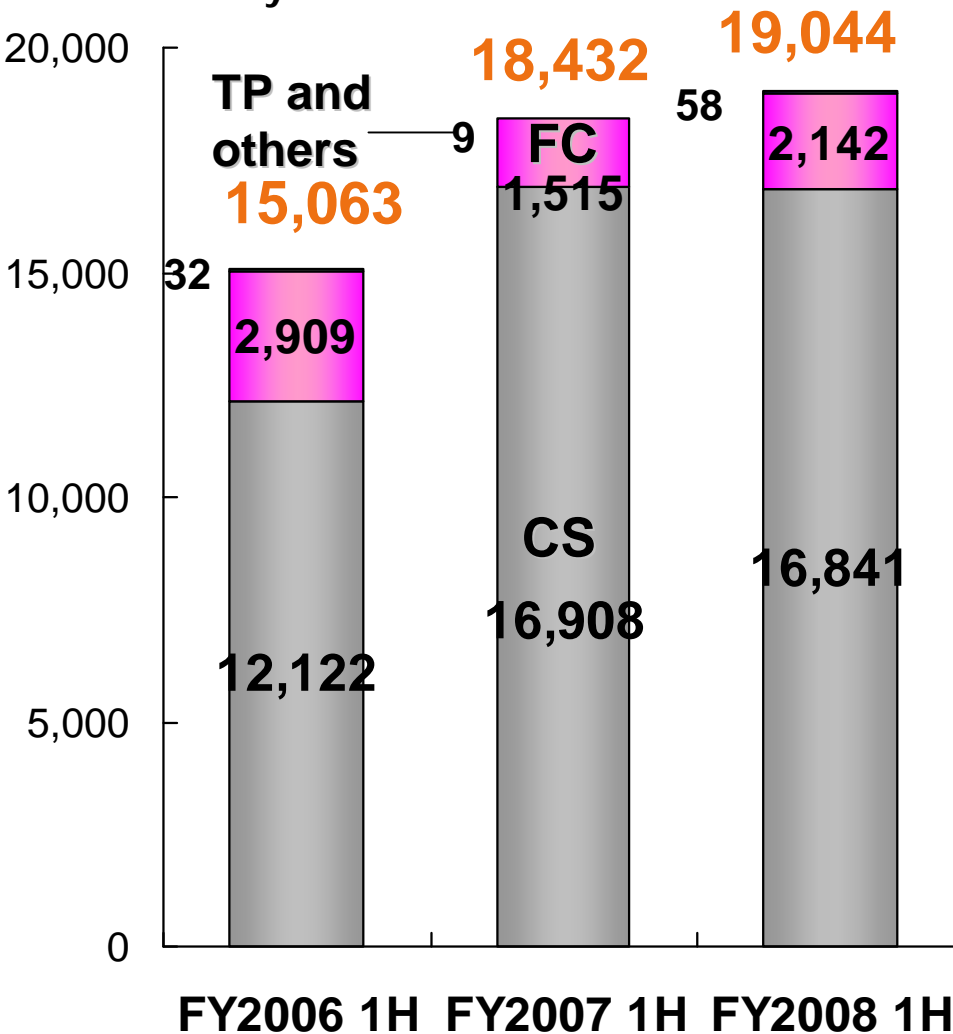


# Communication

Comparison to last year's performance 103.3%

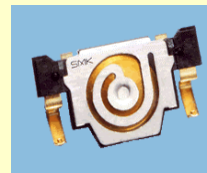
## < Sales >

Unit: Million yen



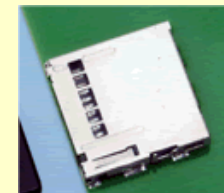
### Expansion of Products for Smart Phones

Increased sales amounts of connectors and switches due to strong demand for smart phones in North America



### Steady Sales of Connectors

Steady sales of connectors for leading European manufacturers

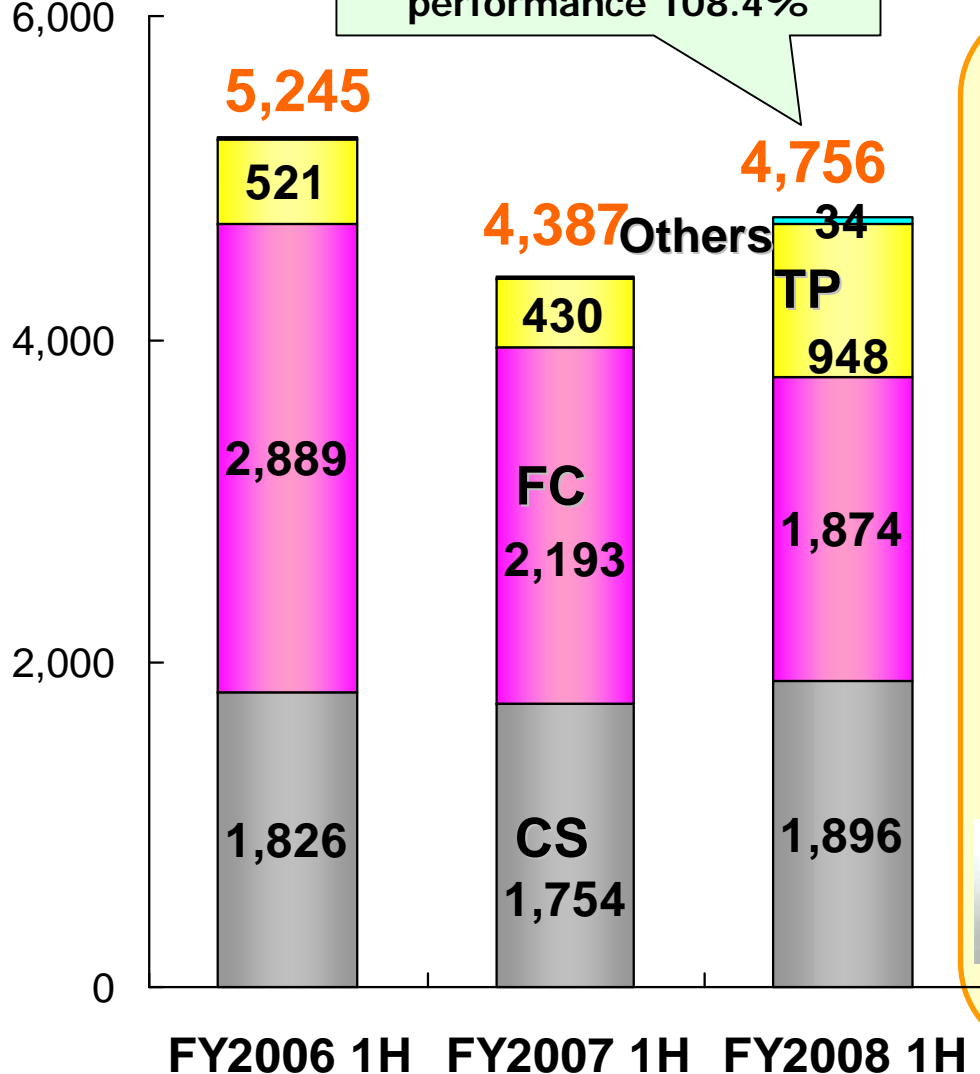


# Computer

## <Sales>

Comparison to last year's performance 108.4%

Unit: Million yen  
6,000



### Increase in Touch Panels



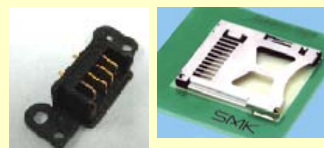
Increased sales amounts of optical touch panels due to strong demand for ATMS for foreign markets

