

ANNUAL REPORT

2022

For the fiscal year ended March 31, 2022

CREATIVE CONNECTIVITY



To Our Shareholders and Investors

We are obliged to you for your continued support and good patronage.

On this occasion, we would like to express our deepest sympathy to everyone who has been affected by COVID-19.

We would like to report on the outline and results of the SMK Group's business for the 100th fiscal year (from April 1, 2021 to March 31, 2022).

We look forward to your continuing support and encouragement.

June 2022

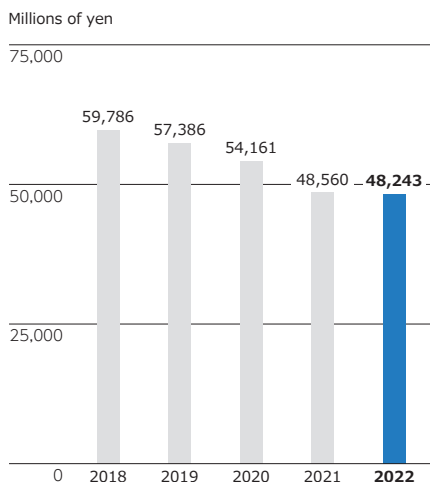
Yasumitsu Ikeda
President and CEO/COO



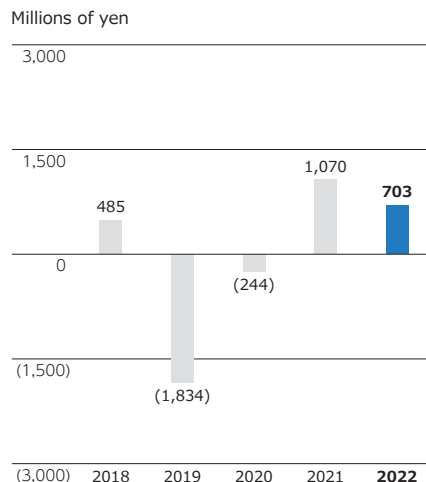
Financial Highlights

Years ended and as of March 31	Millions of yen		Percent Change 2021/2022	Thousands of U.S. dollars
	2021	2022		2022
Operating Results				
Net sales	¥ 48,560	¥ 48,243	(0.7)%	\$394,174
Operating income	1,070	703	(34.3)	5,744
Profit attributable to owners of parent	1,917	2,992	56.1	24,446
Financial Position				
Total assets	¥ 50,332	¥ 54,794	8.9%	\$447,700
Total net assets	27,751	30,643	10.4	250,372

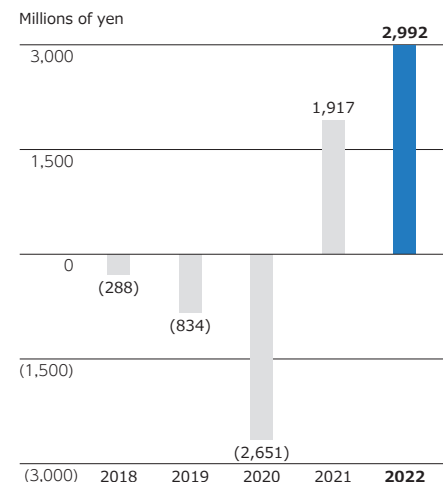
Net sales



Operating income (loss)



Profit (loss) attributable to owners of parent



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SMK Philosophy

SMK is committed to the advancement of mankind through development of the information society, by integrating its current technological strengths and creating advanced technology.

SMK Action Guidelines

- 1 Contribute to society with pride and confidence.
- 2 Be customer-oriented, with zeal and sincerity.
- 3 Challenge courageously for higher goals without fear of failure.
- 4 Trust and respect each other for a brighter working atmosphere.
- 5 Keep an open mind, and view SMK from a global perspective.

Years ended and as of March 31	Yen		Percent Change	U.S. dollars
	2021	2022	2021/2022	2022
Per Share Data				
Profit attributable to owners of parent				
Basic	¥ 297.92	¥ 472.14	58.5%	\$3.86
Diluted	—	—	—	—
Cash dividends	50.00	70.00	40.0	0.57

Note 1. The U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥122.39 = U.S. \$1.00.

Note 2. The Company carried out a consolidation of share at the ratio of 10 shares to 1 share on October 1, 2018.

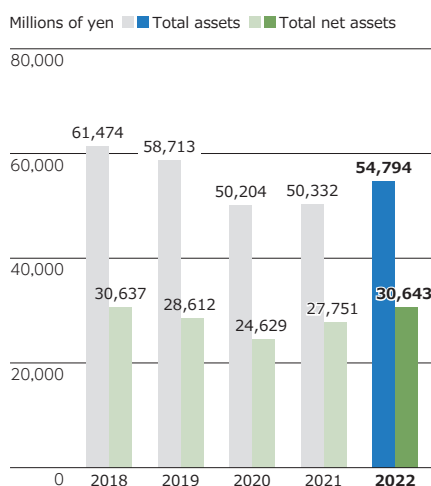
Basic earnings per share and diluted earnings per share have been calculated on the assumption that the said consolidation of share was carried out at the beginning of the year ended March 31, 2017.

Note 3. In the calculation of profit (loss) per share, the Company's shares remaining in the Board Benefit Trust (BBT), which are recorded as treasury stock under shareholders' equity, are included in the treasury stocks that are deducted in the calculation of the average number of shares in the period.

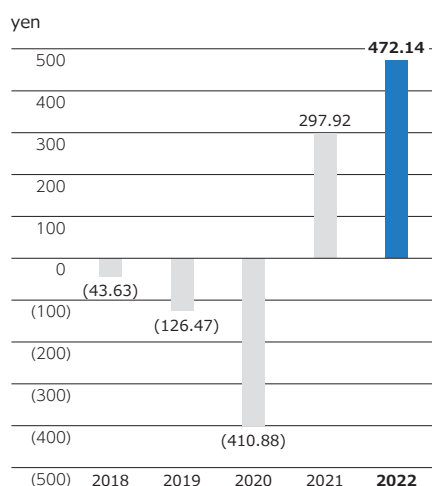
Note 4. The Company and its consolidated subsidiaries have adopted "Accounting Standard for Revenue Recognition" (ASBJ Statement No.29, March 31, 2020) from the beginning of the fiscal year ended March 31, 2022.

As such, financial position for the year ended March 31, 2022 is calculated after adoption of its accounting policy.

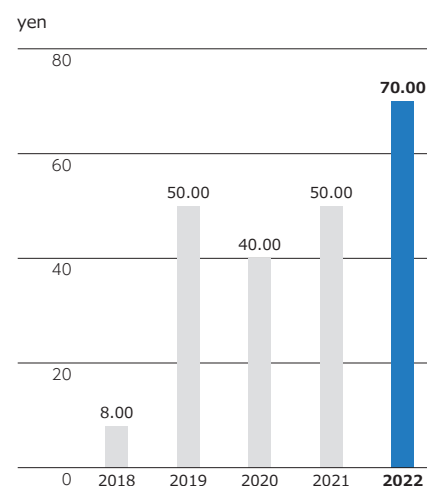
Total assets / Total net assets



Basic profit (loss) attributable to owners of parent per share



Cash dividends per share





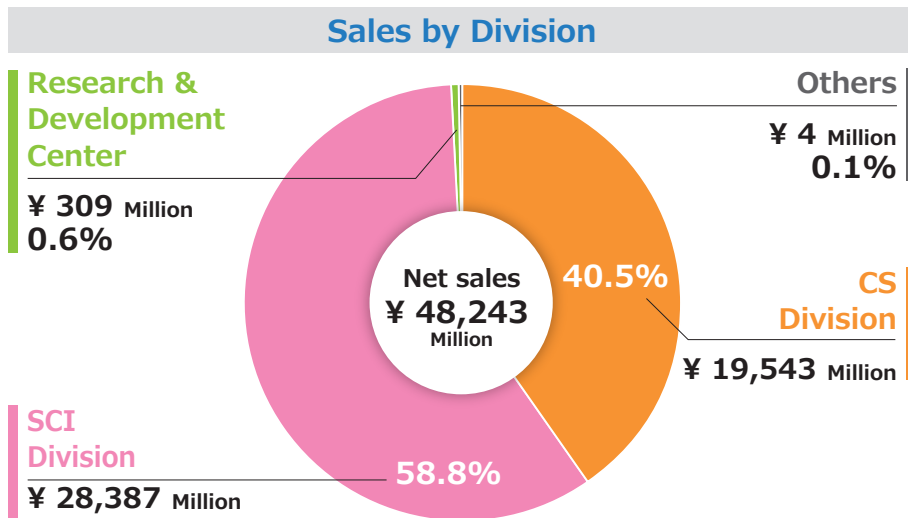
Overview of Consolidated Results by Division

(April 1, 2021 to March 31, 2022)

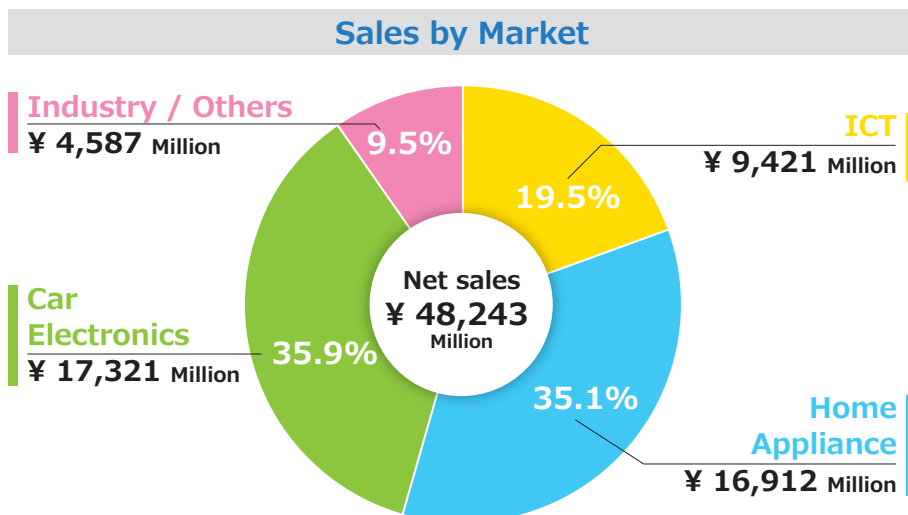
The many different electronic components that SMK produces are widely used by electronics manufacturers in and outside Japan. The markets for these components can be broadly classified into four markets: ICT Market, Home Appliance Market, Car Electronics Market and Industry Market.

Two divisions, namely CS (Connection System) Division and SCI (Sensing, Communications and Interface) Division, as well as Research & Development Center, are responsible for developing products that continually meet market requirements in the wide range of markets outlined above. The two divisions handle operations ranging from product planning and design to mass production, whereas Research & Development Center is primarily in charge of designing and developing products in new fields.

In this section, we present an overview of our results achieved in each of the two divisions and Research & Development Center in the fiscal year under review.



Others: businesses of other electronic parts, lease, real-estate rental, and worker dispatching undertakings.



Others: markets of medical equipment, rehabilitation equipment, etc.

CS (Connection System) Division

Major Products

- Connectors (Coaxial, FPC)
- Jacks

SCI (Sensing, Communications and Interface) Division

Major Products

- Remote Control Units
- Switches
- Camera Modules
- Touch Sensors

Research & Development Center

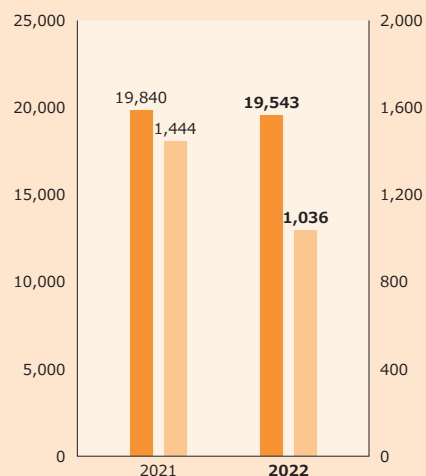
Major Products

- Wireless Modules

In the car electronics market, sales of mainstay connectors for cameras were firm, and orders for connectors for electrical devices grew steadily, exceeding those of the previous year. In the home appliance market, sales exceeded those of the previous year due to the adoption of connectors for digital cameras and an increase in orders of connectors for VR. On the other hand, in the ICT market, sales of connectors for tablet devices of US customers remained at the same level as the previous fiscal year affected by the impact of production adjustments due to a shortage of semiconductors. In addition, sales of connectors for smartphones fell below those of the previous year due to a decrease in production by some Chinese customers caused by difficulties in obtaining semiconductors.

As a result, net sales of CS Division amounted to ¥19,543 million (1.5% decrease year on year), and operating income was ¥1,036 million (28.3% decrease year on year).

