

Disclaimer: This document is an English translation of the original document in Japanese and has been prepared solely for reference purposes. In the event of any discrepancy between this English translation and the original in Japanese, the original shall prevail in all respects.

Consolidated Financial Results for the Three Months Ended June 30, 2023 [Japanese GAAP]



July 26, 2023

Company name: SMK Corporation
 Stock exchange listing: Tokyo Stock Exchange Prime Market
 Code number: 6798
 URL: <https://www.smk.co.jp>
 Representative: Yasumitsu Ikeda, President, Chief Executive Officer and Chief Operating Officer
 Contact: Kohei Ohgaki, Executive Vice President, Chief Financial Officer
 Phone: +81-3-3785-1111
 Scheduled date of filing quarterly securities report: August 10, 2023
 Scheduled date of commencing dividend payments: –
 Availability of supplementary explanatory materials on quarterly financial results: Not available
 Schedule of quarterly financial results briefing session: Not scheduled

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

1. Consolidated Financial Results for the Three Months Ended June 30, 2023 (April 1, 2023 - June 30, 2023)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended June 30, 2023	11,038	(12.5)	(385)	–	694	(60.8)	520	(65.9)
June 30, 2022	12,616	10.6	216	–	1,772	544.4	1,526	–

(Note) Comprehensive income: Three months ended June 30, 2023: ¥1,157 million [(40.6)%]

Three months ended June 30, 2022: ¥1,948 million [825.2%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2023	79.55	–
June 30, 2022	244.88	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2023	58,606	32,773	55.9
As of March 31, 2023	56,365	32,274	57.3

(Reference) Equity: As of June 30, 2023: ¥32,773 million

As of March 31, 2023: ¥32,274 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2023	–	0.00	–	100.00	100.00
Fiscal year ending March 31, 2024	–				
Fiscal year ending March 31, 2024 (Forecast)		50.00	–	50.00	100.00

(Note) Revision to the forecast for dividends announced most recently: None

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2024 (April 1, 2023 - March 31, 2024)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	22,500	(18.6)	(400)	–	300	(91.0)	200	(93.3)	30.57
Full year	51,000	(7.0)	700	(38.0)	1,100	(56.1)	800	(40.1)	122.28

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

*** Notes:**

- (1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in changes in scope of consolidation): None
- (2) Accounting methods adopted particularly for the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates and retrospective restatement
- 1) Changes in accounting policies due to the revision of accounting standards: None
 - 2) Changes in accounting policies other than 1) above: None
 - 3) Changes in accounting estimates: None
 - 4) Retrospective restatement: None
- (4) Total number of issued and outstanding shares (common stock)
- 1) Total number of issued and outstanding shares at the end of the period (including treasury stock):

June 30, 2023:	7,200,000 shares
March 31, 2023:	7,200,000 shares
 - 2) Total number of treasury stock at the end of the period:

June 30, 2023:	657,475 shares
March 31, 2023:	657,252 shares
 - 3) Average number of shares during the period:

Three months ended June 30, 2023:	6,542,637 shares
Three months ended June 30, 2022:	6,234,706 shares

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

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

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

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

Table of Contents - Attachments

1. Qualitative Information on Quarterly Financial Results	2
(1) Explanation of Operating Results	2
(2) Explanation of Financial Position	3
(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information	3
2. Quarterly Consolidated Financial Statements and Principal Notes	4
(1) Quarterly Consolidated Balance Sheets	4
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	6
(3) Notes to Quarterly Consolidated Financial Statements	8
(Notes on going concern assumption)	8
(Notes in case of significant changes in shareholders' equity)	8
(Segment information, etc.)	8
3. Supplementary Information	9
Status of Orders Received and Sales (by Market)	9

1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

During the three months ended June 30, 2023, the global economy was relatively stable due to an easing in the pace of policy rate hikes in the U.S. and Europe, rebound demand in the services sector, and support for the economy through consumer spending. However, the future business climate remains uncertain due to upward pressure on wages against the backdrop of a tight labor supply and demand in Europe and the U.S., continued price hikes due to demand recovery, concerns of recession in the U.S. economy due to persistently high policy interest rates, and a decline in the momentum of economic recovery in China after the lifting of the zero COVID policy due to sluggish real estate market conditions and falling exports. In the manufacturing industry, signs of recovery from semiconductor and raw material procurement difficulties were seen, but the industry remained sluggish due to the dissipation of stay-at-home consumption and the effects of inventory adjustments in the market. In addition, the yen depreciated against the U.S. dollar due to continued differences in monetary policies between Japan and the U.S.

