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Consolidated Financial Results for the Nine Months Ended December 31, 2022 [Japanese GAAP]



January 27, 2023

Company name: SMK Corporation
 Stock exchange listing: Tokyo Stock Exchange Prime Market
 Code number: 6798
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 Representative: Yasumitsu Ikeda, President, Chief Executive Officer and Chief Operating Officer
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 Scheduled date of filing quarterly securities report: February 13, 2023
 Scheduled date of commencing dividend payments: –
 Availability of supplementary explanatory materials on quarterly financial results: Not available
 Schedule of quarterly financial results briefing session: Not scheduled

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Nine Months Ended December 31, 2022 (April 1, 2022 - December 31, 2022)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended December 31, 2022	42,099	18.3	1,476	114.5	2,859	26.1	2,450	27.9
December 31, 2021	35,601	(0.7)	688	(29.0)	2,267	90.2	1,916	80.3

(Note) Comprehensive income: Nine months ended December 31, 2022: ¥2,373 million [6.7%]

Nine months ended December 31, 2021: ¥2,225 million [88.6%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2022	385.48	—
December 31, 2021	300.82	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of December 31, 2022	57,838	32,584	56.3
As of March 31, 2022	54,794	30,643	55.9

(Reference) Equity: As of December 31, 2022: ¥32,584 million

As of March 31, 2022: ¥30,643 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2022	–	0.00	–	70.00	70.00
Fiscal year ending March 31, 2023	–	0.00	–		
Fiscal year ending March 31, 2023 (Forecast)				100.00	100.00

(Note) Revision to the forecast for dividends announced most recently: Revised

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2023 (April 1, 2022 - March 31, 2023)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	54,500	13.0	1,500	113.1	3,000	(12.1)	2,500	(16.5)	388.42

(Note) Revision to the financial results forecast announced most recently: Revised

*** Notes:**

(1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in changes in scope of consolidation): None

(2) Accounting methods adopted particularly for the preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: None

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting estimates: None

4) Retrospective restatement: None

(4) Total number of issued and outstanding shares (common stock)

1) Total number of issued and outstanding shares at the end of the period (including treasury stock):

December 31, 2022: 7,200,000 shares

March 31, 2022: 7,500,000 shares

2) Total number of treasury stock at the end of the period:

December 31, 2022: 763,617 shares

March 31, 2022: 1,265,186 shares

3) Average number of shares during the period:

Nine months ended December 31, 2022: 6,358,165 shares

Nine months ended December 31, 2021: 6,372,290 shares

(Notes) 1. The Company cancelled 300,000 shares of its treasury stock on June 30, 2022.

2. The number of treasury stock includes the Company's shares held by Custody Bank of Japan, Ltd. (Trust Account E) as trust assets for the Board Benefit Trust (BBT).

* These quarterly consolidated financial results are outside the scope of quarterly review by certified public accountants or an audit firm.

* Explanation of the proper use of financial results forecast and other notes

The earnings forecasts and other forward-looking statements herein are based on information currently available to the Company and certain assumptions deemed reasonable, and actual results may differ significantly from these forecasts due to various factors. For preconditions for the financial results forecast, notes on the use thereof, etc., please refer to "1. Qualitative Information on Quarterly Financial Results (3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information" on page 3 of the attachment.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

During the nine months ended December 31, 2022, the global economy significantly lost steam in the pace of economic recovery from the COVID-19 pandemic due to the policy interest rate hikes in the U.S. and Europe aimed at curbing inflation. Although difficulties in procuring semiconductors and raw materials began to partially ease, the price rise continued due to the interruption of resource supply brought about by the Ukraine crisis.

The prolonged crisis in Ukraine, the heightened tension between the U.S. and China over Taiwan, the fluctuation in the exchange rate from a sharp devaluation of the yen to a stronger yen due to the revised outlook for U.S. monetary policy, and the impact of a substantial shift in China since December to a policy of coexistence with COVID-19 were among factors that exacerbated the uncertainty surrounding the outlook for the global economy.

