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Consolidated Financial Results for the Nine Months Ended December 31, 2023 [Japanese GAAP]



January 30, 2024

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: February 13, 2024
 Scheduled date of commencing dividend payments: –
 Availability of supplementary explanatory materials on quarterly financial results: Not available
 Schedule of quarterly financial results briefing session: Not scheduled

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

1. Consolidated Financial Results for the Nine Months Ended December 31, 2023 (April 1, 2023 - December 31, 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 | % |
| Nine months ended December 31, 2023 | 34,243 | (18.7) | (556) | — | 39 | (98.6) | (316) | — |
| December 31, 2022 | 42,099 | 18.3 | 1,476 | 114.5 | 2,859 | 26.1 | 2,450 | 27.9 |

(Note) Comprehensive income: Nine months ended December 31, 2023: ¥207 million [(91.3)%]
 Nine months ended December 31, 2022: ¥2,373 million [6.7%]

| | Basic earnings per share | Diluted earnings per share |
|-------------------|--------------------------|----------------------------|
| Nine months ended | Yen | Yen |
| December 31, 2023 | (48.32) | — |
| December 31, 2022 | 385.48 | — |

(2) Consolidated Financial Position

| | Total assets | Net assets | Equity ratio |
|-------------------------|--------------|-------------|--------------|
| | Million yen | Million yen | % |
| As of December 31, 2023 | 57,669 | 31,443 | 54.5 |
| As of March 31, 2023 | 56,365 | 32,274 | 57.3 |

(Reference) Equity: As of December 31, 2023: ¥31,443 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 | 45,900 | (16.3) | (1,100) | – | (200) | – | (400) | – | (61.34) |

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

*** Notes:**

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

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

| | |
|--------------------|----------------|
| December 31, 2023: | 679,086 shares |
| March 31, 2023: | 657,252 shares |
 - 3) Average number of shares during the period:

| | |
|--------------------------------------|------------------|
| Nine months ended December 31, 2023: | 6,540,078 shares |
| Nine months ended December 31, 2022: | 6,358,165 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 nine months ended December 31, 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 an increase in geopolitical risk caused by the Ukraine crisis and Israel-Hamas conflict, upward pressure on wages against the backdrop of a tight labor supply and demand in the U.S., continued price hikes, 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 still continued. In addition, the yen depreciated against the U.S. dollar due to the difference between Japanese and U.S. monetary policies.

In the electronic components industry, sales remained sluggish under overall difficult market conditions. The car electronics market entered a recovery path as the shortage of semiconductors eases, but a strong recovery was not 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 of stay-at-home demand and a shift to service consumption. In the industry market, the situation remained harsh in general as sales of FA and equipment-related products remained sluggish due to the slowdown of Chinese economy and other factors, despite an increase in demand for some of semiconductor-related products 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 major customers continued in response to the market conditions. As a result, in the nine months ended December 31, 2023, net sales amounted to ¥34,243 million (18.7% decrease year on year), and operating loss was ¥556 million (compared to operating profit of ¥1,476 million in the same period of the previous fiscal year). Ordinary profit was ¥39 million (98.6% decrease year on year), and loss attributable to owners of parent was ¥316 million (compared to profit attributable to owners of parent of ¥2,450 million in the same period of the previous fiscal 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 firm sales of 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 strong performance of digital camera-related products, although order adjustments were made in game console-related products, which maintained strong performance, due to the impact of inventory adjustments in the market. 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 remained strong.

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

As a result, net sales of CS Division amounted to ¥15,422 million (2.0% decrease year on year), and operating profit was ¥757 million (25.6% decrease year on year).

[SCI Division]

In the home appliance market, in the mainstay remote control business, sales of units for sanitation remained steady, but sales of units for home equipment, air conditioners, and smart home appliances shrank due to the impact of inventory adjustments by major customers. In the car electronics market, sales of control

units, camera modules, touch sensors, etc. remained weak due to the impact of inventory adjustments.

In SCI Division as a whole, stay-at-home demand 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 ¥18,539 million (29.0% decrease year on year), and operating loss was ¥1,167 million (compared to operating profit of ¥578 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 ¥272 million (15.3% increase year on year), and operating loss was ¥139 million (compared to an operating loss of ¥121 million in the same period of the previous fiscal year).

(2) Explanation of Financial Position

Current assets increased 2.6% from the end of the previous fiscal year to ¥34,128 million. This was mainly due to increases of ¥1,149 million in cash and deposits, and ¥1,093 million in raw materials and supplies. Non-current assets increased 1.8% from the end of the previous fiscal year to ¥23,540 million. This was mainly due to an increase of ¥659 million in investments and other assets.

