

# Business Report for FY2018 1st Half



**FY2018 2Q**

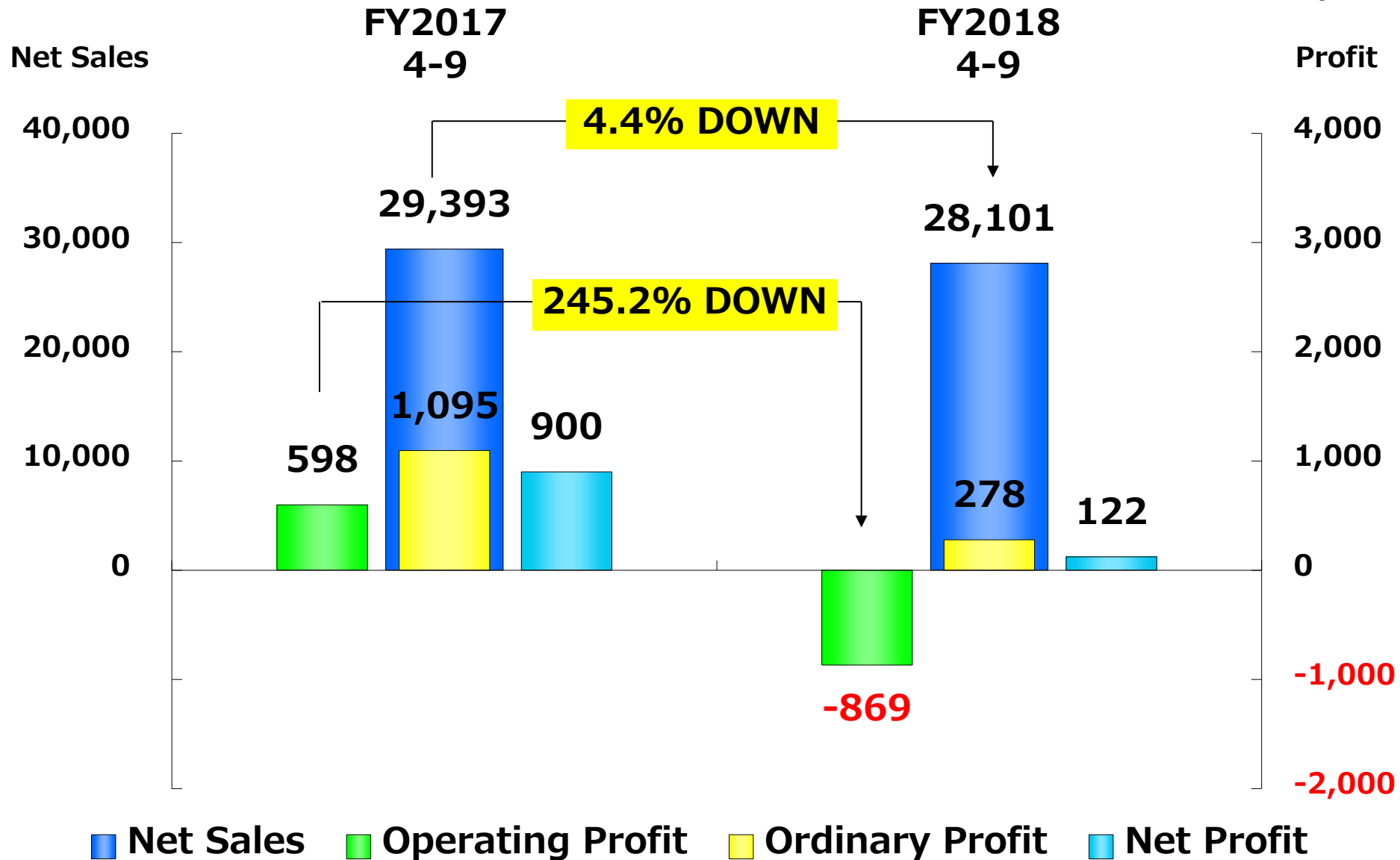
**Outline of Financial Statement**

**Executive Vice President and CFO**

**KOHEI OHGAKI**

# <Consolidated> 2Q Financial Results

Unit: Million yen

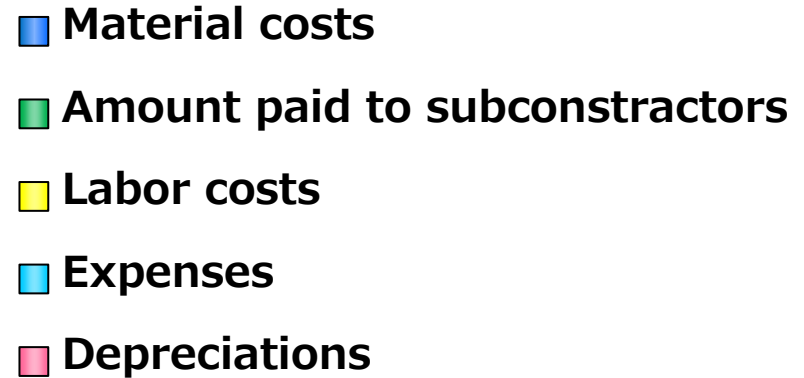


# <Consolidated> Operating Expenses

Unit: Million yen

FY2017  
4-9  
28,795  
[98.0%]

FY2018  
4-9  
28,970 [ ]: Sales Ratio  
[103.1%]



- Raise by 5.3%  
in ratio of material costs &  
amount paid to subcontractors  
45.7% → 51.0%  
(The ratio of material costs worsened  
due to the product mix)
- Raise by 0.7%  
in ratio of labor costs & expenses  
45.4% → 46.1%  
(Due to the reduction in sales)