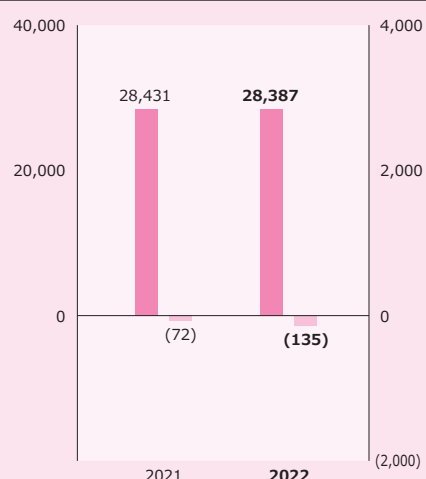
Net sales / Operating income Millions of yen



In the car electronics market, orders for camera modules, control units, touch sensors, etc. were strong due to the recovery of car production mainly in the U.S. and sales exceeded those of the previous year. Sales of switches for wearable devices in the ICT market and touch sensors for office machines in the industry market were strong and exceeded those of the previous year. On the other hand, in the mainstay home appliance market, sales of units for home equipment and remote control units for air conditioners exceeded those of the previous year, but sales of remote control units for set-top boxes decreased and fell below those of the previous year.

As a result, net sales of SCI Division amounted to ¥28,387 million (0.2% decrease year on year), and operating loss was ¥135 million (compared to operating loss of ¥72 million in the previous fiscal year).

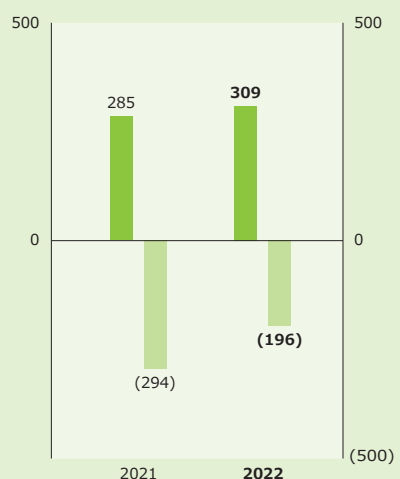
Net sales / Operating loss Millions of yen



Regarding Bluetooth® modules, the central product of Research & Development Center's mainstay wireless communication module businesses, the markets for payment terminals, mobile printers and medical devices have been expanding. However, Research & Development Center was not able to secure ICs due to a shortage of semiconductors, and although sales slightly exceeded those of the previous year, the target value was not reached.

As a result, net sales of Research & Development Center amounted to ¥309 million (8.2% increase year on year), and operating loss was ¥196 million (compared to an operating loss of ¥294 million in the previous fiscal year).

Net sales / Operating loss Millions of yen





Five-Year Summary

SMK Corporation and Consolidated Subsidiaries

Years ended and as of March 31	Millions of yen					Thousands of U.S. dollars	
	2018	2019	2020	2021	2022	2022	
Operating Results							
Net sales	¥ 59,786	¥ 57,386	¥ 54,161	¥ 48,560	¥ 48,243	\$ 394,174	
Operating income (loss)	485	(1,834)	(244)	1,070	703	5,744	
Profit (loss) attributable to owners of parent	(288)	(834)	(2,651)	1,917	2,992	24,446	
Financial Position							
Total assets	¥ 61,474	¥ 58,713	¥ 50,204	¥ 50,332	¥ 54,794	\$ 447,700	
Total net assets	30,637	28,612	24,629	27,751	30,643	250,372	

	Yen					U.S. dollars	
Per Share Data							
Total net assets	¥ 4,635.03	¥ 4,415.09	¥ 3,870.65	¥ 4,311.91	¥ 4,914.89	\$ 40.16	
Profit (loss) attributable to owners of parent							
Basic	(43.63)	(126.47)	(410.88)	297.92	472.14	3.86	
Diluted	—	—	—	—	—	—	
Cash dividends	8.00	50.00	40.00	50.00	70.00	0.57	

Note 1. The U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥122.39 = U.S. \$1.00.

Note 2. The Company carried out a consolidation of share at the ratio of 10 shares to 1 share on October 1, 2018.

Basic earnings per share and diluted earnings per share have been calculated on the assumption that the said consolidation of share was carried out at the beginning of the years ended March 31, 2017.

Note 3. In the calculation of profit (loss) per share, the Company's shares remaining in the Board Benefit Trust (BBT), which are recorded as treasury stock under shareholders' equity, are included in the treasury stocks that are deducted in the calculation of the average number of shares in the period.

Note 4. The Company and its consolidated subsidiaries have adopted "Accounting Standard for Revenue Recognition" (ASBJ Statement No.29, March 31, 2020) from the beginning of the fiscal year ended March 31, 2022.

As such, financial position for the year ended March 31, 2022 is calculated after adoption of its accounting policy.



Financial Review

SMK's net sales for the fiscal year ended March 31, 2022 decreased 0.7% year on year to ¥48,243 million (US\$394,174 thousand), and operating income of ¥703 million (US\$5,744 thousand) and profit attributable to owners of parent of ¥2,992 million (US\$24,446 thousand) were recorded.

Net Sales

In the car electronics market, sales increased from the previous fiscal year due to the recovery of car production mainly in China and the U.S, but sales in the ICT and home appliance markets decreased from the previous fiscal year due to production adjustments and a decline in demand caused by a shortage of semiconductors plaguing major customers.

As a result, net sales were ¥48,243 million (US\$394,174 thousand), down 0.7% year on year.

Operating Income

Despite our efforts such as proactive launch of new products and initiatives taken to reduce costs, operating income amounted to ¥703 million (US\$5,744 thousand) due to the impact of soaring raw material prices and a decrease in sales.

Profit attributable to owners of parent

Profit attributable to owners of parent was ¥2,992 million (US\$24,446 thousand) as a result of recording rent income/expense, foreign exchange gains, subsidies for employment adjustment, etc. in other income/expenses.

Total Net Assets / ROE

As of March 31, 2022, total net assets were ¥30,643 million (US\$250,372 thousand), with ROE of 10.2%.

Total Assets / ROA

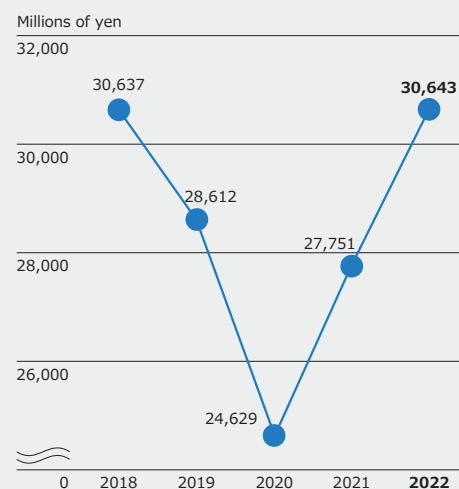
As of March 31, 2022, total assets were ¥54,794 million (US\$447,700 thousand), with ROA of 6.5%.

Cash Flows

Net cash provided by operating activities amounted to ¥2,433 million (US\$19,879 thousand), net cash used in investing activities totaled ¥1,631 million (US\$13,326 thousand), and net cash used in financing activities was ¥971 million (US\$7,934 thousand).

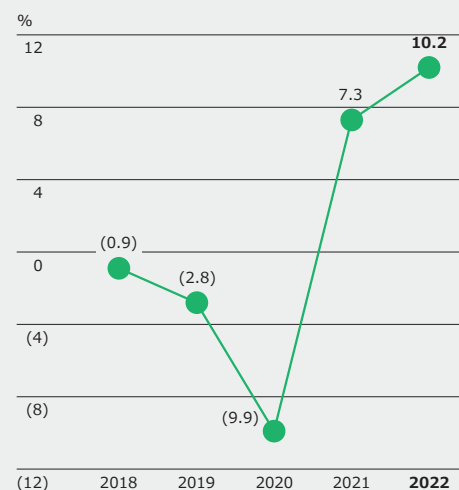
Total net assets

(As of March 31)



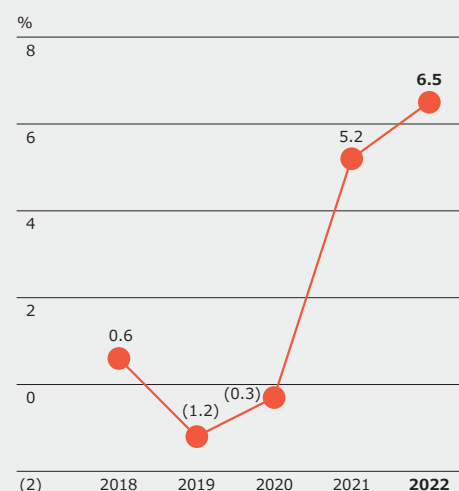
Return on equity (ROE)

(Years ended March 31)



Return on assets (ROA)

(Years ended March 31)



Consolidated Balance Sheet

SMK Corporation and Consolidated Subsidiaries
As of March 31, 2021 and 2022

	Millions of Yen		Thousands of U.S. dollars (Note 2)
Assets	2021	2022	2022
Current assets			
Cash and cash equivalents (Note 16)	¥ 8,742	¥ 8,505	\$ 69,491
Time deposits (Note 16)	57	49	400
Notes and accounts receivable, trade (Note 16)	11,242	—	—
Notes receivable, trade (Note 16)	—	53	433
Electronically recorded monetary claims (Note 16)	1,325	1,460	11,929
Accounts receivable, trade (Note 16)	—	11,286	92,213
Inventories (Note 3)	6,547	9,545	77,988
Other current assets (Note 18 and 22)	1,050	860	7,027
Allowance for doubtful accounts	(61)	(31)	(253)
	28,903	31,730	259,253
Investments and long-term loans			
Investment securities (Note 16 and 17)	3,113	3,639	29,733
Long-term loans receivable (Note 22)	90	99	809
Asset for retirement benefits (Note 7)	2,058	2,245	18,343
Other investments (Note 22)	661	731	5,973
Allowance for doubtful accounts	(84)	(86)	(703)
	5,839	6,628	54,155
Property, plant and equipment (Note 5, 12 and 19)			
Land (Note 4)	5,939	5,869	47,953
Buildings	19,386	19,066	155,781
Machinery and vehicles	23,108	24,804	202,664
Tooling and office furniture	19,489	20,214	165,161
Leased assets	32	29	237
Right of use assets	135	1,599	13,065
Construction in progress	128	186	1,520
	68,220	71,771	586,412
Less-accumulated depreciation	(52,816)	(55,580)	(454,122)
	15,403	16,190	132,282
Other assets			
Deferred tax assets (Note 13)	92	126	1,029
Intangible assets (Note 12)	93	116	948
	185	243	1,985
Total assets	¥ 50,332	¥ 54,794	\$ 447,700

See accompanying notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. dollars (Note 2)
Liabilities and net assets	2021	2022	2022
Current liabilities			
Short-term loans payable (Note 5)	¥ 6,122	¥ 5,066	\$ 41,392
Lease liabilities (Note 16)	53	407	3,325
Notes and accounts payable, trade	5,029	5,404	44,154
Accrued income taxes	330	303	2,476
Accrued bonuses	716	745	6,087
Accrued directors' and officers' bonuses	28	30	245
Accounts payable, non-trade	1,775	1,573	12,852
Other current liabilities (Note 6 and 18)	1,442	1,648	13,465
	15,498	15,178	124,013
Long-term liabilities			
Long-term debt (Note 5 and 16)	5,180	6,214	50,772
Lease liabilities (Note 16)	32	920	7,517
Deferred tax liabilities (Note 13)	954	961	7,852
Accrued directors' and officers' retirement benefits	147	173	1,414
Liability for retirement benefits (Note 7)	61	39	319
Accrued directors' and officers' share awards	14	27	221
Other long-term liabilities	691	634	5,180
	7,082	8,972	73,307
Net assets			
Shareholders' equity (Note 8)			
Common stock			
Authorized : 19,596,127 shares			
Issued : 7,500,000 shares	7,996	7,996	65,332
Capital surplus	12,057	12,057	98,513
Retained earnings	13,241	15,925	130,117
Treasury stock	(4,394)	(4,876)	(39,840)
	28,900	31,102	254,122
Accumulated other comprehensive income			
Net unrealized gains (losses) on other securities	288	425	3,473
Net unrealized gains (losses) from hedging instruments	(7)	(2)	(16)
Foreign currency translation adjustments	(1,997)	(1,404)	(11,472)
Retirement benefits asset and liability adjustments	568	520	4,249
	(1,149)	(459)	(3,750)
	27,751	30,643	250,372
Total liabilities and net assets	¥ 50,332	¥ 54,794	\$ 447,700