In the electronic components industry, the car electronics market is expected to recover moderately as the shortage of semiconductors eases, but a strong recovery is yet to be seen due to inventory adjustments and other factors. In the ICT market, sales of smartphones, tablets, and other devices remained sluggish due to the prolonged replacement cycle, the dissipation of the special demand seen during the COVID-19 pandemic, and uncertainty about the economic outlook. In the home appliance market, sales of cooking appliances, air purifiers, and other devices were weak due to a reactionary drop after the special demand seen during the COVID-19 pandemic and a shift to service consumption, while sales of energy-saving home appliances such as air conditioners grew. The industry market expanded due to a recovery in economic activity and increased demand mainly for EVs and semiconductor-related products.

As a result of the Company's thorough stable procurement of materials, along with maintaining a stable supply of products to enable immediate response to customer demand, as well as the aggressive introduction of new products and cost reduction efforts, in the three months ended June 30, 2023, net sales amounted to ¥11,038 million (12.5% decrease year on year), and operating loss was ¥385 million (compared to operating profit of ¥216 million in the same period of the previous fiscal year). Ordinary profit was ¥694 million (60.8% decrease year on year) with foreign exchange gains of ¥875 million recorded due to the depreciation of the yen, and profit attributable to owners of parent was ¥520 million (65.9% decrease year on year).

Results by segment are as follows.

[CS Division]

In the car electronics market, sales of connectors exceeded those of the same period of the previous fiscal year due to steady expansion in electrical components and other devices, despite a decrease in camera-related products due to inventory adjustments. In the home appliance market, sales of game console-related products expanded favorably and exceeded those of the same period of the previous year. On the other hand, in the ICT market, sales remained sluggish due to continued inventory adjustments in tablet-related products for U.S. customers. Smartphone-related demand also contracted due to a drop in replacement demand, inflation, and uncertainty over the global situation, resulting in a year-on-year decline in CS Division as a whole.

As a result, net sales of CS Division amounted to ¥4,720 million (7.7% decrease year on year), and operating profit was ¥45 million (84.7% decrease year on year).

[SCI Division]

In the car electronics market, sales of camera modules, control units, etc. shrank due to the lack of a full recovery in automobile production as well as the impact of inventory adjustments by customers. In addition, sales of touch sensors were less than those of the same period of the previous fiscal year, affected by the discontinuation of production of models that use such sensors. In the remote control business, the mainstay of the home appliance market, which accounts for a large proportion of SCI Division, sales of remote control units for sanitation and air conditioners expanded, but sales of smart home appliances units and home

equipment units shrank due to inventory adjustments, resulting in a year on year decline in sales in SCI Division as a whole.

As a result, net sales of SCI Division amounted to ¥6,215 million (16.2% decrease year on year), and operating loss was ¥377 million (compared to operating loss of ¥30 million in the same period of the previous fiscal year).

[Research & Development Center]

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

As a result, net sales of Research & Development Center amounted to ¥96 million (10.1% increase year on year), and operating loss was ¥54 million (compared to an operating loss of ¥50 million in the same period of the previous fiscal year).

(2) Explanation of Financial Position

Current assets increased 4.8% from the end of the previous fiscal year to ¥34,839 million. This was mainly due to increases of ¥804 million in cash and deposits, and ¥513 million in raw materials and supplies. Non-current assets increased 2.8% from the end of the previous fiscal year to ¥23,767 million. This was mainly due to an increase of ¥588 million in investments and other assets.