In the electronic components industry, the car electronics market has still not achieved full-fledged recovery of automobile production activity under the continuing shortage of power semiconductors, analog semiconductors, and others. The ICT market has developed slowly due to the global inflation and economic recession, although the shortage of semiconductors and raw materials for smartphones, tablets, and other devices began to recover. In the home appliance market, sales of cooking appliances and air purifiers, which had been strong against a backdrop of growing stay-at-home demand and attention to hygiene, experienced a reactionary drop, but sales of air conditioners, etc. increased. The industry market remained firm due to the recovery of capital investment in line with the resumption of economic activities under the measure of coexistence with COVID-19. However, machine tools is currently showing signs of slowing down.

As a result of the Company's thorough countermeasures against COVID-19, procurement of materials, and inventory management, as well as the aggressive introduction of new products and cost reduction efforts, in the nine months ended December 31, 2022, net sales amounted to ¥42,099 million (18.3% increase year on year), and operating profit was ¥1,476 million (114.5% increase year on year). Ordinary profit was ¥2,859 million (26.1% increase year on year) with foreign exchange gains of ¥832 million recorded due to the depreciation of the yen, and profit attributable to owners of parent was ¥2,450 million (27.9% increase year on year).

Results by segment are as follows.

[CS Division]

In the ICT market, sales of connectors for use in tablet devices for customers in the U.S. increased due to the contribution by the launch of new models, but sales of connectors for smartphones declined year on year due to a decrease in replacement demand and a contraction in demand partly due to inflation and global instability. In the car electronics market, sales of connectors exceeded those of the same period of the previous fiscal year due to firm growth of sales of mainstay connectors for cameras and steady development of connectors for electrical devices thanks to an increased market share. In the home appliance market, sales exceeded those of the same period of the previous fiscal year due to a favorable increase in sales of connectors for video game consoles and TV sets. Sales in CS Division as a whole exceeded those of the same period of the previous fiscal year.

As a result, net sales of CS Division amounted to ¥15,744 million (6.0% increase year on year), and operating profit was ¥1,018 million (8.9% increase year on year).

[SCI Division]

In the car electronics market, although automobile production did not fully recover, sales of control units, camera modules, touch sensors, etc. increased due to market share increase, increase of installed number and other factors, exceeding those of the same period of the previous fiscal year. In the home appliance market, sales of the mainstay remote control units increased year on year due to the full-fledged contribution from new models for smart appliances, and a strong performance from units for home equipment, air conditioners,

sanitation, etc. Sales of home equipment units also expanded steadily, and sales in SCI Division as a whole significantly exceeded those of the same period of the previous fiscal year.

As a result, net sales of SCI Division amounted to ¥26,101 million (27.1% increase year on year), and operating profit was ¥578 million (compared to operating loss of ¥81 million in the same period of the previous fiscal year).

[Research & Development Center]

Regarding Bluetooth® modules, the central product of Research & Development Center's mainstay wireless communication module businesses, sales for payment terminals decreased year on year, but sales for mobile printers and medical devices expanded, and sales of Research & Development Center as a whole exceeded those of the same period of the previous fiscal year.

As a result, net sales of Research & Development Center amounted to ¥236 million (6.3% increase year on year), and operating loss was ¥121 million (compared to an operating loss of ¥166 million in the same period of the previous fiscal year).

(2) Explanation of Financial Position

Current assets increased 10.7% from the end of the previous fiscal year to ¥35,119 million. This was mainly due to increases of ¥1,265 million in accounts receivable - trade, and ¥1,467 million in merchandise and finished goods. Non-current assets decreased 1.5% from the end of the previous fiscal year to ¥22,718 million. This was mainly due to a decrease of ¥404 million in property, plant and equipment.

As a result, total assets increased 5.6% from the end of the previous fiscal year to ¥57,838 million.

Current liabilities increased 14.0% from the end of the previous fiscal year to ¥17,298 million. This was mainly due to an increase of ¥1,730 million in short-term borrowings. Non-current liabilities decreased 11.3% from the end of the previous fiscal year to ¥7,955 million. This was mainly due to a decrease of ¥1,017 million in long-term borrowings.

