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Consolidated Financial Results for the Six Months Ended September 30, 2023 [Japanese GAAP]



October 25, 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

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Scheduled date of filing quarterly securities report: November 13, 2023

Scheduled date of commencing dividend payments: November 28, 2023

Availability of supplementary explanatory materials on quarterly financial results: Available

Schedule of quarterly financial results briefing session: Scheduled (for institutional investors and analysts)

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

1. Consolidated Financial Results for the Six Months Ended September 30, 2023 (April 1, 2023 - September 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	%
Six months ended September 30, 2023	23,075	(16.5)	(177)	—	1,118	(66.6)	1,010	(66.1)
September 30, 2022	27,638	17.8	752	83.0	3,348	173.0	2,983	204.7

(Note) Comprehensive income: Six months ended September 30, 2023: ¥1,699 million [(51.1)%]

Six months ended September 30, 2022: ¥3,477 million [192.9%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2023	154.50	—
September 30, 2022	472.17	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2023	59,140	33,314	56.3
As of March 31, 2023	56,365	32,274	57.3

(Reference) Equity: As of September 30, 2023: ¥33,314 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	–	50.00			
Fiscal year ending March 31, 2024 (Forecast)			–	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
Full year	50,000	(8.8)	100	(91.1)	1,100	(56.1)	800	(40.1)	122.30

(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):

September 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:

September 30, 2023:	658,694 shares
March 31, 2023:	657,252 shares
 - 3) Average number of shares during the period:

Six months ended September 30, 2023:	6,542,425 shares
Six months ended September 30, 2022:	6,318,917 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.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

During the six months ended September 30, 2023, the global economy was relatively stable due to rebound demand in the services sector and support for the economy through firm consumer spending. However, the future business climate remains uncertain due to the increase in resource prices brought about by the Ukraine crisis, upward pressure on wages against the backdrop of a tight labor supply and demand in the U.S., continued price hikes, concerns of recession in the economy due to persistently high policy interest rates, and a decline in the momentum of economic recovery in China 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 inventory adjustments in the market continued. In addition, the yen depreciated against the U.S. dollar due to the maintained Japanese monetary policy, while the solid U.S. economic indicators failed to dispel concerns of additional interest rate hikes.

In the electronic components industry, sales remained sluggish under overall difficult market conditions. 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 in the U.S. and Europe and uncertainty about the economic outlook. In the home appliance market, sales remained sluggish due to inventory adjustments in housing facilities, air conditioners, and other products, as well as a reactionary drop after the special demand seen during the COVID-19 pandemic and a shift to service consumption. In the industry market, its environment was patchy in general and remained low, despite an increase in demand for some of semiconductor-related products, medical devices, and other products.

Despite the Group'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, the inventory adjustments by customers continued in response to the market conditions. As a result, in the six months ended September 30, 2023, net sales amounted to ¥23,075 million (16.5% decrease year on year), and operating loss was ¥177 million (compared to operating profit of ¥752 million in the same period of the previous fiscal year). Ordinary profit was ¥1,118 million (66.6% decrease year on year) with foreign exchange gains of ¥976 million recorded due to the depreciation of the yen, and profit attributable to owners of parent was ¥1,010 million (66.1% decrease year on year).

Results by segment are as follows.

[CS Division]

In the car electronics market, sales exceeded those of the same period of the previous fiscal year due to recovery in demand for camera-related products and steady expansion in demand for electrical components and other devices. In the home appliance market, sales remained firm due to the maintained strong performance of game console-related products, despite weak sales of products for TV sets and other products. In the ICT market, sales declined year on year due to the significant impact of a decrease in tablet-related demand for U.S. customers, while smartphone-related demand for Chinese customers increased.

In CS Division as a whole, demand continued to shrink due to inflation, uncertainty over the global situation, concerns about the Chinese economy, and other factors, resulting in a year-on-year decline.

As a result, net sales of CS Division amounted to ¥10,349 million (4.1% decrease year on year), and operating profit was ¥526 million (18.4% decrease year on year).