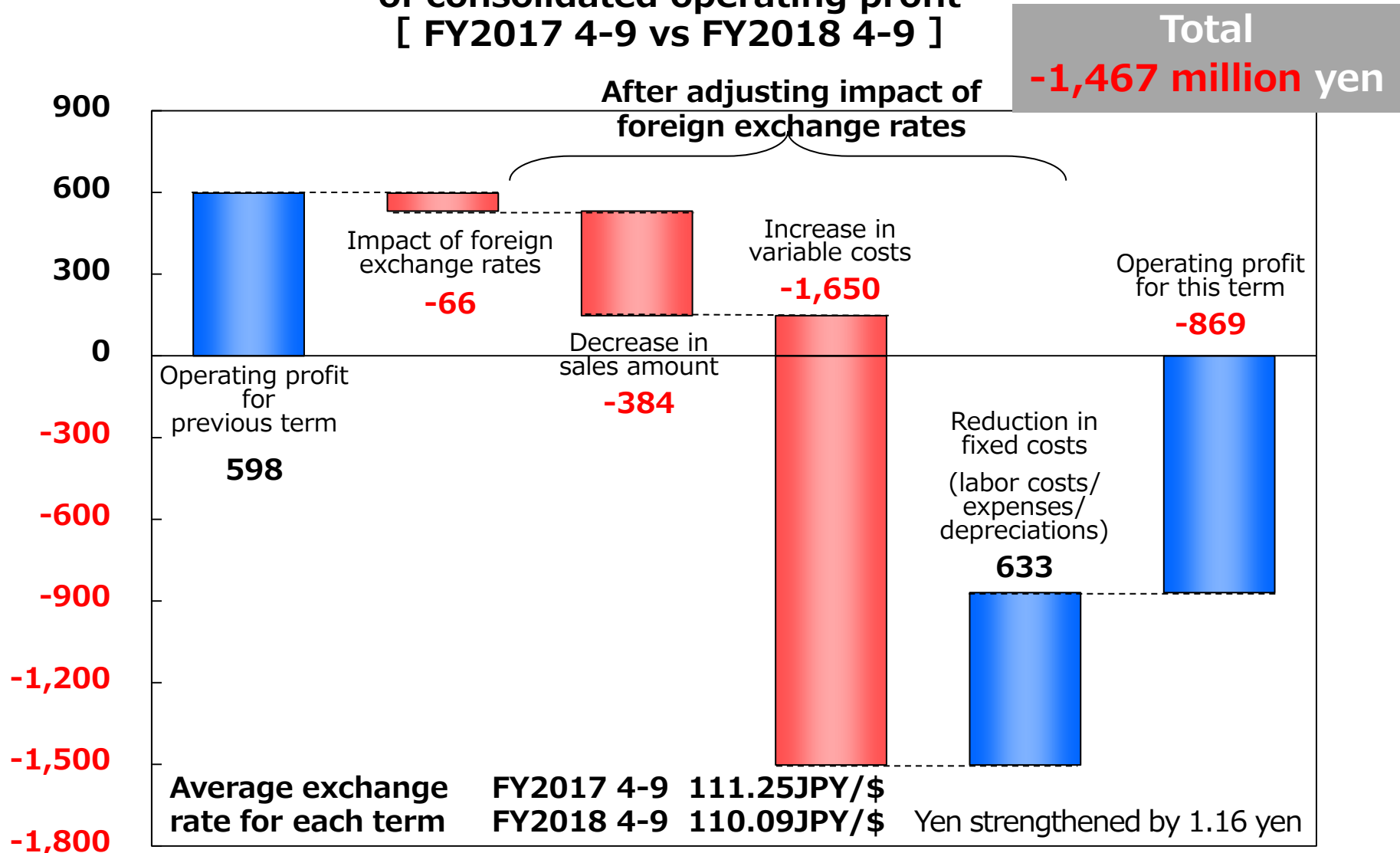
Operating Profit

598	-869
[2.0%]	[-3.1%]

# <Consolidated> Analysis of Changes in Operating Profit

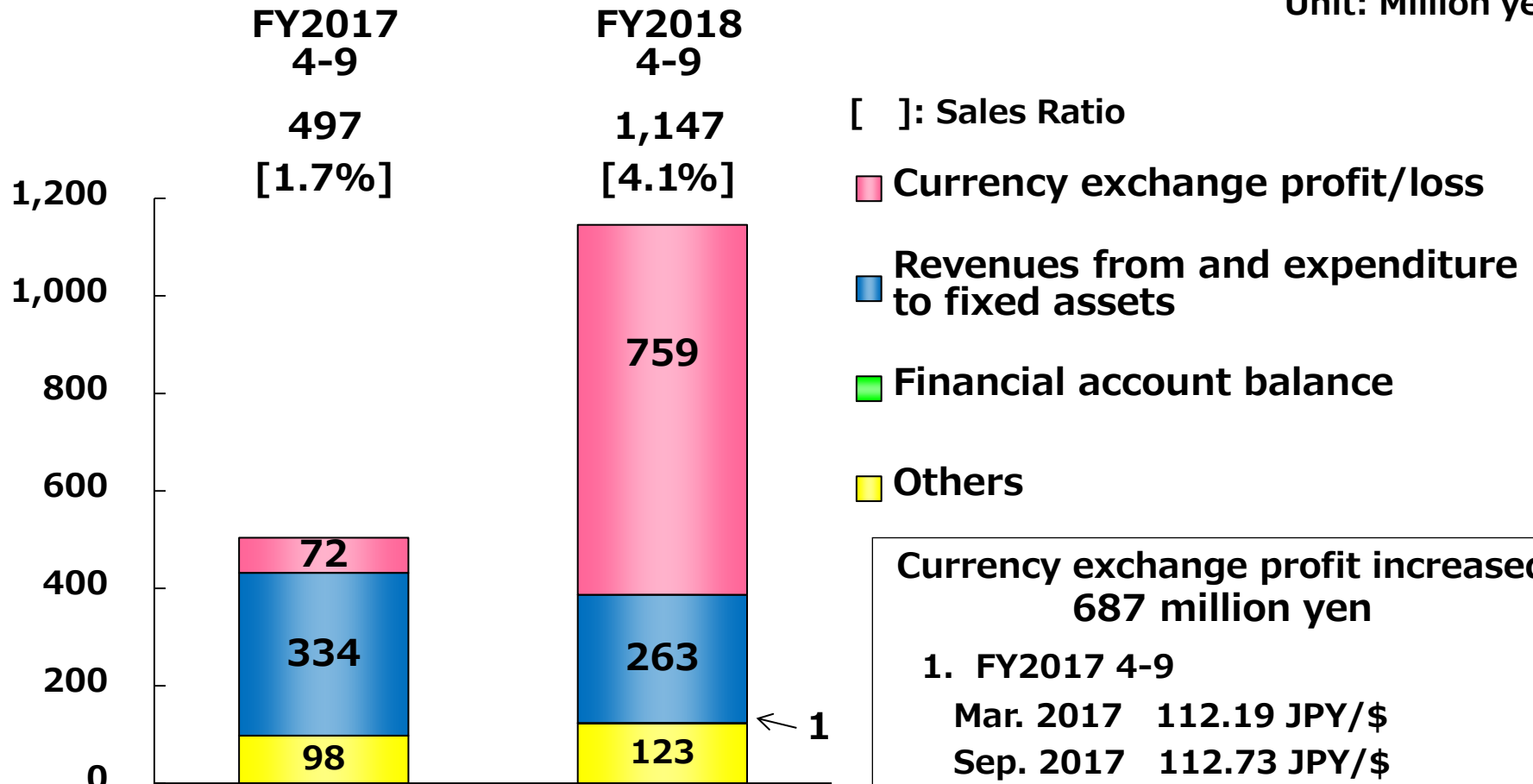
Analysis of factors for increase/ decrease  
of consolidated operating profit  
[ FY2017 4-9 vs FY2018 4-9 ]