As a result, total liabilities increased 4.6% from the end of the previous fiscal year to ¥25,253 million.

Total net assets increased 6.3% from the end of the previous fiscal year to ¥32,584 million. This was mainly due to a decrease of ¥1,934 million in treasury shares.

(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information

Regarding the consolidated financial results forecast for the fiscal year ending March 31, 2023, the previous forecast announced on October 25, 2022 has been revised in this document based on the deterioration of market conditions in the ICT market and the sharp appreciation of the yen in the foreign exchange market.

The foreign exchange rate on which the results forecast is made for the fourth quarter is assumed to be ¥130 per US dollar.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31, 2022	As of December 31, 2022
Assets		
Current assets		
Cash and deposits	8,555	8,543
Notes receivable - trade	53	67
Electronically recorded monetary claims - operating	1,460	1,743
Accounts receivable - trade	11,286	12,552
Merchandise and finished goods	3,592	5,060
Work in process	961	1,134
Raw materials and supplies	4,991	4,983
Other	860	1,069
Allowance for doubtful accounts	(31)	(33)
Total current assets	31,730	35,119
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,169	4,073
Land	5,869	5,869
Other, net	6,151	5,843
Total property, plant and equipment	16,190	15,786
Intangible assets		
Other	116	104
Total intangible assets	116	104
Investments and other assets		
Other	6,841	6,915
Allowance for doubtful accounts	(86)	(87)
Total investments and other assets	6,755	6,827
Total non-current assets	23,063	22,718
Total assets	54,794	57,838

(Million yen)

	As of March 31, 2022	As of December 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	5,404	5,898
Short-term borrowings	5,066	6,796
Accounts payable - other	1,573	1,901
Income taxes payable	303	304
Provision for bonuses	745	354
Provision for bonuses for directors (and other officers)	30	—
Other	2,055	2,041
Total current liabilities	15,178	17,298
Non-current liabilities		
Long-term borrowings	6,214	5,197
Provision for retirement benefits for directors (and other officers)	173	126
Retirement benefit liability	39	26
Provision for share awards for directors (and other officers)	27	26
Other	2,517	2,579
Total non-current liabilities	8,972	7,955
Total liabilities	24,150	25,253
Net assets		
Shareholders' equity		
Share capital	7,996	7,996
Capital surplus	12,057	12,057
Retained earnings	15,925	16,009
Treasury shares	(4,876)	(2,942)
Total shareholders' equity	31,102	33,121
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	425	379
Deferred gains or losses on hedges	(2)	(0)
Foreign currency translation adjustment	(1,404)	(1,330)
Remeasurements of defined benefit plans	520	413
Total accumulated other comprehensive income	(459)	(537)
Total net assets	30,643	32,584
Total liabilities and net assets	54,794	57,838

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income
Nine Months Ended December 31

(Million yen)

	For the nine months ended December 31, 2021	For the nine months ended December 31, 2022
Net sales	35,601	42,099
Cost of sales	29,450	34,254
Gross profit	6,151	7,844
Selling, general and administrative expenses	5,463	6,368
Operating profit	688	1,476
Non-operating income		
Interest income	26	21
Dividend income	54	70
Rental income from real estate	794	735
Foreign exchange gains	535	832
Subsidies for employment adjustment	252	72
Other	471	407
Total non-operating income	2,134	2,140
Non-operating expenses		
Interest expenses	78	119
Rental costs on real estate	431	405
Loss on investments in investment partnerships	—	188
Other	45	43
Total non-operating expenses	555	757
Ordinary profit	2,267	2,859
Extraordinary income		
Gain on sale of non-current assets	15	16
Total extraordinary income	15	16
Extraordinary losses		
Loss on sale of non-current assets	32	0
Loss on retirement of non-current assets	37	12
Loss on valuation of investment securities	—	25
Total extraordinary losses	69	37
Profit before income taxes	2,212	2,838
Income taxes - current	206	260
Income taxes - deferred	88	127
Total income taxes	295	388
Profit	1,916	2,450
Profit attributable to owners of parent	1,916	2,450

Quarterly Consolidated Statements of Comprehensive Income

Nine Months Ended December 31

(Million yen)

	For the nine months ended December 31, 2021	For the nine months ended December 31, 2022
Profit	1,916	2,450
Other comprehensive income		
Valuation difference on available-for-sale securities	153	(46)
Deferred gains or losses on hedges	4	1
Foreign currency translation adjustment	265	73
Remeasurements of defined benefit plans, net of tax	(115)	(107)
Total other comprehensive income	308	(77)
Comprehensive income	2,225	2,373
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,225	2,373

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Notes in case of significant changes in shareholders' equity)

Not applicable.