Consolidated Statement of Income

SMK Corporation and Consolidated Subsidiaries
Years ended March 31, 2021 and 2022

	Millions of Yen		Thousands of U.S. dollars (Note 2)
	2021	2022	2022
Net sales (Note 20 and 21)	¥ 48,560	¥ 48,243	\$ 394,174
Cost of sales (Note 3 and 9)	40,119	40,169	328,205
Selling, general and administrative expenses (Note 9 and 10)	7,370	7,369	60,209
Operating income (Note 21)	1,070	703	5,744
Other income			
Interest and dividend income (Note 22)	71	85	695
Rent income	1,066	1,057	8,636
Foreign exchange gains	160	1,426	11,651
Subsidies for employment adjustment	542	318	2,598
Gain on sales of fixed assets (Note 11)	21	32	261
Other	525	672	5,491
Total other income	2,387	3,592	29,349
Other expenses			
Interest expense	108	103	842
Rent expense (Note 22)	567	575	4,698
Compensation expenses	87	—	—
Loss on sales of fixed assets (Note 11)	0	34	278
Loss on disposal of fixed assets (Note 11)	79	38	310
Loss on impairment of fixed assets (Note 12)	130	3	25
Loss on valuation of investment securities	112	115	940
Loss on liquidation of subsidiaries and affiliates	22	—	—
Other	76	171	1,397
Total other expenses	1,186	1,041	8,506
Profit before income taxes	2,271	3,254	26,587
Income taxes (Note 13)			
Current	297	312	2,549
Deferred	93	(49)	(400)
Profit	1,881	2,992	24,446
Loss attributable to non-controlling interests	(35)	—	—
Profit attributable to owners of parent	¥ 1,917	¥ 2,992	\$ 24,446
	Yen		U.S. dollars (Note 2)
Per share data (Note 15)			
Total net assets	¥ 4,311.91	¥ 4,914.89	\$ 40.16
Profit attributable to owners of parent			
Basic	297.92	472.14	3.86
Diluted	—	—	—
Cash dividends	50.00	70.00	0.57

See accompanying notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

SMK Corporation and Consolidated Subsidiaries
Years ended March 31, 2021 and 2022

	Millions of Yen		Thousands of U.S. dollars (Note 2)
	2021	2022	2022
Profit	¥ 1,881	¥ 2,992	\$ 24,446
Other comprehensive income (Note 14)			
Net unrealized gains (losses) on other securities	181	137	1,119
Net unrealized gains (losses) from hedging instruments	10	5	41
Foreign currency translation adjustments	297	593	4,845
Retirement benefits asset and liability adjustments	690	(47)	(384)
Total other comprehensive income	1,180	689	5,630
Comprehensive income	¥ 3,061	¥ 3,682	\$ 30,084
Total comprehensive income attributable to:			
Owners of parent	¥ 3,097	¥ 3,682	\$ 30,084
Non-controlling interests	¥ (35)	¥ —	\$ —

See accompanying notes to consolidated financial statements.

Consolidated Statement of Changes in Net Assets

SMK Corporation and Consolidated Subsidiaries
Years ended March 31, 2021 and 2022

Millions of yen

	Shareholders' equity					Accumulated other comprehensive income							Non-controlling interests	Total net assets
	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains (losses) on other securities	Net unrealized gains (losses) from hedging instruments	Foreign currency translation adjustments	Retirement benefits asset and liability adjustments	Total accumulated other comprehensive income			
Balance at April 1, 2020	7,500,000	¥ 7,996	¥ 12,057	¥ 11,582	¥ (4,391)	¥ 27,245	¥ 106	¥ (18)	¥ (2,295)	¥ (122)	¥ (2,329)	¥ (286)	¥ 24,629	
Cash dividends paid				(259)		(259)							(259)	
Profit attributable to owners of parent				1,917		1,917							1,917	
Acquisition of treasury stock					(3)	(3)							(3)	
Net changes in items other than shareholders' equity							181	10	297	690	1,180	286	1,466	
Total changes	–	–	–	1,658	(3)	1,655	181	10	297	690	1,180	286	3,122	
Balance at March 31, 2021	7,500,000	7,996	12,057	13,241	(4,394)	28,900	288	(7)	(1,997)	568	(1,149)	–	27,751	
Balance at April 1, 2021	7,500,000	7,996	12,057	13,241	(4,394)	28,900	288	(7)	(1,997)	568	(1,149)	–	27,751	
Cumulative effect of change in accounting principle				15		15							15	
Restated balance at April 2021	7,500,000	7,996	12,057	13,256	(4,394)	28,915	288	(7)	(1,997)	568	(1,149)	–	27,766	
Cash dividends paid				(323)		(323)							(323)	
Profit attributable to owners of parent				2,992		2,992							2,992	
Acquisition of treasury stock					(481)	(481)							(481)	
Net changes in items other than shareholders' equity							137	5	593	(47)	689	–	689	
Total changes	–	–	–	2,668	(481)	2,187	137	5	593	(47)	689	–	2,876	
Balance at March 31, 2022	7,500,000	¥ 7,996	¥ 12,057	¥ 15,925	¥ (4,876)	¥ 31,102	¥ 425	¥ (2)	¥ (1,404)	¥ 520	¥ (459)	¥ –	¥ 30,643	

Thousands of U.S. dollars (Note 2)

	Shareholders' equity					Accumulated other comprehensive income							Non-controlling interests	Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains (losses) on other securities	Net unrealized gains (losses) from hedging instruments	Foreign currency translation adjustments	Retirement benefits asset and liability adjustments	Total accumulated other comprehensive income				
Balance at April 1, 2021	\$ 65,332	\$ 98,513	\$ 108,187	\$ (35,902)	\$ 236,130	\$ 2,353	\$ (57)	\$ (16,317)	\$ 4,641	\$ (9,388)	\$ –	\$ 226,742		
Cumulative effect of change in accounting principle			123		123								123	
Restated balance at April 2021	\$ 65,332	\$ 98,513	108,310	\$ (35,902)	\$ 236,253	\$ 2,353	\$ (57)	\$ (16,317)	\$ 4,641	\$ (9,388)	\$ –	\$ 226,865		
Cash dividends paid			(2,639)		(2,639)								(2,639)	
Profit attributable to owners of parent			24,446		24,446								24,446	
Acquisition of treasury stock				(3,930)	(3,930)								(3,930)	
Net changes in items other than shareholders' equity						1,119	41	4,845	(384)	5,630	–	5,630		
Total changes	–	–	21,799	(3,930)	17,869	1,119	41	4,845	(384)	5,630	–	23,499		
Balance at March 31, 2022	\$ 65,332	\$ 98,513	\$ 130,117	\$ (39,840)	\$ 254,122	\$ 3,473	\$ (16)	\$ (11,472)	\$ 4,249	\$ (3,750)	\$ –	\$ 250,372		

Consolidated Statement of Cash Flows

SMK Corporation and Consolidated Subsidiaries
Years ended March 31, 2021 and 2022

	Millions of Yen		Thousands of U.S. dollars (Note 2)
	2021	2022	2022
Cash flows from operating activities			
Profit before income taxes	¥ 2,271	¥ 3,254	\$ 26,587
Depreciation and amortization	2,237	2,696	22,028
Loss on impairment of fixed assets	130	3	25
Increase (decrease) in accrued bonuses	134	17	139
Increase (decrease) in accrued directors' and officers' retirement benefits	13	25	204
Increase (decrease) in accrued directors' and officers' share awards	14	12	98
Increase (decrease) in asset and liability for retirement benefits	30	(289)	(2,361)
Interest and dividend income	(71)	(85)	(695)
Interest expense	108	103	842
(Gain) loss on sales of fixed assets	(20)	1	8
(Gain) loss on valuation of investment securities	112	115	940
Loss on disposal of fixed assets	79	38	310
Loss on liquidation of subsidiaries and affiliates	22	—	—
(Increase) decrease in notes and accounts receivable, trade	367	1,142	9,331
(Increase) decrease in inventories	103	(2,351)	(19,209)
Increase (decrease) in notes and accounts payable, trade	(838)	(1,084)	(8,857)
(Increase) decrease in accounts receivable, non-trade	7	(152)	(1,242)
Increase (decrease) in accounts payable, non-trade	340	(354)	(2,892)
Other	(141)	(551)	(4,502)
Subtotal	4,903	2,543	20,778
Interest and dividends received	77	88	719
Interest paid	(114)	(115)	(940)
Income taxes refund	63	234	1,912
Income taxes paid	(275)	(318)	(2,598)
Net cash provided by (used in) operating activities	4,653	2,433	19,879
Cash flows from investing activities			
Payments into time deposits	(75)	(57)	(466)
Proceeds from time deposits	98	66	539
Purchases of fixed assets	(2,334)	(1,976)	(16,145)
Proceeds from sales of fixed assets	52	415	3,391
Purchases of intangible fixed assets	(26)	(35)	(286)
Purchases of investment securities	(63)	(37)	(302)
Proceeds from sales of investment securities	0	—	—
Payments for execution of loans	(9)	(26)	(212)
Collection of loans receivable	31	19	155
Net cash provided by (used in) investing activities	(2,325)	(1,631)	(13,326)
Cash flows from financing activities			
Increase (decrease) in short-term loans payable	(1,950)	(2,000)	(16,341)
Proceeds from long-term debt	1,400	3,800	31,048
Payments of long-term debt	(3,055)	(1,667)	(13,620)
Payments of lease liabilities	(37)	(301)	(2,459)
Purchases of treasury stock	(1)	(479)	(3,914)
Dividends paid	(259)	(323)	(2,639)
Net cash provided by (used in) financing activities	(3,904)	(971)	(7,934)
Effect of exchange rate changes on cash and cash equivalents	(94)	(66)	(539)
Increase (decrease) in cash and cash equivalents	(1,671)	(236)	(1,928)
Cash and cash equivalents at beginning of the year	10,437	8,742	71,427
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(24)	—	—
Cash and cash equivalents at end of the year	¥ 8,742	¥ 8,505	\$ 69,491

Notes to Consolidated Financial Statements

SMK Corporation and Consolidated Subsidiaries

Note 1. Summary of significant accounting policies

- (a) Basis of presenting financial statements
The accompanying consolidated financial statements of SMK Corporation (the "Company") and consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan. For the purpose of this document, certain reclassifications have been made in the accompanying consolidated financial statements to facilitate understanding by readers outside Japan. In addition, certain reclassifications have been made to the prior year's consolidated financial statements to conform to the current year's presentation.
- (b) Basis of consolidation and investments in affiliated companies
The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries over which substantial control is exercised either through majority ownership of voting stock and/or by other means. All significant intercompany balances and transactions have been eliminated in consolidation. Certain foreign subsidiaries' fiscal period ends on December 31, which differs from the year-end date of the Company; however, the financial statements of these companies were tentatively closed as of March 31 and necessary adjustments for consolidation were made. Investments in affiliates (companies over which the Company has the ability to exercise significant influence) are accounted for by the equity method. Consolidated profit attributable to owners of parent includes the Company's equity in the current profit attributable to owners of parent or loss of such companies, after the elimination of unrealized intercompany profits. All assets and liabilities of the Company's subsidiaries are revalued at the acquisition, if applicable, and the excess of cost over the underlying net assets at the date of acquisition is amortized over a period of five years on a straight-line basis if such excess is material, or charged to income when incurred if immaterial.
- (c) Scope of consolidation
Number of consolidated subsidiaries: 25
- (d) Application of equity method of accounting
Number of affiliated companies accounted for using the equity method: 1
- (e) Translation of foreign currencies
Receivables and payables denominated in foreign currencies are translated into yen at the appropriate closing rate at the end of the reporting period, and differences arising from the translation are included in the consolidated statement of income. All asset and liability accounts of foreign subsidiaries and affiliates are translated into Japanese yen at the appropriate closing rate at the end of the reporting period. Revenue and expense accounts are translated at the average rates of exchange prevailing during the year. Differences arising from the translation are presented as foreign currency translation adjustments in the consolidated financial statements.
- (f) Cash and cash equivalents
Cash and cash equivalents consist of cash on hand, cash in banks which can be withdrawn at any time and short-term investments with a maturity of three months or less when purchased which can easily be converted to cash and are subject to little risk of change in value.
- (g) Inventories
Inventories are mainly stated at the lower of cost or market. The following inventories are measured principally by their respective methods:
Finished products: Retail cost method
Work in process: Actual raw material cost, determined by the most recent purchase cost method, plus direct labor costs and manufacturing overheads
Raw materials and supplies: Most recent purchase cost method
Consolidated subsidiaries adopt mainly the moving average method.
- (h) Securities
Marketable securities classified as other securities are carried at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in net assets. Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined by the moving average method.
- (i) Derivatives
Derivatives are stated at fair value.
- (j) Property, plant and equipment and depreciation (except for leased assets, Right of use assets)
Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment is calculated principally by the declining-balance method for the Company and its domestic subsidiaries, and by the straight-line method mainly for foreign subsidiaries. Certain buildings of the Company and its domestic subsidiaries acquired on or after April 1, 1998 and facilities attached to buildings and other non-building structures acquired on or after April 1, 2016 are depreciated by the straight-line method. The estimated useful lives of the assets are as follows:
Buildings: 10 to 50 years
Machinery and vehicles: 4 to 10 years
Tooling and office furniture: 2 to 6 years
The residual values of the property, plant and equipment acquired on or before March 31, 2007 are depreciated equally over a period of 5 years starting from the year following the year in which they have been depreciated up to their depreciable limit or 5% of the acquisition cost.
- (k) Intangible assets (except for leased assets)
Amortization of intangible assets is calculated by the straight-line method. Software for own use is amortized based on the utilizable period (5 years).