As a result, total assets increased 4.0% from the end of the previous fiscal year to ¥58,606 million.

Current liabilities increased 11.4% from the end of the previous fiscal year to ¥18,036 million. This was mainly due to an increase of ¥1,577 million in short-term borrowings. Non-current liabilities decreased 1.3% from the end of the previous fiscal year to ¥7,796 million. This was mainly due to a decrease of ¥239 million in long-term borrowings.

As a result, total liabilities increased 7.2% from the end of the previous fiscal year to ¥25,833 million.

Total net assets increased 1.5% from the end of the previous fiscal year to ¥32,773 million. This was mainly due to increases of ¥262 million in valuation difference on available-for-sale securities, and ¥392 million in foreign currency translation adjustment.

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

After considering financial results for the first quarter and future business trends, the consolidated financial results forecasts for the six months ending September 30, 2023 and the fiscal year ending March 31, 2024, announced on April 28, 2023, have been revised. Please refer to the "Notice Concerning Revisions to First Half and Full Year Financial Results Forecasts" released today (July 26, 2023) (available only in Japanese) for matters related to these forecast figures.

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

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31, 2023	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	8,969	9,774
Notes receivable - trade	64	63
Electronically recorded monetary claims - operating	1,606	2,117
Accounts receivable - trade	11,505	10,691
Merchandise and finished goods	4,277	4,498
Work in process	660	785
Raw materials and supplies	5,134	5,648
Other	1,080	1,353
Allowance for doubtful accounts	(47)	(92)
Total current assets	33,251	34,839
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,058	4,076
Land	5,869	5,869
Other, net	5,639	5,678
Total property, plant and equipment	15,567	15,625
Intangible assets		
Other	94	102
Total intangible assets	94	102
Investments and other assets		
Other	7,539	8,131
Allowance for doubtful accounts	(88)	(92)
Total investments and other assets	7,450	8,038
Total non-current assets	23,113	23,767
Total assets	56,365	58,606

(Million yen)

	As of March 31, 2023	As of June 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,878	5,013
Short-term borrowings	6,491	8,068
Accounts payable - other	1,774	1,811
Income taxes payable	347	352
Provision for bonuses	596	329
Provision for bonuses for directors (and other officers)	26	—
Other	2,079	2,461
Total current liabilities	16,193	18,036
Non-current liabilities		
Long-term borrowings	4,863	4,624
Provision for retirement benefits for directors (and other officers)	131	137
Retirement benefit liability	24	37
Provision for share awards for directors (and other officers)	29	32
Other	2,847	2,965
Total non-current liabilities	7,897	7,796
Total liabilities	24,090	25,833
Net assets		
Shareholders' equity		
Share capital	7,996	7,996
Capital surplus	12,057	12,057
Retained earnings	14,730	14,592
Treasury shares	(2,531)	(2,532)
Total shareholders' equity	32,252	32,114
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	773	1,036
Foreign currency translation adjustment	(1,149)	(757)
Remeasurements of defined benefit plans	397	380
Total accumulated other comprehensive income	21	658
Total net assets	32,274	32,773
Total liabilities and net assets	56,365	58,606

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

Three Months Ended June 30

(Million yen)

	For the three months ended June 30, 2022	For the three months ended June 30, 2023
Net sales	12,616	11,038
Cost of sales	10,343	9,273
Gross profit	2,273	1,764
Selling, general and administrative expenses	2,057	2,150
Operating profit (loss)	216	(385)
Non-operating income		
Interest income	5	13
Dividend income	28	31
Rental income from real estate	245	245
Foreign exchange gains	1,477	875
Other	116	121
Total non-operating income	1,875	1,288
Non-operating expenses		
Interest expenses	37	31
Rental costs on real estate	128	137
Loss on investments in investment partnerships	132	—
Other	19	40
Total non-operating expenses	318	208
Ordinary profit	1,772	694
Extraordinary income		
Gain on sale of non-current assets	2	0
Total extraordinary income	2	0
Extraordinary losses		
Loss on retirement of non-current assets	0	11
Loss on valuation of investment securities	1	—
Total extraordinary losses	1	11
Profit before income taxes	1,773	683
Income taxes - current	208	133
Income taxes - deferred	37	29
Total income taxes	246	163
Profit	1,526	520
Profit attributable to owners of parent	1,526	520