### Decrease in Units



Cradles are less frequently included in digital camera sets, leading to decreased sales amounts of cradles

### Increase in Connectors



Increase in battery connectors and card connectors for digital cameras

# FY2008 2H Management Policy

**Place the highest priority on the response towards the adverse market environment**



**Sustain our policy to increase sales with fair profit, but temporarily halt our straightforwardly aggressive business attitude.**

**Revise our transactions with low rate of return  
(Cost Reduction, Selection and Concentration)**



**Emphasis on increasing/maintaining profit  
rather than increasing sales**

# Topics 1: Renewal of SMK Website

The screenshot shows the SMK website homepage with a blue header and a white main content area. The header includes the SMK logo, navigation links for 'お問い合わせ' (Contact Us), '代理店のご紹介' (Introduce our agents), and 'サイトマップ' (Site Map), along with a language selector set to 'JAPAN - 日本語'. Below the header, there are navigation tabs for '企業情報' (Company Information), 'CSR', '環境活動' (Environmental Activities), and '採用情報' (Recruitment Information). A search bar is located on the right side of the header. The main content area features a large globe graphic with the text '情報社会の発展に貢献' (Contributing to the development of the information society) and '電子部品メーカー SMK' (Electronic components manufacturer SMK). Below the globe, there are several product categories with images: 'リモートコントロールユニット' (Remote control unit), 'スイッチ' (Switch), 'プラグ/ジャック' (Plug/Jack), 'アクセサリ' (Accessory), 'コネクタ' (Connector), 'アンテナ' (Antenna), and 'カメラ' (Camera). At the bottom, there is a 'What's New' section with a list of news items, a 'お問い合わせ' (Contact Us) section, and an 'IR情報' (IR Information) section.

Major Renewal of our Website  
(as of November 2008)

1. Our product database is enhanced
2. More search options (e.g. Google Search)
3. CSR page is newly created
4. Usability is improved

情報社会の発展に貢献  
電子部品メーカー SMK

リモートコントロールユニット   スイッチ   プラグ/ジャック   アクセサリー   コネクタ   アンテナ   カメラ

What's New   プレスリリース   IRニュース   採用情報   イベント

2008/09/03   IRニュース   株式情報  
2008/09/03   IRニュース   IR説明会資料  
2008/09/17   IRニュース   IR情報  
2008/09/17   IRニュース   レポート・報告書  
2008/09/17   IRニュース   電子公告