- (l) Leased assets
Noncancellable lease transaction that transfer substantially all risks and rewards associated with the ownership of assets are accounted for as finance leases. Depreciation of leased assets is calculated by the straight-line method based on the lease life as the useful life and the residual value is zero.
- (m) Right of use assets
Depreciation of right of use assets is calculated by the straight-line method based on the lease term as the useful life and the residual value is zero.
- (n) Allowance for doubtful accounts
The allowance for doubtful accounts is provided based on past experience for normal receivables and on an estimate of the collectability of receivables from companies in financial difficulty.
- (o) Accrued bonus
Accrued bonuses are provided on the estimate of the amounts to be paid in the future by the Company, domestic consolidated subsidiaries and certain overseas subsidiaries based on an accrual basis at the balance sheet date.
- (p) Accrued directors' and officers' bonuses
Accrued directors' and officers' bonuses are provided on the estimate of the amounts to be paid subsequent to the balance sheet date.
- (q) Accrued directors' and officers' retirement benefits
Accrued directors' and officers' retirement benefits have been provided at an amount equal to 100% of the amount which would be required to be paid based on the Company's bylaws if all directors and officers resigned from the Company on the balance sheet date.
- (r) Accrued board benefit trust
Accrued board benefit trust have been provided at an amount equal to 100% of the amount which would be required to be paid based on the Company's bylaws if all directors and officers exercised board benefit trust on the balance sheet date.
- (s) Retirement benefits
Asset and liability for retirement benefits for employees are recorded mainly at the amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets as of balance sheet date.
The retirement benefit obligation for employees is attributed to each period by the benefit formula method over the estimated years of service of the eligible employees. Actuarial gain or loss is amortized in the year following the year in which the gain or loss is recognized primarily by the straight-line method over a period of 5 years, which is within the estimated average remaining years of service of employees.
- (t) Significant revenue and expenses
The main performance obligations in key businesses of the Company and its consolidated subsidiaries concerning revenue from contracts with customers is the sales of the parts for electro-communication device and electronic equipment in Japan and abroad. For the sales of these products, revenue is recognized at the point in time when the products are delivered to the customer. However, for sales within Japan of these products, revenue is recognized at the time of shipment in accordance with the alternative treatment prescribed in Paragraph 98 of "the Implementation Guidance on Accounting Standard for Revenue Recognition".
- (u) Hedge accounting
- (1) Method of hedge accounting
Deferral hedge accounting is applied for interest rate swap transactions.
The exceptional treatment is applied for interest rate swap transactions meeting certain conditions.
 - (2) Hedging instruments and hedged items
Hedging instruments: interest rate swaps
Hedged items: long-term debt subject to interest rate fluctuation risk.
 - (3) Hedging policy
The Company uses interest rate swaps to hedge risks from interest rate fluctuations on borrowings, only when approved by the management.
 - (4) Assessment of effectiveness of hedging activities
The Company evaluates the hedge effectiveness by comparing accumulated fluctuations of the hedging instrument and hedged item every quarter.
When the exceptional treatment is applied for interest rate swaps, the assessment of hedge effectiveness is omitted.
- (v) Income taxes
Deferred income taxes are recognized based on the differences between financial reporting and the tax bases of the assets and liabilities and are calculated using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.
- (w) Per share information
Basic net income per share is computed based on the net income available for distribution to shareholders of common stock and weighted-average number of shares of common stock outstanding during the year. Diluted profit attributable to owners of parent per share is computed based on the profit attributable to owners of parent available for distribution to shareholders and average number of shares of common stock outstanding during each year after giving effect to the dilutive potential of shares of common stock to be issued upon the conversion of convertible bonds.
Net assets per share is computed based on the net assets available for distribution to shareholders of common stock and the number of shares of common stock outstanding at the balance sheet date. Cash dividends per share shown for each period in the consolidated statement of income represent the dividends applicable to the respective period.
- (x) Consumption taxes on assets
Nondeductible consumption taxes on assets are expensed in the consolidated financial statements.
- (y) Consolidated taxation system
The Company and its consolidated subsidiaries apply consolidated taxation system.
- (z) Adoption of tax effect accounting for the transition from the consolidated taxation system to the group tax sharing system.
The Company and its domestic subsidiaries expect to shift to the group tax sharing system from the beginning of the next fiscal year. However for items that have transitioned to the group tax sharing system and those for which the non-consolidated tax payment system have been reviewed in line with the transition to the group tax sharing system, established under the " Act for Partial Revision of the Income Tax Act and Other Acts" (Act No. 8 of 2020), the Company

adopts the treatment set forth in Paragraph 3 of the “Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System” (ASBJ Practical Issues Task Force No. 39, March 31, 2020) not to apply provisions of Paragraph 44 of the “Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No. 28, February 16, 2018). The amounts of deferred tax assets and deferred tax liabilities are, therefore, based on provisions of the tax code prior to the revision.

In addition, the Company and its domestic subsidiaries expect to adopt “Practical solution on the Accounting and Disclosure under the Group Tax Sharing System” (ASBJ Practical Issues Task Force No. 42, August 12, 2021) from the beginning of the next fiscal year.

(aa) Significant accounting estimates

1. Impairment of fixed assets

(1) Amount recorded in the consolidated financial statements

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Property, plant and equipment	¥ 15,403	¥ 16,190	\$ 132,282

Note: Of which, SCI Division (Facilities of remote controls, switches and camera modules): ¥503 million (\$4,110 thousand) for the year ended March 31, 2022.

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Impairment loss	¥ 130	¥ 3	\$ 25

Note: Of which, SCI Division (Facilities of remote controls, switches and camera modules): ¥– million (\$– thousand) for the year ended March 31, 2022.

(2) Other information that facilitates users’ understanding of financial statements

(i) Calculation method

Assets or asset groups that have an indication of impairment are tested for impairment, and when it is determined that an impairment loss should be recognized, the book value is reduced to the recoverable amount and an impairment loss is recorded. The recoverable amount is measured at value in use or net realizable value. Value in use is calculated by discounting future net cash flows estimated based on the future business plan to the present value.

(ii) Key assumptions

The key assumptions used in estimating future cash flows are forecasts of sales volume and sales prices, which serve the basis of the business plan. The forecast of sales volume is calculated based on the estimated future order documents prepared by the customers. The impact of COVID-19 has been calculated assuming a main scenario in which vaccination will expand and prevention of COVID-19 and economic growth will coexist.

(iii) Effect on the consolidated financial statements for the next fiscal year ending March 31, 2023

The estimation of projected sales volume, which is one of the key assumptions, is highly uncertain. If the projected sales volume decreases significantly in the future due to the timing as to when the COVID-19 pandemic will subside and the impact that the pandemic will have on the economic environment, or due to changes in the market trend, impairment losses may be incurred in the year ending March 31, 2023.

2. Recoverability of deferred tax assets

(1) Amount recorded in the consolidated financial statements

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Deferred tax assets, net	¥ 92	¥ 126	\$ 1,029

Note: The amount before offsetting with deferred tax liabilities is ¥566 million (\$4,625 thousand) for the year ended March 31, 2022.

(2) Other information that facilitates users’ understanding of financial statements

(i) Calculation method

The recoverability of deferred tax assets for deductible temporary differences and operating loss carryforwards for tax purposes is determined by estimating taxable income based on future profitability. Estimates of taxable income derived from future profitability are based on future business plans.

(ii) Key assumptions

The key assumptions used in estimating taxable income are forecasts of sales volume and sales prices, which serve the basis of the business plan. The forecast of sales volume is calculated based on the estimated future order documents prepared by the customers. The impact of COVID-19 has been calculated assuming a main scenario in which vaccination will expand and prevention of COVID-19 and economic growth will coexist.

(iii) Effect on the consolidated financial statements for the next fiscal year ending March 31, 2023

The estimation of projected sales volume, which is one of the key assumptions, is highly uncertain. If the projected sales volume decreases significantly in the future due to the timing as to when the COVID-19 pandemic will subside and the impact that the pandemic will have on the economic environment, or due to changes in the market trend, changes in estimates of taxable income may result in the reversal of deferred tax assets.

(ab) Change in accounting policies

Application of Accounting Standard for Revenue Recognition

“Accounting Standard for Revenue Recognition” ((ASBJ statement No.29, March 31, 2020), hereinafter “Revenue Recognition Standard”) has been adopted from the beginning of the current fiscal year, and revenue is recognized in the amount expected to be received in exchange for applicable goods or services when control of the promised good or service is transferred to the customer.

As a result, certain of the Companies’ subsidiaries previously recognized revenue at the time of shipment, but has changed its method of accounting to recognize revenue at the point in time when the products are delivered to the customer. For sales within Japan of these products, revenue is recognized at the time of shipment in case the term from the shipping to the customers’ obtaining of control of the products is normal in accordance with the alternative treatment prescribed in Paragraph 98 of “the Implementation Guidance on Accounting Standard for Revenue Recognition”. For supply-for-a-fee transactions, the company previously recognized revenue at the time of transferring of the supplied materials, but has changed its method of accounting to recognize processing fee as revenue at the time of repurchasing of materials.

The Revenue Recognition Standard has been applied effective from the beginning of the current fiscal year in accordance with the transitional treatment prescribed in Paragraph 84 of the Accounting Standard for Revenue Recognition, and the cumulative effects of retroactively applying new accounting policies have been reflected in the beginning balance of retained earnings for the current fiscal year. However, as provided for in Paragraph 86 of the Revenue Recognition Standard, the new accounting policies have not been retroactively adopted for contracts in which substantially all revenue amounts have been recognized prior to the beginning of the current fiscal year in accordance with the previous treatment.

In relation to this, “notes and accounts receivable, trade” previously presented in current assets have been reclassified to “notes receivable, trade” and “accounts receivable, trade” in consolidated balance sheet as of March 31, 2022. However, this change in presentation is not applied in consolidated balance sheet as of March 31, 2021 in accordance with the transitional treatment provided for in Paragraph 89-2 of the Revenue Recognition Standard.

As a result, in the consolidated balance sheet for the current fiscal year, “net sales” decreased by ¥10 million (\$82 thousand), “cost of sales” decreased by ¥46 million (\$376 thousand), “operating profit” and “profit before income taxes” increased by ¥36 million (\$294 thousand), respectively, and “profit” increased by ¥37 million (\$302 thousand). Also, the beginning balance of retained earnings for the current fiscal year increased by ¥15 million (\$123 thousand).

In accordance with the transitional treatment provided for in Paragraph 89-3 of the Revenue Recognition Standard, notes related to revenue recognition for the prior fiscal year are omitted.

Application of Accounting Standard for Fair Value Measurement

“Accounting Standard for Fair Value Measurement” ((ASBJ Statement No.30, July 4, 2019) hereinafter “Fair Value Measurement Standard”) has been adopted from the beginning of the current fiscal year, and new accounting policies prescribed by the Fair Value Measurement Standard will be adopted prospectively in accordance with the transitional treatment prescribed in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No.10, July 4, 2019). Also, there is no impact on the consolidated financial statement.

In addition, notes regarding the breakdown of fair value of financial instruments by level are included in the Note 16, “Financial Instruments” . However, notes for the prior fiscal year have not been included in accordance with the transitional treatment prescribed in Paragraph 7-4 of the Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No.19, July 4, 2019).

(ac) Change in presentation

(Consolidated Balance Sheet)

Lease liabilities previously presented as “other current liabilities” in current liabilities and as “other long-term liabilities” in long-term liabilities have been reclassified to “lease liabilities”, respectively for the year ended March 31, 2022 because of its increased quantitative materiality.

As a result, ¥1,495 million (\$12,215 thousand) of “other current liabilities” in current liabilities and ¥723 million (\$5,907 thousand) of “other long-term liabilities” in long-term liabilities previously presented in consolidated balance sheet for the year ended March 31, 2021 have been reclassified to ¥53 million (\$433 thousand) of “lease liabilities” and ¥1,442 million (\$11,782 thousand) of “other current liabilities” and ¥32 million (\$261 thousand) of “lease liabilities” and ¥691 million (\$5,646 thousand) of “other long-term liabilities” in consolidated balance sheet as of March 31, 2021.