Quarterly Consolidated Statements of Comprehensive Income

Three Months Ended June 30

(Million yen)

	For the three months ended June 30, 2022	For the three months ended June 30, 2023
Profit	1,526	520
Other comprehensive income		
Valuation difference on available-for-sale securities	9	262
Deferred gains or losses on hedges	1	—
Foreign currency translation adjustment	443	392
Remeasurements of defined benefit plans, net of tax	(32)	(17)
Total other comprehensive income	421	637
Comprehensive income	1,948	1,157
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,948	1,157

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

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

Not applicable.

(Segment information, etc.)

[Segment information]

I. For the three months ended June 30, 2022 (from April 1, 2022 to June 30, 2022)

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

(Million yen)

	Reportable segment				Others (Note)	Amount recorded in Quarterly Consolidated Statements of Income
	CS (Connection System) Division	SCI (Sensing, Communications and Interface) Division	Research & Development Center	Total		
Net sales						
Net sales to outside customers	5,113	7,414	87	12,615	1	12,616
Inter-segment net sales or transfers	—	—	—	—	—	—
Total	5,113	7,414	87	12,615	1	12,616
Segment profit (loss) (operating profit)	297	(30)	(50)	216	0	216

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

II. For the three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023)

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

(Million yen)

	Reportable segment				Others (Note)	Amount recorded in Quarterly Consolidated Statements of Income
	CS (Connection System) Division	SCI (Sensing, Communications and Interface) Division	Research & Development Center	Total		
Net sales						
Net sales to outside customers	4,720	6,215	96	11,033	5	11,038
Inter-segment net sales or transfers	—	—	—	—	—	—
Total	4,720	6,215	96	11,033	5	11,038
Segment profit (loss) (operating loss)	45	(377)	(54)	(385)	0	(385)

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

3. Supplementary Information

Status of Orders Received and Sales (by Market)

1) Orders received

(Million yen)

Market	Three months ended June 30, 2022 (From April 1, 2022 to June 30, 2022)		Three months ended June 30, 2023 (From April 1, 2023 to June 30, 2023)		Change	
	Amount	Contribution (%)	Amount	Contribution (%)	Amount	Change (%)
ICT	2,229	16.4	1,640	15.5	(588)	(26.4)
Home appliance	5,494	40.4	4,088	38.7	(1,405)	(25.6)
Car electronics	4,788	35.3	3,820	36.2	(968)	(20.2)
Industry and other	1,069	7.9	1,016	9.6	(53)	(5.0)
Total	13,581	100.0	10,565	100.0	(3,015)	(22.2)

Market	(Reference) Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)	
	Amount	Contribution (%)
ICT	6,915	13.5
Home appliance	20,392	40.0
Car electronics	19,561	38.3
Industry and other	4,172	8.2
Total	51,042	100.0

2) Sales

(Million yen)

Market	Three months ended June 30, 2022 (From April 1, 2022 to June 30, 2022)		Three months ended June 30, 2023 (From April 1, 2023 to June 30, 2023)		Change	
	Amount	Contribution (%)	Amount	Contribution (%)	Amount	Change (%)
ICT	2,358	18.7	1,626	14.7	(731)	(31.0)
Home appliance	4,734	37.5	4,376	39.7	(357)	(7.6)
Car electronics	4,366	34.6	3,928	35.6	(437)	(10.0)
Industry and other	1,157	9.2	1,105	10.0	(51)	(4.5)
Total	12,616	100.0	11,038	100.0	(1,577)	(12.5)

Market	(Reference) Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)	
	Amount	Contribution (%)
ICT	7,946	14.5
Home appliance	21,182	38.6
Car electronics	20,879	38.1
Industry and other	4,834	8.8
Total	54,842	100.0