Unit: Million yen



# <Consolidated> Non-operating Profit and Loss

Unit: Million yen



[ ]: Sales Ratio

■ Currency exchange profit/loss

■ Revenues from and expenditure to fixed assets

■ Financial account balance

■ Others

**Currency exchange profit increased 687 million yen**

1. FY2017 4-9

Mar. 2017 112.19 JPY/\$

Sep. 2017 112.73 JPY/\$

Yen weakened by 0.54 yen

2. FY2018 4-9

Mar. 2018 106.24 JPY/\$

Sep. 2018 113.57 JPY/\$

Yen weakened by 7.33 yen

-200

-7

← 1

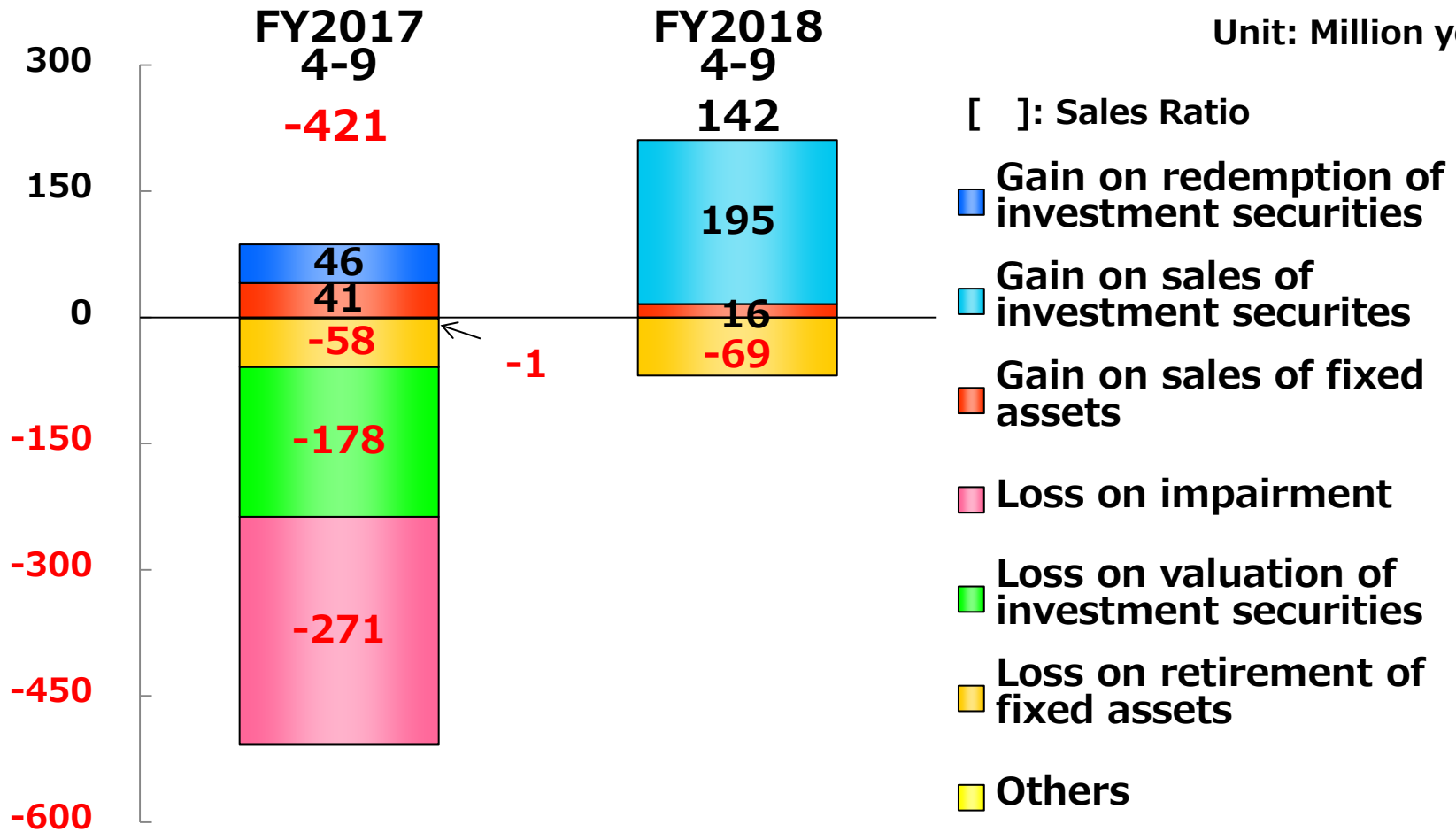
**Ordinary Profit**

**1,095**  
[3.7%]

**278**  
[1.0%]

# <Consolidated> Extraordinary Profit and Loss

Unit: Million yen



Profit before taxes	674	420
Income taxes	212	-297
Loss attributable to non-controlling interests	14	—
<b>Net Profit</b>	<b>900</b>	<b>122</b>
	[3.1%]	[0.4%]

# <Consolidated> Segment Information

Unit: Million yen

FY2018 4-9

	Reporting Segment				Others*	TOTAL
	CS Div.	FC Div.	TP Div.	Total		
<b>Net Sales</b>	<b>11,436</b>	<b>11,832</b>	<b>4,635</b>	<b>27,903</b>	<b>197</b>	<b>28,101</b>
<b>Operating Profit (Loss)</b>	<b>51</b>	<b>(508)</b>	<b>(325)</b>	<b>(782)</b>	<b>(87)</b>	<b>(869)</b>