(ad) Additional information

Introduction of Board Benefit Trust

We introduced a new share-based compensation plan, a “Board Benefit Trust (BBT)” (the “Plan”) for directors (including executive officer, excluding outside directors; “Directors”) based on the resolution at the 96th General Meeting of Shareholders on June 22, 2018 for the purpose of raising awareness of contributing to the improvement of medium- to long-term business results.

Regarding the accounting treatment for the plan, the gross method is adopted based on the “Practical Solution on Transactions of Delivering the Company’ s Own Stock to Employees, etc. through Trusts” (ASBJ Practical Issue Task Force No.30, March 26, 2015).

(1) Outline of the Plan

The Plan is a share-based compensation plan under which our shares are acquired through a trust (the trust established in accordance with the Plan, the “Trust”) by using the funds contributed by the Company. Directors will receive the Company’s shares through the Trust in accordance with the officer stock benefit rules prescribed by the Company. In principle, Directors will receive benefits, such as the Company’s shares, on their retirement.

(2) The Company’s shares remaining in the Trust

The Company’s shares remaining in the Board Benefit Trust (BBT) are recorded by the Company as treasury stock under net assets at their book value in the BBT (excluding the amount of ancillary expenses). As of March 31, 2021, the book value of the said treasury stock was ¥160 million (\$1,307 thousand), and the number of shares was 43,800.

Note 2. U.S. dollar amounts

The U.S. dollar amounts are stated solely for the convenience of the reader at the rate of U.S. \$1.00 = ¥122.39, the approximate rate of exchange at March 31, 2022. The translation should not be construed as a representation that the Japanese yen amounts actually represent, have been or could be converted into U.S. dollars at that or any other rate.

Note 3. Inventories

Inventories as of March 31, 2021 and 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Finished products	¥ 2,721	¥ 3,592	\$ 29,349
Work in process	707	961	7,852
Raw materials and supplies	3,118	4,991	40,779
Total	¥ 6,547	¥ 9,545	\$ 77,988

The write-downs of inventories resulting from decreased profitability for the years ended March 31, 2021 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Cost of sales	¥ 370	¥ 345	\$ 2,819

Note 4. Reduction entries

Reduction entries due to acceptance of prefectural government's grants relating to property, plant and equipment as of March 31, 2021 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Land	¥ 101	¥ 101	\$ 825

Note 5. Short-term loans payable and long-term debt

Short-term loans payable and long-term debt as of March 31, 2021 and 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Short-term loans payable			
Average interest rate on short-term loans payable, principally from banks, is 0.47%			
Secured	¥ 900	¥ —	\$ —
Unsecured	3,554	2,300	18,792
Total	¥ 4,454	¥ 2,300	\$ 18,792
Long-term debt			
Average interest rate on long-term debt, principally from banks, is 0.99%			
Secured	¥ 2,832	¥ 4,628	\$ 37,814
Unsecured	4,016	4,352	35,558
Less: portion due within one year	(1,667)	(2,766)	(22,600)
Total	¥ 5,180	¥ 6,214	\$ 50,772

The assets pledged as collateral for short-term and long-term debt as of March 31, 2021 and 2022 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
(1) Factory foundation			
Buildings	¥ 1,066	¥ 1,019	\$ 8,326
Machinery and vehicles	51	44	360
Tooling and office furniture	90	80	654
Land	256	256	2,092
Total	¥ 1,465	¥ 1,400	\$ 11,439
(2) Other			
Buildings	¥ 212	¥ 200	\$ 1,634
Tooling and office furniture	1	0	0
Land	39	39	319
Total	¥ 252	¥ 240	\$ 1,961

The aggregate annual maturities of long-term debt (including current portion) outstanding as of March 31, 2022 were summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
	2022	2022
2023	¥ 2,766	\$ 22,600
2024	3,654	29,855
2025	720	5,883
2026	720	5,883
2027	720	5,883
2028 and thereafter	400	3,268
Total	¥ 8,980	\$ 73,372

Note 6. Other current liabilities

Of which, contract liabilities are as follows.

	Millions of yen	Thousands of U.S. dollars
	2022	2022
Contract liabilities	¥ 56	\$ 458

Note 7. Retirement benefits plans

The Company and certain of its domestic consolidated subsidiaries have either funded or unfunded defined benefit pension plans and defined contribution benefit pension plans.

The Company has funded corporate pension fund plans and defined contribution pension plans. As a defined benefit pension plan, the Company has adopted a cash balance plan. Under the cash balance plan, the plan sponsor contributes money into a plan participant's account based on the points according to the employee's years of service and job performance and the points are calculated with an interest credit that reflects changes in market interest rates.

Certain subsidiaries have funded and unfunded lump-sum payment plans and defined contribution pension plans. The simplified method is applied for the calculation of liability for retirement benefits and retirement benefit expense of certain domestic subsidiaries.

The changes in the retirement benefit obligation during the years ended March 31, 2021 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Balance at the beginning of the year	¥ 5,877	¥ 5,644	\$ 46,115
Service cost	262	247	2,018
Interest cost	38	38	310
Actuarial gain and loss	48	43	351
Retirement benefit paid	(589)	(621)	(5,074)
Other	5	10	82
Balance at the end of the year	¥ 5,644	¥ 5,362	\$ 43,811

The changes in plan assets during the years ended March 31, 2021 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Balance at the beginning of the year	¥ 6,929	¥ 7,641	\$ 62,432
Expected return on plan assets	126	134	1,095
Actuarial gain and loss	945	182	1,487
Contributions by the Company	220	226	1,847
Retirement benefits paid	(580)	(616)	(5,033)
Balance at the end of the year	¥ 7,641	¥ 7,567	\$ 61,827

The funded status of the plans and the amounts recognized in the consolidated balance sheet as of March 31, 2021 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Funded retirement benefit obligation	¥ 5,623	¥ 5,338	\$ 43,615
Plan assets at fair value	(7,641)	(7,567)	(61,827)
	(2,017)	(2,229)	(18,212)
Unfunded retirement benefit obligation	20	23	188
Net liability for retirement benefits in the balance sheet	(1,996)	(2,205)	(18,016)
Liability for retirement benefits	61	39	319
Asset for retirement benefits	(2,058)	(2,245)	(18,343)
Net liability for retirement benefits in the balance sheet	¥ (1,996)	¥ (2,205)	\$ (18,016)

The components of retirement benefit expense for the years ended March 31, 2021 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Service cost	¥ 259	¥ 248	\$ 2,026
Interest cost	38	38	310
Expected return on plan assets	(126)	(134)	(1,095)
Amortization of actuarial gain and loss	93	(220)	(1,798)
Retirement benefit expense	¥ 265	¥ (68)	\$ (556)

The components of retirement benefits asset and liability adjustments included in other comprehensive income (before tax effect) for the years ended March 31, 2021 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Actuarial gain and loss	¥ 990	¥ (77)	\$ (629)

The components of retirement benefits asset and liability adjustments included in accumulated other comprehensive income (before tax effect) as of March 31, 2021 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Unrecognized actuarial gain and loss	¥ 811	¥ 733	\$ 5,989

The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2021 and 2022 were as follows:

	2021	2022
Bonds	7.1%	7.1%
Stocks	34.2	36.8
Life insurances	33.4	32.0
Funds	9.4	14.0
Other	15.9	10.1
Total	100.0%	100.0%

1. The total plan assets include retirement benefit trusts which constitute 14.5% for the year ended March 31, 2021 and 17.2% for the year ended March 31, 2022.
2. The expected rates of return on plan assets has been estimated based on the anticipated allocation of plan assets to each asset category and the expected long-term returns on plan assets held in each category.

The required contributions to the defined contribution plans by the Company and its consolidated subsidiaries for the years ended March 31, 2021 and 2022 amounted to ¥92 million and ¥83 million (\$678 thousand), respectively.

Assumptions to calculate the actuarial present value of the benefit obligation and the expected return on plan assets as of March 31, 2021 and 2022 were as follows:

	2021	2022
Discount rate	0.6%	0.6%
Re-evaluation rate	0.58%	0.51%
Expected rates of return on plan assets	2.0%	2.0%

Note 8. Net assets

Information regarding changes in net assets for the years ended March 31, 2021 and 2022 was as follows:

1. Shares issued and outstanding / Treasury stock

Types of shares	2021				2022			
	Number of shares at April 1, 2020	Increase	Decrease	Number of shares at March 31, 2021	Number of shares at April 1, 2021	Increase	Decrease	Number of shares at March 31, 2022
Shares issued:								
Common stock	7,500,000	—	—	7,500,000	7,500,000	—	—	7,500,000
Treasury stock:								
Common stock	1,062,909	1,127	—	1,064,036	1,064,036	201,150	—	1,265,186

The Company's shares remaining in the Board Benefit Trust (BBT) are included in treasury stock (43,800 shares at March 31, 2021 and 2022).

Details of the increase of treasury stock are as follows:

	Number of shares	
	2021	2022
Increase due to purchase of shares	—	200,000
Increase due to purchase of shares of less than standard unit	573	514
Increase in shares held by affiliates accounted for by the equity method	554	636

2. Dividends

(1) Dividends paid

Resolution	Type of shares	2021		Cut-off date	Effective date
		Total dividends (Millions of yen)	Dividends per share (Yen)		
Shareholders' meeting on June 23, 2020	Common stock	259	40	March 31, 2020	June 24, 2020

Resolution	Type of shares	2022				2022	
		Total dividends (Millions of yen)	Dividends per share (Yen)	Cut-off date	Effective date	Total dividends (Thousands of U.S. dollars)	Dividends per share (U.S. dollars)
Shareholders' meeting on June 23, 2021	Common stock	324	50	March 31, 2021	June 24, 2021	2,647	0.41

(2) Dividends with the cut-off date in the year ended March 31, 2021 and the effective date in the year ending March 31, 2022

Resolution	Type of shares	Source of dividends	2021		Cut-off date	Effective date
			Total dividends (Millions of yen)	Dividends per share (Yen)		
Shareholders' meeting on June 23, 2021	Common stock	Retained earnings	324	50	March 31, 2021	June 24, 2021

Dividends with the cut-off date in the year ended March 31, 2022 and the effective date in the year ending March 31, 2023

Resolution	Type of shares	Source of dividends	2022				2022	
			Total dividends (Millions of yen)	Dividends per share (Yen)	Cut-off date	Effective date	Total dividends (Thousands of U.S. dollars)	Dividends per share (U.S. dollars)
Shareholders' meeting on June 22, 2022	Common stock	Retained earnings	440	70	March 31, 2022	June 23, 2022	3,595	0.57

Dividends of the Company's shares remaining in the Board Benefit Trust (BBT) ¥3 million (\$25 thousand) are included in total dividends based on the resolution at shareholders' meeting on June 22, 2022.

Note 9. Research and development costs

Research and development costs included in cost of sales and selling, general and administrative expenses for the years ended March 31, 2021 and 2022 amounted to ¥2,515 million and ¥2,384 million (\$19,479 thousand), respectively.

Note 10. Selling, general and administrative expenses

Major elements of selling, general and administrative expenses for the years ended March 31, 2021 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Salaries and wages of employees	¥ 3,601	¥ 3,706	\$ 30,280
Provision for bonus	308	308	2,517
Provision for directors' and officers' bonus	28	30	245
Retirement benefit cost	131	11	90
Provision for directors' and officers' retirement benefits	25	24	196
Provision for directors' and officers' share awards	14	12	98
Provision for doubtful accounts	2	(34)	(278)

Note 11. Gains and losses of fixed assets

The components of gains and losses of fixed assets for the years ended March 31, 2021 and 2022 were as follows:

Gains on sales of fixed assets

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Buildings	¥ —	¥ 16	\$ 131
Machinery and vehicles	14	3	25
Tooling and office furniture	7	2	16
Land	—	10	82
Total	¥ 21	¥ 32	\$ 261

Loss on sales of fixed assets

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Buildings	¥ —	¥ 31	\$ 253
Machinery and vehicles	—	1	8
Tooling and office furniture	0	0	0
Land	—	1	8
Total	¥ 0	¥ 34	\$ 278

Loss on disposal of fixed assets

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Buildings	¥ —	¥ 16	\$ 131
Machinery and vehicles	60	13	106
Tooling and office furniture	19	8	65
Intangible asset	—	0	0
Total	¥ 79	¥ 38	\$ 310

Note 12. Loss on impairment of fixed assets

An impairment loss is recognized when the carrying amount of an asset exceeds undiscounted future net cash flows which are expected to be generated by such asset. The impairment loss is measured by the amount by which the carrying amount of the asset exceeds its recoverable amount being the higher of the discounted future net cash flows or net realizable value.