📄 新着情報一覧

トピックス   新コンセプトリモコンの第2弾を発表

📞 お問い合わせ  
製品情報、カスタム製品、  
その他当社へのお問い合わせはこちら

📄 IR情報

SMK-LINK  
プレゼンリモコン  
スピーカーなどの商品

インターネット

# Topics2: Renewal of 1<sup>st</sup> Floor entrance at SMK Headquarters

\* Completed in the end of August, 2008

\* Major renewal in 25 years

<Objective>

1. To improve our brand image

2. For recruiting purposes

3. To change the attitude of employees

Before



After



# CS Division

# CS Division

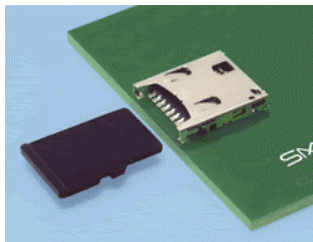
CS = Connection System

【Major Products】 : Connector/ Jack

## ■ Connector



FPC Connectors



Card Connectors



Coaxial  
Connectors



I/O Connectors

## ■ Jack

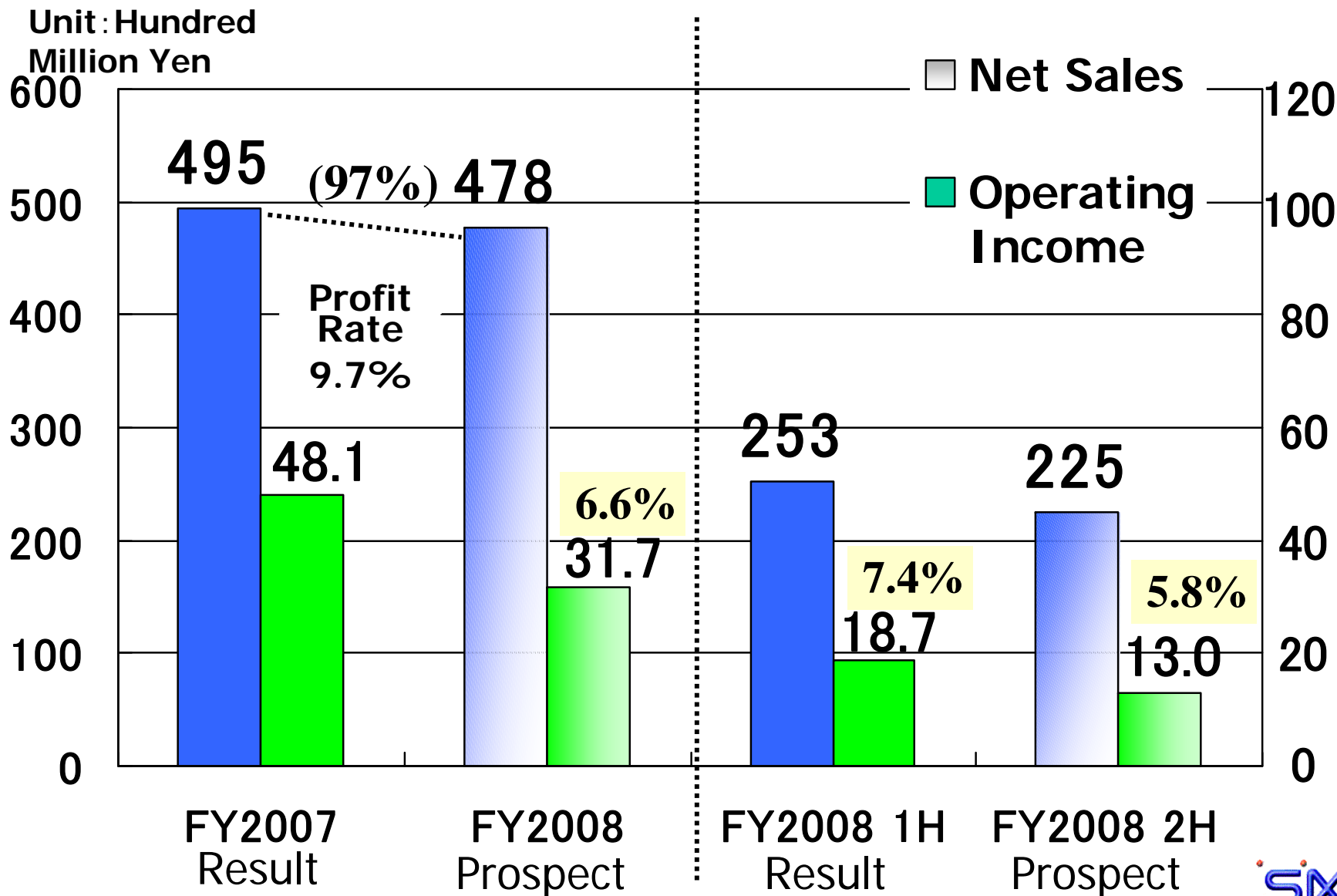


Pin Jacks  
Speaker Terminals



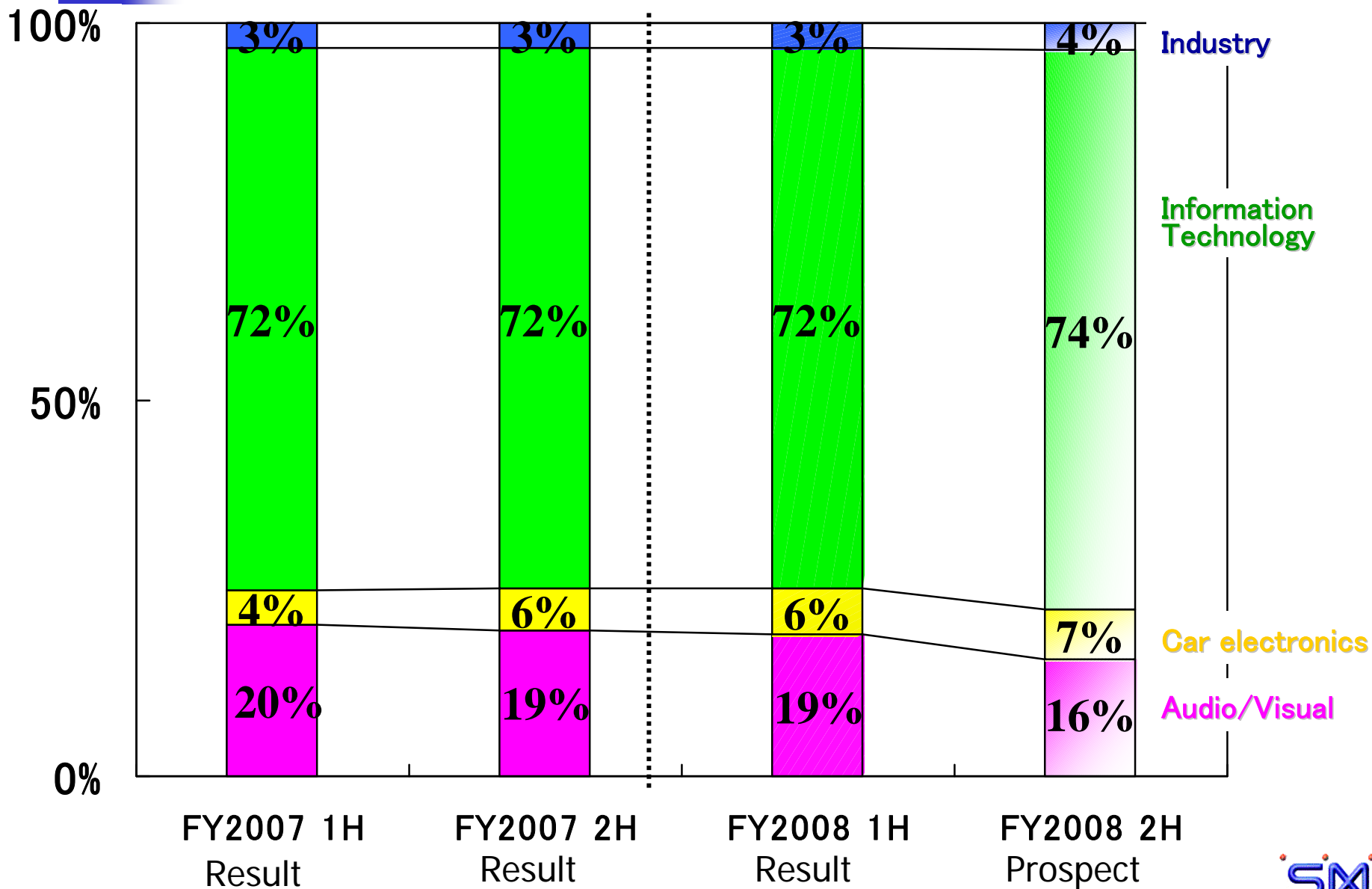
DC Power Supply Jacks  
Headphone Jacks

# CS Division Net Sales, Operating Income (Consolidated)





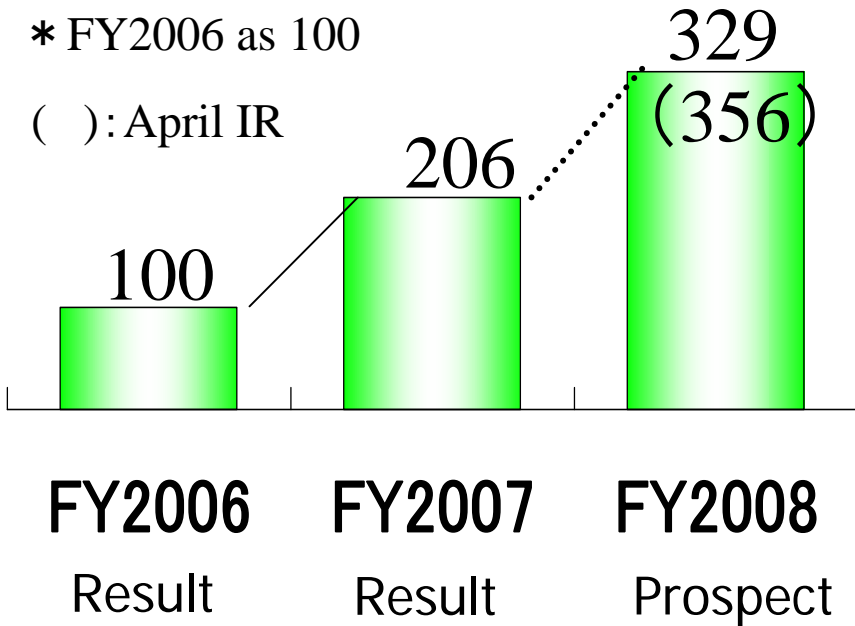
# CS Division Transition of market-specific sales CS-4/8 (Consolidated)