[SCI Division]

In the home appliance market, sales of remote control units for sanitation remained steady, but sales of smart home appliances units and home equipment units shrank due to the impact of inventory adjustments by major customers. In the car electronics market, sales of touch sensors remained weak due to the discontinuation of models that use them, and those of camera modules, control units, etc. were also sluggish affected by the impact of inventory adjustments.

In SCI Division as a whole, the demand seen during the COVID-19 pandemic slowed down and inventory adjustments by customers continued, resulting in a year-on-year decline.

As a result, net sales of SCI Division amounted to ¥12,512 million (25.0% decrease year on year), and operating loss was ¥608 million (compared to operating profit of ¥203 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 and medical devices decreased year on year, but sales for mobile printers were strong. In addition, sales of Sub-GHz communication modules for lighting equipment 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 ¥205 million (32.8% increase year on year), and operating loss was ¥91 million (compared to an operating loss of ¥96 million in the same period of the previous fiscal year).

(2) Explanation of Financial Position

Current assets increased 6.2% from the end of the previous fiscal year to ¥35,328 million. This was mainly due to increases of ¥961 million in cash and deposits, and ¥1,050 million in raw materials and supplies. Non-current assets increased 3.0% from the end of the previous fiscal year to ¥23,812 million. This was mainly due to an increase of ¥702 million in investments and other assets.

As a result, total assets increased 4.9% from the end of the previous fiscal year to ¥59,140 million.

Current liabilities decreased 4.9% from the end of the previous fiscal year to ¥15,400 million. This was mainly due to an increase of ¥275 million in notes and accounts payable - trade and a decrease of ¥1,375 million in short-term borrowings. Non-current liabilities increased 32.0% from the end of the previous fiscal year to ¥10,425 million. This was mainly due to an increase of ¥2,471 million in long-term borrowings.

As a result, total liabilities increased 7.2% from the end of the previous fiscal year to ¥25,825 million.

Total net assets increased 3.2% from the end of the previous fiscal year to ¥33,314 million. This was mainly due to increases of ¥352 million in retained earnings, and ¥533 million in foreign currency translation adjustment.

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

After considering financial results for the six months ended September 30, 2023 and future business trends, the consolidated financial results forecast for the fiscal year ending March 31, 2024, announced on July 26, 2023, has been revised. Please refer to the "Notice Concerning the Difference between the First Half Financial Results Forecast and the Actual Performance and the Revision to the Full Year Financial Results Forecast" released today (October 25, 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 third quarter and thereafter is assumed to be ¥140 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 September 30, 2023
Assets		
Current assets		
Cash and deposits	8,969	9,931
Notes receivable - trade	64	56
Electronically recorded monetary claims - operating	1,606	3,049
Accounts receivable - trade	11,505	10,205
Merchandise and finished goods	4,277	4,098
Work in process	660	706
Raw materials and supplies	5,134	6,185
Other	1,080	1,188
Allowance for doubtful accounts	(47)	(94)
Total current assets	33,251	35,328
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,058	4,070
Land	5,869	5,819
Other, net	5,639	5,668
Total property, plant and equipment	15,567	15,558
Intangible assets		
Other	94	101
Total intangible assets	94	101
Investments and other assets		
Other	7,539	8,245
Allowance for doubtful accounts	(88)	(92)
Total investments and other assets	7,450	8,152
Total non-current assets	23,113	23,812
Total assets	56,365	59,140

(Million yen)

	As of March 31, 2023	As of September 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,878	5,153
Short-term borrowings	6,491	5,115
Accounts payable - other	1,774	1,773
Income taxes payable	347	419
Provision for bonuses	596	708
Provision for bonuses for directors (and other officers)	26	—
Other	2,079	2,229
Total current liabilities	16,193	15,400
Non-current liabilities		
Long-term borrowings	4,863	7,335
Provision for retirement benefits for directors (and other officers)	131	139
Retirement benefit liability	24	35
Provision for share awards for directors (and other officers)	29	33
Other	2,847	2,881
Total non-current liabilities	7,897	10,425
Total liabilities	24,090	25,825
Net assets		
Shareholders' equity		
Share capital	7,996	7,996
Capital surplus	12,057	12,057
Retained earnings	14,730	15,083
Treasury shares	(2,531)	(2,532)
Total shareholders' equity	32,252	32,604
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	773	1,002
Deferred gains or losses on hedges	—	(35)
Foreign currency translation adjustment	(1,149)	(616)
Remeasurements of defined benefit plans	397	360
Total accumulated other comprehensive income	21	710
Total net assets	32,274	33,314
Total liabilities and net assets	56,365	59,140