(Segment information, etc.)

I. For the nine months ended December 31, 2021 (from April 1, 2021 to December 31, 2021)

Information on net sales and profit (loss) by reportable segment

(Million yen)

	Reportable segment				Others (Note)	Amount recorded in Quarterly Consolidated Statements of Income
	CS (Connection System) Division	SCI (Sensing, Communications and Interface) Division	Research & Development Center	Total		
Net sales						
Net sales to external customers	14,847	20,528	222	35,597	3	35,601
Inter-segment net sales or transfers	—	—	—	—	—	—
Total	14,847	20,528	222	35,597	3	35,601
Segment profit (loss) (operating profit)	935	(81)	(166)	687	0	688

(Note) The "Others" are business segments not included in the reportable segments. It includes other parts, leasing, property rental and worker dispatch businesses.

II. For the nine months ended December 31, 2022 (from April 1, 2022 to December 31, 2022)

Information on net sales and profit (loss) by reportable segment

(Million yen)

	Reportable segment				Others (Note)	Amount recorded in Quarterly Consolidated Statements of Income
	CS (Connection System) Division	SCI (Sensing, Communications and Interface) Division	Research & Development Center	Total		
Net sales						
Net sales to external customers	15,744	26,101	236	42,082	17	42,099
Inter-segment net sales or transfers	—	—	—	—	—	—
Total	15,744	26,101	236	42,082	17	42,099
Segment profit (loss) (operating profit)	1,018	578	(121)	1,475	0	1,476

(Note) The "Others" are business segments not included in the reportable segments. It includes other parts, leasing, property rental and worker dispatch businesses.

3. Supplementary Information

Status of Orders Received and Sales (by Market)

1) Orders received

(Million yen)

Market	Nine months ended December 31, 2021 (From April 1, 2021 to December 31, 2021)		Nine months ended December 31, 2022 (From April 1, 2022 to December 31, 2022)		Change	
	Amount	Contribution (%)	Amount	Contribution (%)	Amount	Change (%)
ICT	7,253	17.8	6,182	15.2	(1,071)	(14.8)
Home appliance	14,011	34.4	16,583	40.7	2,571	18.4
Car electronics	14,432	35.4	14,860	36.5	427	3.0
Industry and other	5,059	12.4	3,076	7.6	(1,983)	(39.2)
Total	40,756	100.0	40,701	100.0	(55)	(0.1)

Market	(Reference) Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)	
	Amount	Contribution (%)
ICT	9,624	18.1
Home appliance	18,446	34.7
Car electronics	18,928	35.6
Industry and other	6,172	11.6
Total	53,171	100.0

2) Sales

(Million yen)

Market	Nine months ended December 31, 2021 (From April 1, 2021 to December 31, 2021)		Nine months ended December 31, 2022 (From April 1, 2022 to December 31, 2022)		Change	
	Amount	Contribution (%)	Amount	Contribution (%)	Amount	Change (%)
ICT	7,206	20.3	6,687	15.9	(519)	(7.2)
Home appliance	12,331	34.6	16,257	38.6	3,925	31.8
Car electronics	12,791	35.9	15,453	36.7	2,661	20.8
Industry and other	3,272	9.2	3,702	8.8	429	13.1
Total	35,601	100.0	42,099	100.0	6,497	18.3

Market	(Reference) Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)	
	Amount	Contribution (%)
ICT	9,421	19.5
Home appliance	16,912	35.1
Car electronics	17,321	35.9
Industry and other	4,587	9.5
Total	48,243	100.0