FY2017 4-9

	Reporting Segment				Others*	TOTAL
	CS Div.	FC Div.	TP Div.	Total		
<b>Net Sales</b>	<b>14,435</b>	<b>9,939</b>	<b>4,857</b>	<b>29,231</b>	<b>162</b>	<b>29,393</b>
<b>Operating Profit (Loss)</b>	<b>1,858</b>	<b>(598)</b>	<b>(420)</b>	<b>840</b>	<b>(242)</b>	<b>598</b>

\*Others: Research and development, lease, real-estate rental, factoring



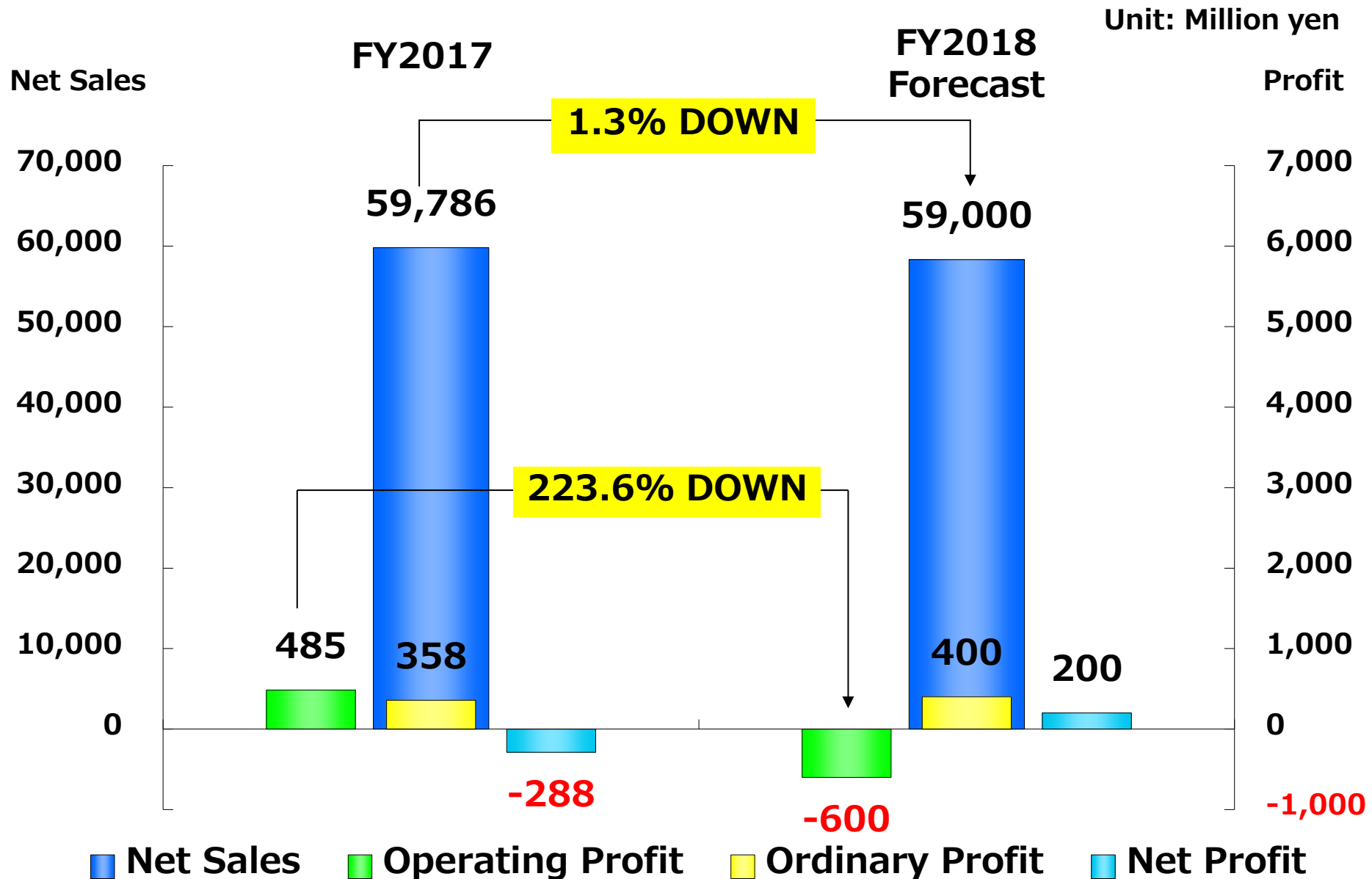
# <Consolidated> Revised Financial Result Forecast

Upper row: Percentage to net sales  
 Lower row: Increase (decrease)  
 ratio to FY2017