### Sales Transition

\* FY2006 as 100

( ) : April IR



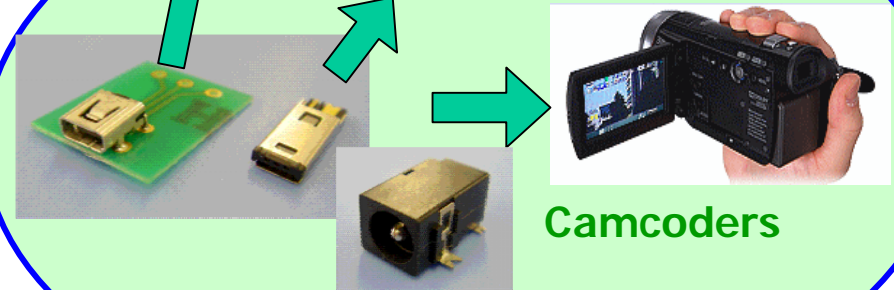
### Small Jacks



Digital Still Cameras

Mobile phones

Small Game Consoles  
Notebook PCs



Camcoders

DC Power Supply Jacks

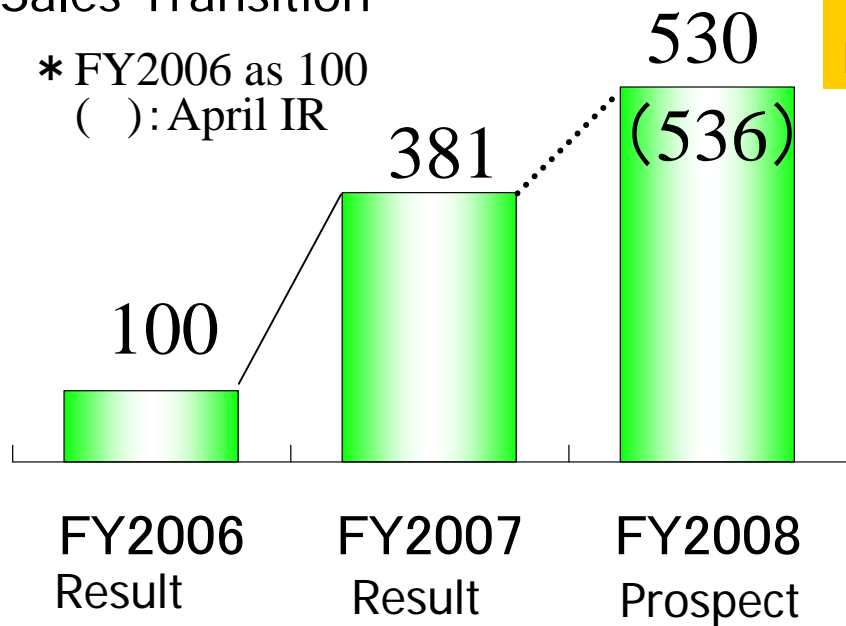
**Thin · Space Effective**

**Increased Resistance to Twisting Force**

**Production in China/the Philippines, Automation**

### Sales Transition

\* FY2006 as 100  
( ): April IR



**PB-4A**  
(h=0.8mmタイプ)  
Number of pins 10~80P

**PB-4B**  
(h=1.2mmタイプ)  
Number of pins 12~60P



Various Usages

Expanded variation



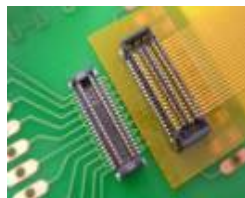
Shielding

Higher contact reliability

**0.4mm pitch**  
**h=0.7mm**

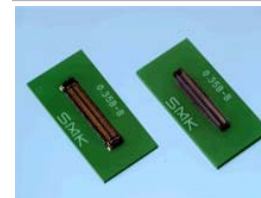
Low profile · Narrow spacing

**PB-4D**



**0.35mm pitch**  
**h=0.7mm**  
Industry's  
smallest  
mounting area

**PB-35**



Car electronics



Antenna connector compatible with reception of terrestrial digital broadcasts

VR-1 Series



Domestic Market 60% Market Share → To Chinese and Taiwanese Markets

Photovoltaic power generation systems

Connectors for photovoltaic modules

Water-proofing and advantage in workability



Telecommunications

Strengthened approach to growing markets

Approach to foreign markets

Ultra Small-Low profile products

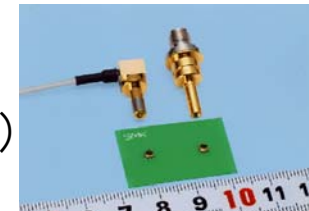
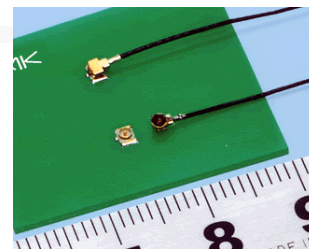
Compatible with wireless communication

Co-axial Connector TC-7

(H=1.0mm)

TS-11

(H=0.95mm)

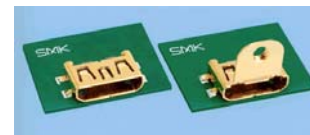


Audio & visual

HDMI Connector



Type A



Type C

0.4mm pitch shielded FPC connector

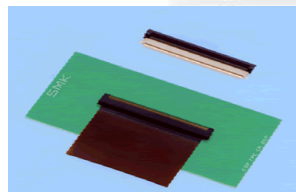


EN-42

(H=0.6mm)



0.5mm pitch shielded FPC connector



EF-5D

# 1. Promotion of development of technologies, products, and production technologies

- Timeliness and speeding up
- Patents and added value

# 2. Pursuit of optimal means (production and sales)

- More effective investment  
(general/conversion facilities)

# 3. Enhancement of overall capability

- Implementation of business units and product model-specific strategy



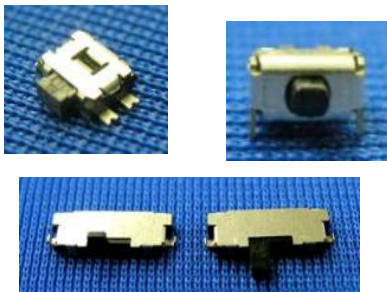
# FC Division

# FC Division

## FC=Functional Components

【Main products】: Switch/Keyboard/Control Panel/Bluetooth/Microphone  
Remote Control Unit/Camera Module

### SW (Switch)



Various types of switches

### UN (Unit)



Bluetooth



Electret Condenser  
Microphone (ECM)

