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Consolidated Financial Results for the Three Months Ended June 30, 2022 [Japanese GAAP]



July 26, 2022

Company name: SMK Corporation
 Stock exchange listing: Tokyo Stock Exchange Prime Market
 Code number: 6798
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 Scheduled date of filing quarterly securities report: August 10, 2022
 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, 2022 (April 1, 2022 - June 30, 2022)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended June 30, 2022	12,616	10.6	216	—	1,772	544.4	1,526	—
June 30, 2021	11,405	9.6	(76)	—	275	—	126	—

(Note) Comprehensive income: Three months ended June 30, 2022: ¥1,948 million [825.2%]
 Three months ended June 30, 2021: ¥210 million [–%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2022	244.88	—
June 30, 2021	19.66	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2022	58,045	32,152	55.4
As of March 31, 2022	54,794	30,643	55.9

(Reference) Equity: As of June 30, 2022: ¥32,152 million
 As of March 31, 2022: ¥30,643 million

2. Dividends

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

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

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

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	
First half	27,000	15.1	500	21.6	800	(34.8)	500	(48.9)	Yen 80.19
Full year	55,000	14.0	1,500	113.1	2,000	(41.4)	1,400	(53.2)	224.55

(Note) Revision to the financial results forecast announced most recently: None

*** 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, 2022:	7,200,000 shares
March 31, 2022:	7,500,000 shares
 - 2) Total number of treasury stock at the end of the period:

June 30, 2022:	965,430 shares
March 31, 2022:	1,265,186 shares
 - 3) Average number of shares during the period:

Three months ended June 30, 2022:	6,234,706 shares
Three months ended June 30, 2021:	6,435,842 shares

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

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

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

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

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

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, 2022, the global economy experienced a slowdown in the pace of economic recovery from the COVID-19 pandemic against the backdrop of rising inflationary pressures associated with the recovery in demand after the COVID-19 crisis, as well as procurement difficulties for raw materials and components. The prolonged crisis in Ukraine led to a sharp rise in resource prices. Moreover, China's zero-COVID policy fed through to a deterioration in the function of supply chains, impacting the global economy.

The Ukraine crisis has heightened the risk of global political and economic fragmentation, and exacerbated the uncertainty surrounding the outlook for the global economy.

In the electronic components industry, the car electronics market suffered from a slump in customers' production activities due to the impact of lockdowns in China as well as continuing reductions in car production, in addition to difficulties in procuring semiconductors and raw materials. In the ICT market, some customers continued to decrease production of smartphones, tablets, and other devices due to the shortage of semiconductors and raw materials. In the home appliance market, although sales of air purifiers and cooking appliances were strong against a backdrop of growing stay-at-home demand and attention to hygiene, this is currently slowing down as the boom in demand has run its course. The industry market remained firm due to the recovery of capital investment in line with the resumption of economic activities under the measure of coexistence with COVID-19.

As a result of the Company's thorough countermeasures against COVID-19, procurement of materials, and inventory management, as well as the aggressive introduction of new products and cost reduction efforts, in the three months ended June 30, 2022, net sales amounted to ¥12,616 million (10.6% increase year on year), and operating profit was ¥216 million (operating loss of ¥76 million in the same period of the previous fiscal year). Ordinary profit was ¥1,772 million (544.4% increase year on year) with foreign exchange gains of ¥1,477 million recorded due to the depreciation of the yen, and profit attributable to owners of parent was ¥1,526 million (profit attributable to owners of parent of ¥126 million in the same period of the previous fiscal year).

Results by segment are as follows.

[CS Division]

In the car electronics market, sales of mainstay connectors for cameras were firm, and sales of connectors for electrical devices grew steadily, exceeding those of the same period of the previous fiscal year. In the home appliance market, sales exceeded those of the same period of the previous fiscal year due to an increase in sales of connectors for video game consoles and VR. In the ICT market, sales remained at the same level as the same period of the previous fiscal year, as sales of connectors for smartphones declined due to a decrease in production by some customers caused by difficulties in obtaining semiconductors, although sales of connectors for use in tablet devices for customers in the U.S. increased due to the launch of new models. Sales in CS Division as a whole exceeded those of the same period of the previous fiscal year.

As a result, net sales of CS Division amounted to ¥5,113 million (5.8% increase year on year), and operating profit was ¥297 million (36.0% increase year on year).

[SCI Division]

In the car electronics market, sales of touch sensors declined year on year due to the impact of lockdowns in China, but sales of camera modules, control units, etc. were strong and exceeded those of the same period of the previous fiscal year. In the home appliance market, sales of the mainstay remote control units increased year on year due to the contribution from new models for smart appliances and a strong performance from units for home equipment, air conditioners, etc. Sales increased year on year in the industry market, with a rise in sales of touch sensors for office machines.

As a result, net sales of SCI Division amounted to ¥7,414 million (14.1% increase year on year), and

operating loss was ¥30 million (compared to operating loss of ¥234 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 declined year on year, but sales for mobile printers and medical devices increased year on year, 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 ¥87 million (21.3% increase year on year), and operating loss was ¥50 million (compared to an operating loss of ¥60 million in the same period of the previous fiscal year).

(2) Explanation of Financial Position

Current assets increased 10.1% from the end of the previous fiscal year to ¥34,949 million. This was mainly due to increases of ¥1,334 million in cash and deposits, ¥1,253 million in merchandise and finished goods, and ¥325 million in raw materials and supplies. Non-current assets increased 0.1% from the end of the previous fiscal year to ¥23,096 million. This was mainly due to an increase of ¥75 million in investments and other assets.