## Forecast of consolidated operating results for FY 2018 (Full-year)

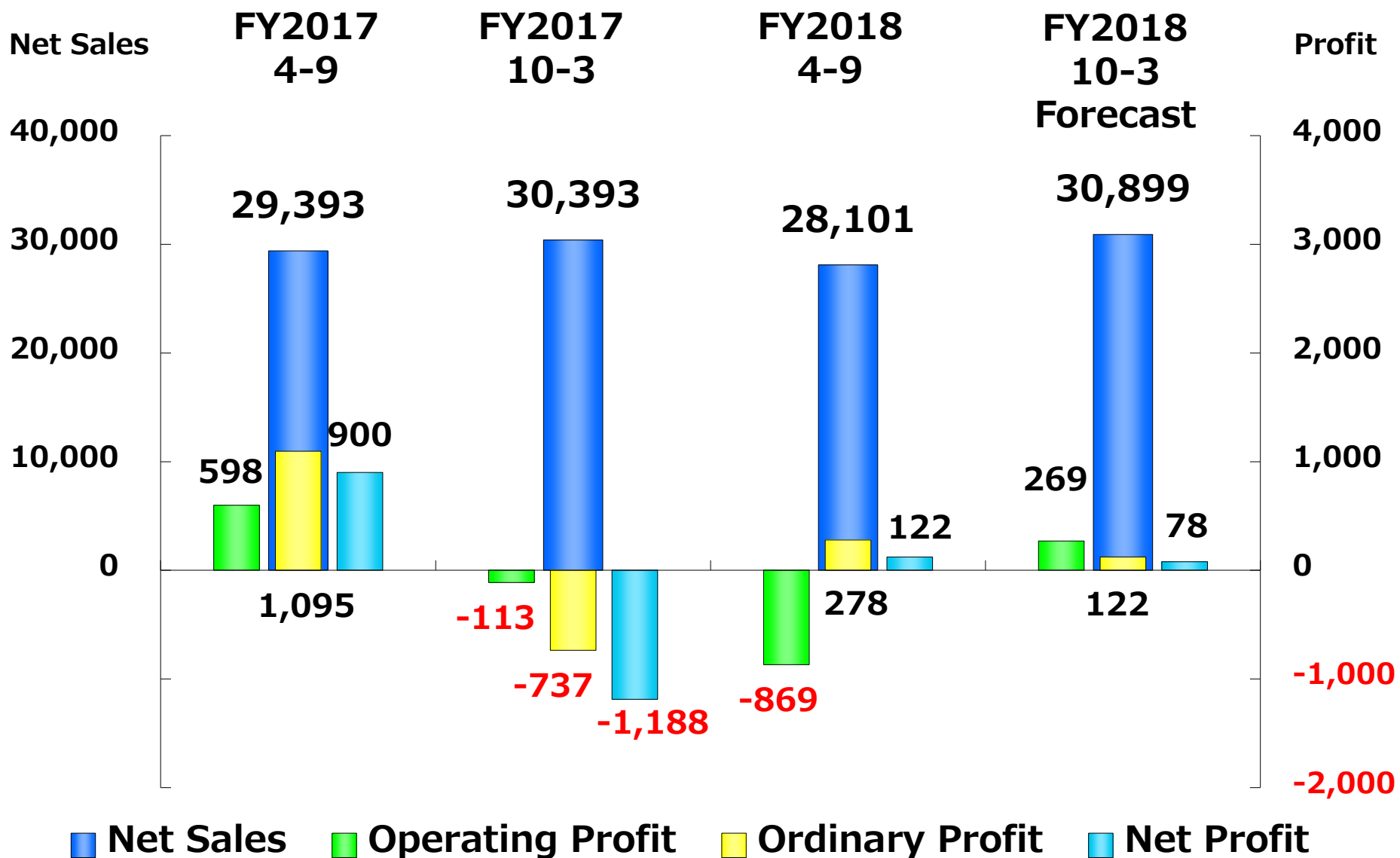
Disclosed on	Net Sales		Operating Profit		Ordinary Profit		Net Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
<b>Apr. 26, 2018</b>	<b>62,500</b>	<b>100.0</b> 4.5	<b>1,000</b>	<b>1.6</b> 106.0	<b>1,600</b>	<b>2.6</b> 346.4	<b>1,100</b>	<b>1.8</b> -
<b>Oct. 25, 2018</b> <b>NEW</b>	<b>59,000</b>	<b>100.0</b> <b>(1.3)</b>	<b>(600)</b>	<b>(1.0)</b> -	<b>400</b>	<b>0.7</b> <b>11.6</b>	<b>200</b>	<b>0.3</b> -

# <Consolidated> Changes in Financial Results (Full-year)



# <Consolidated> Changes in Financial Results (Half Term)

Unit: Million yen



# <Consolidated> Cash Position

Unit: Million yen

	Mar. 2018 (A)	Sep. 2018 (B)	Differential (B - A)
<b>Assets</b>	<b>61,474</b>	<b>61,566</b>	<b>91</b>
Cash and cash equivalents	10,599	9,138	(1,460)
Accounts receivable	15,251	15,304	53
Inventories	8,775	9,016	240
Fixed assets	25,465	27,083	1,617
<b>Liabilities</b>	<b>30,837</b>	<b>31,116</b>	<b>279</b>
Accounts payable and accrued expenses	8,726	7,605	(1,120)
Interest-bearing debt	17,258	18,680	1,422
<b>Net assets</b>	<b>30,637</b>	<b>30,449</b>	<b>(188)</b>
Common stock	7,996	7,996	-
<b>Capital adequacy ratio</b>	<b>49.8%</b>	<b>49.5%</b>	<b>(0.3)%</b>

# <Consolidated> Cash Flow Position

Unit: Million yen

	FY2017 4-9	FY2018 4-9
<b>Cash flow from operating activities</b>	<b>1,959</b>	<b>66</b>
Working capital	<b>(1,206)</b>	<b>(1,689)</b>
Profit before taxes	674	420
Depreciation	2,085	1,791
Others	406	<b>(456)</b>
<b>Cash flow from investing activities</b>	<b>(1,914)</b>	<b>(2,335)</b>
<b>Free cash flow</b>	<b>45</b>	<b>(2,269)</b>
<b>Cash flow from financing activities</b>	<b>697</b>	<b>1,150</b>
Increase in interest-bearing debt	1,029	1,424
Increase (decrease) in treasury stock	<b>(1)</b>	<b>(6)</b>
Dividends paid	<b>(329)</b>	<b>(263)</b>
Others	—	<b>(4)</b>
<b>Initial balance</b>	<b>10,011</b>	<b>10,482</b>
<b>Final balance</b>	<b>10,890</b>	<b>9,014</b>

# Annual Dividend

	At second quarter end	At fiscal year end	Annual
<b>FY2017 Result</b>	<b>4.00 yen</b>	<b>4.00 yen</b>	<b>8.00 yen</b>
<b>FY2018 Result</b>	<u><b>0.00 yen</b></u>	—	—
<b>FY2018 Forecast</b>	—	<u><b>50.00 yen</b></u>	—

※ The forecast year-end dividends for FY2018 stated are the amount that takes the effects of the consolidation of shares dated October 1st into account.