### RC (Remote Control)



Remote Control Unit



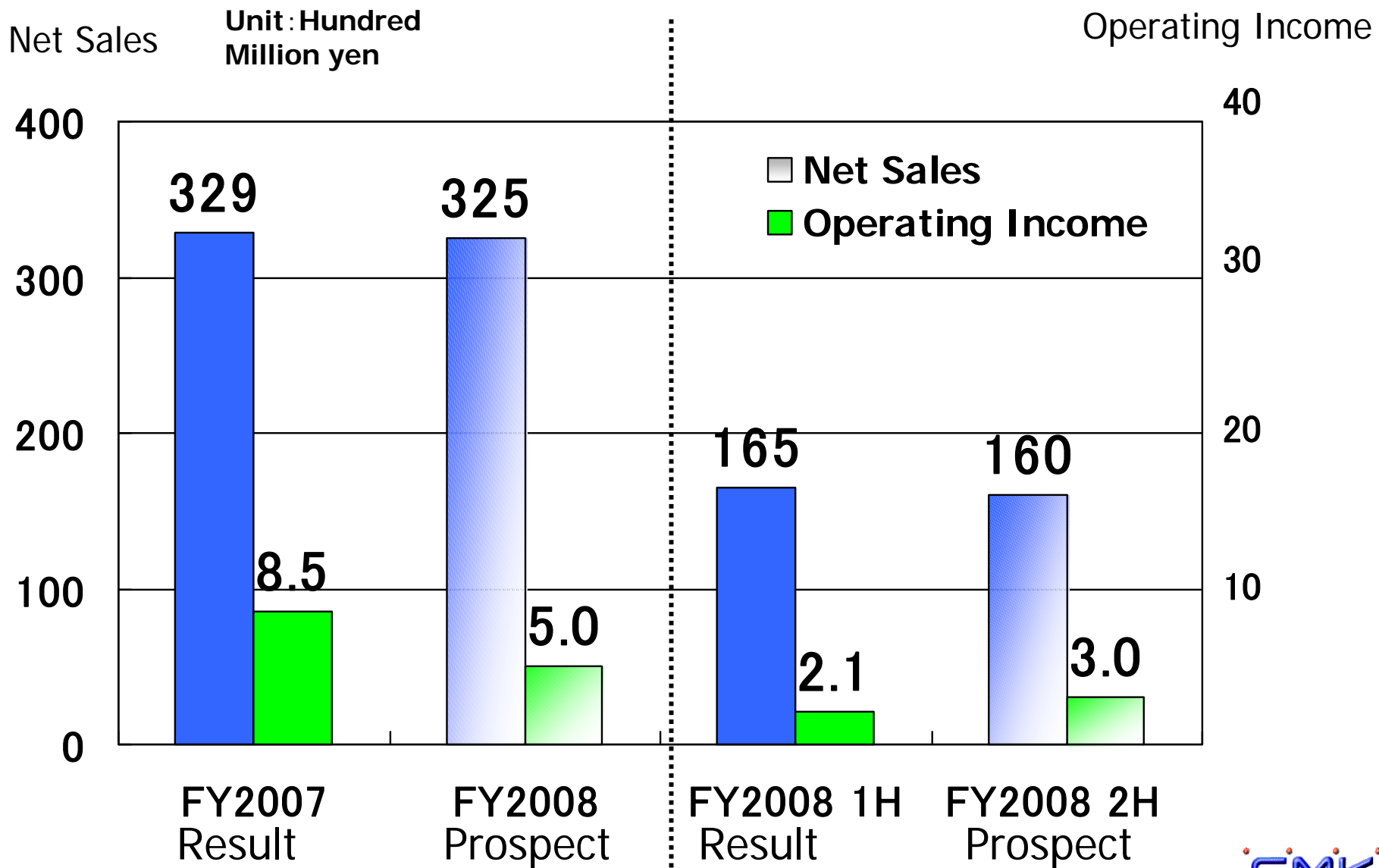
Color Intelligent  
Remote Control Unit

### MD (Module)



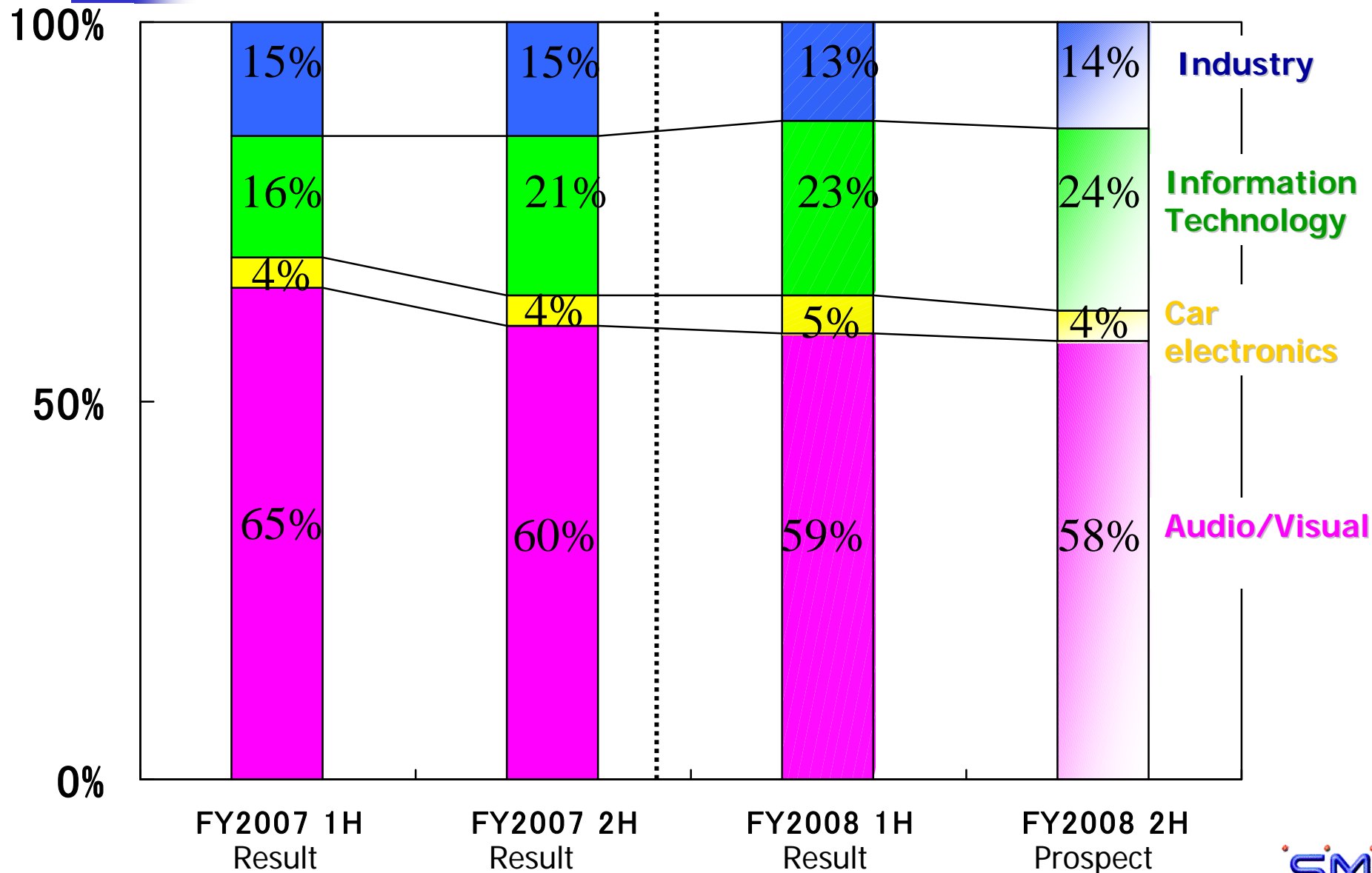