As a result, total assets increased 2.3% from the end of the previous fiscal year to ¥57,669 million.

Current liabilities decreased 1.9% from the end of the previous fiscal year to ¥15,890 million. This was mainly due to a decrease of ¥390 million in short-term borrowings. Non-current liabilities increased 30.9% from the end of the previous fiscal year to ¥10,334 million. This was mainly due to an increase of ¥2,232 million in long-term borrowings.

As a result, total liabilities increased 8.9% from the end of the previous fiscal year to ¥26,225 million.

Total net assets decreased 2.6% from the end of the previous fiscal year to ¥31,443 million. This was mainly due to a decrease of ¥1,303 million in retained earnings and an increase of ¥353 million in foreign currency translation adjustment.

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

After considering financial results for the nine months ended December 31, 2023 and future business trends, the consolidated financial results forecast for the fiscal year ending March 31, 2024, announced on October 25, 2023, has been revised. Please refer to the "Notice Concerning the Revision to the Full Year Financial Results Forecast and the Recording of Non-Operating Expenses (Foreign Exchange Losses)" released today (January 30, 2024) (available only in Japanese) for matters related to these forecast figures.

The foreign exchange rate on which the results forecast is made for the fourth 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 December 31, 2023 |
|---|----------------------|-------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 8,969 | 10,118 |
| Notes receivable - trade | 64 | 41 |
| Electronically recorded monetary claims - operating | 1,606 | 2,983 |
| Accounts receivable - trade | 11,505 | 8,595 |
| Merchandise and finished goods | 4,277 | 4,158 |
| Work in process | 660 | 784 |
| Raw materials and supplies | 5,134 | 6,227 |
| Other | 1,080 | 1,281 |
| Allowance for doubtful accounts | (47) | (64) |
| Total current assets | 33,251 | 34,128 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 4,058 | 4,126 |
| Land | 5,869 | 5,819 |
| Other, net | 5,639 | 5,376 |
| Total property, plant and equipment | 15,567 | 15,322 |
| Intangible assets | | |
| Other | 94 | 107 |
| Total intangible assets | 94 | 107 |
| Investments and other assets | | |
| Other | 7,539 | 8,202 |
| Allowance for doubtful accounts | (88) | (92) |
| Total investments and other assets | 7,450 | 8,110 |
| Total non-current assets | 23,113 | 23,540 |
| Total assets | 56,365 | 57,669 |

(Million yen)

| | As of March 31, 2023 | As of December 31, 2023 |
|--|----------------------|-------------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 4,878 | 5,289 |
| Short-term borrowings | 6,491 | 6,101 |
| Accounts payable - other | 1,774 | 1,865 |
| Income taxes payable | 347 | 238 |
| Provision for bonuses | 596 | 373 |
| Provision for bonuses for directors (and other officers) | 26 | — |
| Other | 2,079 | 2,022 |
| Total current liabilities | 16,193 | 15,890 |
| Non-current liabilities | | |
| Long-term borrowings | 4,863 | 7,095 |
| Provision for retirement benefits for directors (and other officers) | 131 | 145 |
| Retirement benefit liability | 24 | 36 |
| Provision for share awards for directors (and other officers) | 29 | 36 |
| Other | 2,847 | 3,020 |
| Total non-current liabilities | 7,897 | 10,334 |
| Total liabilities | 24,090 | 26,225 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 7,996 | 7,996 |
| Capital surplus | 12,057 | 12,057 |
| Retained earnings | 14,730 | 13,427 |
| Treasury shares | (2,531) | (2,582) |
| Total shareholders' equity | 32,252 | 30,898 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 773 | 1,088 |
| Deferred gains or losses on hedges | — | (84) |
| Foreign currency translation adjustment | (1,149) | (796) |
| Remeasurements of defined benefit plans | 397 | 338 |
| Total accumulated other comprehensive income | 21 | 544 |
| Total net assets | 32,274 | 31,443 |
| Total liabilities and net assets | 56,365 | 57,669 |