# FY2018 Prospect

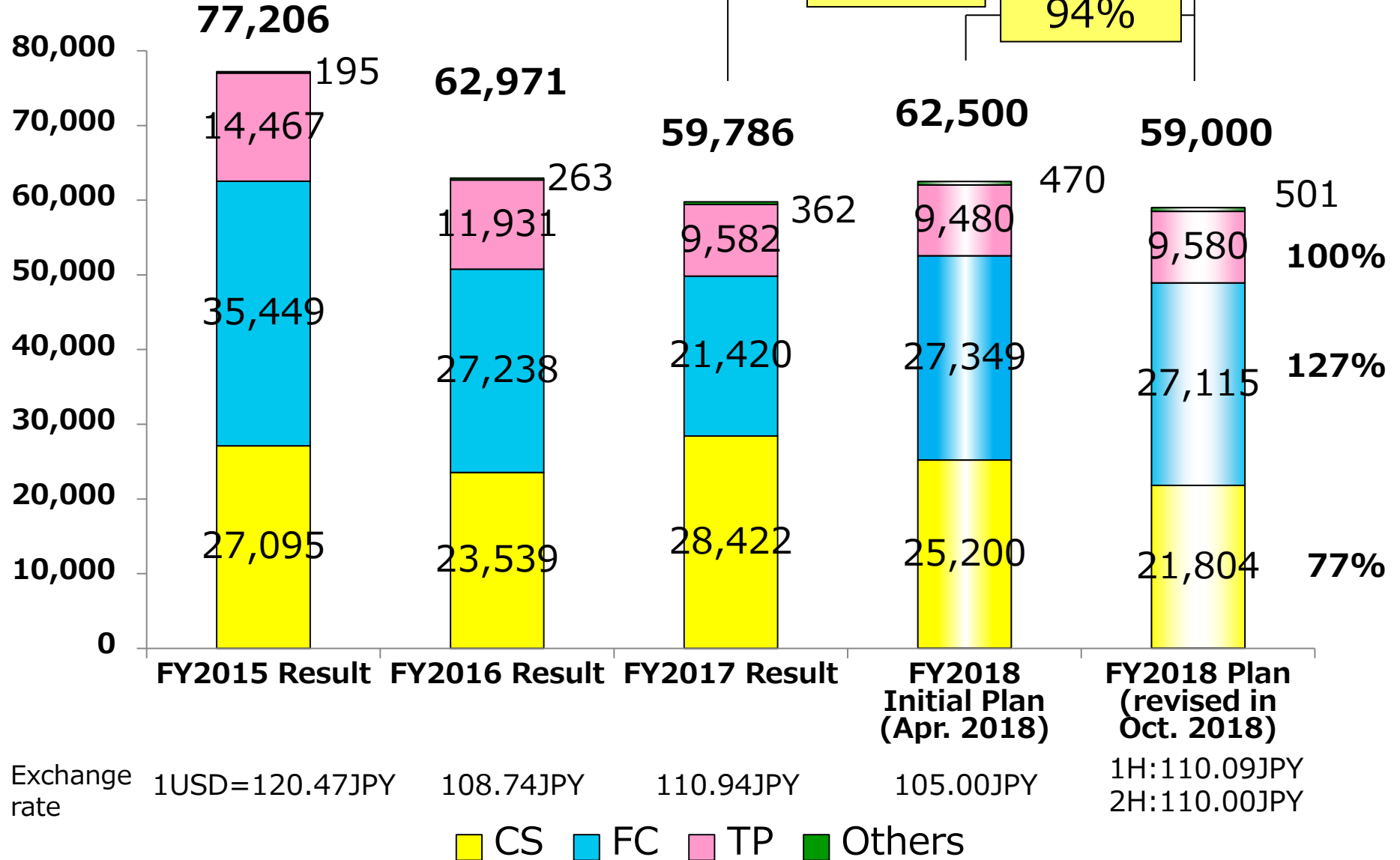
**President, CEO and COO**

**YASUMITSU IKEDA**

# Net Sales by Product Div. (FY2015-FY2018)

Unit: Million yen

?: Compared to previous term

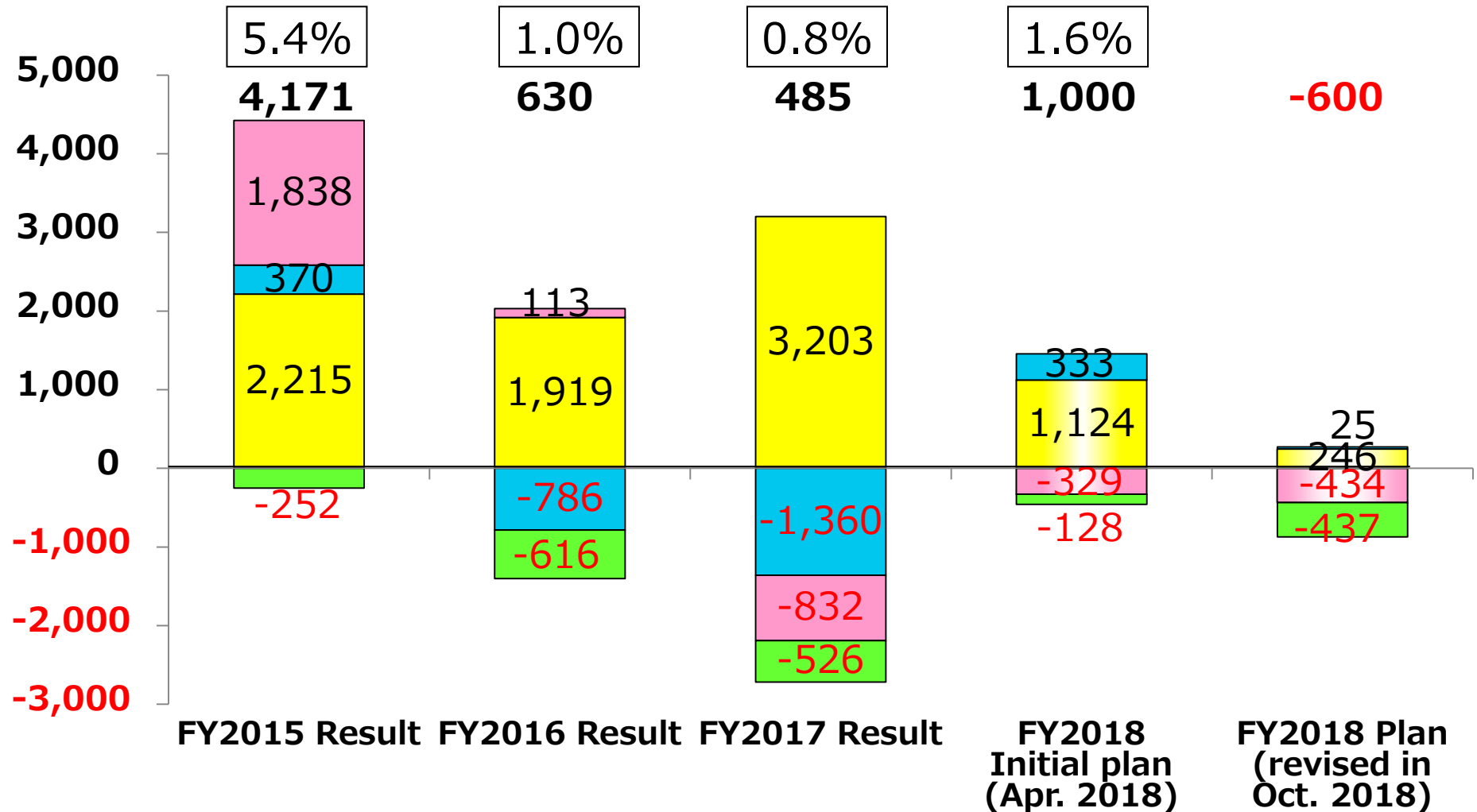




# Operating Profit by Product Div. (FY2015-FY2018)

Unit: Million yen

Profitability (%)=Profit/Sales

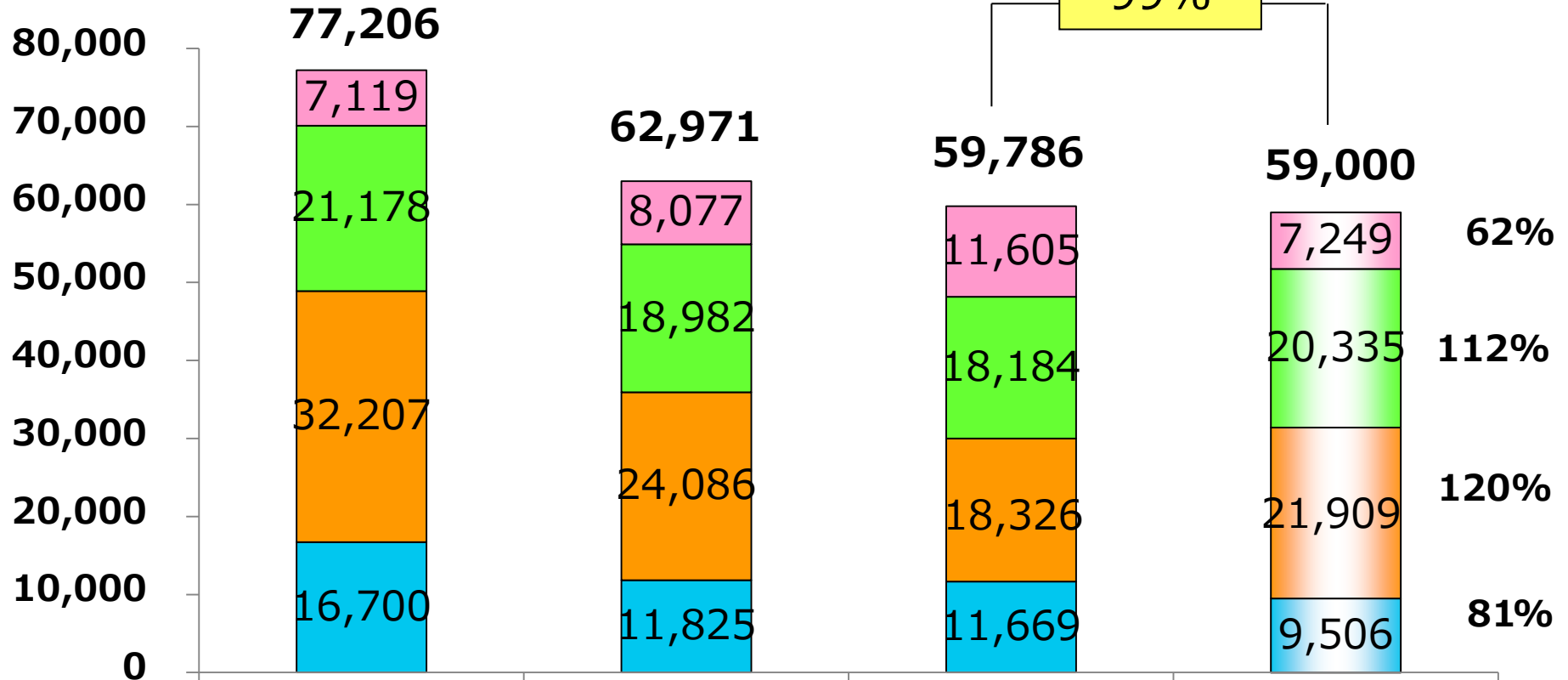


Exchange rate: 1USD=120.47JPY, 108.74JPY, 110.94JPY, 105.00JPY, 1H:110.09JPY, 2H:110.00JPY

CS FC TP Others

# Reference: Net Sales by Market (FY2015-FY2018)

Unit: Million yen



Exchange rate

1USD=120.47JPY

108.74JPY

110.94JPY

1H:110.09JPY  
2H:110.00JPY

■ ICT   
 ■ Home Appliance   