Camera module

# FC Division Net Sales, Operating Income (Consolidated)





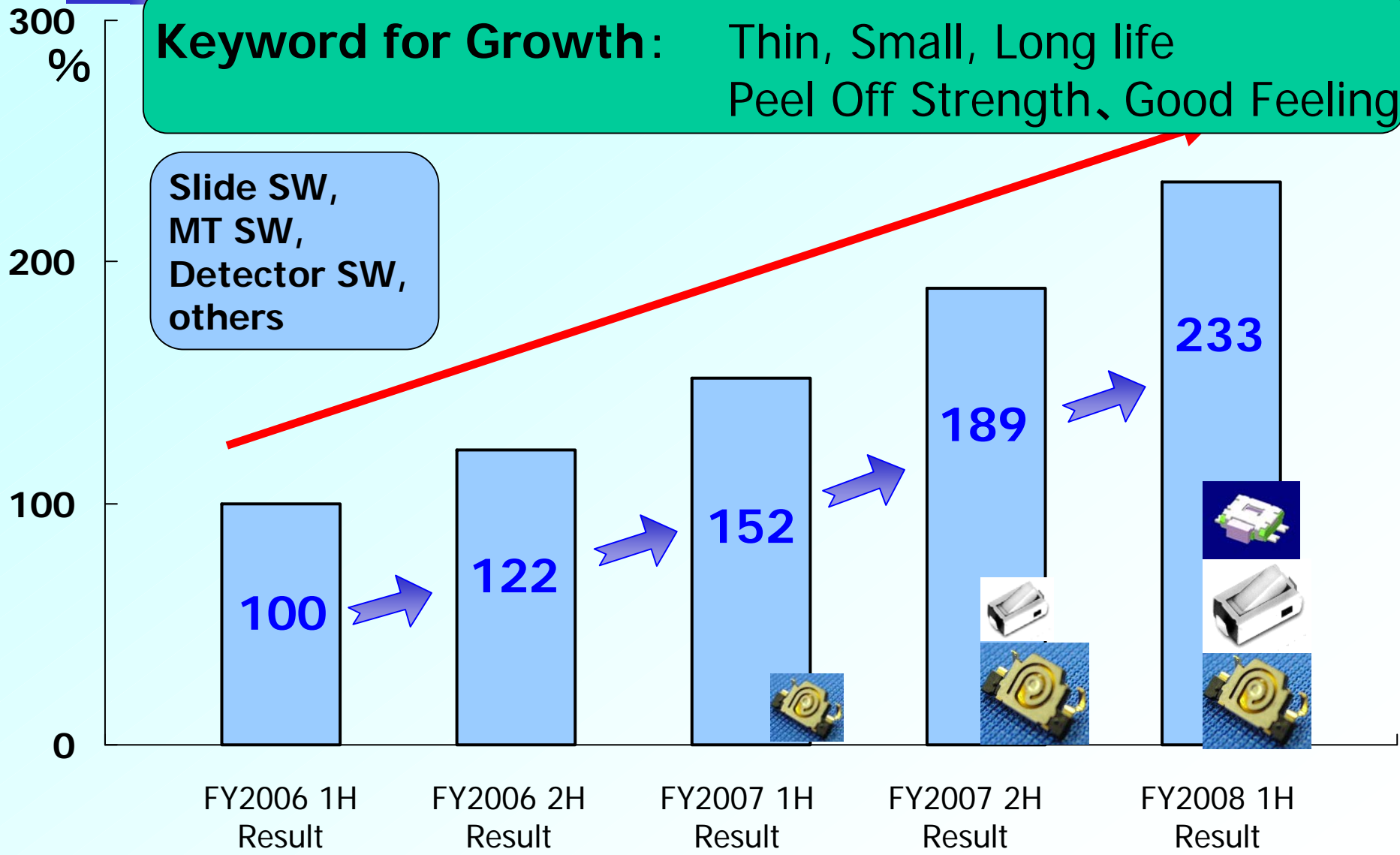
# Transition of Market-Specific Sales (Consolidated)