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

(Million yen)

| | For the nine months ended December 31, 2022 | For the nine months ended December 31, 2023 |
|--|--|--|
| Net sales | 42,099 | 34,243 |
| Cost of sales | 34,254 | 28,327 |
| Gross profit | 7,844 | 5,915 |
| Selling, general and administrative expenses | 6,368 | 6,471 |
| Operating profit (loss) | 1,476 | (556) |
| Non-operating income | | |
| Interest income | 21 | 67 |
| Dividend income | 70 | 64 |
| Rental income from real estate | 735 | 733 |
| Foreign exchange gains | 832 | 217 |
| Other | 479 | 159 |
| Total non-operating income | 2,140 | 1,242 |
| Non-operating expenses | | |
| Interest expenses | 119 | 121 |
| Rental costs on real estate | 405 | 419 |
| Loss on investments in investment partnerships | 188 | 2 |
| Other | 43 | 103 |
| Total non-operating expenses | 757 | 647 |
| Ordinary profit | 2,859 | 39 |
| Extraordinary income | | |
| Gain on sale of non-current assets | 16 | 182 |
| Other | — | 1 |
| Total extraordinary income | 16 | 184 |
| Extraordinary losses | | |
| Loss on sale of non-current assets | 0 | — |
| Loss on retirement of non-current assets | 12 | 49 |
| Impairment losses | — | 104 |
| Loss on valuation of investment securities | 25 | 1 |
| Extra retirement payments | — | 86 |
| Total extraordinary losses | 37 | 241 |
| Profit (loss) before income taxes | 2,838 | (18) |
| Income taxes - current | 260 | 188 |
| Income taxes - deferred | 127 | 109 |
| Total income taxes | 388 | 297 |
| Profit (loss) | 2,450 | (316) |
| Profit (loss) attributable to owners of parent | 2,450 | (316) |

Quarterly Consolidated Statements of Comprehensive Income

Nine Months Ended December 31

(Million yen)

| | For the nine months ended December 31, 2022 | For the nine months ended December 31, 2023 |
|---|--|--|
| Profit (loss) | 2,450 | (316) |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (46) | 314 |
| Deferred gains or losses on hedges | 1 | (84) |
| Foreign currency translation adjustment | 73 | 353 |
| Remeasurements of defined benefit plans, net of tax | (107) | (59) |
| Total other comprehensive income | (77) | 523 |
| Comprehensive income | 2,373 | 207 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 2,373 | 207 |

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

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

Not applicable.

(Segment information, etc.)

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

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

(Million yen)

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

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

II. For the nine months ended December 31, 2023 (from April 1, 2023 to December 31, 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 | 15,422 | 18,539 | 272 | 34,234 | 8 | 34,243 |
| Inter-segment net sales or transfers | — | — | — | — | — | — |
| Total | 15,422 | 18,539 | 272 | 34,234 | 8 | 34,243 |
| Segment profit (loss) (operating loss) | 757 | (1,167) | (139) | (548) | (7) | (556) |

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

3. Supplementary Information

Status of Orders Received and Sales (by Market)

1) Orders received

(Million yen)

| Market | Nine months ended December 31, 2022 (From April 1, 2022 to December 31, 2022) | | Nine months ended December 31, 2023 (From April 1, 2023 to December 31, 2023) | | Change | |
|--------------------|--|---------------------|--|---------------------|---------|---------------|
| | Amount | Contribution (%) | Amount | Contribution (%) | Amount | Change (%) |
| ICT | 6,182 | 15.2 | 5,481 | 17.2 | (700) | (11.3) |
| Home appliance | 16,583 | 40.7 | 11,667 | 36.6 | (4,916) | (29.6) |
| Car electronics | 14,860 | 36.5 | 11,859 | 37.2 | (3,000) | (20.2) |
| Industry and other | 3,076 | 7.6 | 2,877 | 9.0 | (198) | (6.5) |
| Total | 40,701 | 100.0 | 31,886 | 100.0 | (8,815) | (21.7) |

| 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 | Nine months ended December 31, 2022 (From April 1, 2022 to December 31, 2022) | | Nine months ended December 31, 2023 (From April 1, 2023 to December 31, 2023) | | Change | |
|--------------------|--|---------------------|--|---------------------|---------|---------------|
| | Amount | Contribution (%) | Amount | Contribution (%) | Amount | Change (%) |
| ICT | 6,687 | 15.9 | 5,854 | 17.1 | (833) | (12.5) |
| Home appliance | 16,257 | 38.6 | 13,341 | 39.0 | (2,916) | (17.9) |
| Car electronics | 15,453 | 36.7 | 11,880 | 34.7 | (3,572) | (23.1) |
| Industry and other | 3,702 | 8.8 | 3,167 | 9.2 | (534) | (14.4) |
| Total | 42,099 | 100.0 | 34,243 | 100.0 | (7,855) | (18.7) |

| 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 |