 ■ Car Electronics   
 ■ Industry/Others

# FY2018 Priority Matters

## **1. Improve Profitability in Short-term**

- Improve unprofitable business and deficit-ridden company
- Launch the new large project successfully
- Improve productivity, Realize quality level for car electronics

## **2. Realize Mid- to Long-term Growth**

- Explore new markets, create new business
- Achieve Open Innovation

# FY2018 2H Turnaround Plan

## 【Japan】

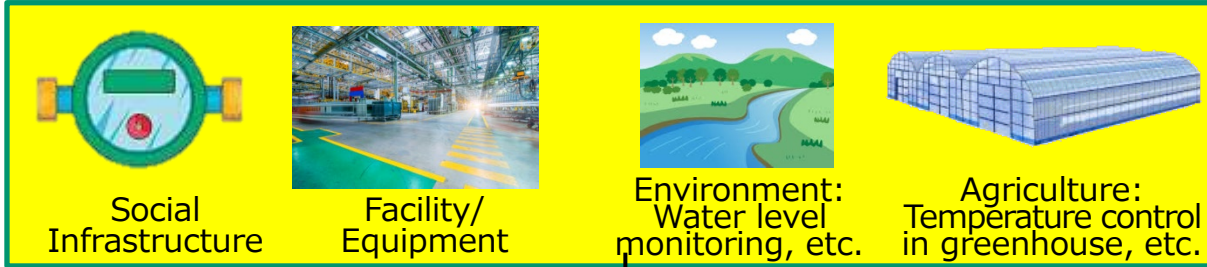
1. Reorganization of Headquarters.
  - Relocation of departments from Osaki Office to Headquarters.
  - Consolidation of R&D Center and Strategic Planning Dept.
2. Cutback in labor costs and in expenses.
3. Sale of assets.