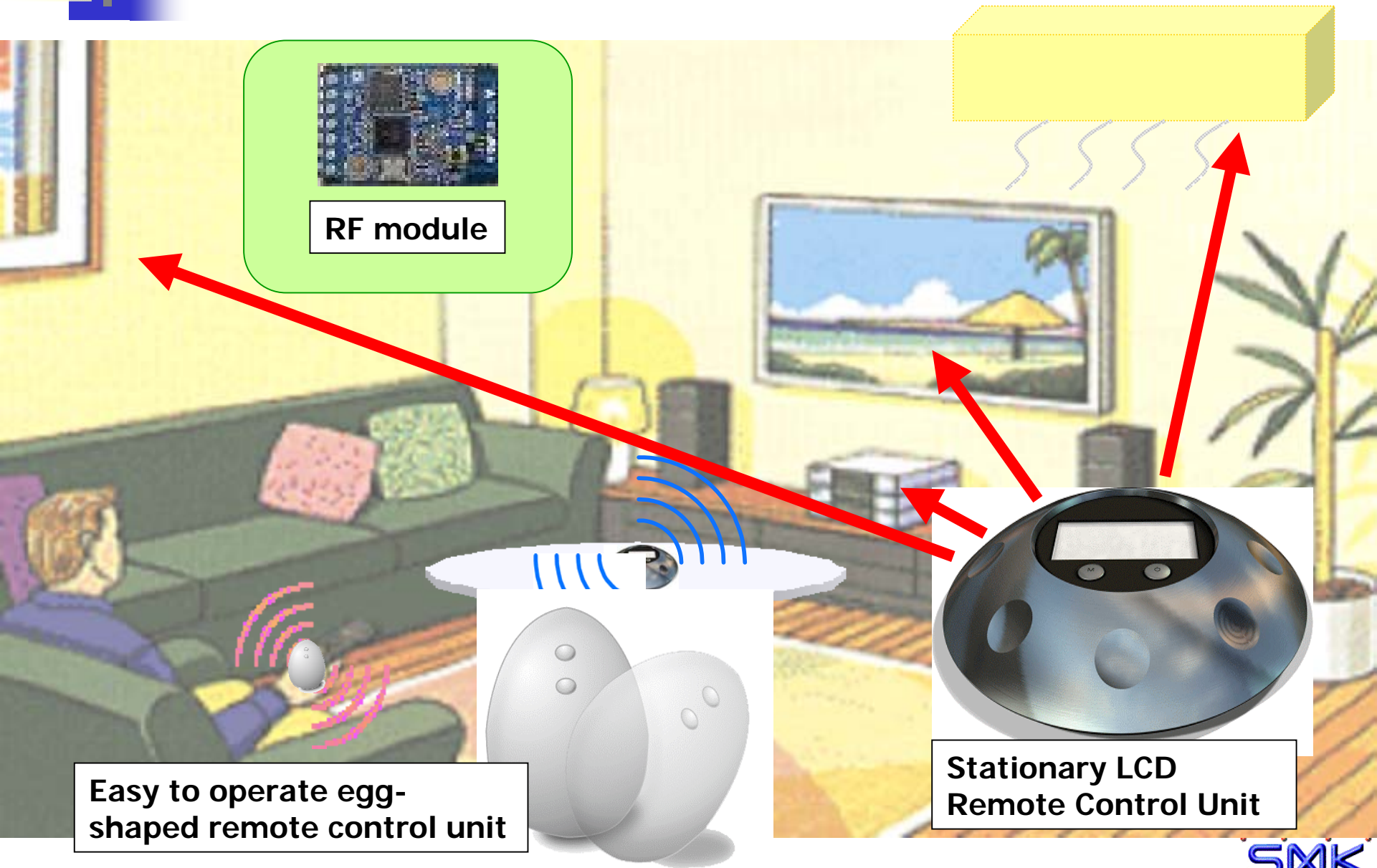
# FC Division Product Strategy: ①SW <sup>FC-5/7</sup>

**Keyword for Growth:** Thin, Small, Long life  
Peel Off Strength, Good Feeling

Slide SW,  
MT SW,  
Detector SW,  
others



# FC Division Product Strategy: ② Concept RC





# FC Division Policy for FY2008<sup>FC-7/7</sup>

Realize the growth with Profit

Offense: Create differential products  
Increase Number of Engineers

Defense: Establishment of Global Purchasing Organization  
Improve productivity by manufacturing innovation