For the year ended March 31, 2021, impairment losses were recognized for the following assets.

Asset group	Location	Use	Millions of yen								
			Land	Buildings	Machinery and vehicles	Tooling and office furniture	Leased assets	Right of use assets	Intangible assets	Total	
Research & Development Center	Japan	Wireless module production facilities	¥ —	¥ —	¥ —	¥ 2	¥ —	¥ —	¥ —	¥ —	¥ 2
Other parts business	Japan	Other parts production facilities	—	—	—	0	—	—	—	—	0
SMK Electronics (Europe) Ltd.	Ireland	Business assets	—	0	0	0	—	13	0	—	15
SMK Hungary Kft.	Hungary	Assets to be sold	15	44	2	2	—	—	—	—	64
SMK Electronics Technology Development (Shenzhen) Co.,Ltd.	China	Business assets	—	2	—	3	—	—	5	—	11
Showa Enterprize, Haibara	Japan	Real estate for rent	27	0	4	0	1	—	—	—	34
Total			¥ 42	¥ 48	¥ 7	¥ 10	¥ 1	¥ 13	¥ 5	¥ —	¥ 130

For the year ended March 31, 2022, impairment losses were recognized for the following assets.

			Millions of yen							
			2022							
Asset group	Location	Use	Land	Buildings	Machinery and vehicles	Tooling and office furniture	Leased assets	Right of use assets	Intangible assets	Total
SCI Division	Japan	Touch sensor production facilities	¥ —	¥ 3	¥ —	¥ —	¥ —	¥ —	¥ —	¥ 3
Total			¥ —	¥ 3	¥ —	¥ —	¥ —	¥ —	¥ —	¥ 3

			Thousands of U.S. dollars							
			2022							
Asset group	Location	Use	Land	Buildings	Machinery and vehicles	Tooling and office furniture	Leased assets	Right of use assets	Intangible assets	Total
SCI Division	Japan	Touch sensor production facilities	\$ —	\$ 25	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 25
Total			\$ —	\$ 25	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 25

The Company's assets for business operations are categorized into groups on a division-by-division basis and the Company's rental property and idle property on an individual property basis, whereas consolidated subsidiaries' assets for business operations are categorized into groups on a subsidiary-by-subsidary basis and their rental property and idle property on an individual property basis.

Of the above asset groups, SCI Division (Facilities of touch sensor) suffered declining trends in net sales and income due to intense price competition in the market. The future cash flows from their asset groups were estimated and it was found that they could not generate sufficient profitability to recover the carrying value of the asset groups, and therefore their book value was reduced to the recoverable amounts.

The recoverable amount of the asset group of the SCI Division (Facilities of touch sensor) was measured at value in use, and since no future cash flows are expected, the full amount of the book value of the fixed assets regarding this business is recorded as impairment loss.

Note 13. Income taxes

Income taxes applicable to the Company and its domestic subsidiaries comprised corporation, inhabitants' and enterprise taxes which, in the aggregate, resulted in statutory tax rates of approximately 30.5% for the year ended March 31, 2021 and 2022. A reconciliation between the statutory tax rate and the effective tax rate for the years ended March 31, 2021 and 2022 were as follows.

	2021	2022
Statutory tax rate	30.5%	30.5%
Items such as entertainment expenses permanently non-deductible for tax purposes	1.3	0.5
Items such as dividend income permanently non-taxable	(6.6)	(5.4)
Change in valuation allowance	(4.0)	(12.6)
Tax credit for R&D expenses	(3.7)	(2.8)
Foreign withholding taxes	1.6	0.5
Inhabitant tax on per capita basis	0.9	0.6
Statutory tax rate differences in subsidiaries	(9.0)	(7.1)
Elimination of dividend income	8.0	6.8
Accumulated surplus of subsidiaries	0.4	0.8
Other	(2.2)	(3.7)
Effective tax rate	17.2%	8.1%

The significant components of deferred tax assets and liabilities at March 31, 2021 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Deferred tax assets:			
Inventory write-down	¥ 93	¥ 102	\$ 833
Accrued bonuses	202	204	1,667
Intercompany profit on inventory	45	63	515
Liability for retirement benefits	7	8	65
Allowance for doubtful accounts	858	38	310
Impairment loss	736	574	4,690
Operating loss carryforwards for tax purposes	1,186	2,036	16,635
Other	825	828	6,765
Total gross deferred tax assets	3,955	3,856	31,506
Valuation allowance for net operating loss carryforwards	(1,140)	(1,976)	(16,145)
Valuation allowance for deductible temporary differences	(2,422)	(1,313)	(10,728)
Total valuation allowance	(3,563)	(3,290)	(26,881)
Total deferred tax assets	392	566	4,625
Deferred tax liabilities:			
Asset for retirement benefits	(628)	(685)	(5,597)
Deferred gain on land	(36)	(36)	(294)
Advanced depreciation on buildings	(5)	(5)	(41)
Reserve for special depreciation	(4)	—	—
Net unrealized gains on other securities	(114)	(175)	(1,430)
Accumulated surplus of foreign subsidiaries	(116)	(143)	(1,168)
Valuation difference on subsidiaries	(308)	(307)	(2,508)
Other	(38)	(47)	(384)
Deferred tax liabilities	(1,254)	(1,401)	(11,447)
Net deferred tax assets	¥ (861)	¥ (834)	\$ (6,814)

1. Valuation allowance has decreased by ¥273 million (\$2,231 thousand). This decrease is due to the reversal of valuation allowance for impairment loss in the Company and its consolidated subsidiaries ¥192 million (\$1,569 thousand).
2. A breakdown of net operating loss carryforwards and valuation allowance by expiry date as of March 31, 2021 and 2022 is as follows:

	Millions of yen						Total
	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years	
2021							
Net operating loss carryforwards (a)	¥ 14	¥ 1	¥ 4	¥ 149	¥ 31	¥ 983	¥ 1,186
Valuation allowance	(14)	(1)	(4)	(149)	(31)	(938)	(1,140)
Deferred tax assets	¥ —	¥ —	¥ —	¥ —	¥ —	¥ 45	¥ 45

	Millions of yen						Total
	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years	
2022							
Net operating loss carryforwards (a)	¥ 1	¥ 162	¥ 11	¥ 29	¥ 6	¥ 1,825	¥ 2,036
Valuation allowance	(1)	(162)	(11)	(29)	(6)	(1,764)	(1,976)
Deferred tax assets	¥ —	¥ —	¥ —	¥ —	¥ —	¥ 60	¥ 60

	Thousands of U.S. dollars						Total
	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years	
2022							
Net operating loss carryforwards (a)	\$ 8	\$ 1,324	\$ 90	\$ 237	\$ 49	\$ 14,911	\$ 16,635
Valuation allowance	(8)	(1,324)	(90)	(237)	(49)	(14,413)	(16,145)
Deferred tax assets	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 490	\$ 490

(a) The amount is determined by multiplying the corresponding net operating loss carryforwards by the effective statutory tax rate.

Note 14. Other comprehensive income

The following table presents reclassification adjustments and tax effects allocated to each component of other comprehensive income for the years ended March 31, 2021 and 2022.

	Millions of Yen		Thousands of U.S. dollars
	2021	2022	2022
Net unrealized gains (losses) on other securities:			
Amount arising during the year	¥ 259	¥ 198	\$ 1,618
Reclassification adjustments for gains and losses included in profit attributable to owners of parent	(0)	—	—
Amount before tax effect	259	198	1,618
Tax effect	(77)	(60)	(490)
Net unrealized gains (losses) on other securities	181	137	1,119
Net unrealized gains (losses) from hedging instruments:			
Amount arising during the year	(7)	(2)	(16)
Reclassification adjustments for gains and losses included in profit attributable to owners of parent	18	7	57
Amount before tax effect	10	5	41
Tax effect	—	—	—
Net unrealized gains (losses) from hedging instruments	10	5	41
Foreign currency translation adjustments:			
Amount arising during the year	325	595	4,862
Reclassification adjustments for gains and losses included in profit attributable to owners of parent	(22)	—	—
Amount before tax effect	302	595	4,862
Tax effect	(4)	(2)	(16)
Foreign currency translation adjustments	297	593	4,845
Retirement benefits asset and liability adjustments:			
Amount arising during the year	896	142	1,160
Reclassification adjustments for gains and losses included in profit attributable to owners of parent	93	(220)	(1,798)
Amount before tax effect	990	(77)	(629)
Tax effect	(300)	30	245
Retirement benefits asset and liability adjustments	690	(47)	(384)
Total other comprehensive income	¥ 1,180	¥ 689	\$ 5,630

Note 15. Amounts per share

- In the calculation of total net assets and profit per share, the Company's shares remaining in the Board Benefit Trust (BBT), which are recorded as treasury stock under shareholders' equity, are included in the treasury stocks that are deducted in the calculation of the number of shares as of March 31, 2021 and 2022 and the average number of shares for the year ended March 31, 2021 and 2022. In the calculation of total net assets per share, the said treasury stock deducted as of March 31, 2021 and 2022 is 43,800 and 43,800, respectively. In the calculation of profit per share, the said treasury stock deducted for the year ended March 31, 2021 and 2022 is 43,800 and 43,800, respectively.
- Profit attributable to owners of parent per share of common stock is based on the following information:

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Basic Profit attributable to owners of parent per share:			
Profit attributable to owners of parent	¥1,917	¥2,992	\$24,446
Profit attributable to owners of parent not attributable to common stockholders	—	—	—
Profit attributable to owners of parent attributable to common stock	1,917	2,992	24,446
	Thousands of shares		
Average number of shares of common stock outstanding during the year	6,436	6,337	

Note 16. Financial instruments

(1) Policy for financial instruments

The Company and consolidated subsidiaries manage temporary cash surpluses through low-risk financial assets.

The Company and consolidated subsidiaries raise funds through bank borrowings.

The Company and consolidated subsidiaries use derivatives for the purpose of reducing risk and do not enter into derivatives for speculative or trading purposes.

(2) Types of financial instruments and related risk

Trade receivables - trade notes, electronically recorded monetary claims and trade accounts receivable- are exposed to credit risk in relation to customers. Regarding this risk, the credit management is executed periodically.

Marketable securities and investment securities are exposed to market risk. The fair value of those securities is reported in a board meeting periodically.

Substantially all trade payables - trade notes and accounts payable - have payment due dates within one year.

Short-term loans payable are raised mainly in connection with business activities, and the repayment dates of long-term debt extend up to five years from the balance sheet date and lease liabilities are raised mainly in connection with capital investment. Long-term debt with variable interest rates is exposed to interest rate fluctuation risk. However, to reduce such risk and fix interest expense for long-term debt bearing interest at variable rates, the Company and consolidated subsidiaries utilizes interest rate swap transactions as a hedging instrument. Information regarding the method of hedge accounting, hedging instruments and hedged items, hedging policy, and the assessment of effectiveness of hedging activities is found in Note 1 (u).

Execution and management of derivatives transactions are carried out in accordance with the company rules specifying the transaction authority. In addition, in order to alleviate credit risk, derivative transactions are only dealt with banks with high credit ratings. Although operating liabilities and loans payable are exposed to liquidity risk, the Group's companies are able to manage it by using methods such as preparing monthly cash management plans.

(3) Additional information regarding fair value of financial instruments

The contract amounts, etc. relating to derivatives transactions are described in Note 18. Derivatives themselves do not serve as indicators of market risk involved in derivatives transactions.

Information regarding fair value of financial instruments at March 31, 2021 and 2022 was summarized as follows:

	Millions of yen						Thousands of U.S. dollars		
	2021			2022			2022		
	Book value	Fair value	Difference	Book value	Fair value	Difference	Book value	Fair value	Difference
Investment securities	¥ 1,904	¥ 1,904	¥ —	¥ 2,130	¥ 2,130	¥ —	\$ 17,403	\$ 17,403	\$ —
Long-term debt	6,848	6,776	(71)	8,980	8,977	(3)	73,372	73,347	(25)
Lease liabilities	85	81	(3)	1,327	1,327	(0)	10,842	10,842	(0)
Derivatives	(47)	(47)	—	(41)	(41)	—	(335)	(335)	—

1. "Cash and cash equivalents, time deposits", "notes receivable, trade", "electronically recorded monetary claims", "accounts receivable, trade", "notes and account payable, trade", "short-term loans payable", and "accounts payable, non-trade" are omitted because these are cash items and their fair values approximate their carrying values due to their short maturities.

2. Investment in limited liability partnership ¥1,069 million (\$8,734 thousand) in the consolidated balance sheet as of March 31, 2022 is omitted.