## 【Japan and Overseas】

1. Follow-up for turnaround plan of deficit-ridden subsidiaries.
2. Structural reform.
3. Withdrawal from non-profitable business.
4. Improvement of productivity and quality, reduction of manufacturing defects, and strengthening of CD/VA activities.

# Approach to LPWA Business

## Sigfox



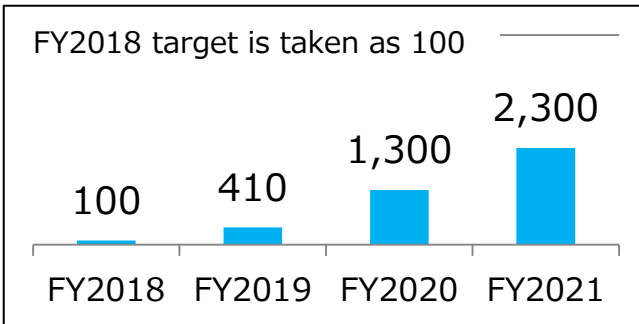
Social Infrastructure      Facility/Equipment      Environment: Water level monitoring, etc.      Agriculture: Temperature control in greenhouse, etc.



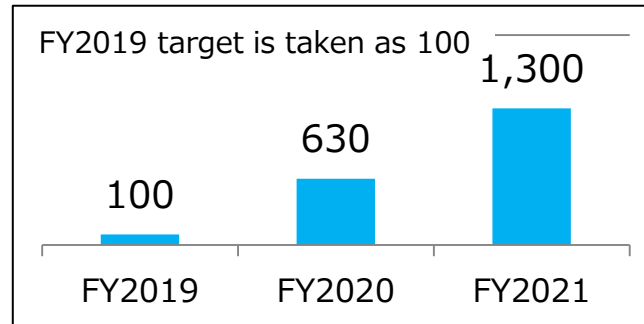
## LoRaWAN™



**[SMK's Sales Target]**



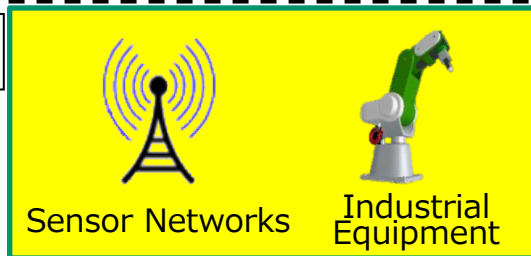
**[SMK's Sales Target]**



WF931 Series

LR01 Series

## SMK Original



Sensor Networks      Industrial Equipment



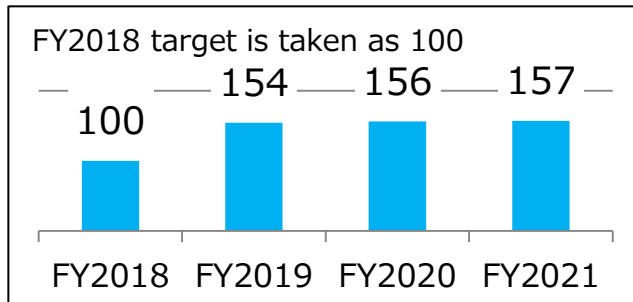
## IP500®



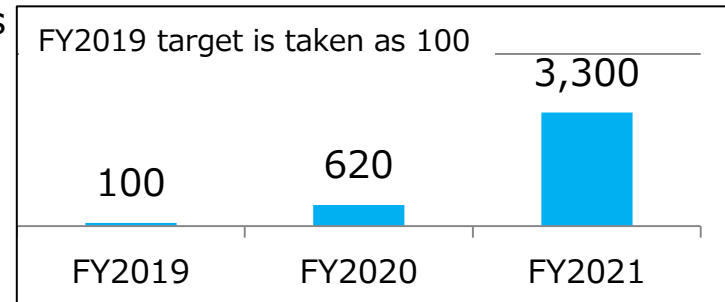
Inside Building/Factory Management



**[SMK's Sales Target]**



**[SMK's Sales Target]**



WF924 Series

CNX Series

# Advanced Development Technology Show 2018

## <Date>

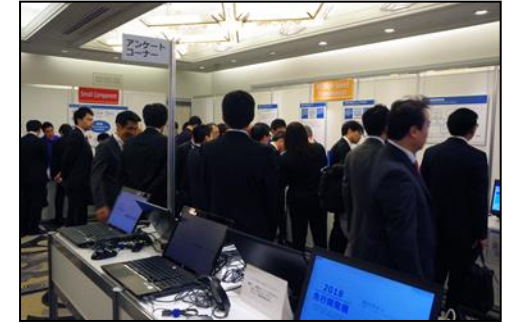
Oct. 17 (Wed.) to 19 (Fri.), 2018

## <Venue>

Hotel New Otani Makuhari 2F banquet room STELLA

## <Purpose>

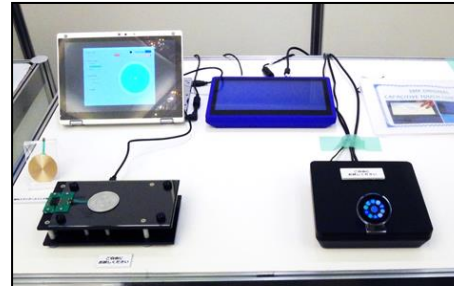
1. Private show and invite only VIP customers.
2. Introduction of SMK's unreleased new products, technologies, and services.



No. of guests	No. of inquiries
543	88



**2 Megapixels 60 fps  
Camera Module**



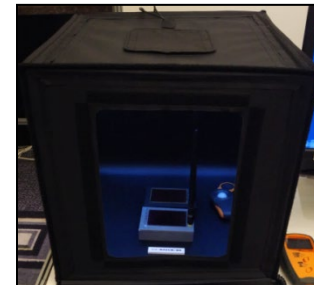
**Resistive Slider Switch  
(3 Wire Systems)**



**Optical Module  
Connector, AOC Type**



**Capacitive Touch Switch:  
3D Shape Switch Panel**



**Energy Harvest  
Sensor Unit**

# 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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