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income
Six Months Ended September 30

(Million yen)

	For the six months ended September 30, 2022	For the six months ended September 30, 2023
Net sales	27,638	23,075
Cost of sales	22,663	19,001
Gross profit	4,975	4,074
Selling, general and administrative expenses	4,222	4,251
Operating profit (loss)	752	(177)
Non-operating income		
Interest income	12	47
Dividend income	28	33
Rental income from real estate	491	487
Foreign exchange gains	2,220	976
Other	416	184
Total non-operating income	3,169	1,729
Non-operating expenses		
Interest expenses	74	68
Rental costs on real estate	269	273
Loss on investments in investment partnerships	197	—
Other	32	91
Total non-operating expenses	572	433
Ordinary profit	3,348	1,118
Extraordinary income		
Gain on sale of non-current assets	2	182
Other	—	1
Total extraordinary income	2	183
Extraordinary losses		
Loss on retirement of non-current assets	0	36
Loss on valuation of investment securities	23	1
Total extraordinary losses	23	37
Profit before income taxes	3,328	1,264
Income taxes - current	356	282
Income taxes - deferred	(11)	(28)
Total income taxes	344	254
Profit	2,983	1,010
Profit attributable to owners of parent	2,983	1,010

Quarterly Consolidated Statements of Comprehensive Income
Six Months Ended September 30

(Million yen)

	For the six months ended September 30, 2022	For the six months ended September 30, 2023
Profit	2,983	1,010
Other comprehensive income		
Valuation difference on available-for-sale securities	8	228
Deferred gains or losses on hedges	1	(35)
Foreign currency translation adjustment	551	533
Remeasurements of defined benefit plans, net of tax	(67)	(37)
Total other comprehensive income	493	688
Comprehensive income	3,477	1,699
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,477	1,699

(3) Quarterly Consolidated Statements of Cash Flows

(Million yen)

	For the six months ended September 30, 2022	For the six months ended September 30, 2023
Cash flows from operating activities		
Profit before income taxes	3,328	1,264
Depreciation	1,393	1,254
Increase (decrease) in provision for bonuses	35	99
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(52)	7
Increase (decrease) in provision for share awards for directors (and other officers)	(4)	4
Increase (decrease) in net defined benefit asset and liability	(125)	(79)
Interest and dividend income	(41)	(80)
Interest expenses	74	68
Loss (gain) on sale of non-current assets	(2)	(182)
Loss (gain) on valuation of investment securities	23	1
Loss on retirement of non-current assets	0	36
Loss (gain) on investments in investment partnerships	197	(81)
Decrease (increase) in trade receivables	192	1,063
Decrease (increase) in inventories	(650)	(352)
Increase (decrease) in trade payables	(1,272)	(636)
Decrease (increase) in accounts receivable - other	(94)	84
Increase (decrease) in accounts payable - other	(160)	(84)
Other, net	(809)	(130)
Subtotal	2,030	2,258
Interest and dividends received	51	82
Interest paid	(84)	(83)
Income taxes paid	(181)	(223)
Income taxes refund	—	28
Net cash provided by (used in) operating activities	1,816	2,062
Cash flows from investing activities		
Payments into time deposits	(19)	(35)
Proceeds from withdrawal of time deposits	16	19
Purchase of property, plant and equipment	(889)	(1,132)
Proceeds from sale of property, plant and equipment	6	257
Purchase of intangible assets	(11)	(15)
Purchase of investment securities	(0)	(80)
Loan advances	(5)	(4)
Proceeds from collection of loans receivable	15	10
Other, net	—	3
Net cash provided by (used in) investing activities	(887)	(977)