3. Financial instruments whose fair value is extremely difficult to determine

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Unlisted securities	¥ 1,209	¥ 439	\$ 3,587

4. Long-term debt includes current portion of long-term debt recorded as short-term loans payable in the consolidated balance sheets.

5. The assets and liabilities arising from derivatives are shown on a net basis with the amount in parentheses representing a net liability position.

6. The schedules for redemption of monetary assets and securities with maturities

	Millions of yen						Thousands of U.S. dollars		
	2021			2022			2022		
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due in one year or less	Due after one year through five years	Due after five years through ten years
Cash equivalents and time deposits	¥ 8,790	¥ —	¥ —	¥ 8,546	¥ —	¥ —	\$ 69,826	\$ —	\$ —
Notes and accounts receivable, trade	11,242	—	—	—	—	—	—	—	—
Notes receivable, trade	—	—	—	53	—	—	433	—	—
Electronically recorded monetary claims	1,325	—	—	1,460	—	—	11,929	—	—
Accounts receivable, trade	—	—	—	11,286	—	—	92,213	—	—
Total	¥ 21,358	¥ —	¥ —	¥ 21,347	¥ —	¥ —	\$ 174,418	\$ —	\$ —

7. The redemption schedule for short-term loans payable and long-term debt are disclosed in Note 5.

Breakdown of fair value of financial instruments by level

Fair values of financial instruments are categorized into these levels as described below on the basis of the observability and the materiality of the inputs used in the fair value measurement.

Level1: Fair values measured using quoted prices of identical assets or liabilities in active markets among observable valuation inputs

Level2: Fair values measured using inputs other than inputs included within Level 1 among observable valuation inputs

Level3: Fair values measured using unobservable valuation inputs

When several inputs that have significant impact on fair value measurement are used and those inputs are categorized into different levels, the fair value is categorized into the lowest hierarchy level for fair value measurement among those in which each of the inputs belongs.

(1) Financial instruments measured at fair value

Category	Millions of yen				Thousands of U.S. dollars			
	2022				2022			
	Fair value				Fair value			
	Level1	Level2	Level3	Total	Level1	Level2	Level3	Total
Investment securities								
Other securities								
Stocks	¥ 2,130	¥ —	¥ —	¥ 2,130	\$ 17,403	\$ —	\$ —	\$ 17,403
Total assets	2,130	—	—	2,130	17,403	—	—	17,403
Derivatives								
Currency-related derivative financial instruments	—	39	—	39	—	319	—	319
Interest-related derivative financial instruments	—	2	—	2	—	16	—	16
Total liabilities	¥ —	¥ 41	¥ —	¥ 41	\$ —	\$ 335	\$ —	\$ 335

(2) Financial instruments other than those measured at fair value

Category	Millions of yen				Thousands of U.S. dollars			
	2022				2022			
	Fair value				Fair value			
	Level1	Level2	Level3	Total	Level1	Level2	Level3	Total
Long-term debt	¥ —	¥ 8,977	¥ —	¥ 8,977	\$ —	\$ 73,347	\$ —	\$ 73,347
Lease liabilities	—	1,327	—	1,327	—	10,842	—	10,842
Total liabilities	¥ —	¥ 10,305	¥ —	¥ 10,305	\$ —	\$ 84,198	\$ —	\$ 84,198

Investment securities

Listed stocks are determined by using quoted prices. Fair values of listed stocks are categorized as Level 1 since they are traded in active markets.

Derivatives

The fair value of interest rate swaps and foreign exchange forward contracts are categorized as Level 2 because they are measured using the discounted present value method with observable inputs such as interest rates and exchange rates.

Long-term debt and lease liabilities

Fair values are measured using the discounted present value method based on the total amount of principle and interest, remaining maturity, and interest rates taking into account credit risk, and are categorized as Level 2.

Note 17. Securities

Information regarding securities classified as other securities at March 31, 2021 and 2022 was summarized as follows:

	Millions of yen						Thousands of U.S. dollars		
	2021			2022			2022		
	Book value	Acquisition	Unrealized gain (loss)	Book value	Acquisition	Unrealized gain (loss)	Book value	Acquisition	Unrealized gain (loss)
Securities whose book value exceeds their acquisition									
Stocks	¥ 1,896	¥ 1,498	¥ 398	¥ 1,639	¥ 993	¥ 646	\$ 13,392	\$ 8,113	\$ 5,278
Subtotal	1,896	1,498	398	1,639	993	646	13,392	8,113	5,278
Securities whose acquisition exceeds their book value									
Stocks	7	8	(1)	490	537	(46)	4,004	4,388	(376)
Subtotal	7	8	(1)	490	537	(46)	4,004	4,388	(376)
Total	¥ 1,904	¥ 1,506	¥ 397	¥ 2,130	¥ 1,530	¥ 600	\$ 17,403	\$ 12,501	\$ 4,902

Unlisted stocks of ¥853 million at March 31, 2021 is not included in the above table because there were no quoted market prices available and the fair value is extremely difficult to determine. Unlisted stocks of ¥1,103 million (\$9,012 thousand) at March 31, 2022 is not included in the above table because there were no quoted market prices available.

Investment securities in unconsolidated subsidiaries and affiliates are as follows:

Investment securities	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
	¥ 355	¥ 404	\$ 3,301

Information regarding sales of securities classified as other securities for the years ended March 31, 2021 and 2022 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
	Proceeds from sales of securities	¥ 0	¥ —
Stocks	0	—	—
Gains on sales	0	—	—
Stocks	0	—	—
Losses on sales	0	—	—
Stocks	0	—	—

Impairment of investment securities classified as other securities for the years ended March 31, 2021 and 2022 were as follows:

Stocks	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
	¥ 112	¥ 115	\$ 940

Note 18. Derivatives

As a matter of policy, the Company does not speculate in derivative transactions. The Company does not anticipate nonperformance by any of the counterparties to the derivative transactions, all of whom are leading domestic financial institutions with high bond ratings.

In accordance with the Company's policy, the accounting department controls derivative transactions and requires approval by the director responsible for accounting and the representative directors of the Company. The director who has the responsibility to control the performance and the related risks connected with derivatives reports these to the Management Committee of the Company.

The Company uses interest rate swaps to hedge the risks from interest rate fluctuations on borrowings. The exceptional method of hedge accounting is used to account for those transactions.

(Currency related)

	Millions of yen						Thousands of U.S. dollars		
	Contract amount		Fair value		Unrealized gain (loss)		Contract amount	Fair value	Unrealized gain (loss)
	2021	2022	2021	2022	2021	2022	2022	2022	2022
Forward foreign exchange contracts:									
Sell: US\$ / Buy: Yen	¥ 722	¥ 779	¥ (39)	¥ (39)	¥ (39)	¥ (39)	\$ 6,365	\$ (319)	\$ (319)
Total	¥ 722	¥ 779	¥ (39)	¥ (39)	¥ (39)	¥ (39)	\$ 6,365	\$ (319)	\$ (319)

(Interest related)

	Millions of yen						Thousands of U.S. dollars		
	Contract amount		Due after one year		Fair value		Contract amount	Due after one year	Fair value
	2021	2022	2021	2022	2021	2022	2022	2022	2022
Interest rate swaps (Deferral hedge accounting)	¥ 3,072	¥ 1,940	¥ 1,940	¥ —	¥ (7)	¥ (2)	\$ 15,851	\$ —	\$ (16)

Note 19. Investment and rental property

The profit of investment and rental property for the year ended March 31, 2021 amounted to ¥498 million and the loss on impairment of fixed assets amounted to ¥34 million.

The profit of investment and rental property for the year ended March 31, 2022 amounted to ¥481 million (\$3,930 thousand).

Information on the fair value of investment and rental property at March 31, 2021 and 2022 was summarized as follows:

	Millions of yen						Thousands of U.S. dollars					
	2021			2022			2022					
	Book value beginning of the year	Net change	Book value end of the year	Fair value end of the year	Book value beginning of the year	Net change	Book value end of the year	Fair value end of the year	Book value beginning of the year	Net change	Book value end of the year	Fair value end of the year
	¥ 6,936	¥ (154)	¥ 6,782	¥ 14,741	¥ 6,782	¥ (111)	¥ 6,671	¥ 13,161	\$ 55,413	\$ (907)	\$ 54,506	\$ 107,533

- The fair value represents the acquisition cost less accumulated depreciation.
- The components of net change in book value for the year ended March 31, 2021 included increases mainly due to acquisitions in the amount of ¥22 million and decrease mainly due to depreciation ¥148 million and impairment of fixed assets ¥28 million. The components of net change in book value for the year ended March 31, 2022 included increases mainly due to acquisitions in the amount of ¥57 million (\$466 thousand), and decrease mainly due to depreciation ¥149 million (\$1,217 thousand).
- The fair value is mainly based upon the amount appraised by outside independent real estate appraisers.

Note 20. Revenue recognition

1. Information on disaggregated revenue arising from contracts with customers

	Millions of yen					
	2022					
	Reportable segments				Others	Total
CS Division	SCI Division	Research & Development Center	Subtotal			
Japan	¥ 4,776	¥ 10,705	¥ 305	¥ 15,787	¥ 4	¥ 15,792
China	6,965	2,753	2	9,721	—	9,721
Other Asia	2,908	3,725	—	6,633	—	6,633
U.S.A.	4,424	9,838	—	14,262	—	14,262
Other North America	—	438	—	438	—	438
Europe	468	926	0	1,394	—	1,394
Revenue from contracts with customers	19,543	28,387	309	48,239	4	48,243
Revenue from external customers	¥ 19,543	¥ 28,387	¥ 309	¥ 48,239	¥ 4	¥ 48,243

	Thousands of U.S. dollars					
	2022					
	Reportable segments				Others	Total
CS Division	SCI Division	Research & Development Center	Subtotal			
Japan	\$ 39,023	\$ 87,466	\$ 2,492	\$128,989	\$ 33	\$129,030
China	56,908	22,494	16	79,426	—	79,426
Other Asia	23,760	30,435	—	54,196	—	54,196
U.S.A.	36,147	80,382	—	116,529	—	116,529
Other North America	—	3,579	—	3,579	—	3,579
Europe	3,824	7,566	0	11,390	—	11,390
Revenue from contracts with customers	159,678	231,939	2,525	394,142	33	394,174
Revenue from external customers	\$159,678	\$231,939	\$ 2,525	\$394,142	\$ 33	\$394,174

Note1: "Others" which includes other parts business is a business segment that is not included in reportable segments.

Note2: The sales by regions is based on customers' locations and is classified by countries or regions.

2. Information providing a basis for understanding revenue arising from contracts with customers

The Company and its consolidated subsidiaries sell the parts for electro-communication device and electronic equipment in Japan and abroad. The satisfied point of performance obligations is the point in time when the products are delivered to the customer because it can be judged that the customer obtains control of the product at the time. However, for sales within Japan of these products, revenue is recognized at the time of shipment in accordance with the alternative treatment prescribed in Paragraph 98 of "the Implementation Guidance on Accounting Standard for Revenue Recognition". The consideration for transactions is generally received within approximately 3 months after delivery of the goods. Furthermore, there is no adjustment for the significant financing component concerning receivables arising from contracts with customers.

3. Information about the relationship between the satisfaction of performance obligations under contracts with customers and cash flows from these contracts, and the amount and timing of revenue from contracts with existing customers at the end of the fiscal year that are expected to be recognized in the following fiscal year or beyond

(1) Balance of contract assets and contract liabilities

	Millions of yen	Thousands of U.S. dollars
	2022	2022
Receivables arising from contracts with customers (balance at the beginning of the year)	¥ 12,567	\$102,680
Receivables arising from contracts with customers (balance at the end of the year)	12,800	104,584
Contract liabilities (balance at the beginning of the year)	138	1,128
Contract liabilities (balance at the end of the year)	¥ 56	\$ 458

Contract liabilities mainly relate to advance payments received from customers for sales of tooling based on payment terms. Contract liabilities are reversed as revenue is recognized.

The revenue recognized during the fiscal year that was included in the balance of contract liabilities at the beginning of the year was ¥138 million (\$1,128 thousand). The main reasons for the decrease of ¥81 million (\$662 thousand) in contract liabilities in the fiscal year were reversal as revenue is recognized.

(2) Transaction price allocated to remaining performance obligations

At the end of the fiscal year ended March 31, 2022, there is no unsatisfied performance obligations which needs to be noted. Furthermore, the Company and consolidated subsidiaries have been adopted the treatment prescribed in Paragraph 80-22 (1) of "Accounting Standard for Revenue Recognition" (ASBJ statement No.29, March 31, 2020) and the contracts which are initially expected to terminate within one year are not included in this notes.