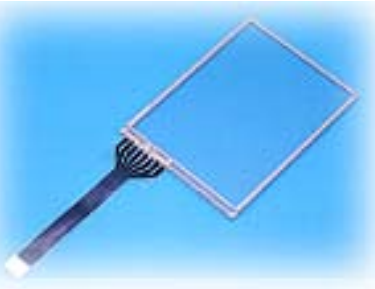
# TP Division

## Touch Panel

Main Items

*SMK*  
Touch Panels

Resistance Sensitive Touch Panel



Capacitive Touch Panel

Optical Touch Panel



Film/Glass Type

Glass/Glass Type

Film/Film Type

Force-feedback

LCD Module Unit

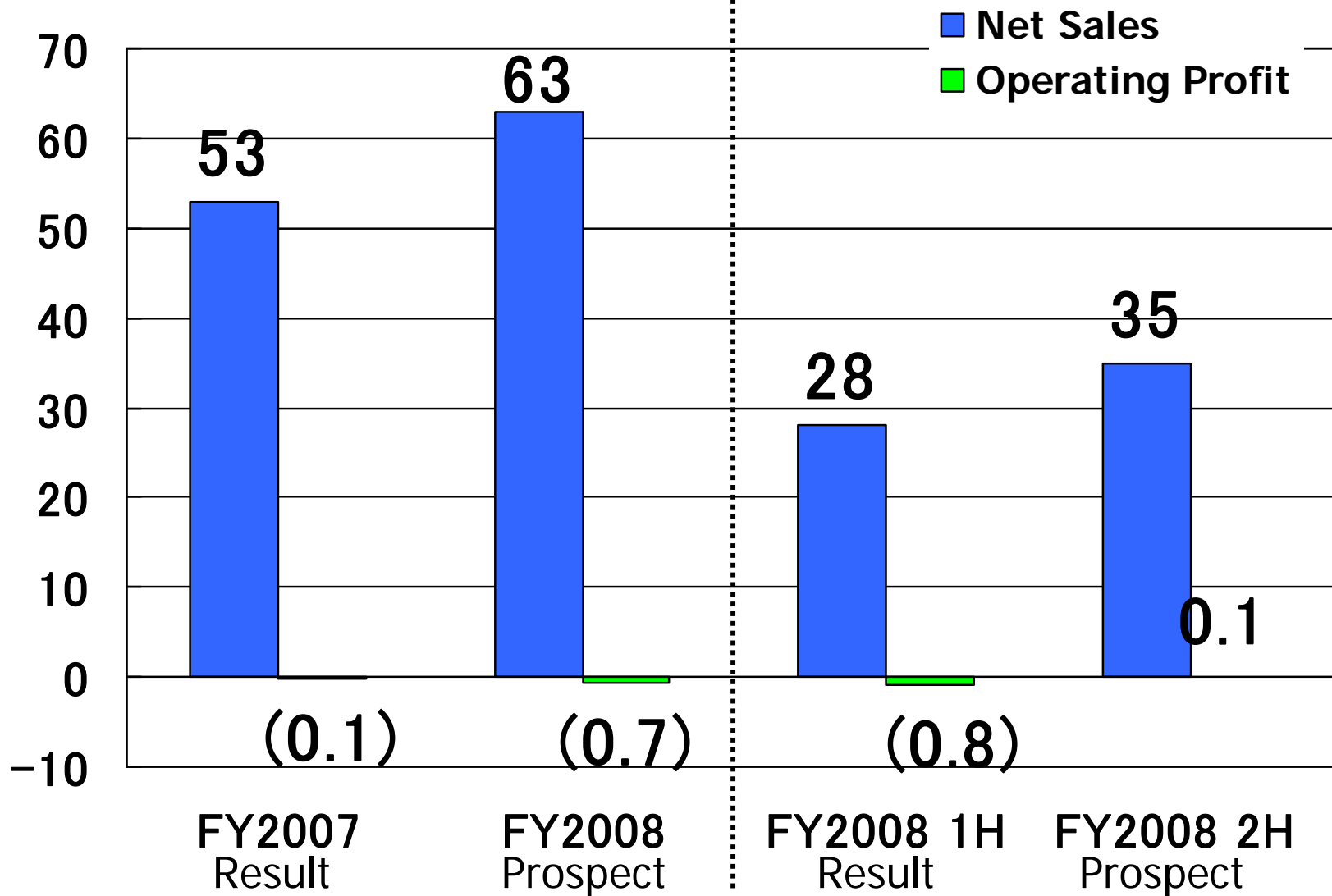
Glass Panel

Acrylic Panel

LCD Module Unit

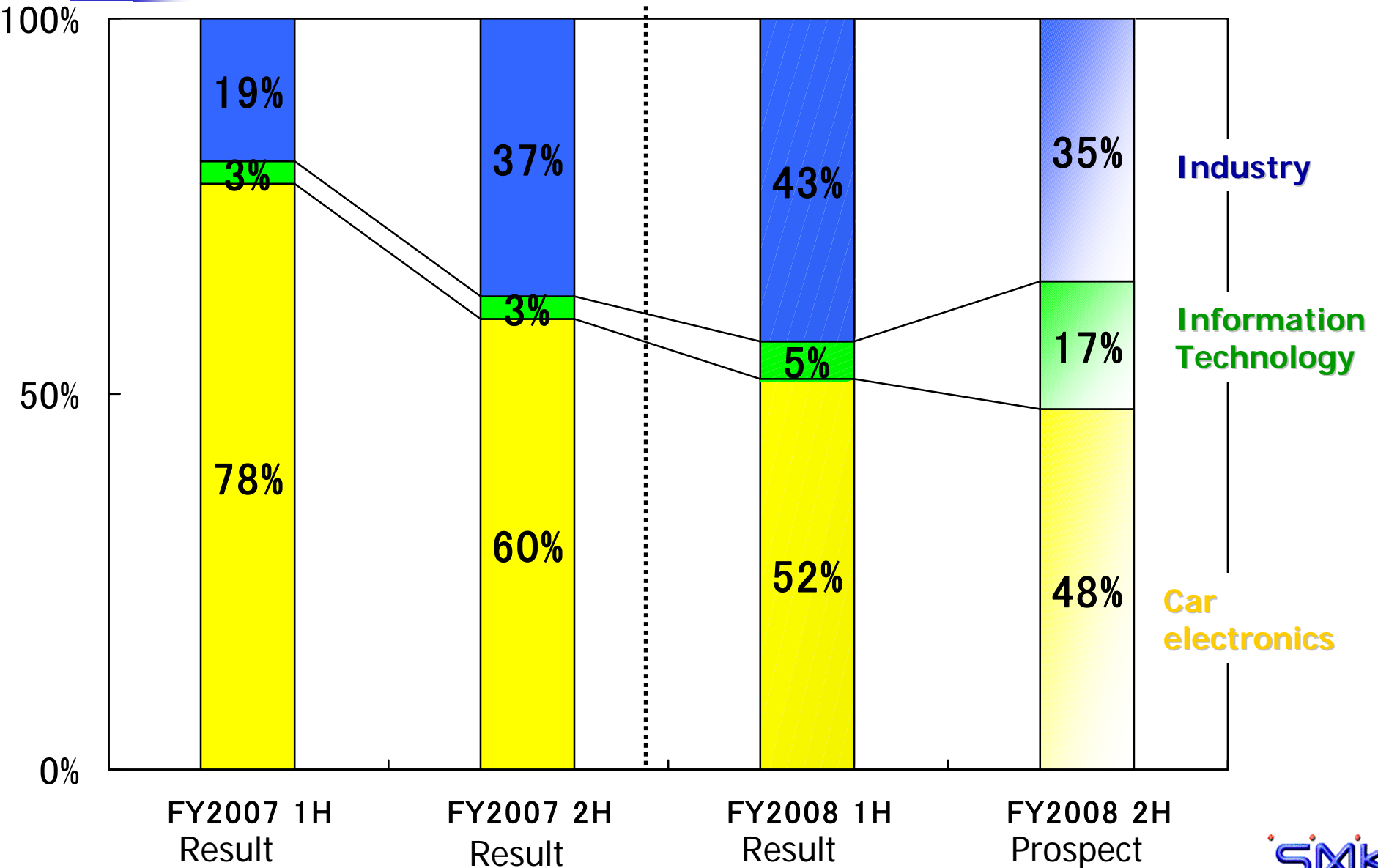
# TP Division Net Sales, Operating Profit (Consolidated)

Unit: Hundred Million yen



TP Division

Transition of Market-Specific Sales (Consolidated)





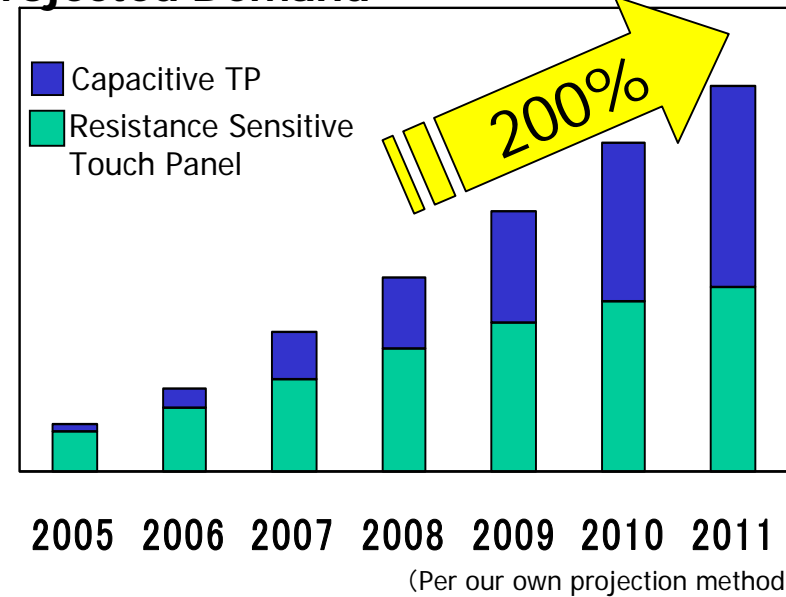
# Strategic Markets and Product Strategy

## Mobile Equipment Market

DSC, DVC, Mobile Phone, Smart Phone, UMPC, PND, Mobile Media Player, etc.



Mobile Phone with Touch Panel  
Projected Demand



## Small Size Touch Panel

Capacitive TP

Gesture/Multi-touch Input

Force Feedback TP

Various Tactile feelings

Film/Film Type TP

Thin and Light

# TP Division Objective for FY2008

## Expansion of Sales

Overseas Market

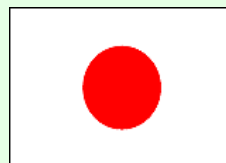
Europe



Asia



Domestic Market



Mobile Phone  
Smart Phone



KEYWORD

“MOBILE”



# Notice

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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.

\*The materials for this presentation to our investors is available on the IR Information Section of our Web site, <http://www.smk.co.jp/>