(Million yen)

	For the six months ended September 30, 2022	For the six months ended September 30, 2023
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	415	1,500
Proceeds from long-term borrowings	2,700	3,000
Repayments of long-term borrowings	(1,836)	(3,404)
Repayments of lease liabilities	(210)	(221)
Purchase of treasury shares	(0)	(0)
Proceeds from sale of treasury shares	0	—
Dividends paid	(436)	(655)
Net cash provided by (used in) financing activities	631	217
Effect of exchange rate change on cash and cash equivalents	(329)	(358)
Net increase (decrease) in cash and cash equivalents	1,230	943
Cash and cash equivalents at beginning of period	8,505	8,915
Cash and cash equivalents at end of period	9,736	9,859

(4) 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 six months ended September 30, 2022 (from April 1, 2022 to September 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	10,786	16,694	155	27,636	2	27,638
Inter-segment net sales or transfers	—	—	—	—	—	—
Total	10,786	16,694	155	27,636	2	27,638
Segment profit (loss) (operating profit)	644	203	(96)	752	0	752

(Note) The "Others" are business segments not included in the reportable segments, and include other parts business.

II. For the six months ended September 30, 2023 (from April 1, 2023 to September 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	10,349	12,512	205	23,067	7	23,075
Inter-segment net sales or transfers	—	—	—	—	—	—
Total	10,349	12,512	205	23,067	7	23,075
Segment profit (loss) (operating loss)	526	(608)	(91)	(173)	(3)	(177)

(Note) The "Others" are business segments not included in the reportable segments, and include other parts business.

(Significant subsequent event)

Purchase of treasury shares

At the Board of Directors' meeting held on October 25, 2023, the Company resolved to purchase treasury shares, based on the provisions of Article 156 of the Companies Act as applied by replacing the terms pursuant to the provisions of Article 165, Paragraph 3 of the same Act.

- | | |
|--|--|
| 1) Reason: | For enhancing returns to shareholders and improving capital efficiency |
| 2) Type of shares to be purchased: | Common stock of the Company |
| 3) Total number of shares that can be purchased: | 200,000 shares (upper limit)
(Percentage of the total number of issued and outstanding shares (excluding treasury shares): 3.03%) |
| 4) Total amount of shares to be purchased: | ¥5 million (upper limit) |
| 5) Period of purchase: | From October 26, 2023 to March 29, 2024 |

3. Supplementary Information

Status of Orders Received and Sales (by Market)

1) Orders received

(Million yen)

Market	Six months ended September 30, 2022 (From April 1, 2022 to September 30, 2022)		Six months ended September 30, 2023 (From April 1, 2023 to September 30, 2023)		Change	
	Amount	Contribution (%)	Amount	Contribution (%)	Amount	Change (%)
ICT	4,601	16.6	3,718	17.3	(883)	(19.2)
Home appliance	11,392	40.9	7,934	36.8	(3,457)	(30.4)
Car electronics	9,987	35.9	7,913	36.8	(2,073)	(20.8)
Industry and other	1,846	6.6	1,966	9.1	120	6.5
Total	27,827	100.0	21,533	100.0	(6,294)	(22.6)

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	Six months ended September 30, 2022 (From April 1, 2022 to September 30, 2022)		Six months ended September 30, 2023 (From April 1, 2023 to September 30, 2023)		Change	
	Amount	Contribution (%)	Amount	Contribution (%)	Amount	Change (%)
ICT	4,814	17.4	3,771	16.3	(1,042)	(21.7)
Home appliance	10,728	38.8	9,045	39.2	(1,683)	(15.7)
Car electronics	9,741	35.3	8,065	35.0	(1,676)	(17.2)
Industry and other	2,353	8.5	2,192	9.5	(160)	(6.8)
Total	27,638	100.0	23,075	100.0	(4,563)	(16.5)

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