Note 21. Segment information

(Overview)

The reporting segments of the Company and consolidated subsidiaries are designed as business segments whose segregated financial information can be obtained and to which the management reviews to decide on the allocation of managerial and financial resources and to evaluate their financial performance.

The Company and consolidated subsidiaries are primarily engaged in the three divisions as follows;

CS (Connection System) Division: The division produces and sells connectors and jacks.

SCI (Sensing, Communications and Interface) Division: The division produces and sells remote controls, switches, camera modules and touch sensor.

Research & Development Center: The center produces and sells wireless module.

(Changes in reporting segments)

In line with changes in the company organization as of April 1, 2021, the part of other parts business which was previously included in "Other" has been included in "Research & Development Center".

Also, the segment information of the previous fiscal year has been presented based on the reclassification and calculation methods after the change to the reporting segments.

The business segment information is prepared in a manner similar to the accounting treatment as described in Note 1. Segment performance is evaluated based on operating income or loss.

(Application of Accounting Standard for Revenue Recognition)

In line with the adoption of "Accounting Standard for Revenue Recognition" from the beginning of the fiscal year and the changing of accounting method which are described in "change in accounting policies", the calculation method of profit or loss of business segment has changed as well.

As a result, in CS Division the sales increased by ¥16 million (\$131 thousand), the operating income increased by ¥34 million (\$278 thousand) for the current fiscal year compared to the traditional method. In SCI Division the sales decreased by ¥26 million (\$212 thousand), the operating income increased by ¥2 million (\$16 thousand) for the current fiscal year compared to the traditional method. Also, there are no changes for Research and Development Center.

1. Business segment information

	Millions of yen							
	Reporting Segments			Subtotal	Other	Total	Adjustment	Consolidated
2021	CS Division	SCI Division	Research & Development Center					
Net sales								
Outside customers	¥ 19,840	¥ 28,431	¥ 285	¥ 48,556	¥ 3	¥ 48,560	¥ —	¥ 48,560
Intersegment sales	—	—	—	—	—	—	—	—
Total	19,840	28,431	285	48,556	3	48,560	—	48,560
Operating income (loss)	1,444	(72)	(294)	1,077	7	1,070	—	1,070
Identifiable assets	11,461	15,661	293	27,417	6,855	34,272	16,059	50,332
Others								
Depreciation	1,098	947	6	2,051	186	2,237	—	2,237
Increase in fixed assets and intangible fixed assets	1,574	645	4	2,225	30	2,256	—	2,256

	Millions of yen							
	Reporting Segments			Subtotal	Other	Total	Adjustment	Consolidated
2022	CS Division	SCI Division	Research & Development Center					
Net sales								
Outside customers	¥ 19,543	¥ 28,387	¥ 309	¥ 48,239	¥ 4	¥ 48,243	¥ —	¥ 48,243
Intersegment sales	—	—	—	—	—	—	—	—
Total	19,543	28,387	309	48,239	4	48,243	—	48,243
Operating income (loss)	1,036	(135)	(196)	703	0	703	—	703
Identifiable assets	13,112	18,401	288	31,803	6,745	38,548	16,246	54,794
Others								
Depreciation	1,579	926	4	2,509	187	2,696	—	2,696
Increase in fixed assets and intangible fixed assets	1,146	744	2	1,893	62	1,955	—	1,955

2022	Thousands of U.S. dollars								
	Reporting Segments					Other	Total	Adjustment	Consolidated
	CS Division	SCI Division	Research & Development Center	Subtotal					
Net sales									
Outside customers	\$ 159,678	\$ 231,939	\$ 2,525	\$ 394,142	\$ 33	\$ 394,174	\$ —	\$ 394,174	
Intersegment sales	—	—	—	—	—	—	—	—	
Total	159,678	231,939	2,525	394,142	33	394,174	—	394,174	
Operating income (loss)	8,465	(1,103)	(1,601)	5,744	0	5,744	—	5,744	
Identifiable assets	107,133	150,347	2,353	259,850	55,111	314,960	132,740	447,700	
Others									
Depreciation	12,901	7,566	33	20,500	1,528	22,028	—	22,028	
Increase in fixed assets and intangible fixed assets	9,364	6,079	16	15,467	507	15,974	—	15,974	

Other is business segments not included in the reportable segments. It includes other parts, leasing, property rental and worker dispatch businesses.

Adjustment includes corporate assets which are not allocable to the reportable segments.

2. Geographical information

(1) Net sales

2021	Millions of yen						
	Japan	Asia		North America		Europe	Consolidated
		China	Other	U.S.A.	Other		
Net sales	¥ 13,657	¥ 10,501	¥ 5,591	¥ 16,941	¥ 660	¥ 1,208	¥ 48,560
2022	Millions of yen						
	Japan	Asia		North America		Europe	Consolidated
		China	Other	U.S.A.	Other		
Net sales	¥ 15,792	¥ 9,721	¥ 6,633	¥ 14,262	¥ 438	¥ 1,394	¥ 48,243
2022	Thousands of U.S. dollars						
	Japan	Asia		North America		Europe	Consolidated
		China	Other	U.S.A.	Other		
Net sales	\$ 129,030	\$ 79,426	\$ 54,196	\$ 116,529	\$ 3,579	\$ 11,390	\$ 394,174

(2) Fixed assets

2021	Millions of yen					
	Japan	Asia		North America	Europe	Consolidated
		China	Other			
Fixed assets	¥ 11,412	¥ 2,998	¥ 735	¥ 54	¥ 202	¥ 15,403
2022	Millions of yen					
	Japan	Asia		North America	Europe	Consolidated
		China	Other			
Fixed assets	¥ 11,046	¥ 4,374	¥ 687	¥ 69	¥ 12	¥ 16,190
2022	Thousands of U.S. dollars					
	Japan	Asia		North America	Europe	Consolidated
		China	Other			
Fixed assets	\$ 90,252	\$ 35,738	\$ 5,613	\$ 564	\$ 98	\$ 132,282

3. Information about major customers

The company and consolidated subsidiaries have no major customers which account for 10% or more of net sales.

4. Information about the loss on impairment of fixed assets

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
CS Division	¥ 8	¥ —	\$ —
SCI Division	18	3	25
Research & Development Center	2	—	—
Subtotal	30	3	25
Other	35	—	—
Adjustments and eliminations	64	—	—
Consolidated	¥ 130	¥ 3	\$ 25

5. Information about the amortization of goodwill and the balance of goodwill

For the years ended March 31, 2021 and 2022, there was no amortization and balance of goodwill.

Note 22. Related party transactions

Significant transactions with related parties for the years ended March 31, 2021 and 2022 were as follows:

2021	Millions of yen			
	Transactions		Balances	
	Rent		Other investments	Other current assets
Terutaka Ikeda (Supreme corporate adviser)	¥ 14		¥ 14	¥ 1
2022	Millions of yen			
	Transactions		Balances	
	Collection of loan receivable	Interest income	Other current assets	Long-term loans receivable
Paul Evans (Director)	¥ 1	¥ 0	¥ 1	¥ 28
2022	Thousands of U.S. dollars			
	Transactions		Balances	
	Rent		Other investments	Other current assets
Terutaka Ikeda (Supreme corporate adviser)	\$ 114		\$ 114	\$ 8
2022	Thousands of U.S. dollars			
	Transactions		Balances	
	Collection of loan receivable	Interest income	Other current assets	Long-term loans receivable
Paul Evans (Director)	\$ 8	\$ 0	\$ 16	\$ 237

- Business transactions with related parties are carried out on an arm's-length basis similar to third party transactions.
- Terutaka Ikeda is the parent of President and CEO / COO Yasumitsu Ikeda.

Note 23. Subsequent Events

1. Third-party share allotment

The Company resolved to carry out a third-party allotment at the Board of Directors' meeting held on April 28, 2022 and to propose an agenda item at the 100th General Meeting of Shareholders on June 22, 2022. This proposal was approved at the General Meeting of Shareholders.

(1) Overview

1) Number of Shares	200,000 shares of Common stock
2) Price	¥1 per share
3) Total amount	¥200,000 (\$1,634)
4) Method	Third-Party Allotment of Common Shares
5) Allottees	Showa Ikeda Memorial Foundation, a nonprofit corporation
6) Dates	TBD

(2) Rationale

The Company is committed to implementing SMK Philosophy for engagement in society and respects our bonds with communities and traditions as a good corporate citizen, and has carried out a variety of activities as a corporation that coexists with regional societies. From ESG perspective, the contribution for the Foundation leads to enhance the company's value in the medium-to long-term.

The Foundation was established in 1976 with the funds which were raised by the founder of the Company and his wife, and partial contribution made by the Company. The Company decided to carry out a third-party allotment in order to contribute to the Foundation's reinforcement of financial basis and engagement in society. As a result of this, the Foundation is expected to gain dividends continuously and will be possible to engage in society for long term by adding of dividends to its financial basis.

2. Cancellation of treasury stock

The Company resolved to cancel treasury stock in accordance with Article 178 of the Companies Act at the Board of Directors' meeting held on April 28, 2022 on condition that the agenda item for the third-party share allotment is approved at the 100th General Meeting of Shareholders on June 22, 2022. The agenda item for the third-party share allotment was approved at the General Meeting of Shareholders.

- Objective: To reduce the concern of stock dilution due to the future disposition of common stock
- Class of treasury stock: Common stock
- Total treasury stock cancelled: 300,000 shares
- Date of cancellation: June 30, 2022
- Total number of treasury stock issued after cancellation: 7,200,000 shares



Officer Introduction

(As of June 22, 2022)

Directors



Yasumitsu Ikeda
President,
Chief Executive Officer and
Chief Operating Officer



Masanobu Ieko
Director and
Executive Deputy President,
Chief Technology Officer



Paul Evans
Director and
Executive Vice President



Tetsuo Hara
Director and
Executive Vice President



Toshio Nakamura
Director (Outside)



Kaoru Ishikawa
Director (Outside)

Auditors



Morikazu Fukui
Full-Time Auditor
(Outside)



Naru Nakashima
Auditor (Outside)



Fumio Nishimura
Auditor (Outside)

Corporate Executive Officers



Kohei Ohgaki
Executive Vice President,
Chief Financial Officer



Hiroshi Usami
Executive Vice President,
Chief Information Officer



Mitsuyuki Masubuchi
Vice President



Atsushi Obinata
Vice President



Fumikazu Hata
Vice President



Mikio Otsubo
Vice President



Hideo Sugano
Vice President



Corporate Information

(As of March 31, 2022)

Corporate Data

Name	SMK Corporation
Established	April 3, 1925
Registered	January 15, 1929
Primary business	Manufacture and sale of various parts for electro-communication device and electronic equipment
Capital	¥ 7,996,828,021
Stock exchange listing	Tokyo Stock Exchange
Administrator of shareholders register	Mitsubishi UFJ Trust and Banking Corporation
Independent auditors	Ernst & Young ShinNihon LLC Tokyo, Japan
Employees (Consolidated)	4,963
Global network (As of July 31, 2022)	
Domestic bases (7 Bases)	Tokyo (Head office), Toyama, Hitachi, Osaka, Nagoya, Ibaraki and Fukuoka
Overseas bases (15 Countries/Areas, 32 Bases)	Taiwan, Hong Kong, China, Singapore, Thailand, Malaysia, Philippines, Korea, Ireland, U.K., France, Germany, Belgium, U.S.A. and Mexico



Head Office



Toyama Works



Hitachi Works

Shares and Shareholders

Authorized shares	19,596,127
Issued shares (including 1,253,003 shares of treasury stock)	7,500,000
Number of shareholders	6,145

Major shareholders (top ten)	Shares owned (1,000 shares)	Percentage of shares (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	589	9.43
SMK Cooperating Company Share Holding Association	453	7.26
Nippon Life Insurance Company	324	5.19
Dai Nippon Printing Co., Ltd.	320	5.12
Mizuho Bank, Ltd.	312	5.00
SMK Employees Share Holding Association	219	3.52
MUFG Bank, Ltd.	181	2.91
Custody Bank of Japan, Ltd. (Trust Account)	159	2.55
The Showa Ikeda Memorial Foundation	150	2.40
Meiji Yasuda Life Insurance Company	137	2.21

Note: The Company holds 1,253 thousand shares of treasury stock, but is excluded from the above list. Figures for percentage of shares are calculated after subtracting the number of treasury stock. The number of treasury stock includes the 43 thousand shares of the Company held by the Officer Stock Benefit Trust.

Share ownership by shareholder type

Financial institutions	26.40%
Financial instruments dealers	0.82%
Other entities	13.01%
Foreign entities, etc.	4.65%
Individuals and others	55.12%

Please see our website for detailed IR information.

The IR Information section of SMK's website includes annual reports and presentation materials. The website also carries information about SMK's products, corporate data and CSR/ESG initiatives.

Website <https://www.smk.co.jp/>

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