As a result, total assets increased 5.9% from the end of the previous fiscal year to ¥58,045 million.

Current liabilities increased 13.3% from the end of the previous fiscal year to ¥17,198 million. This was mainly due to an increase of ¥1,374 million in short-term borrowings. Non-current liabilities decreased 3.1% from the end of the previous fiscal year to ¥8,694 million. This was mainly due to a decrease of ¥152 million in long-term borrowings.

As a result, total liabilities increased 7.2% from the end of the previous fiscal year to ¥25,893 million.

Total net assets increased 4.9% from the end of the previous fiscal year to ¥32,152 million. This was mainly due to a decrease of ¥1,155 million in treasury shares and an increase of ¥443 million in foreign currency translation adjustment.

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

No change has been made to the consolidated financial results forecasts for the six months ending September 30, 2022 and the fiscal year ending March 31, 2023, announced on April 28, 2022.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31, 2022	As of June 30, 2022
Assets		
Current assets		
Cash and deposits	8,555	9,890
Notes receivable - trade	53	52
Electronically recorded monetary claims - operating	1,460	1,454
Accounts receivable - trade	11,286	11,273
Merchandise and finished goods	3,592	4,845
Work in process	961	1,105
Raw materials and supplies	4,991	5,317
Other	860	1,045
Allowance for doubtful accounts	(31)	(35)
Total current assets	31,730	34,949
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,169	4,103
Land	5,869	5,869
Other, net	6,151	6,181
Total property, plant and equipment	16,190	16,154
Intangible assets		
Other	116	111
Total intangible assets	116	111
Investments and other assets		
Other	6,841	6,919
Allowance for doubtful accounts	(86)	(88)
Total investments and other assets	6,755	6,830
Total non-current assets	23,063	23,096
Total assets	54,794	58,045

(Million yen)

	As of March 31, 2022	As of June 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	5,404	5,755
Short-term borrowings	5,066	6,440
Accounts payable - other	1,573	1,750
Income taxes payable	303	444
Provision for bonuses	745	377
Provision for bonuses for directors (and other officers)	30	—
Other	2,055	2,429
Total current liabilities	15,178	17,198
Non-current liabilities		
Long-term borrowings	6,214	6,061
Provision for retirement benefits for directors (and other officers)	173	114
Retirement benefit liability	39	46
Provision for share awards for directors (and other officers)	27	29
Other	2,517	2,441
Total non-current liabilities	8,972	8,694
Total liabilities	24,150	25,893
Net assets		
Shareholders' equity		
Share capital	7,996	7,996
Capital surplus	12,057	12,057
Retained earnings	15,925	15,856
Treasury shares	(4,876)	(3,720)
Total shareholders' equity	31,102	32,189
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	425	435
Deferred gains or losses on hedges	(2)	(0)
Foreign currency translation adjustment	(1,404)	(960)
Remeasurements of defined benefit plans	520	488
Total accumulated other comprehensive income	(459)	(37)
Total net assets	30,643	32,152
Total liabilities and net assets	54,794	58,045

(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, 2021	For the three months ended June 30, 2022
Net sales	11,405	12,616
Cost of sales	9,647	10,343
Gross profit	1,757	2,273
Selling, general and administrative expenses	1,833	2,057
Operating profit (loss)	(76)	216
Non-operating income		
Interest income	5	5
Dividend income	27	28
Rental income from real estate	265	245
Foreign exchange gains	—	1,477
Subsidies for employment adjustment	89	36
Other	153	79
Total non-operating income	541	1,875
Non-operating expenses		
Interest expenses	39	37
Rental costs on real estate	126	128
Foreign exchange losses	14	—
Loss on investments in investment partnerships	—	132
Other	9	19
Total non-operating expenses	190	318
Ordinary profit	275	1,772
Extraordinary income		
Gain on sale of non-current assets	10	2
Total extraordinary income	10	2
Extraordinary losses		
Loss on sale of non-current assets	27	—
Loss on retirement of non-current assets	19	0
Loss on valuation of investment securities	—	1
Total extraordinary losses	46	1
Profit before income taxes	239	1,773
Income taxes - current	73	208
Income taxes - deferred	38	37
Total income taxes	112	246
Profit	126	1,526
Profit attributable to owners of parent	126	1,526

Quarterly Consolidated Statements of Comprehensive Income
 Three Months Ended June 30

(Million yen)

	For the three months ended June 30, 2021	For the three months ended June 30, 2022
Profit	126	1,526
Other comprehensive income		
Valuation difference on available-for-sale securities	49	9
Deferred gains or losses on hedges	1	1
Foreign currency translation adjustment	71	443
Remeasurements of defined benefit plans, net of tax	(38)	(32)
Total other comprehensive income	84	421
Comprehensive income	210	1,948
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	210	1,948

(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, 2021 (from April 1, 2021 to June 30, 2021)

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

(Million yen)

	Reportable segment				Others (Note)	Amount recorded in Quarterly Consolidated Statements of Income
	CS (Connection System) Division	SCI (Sensing, Communications and Interface) Division	Research & Development Center	Total		
Net sales						
Net sales to external customers	4,835	6,497	72	11,404	0	11,405
Inter-segment net sales or transfers	—	—	—	—	—	—
Total	4,835	6,497	72	11,404	0	11,405
Segment profit (loss) (operating loss)	218	(234)	(60)	(76)	0	(76)

(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, 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 external 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.

3. Supplementary Information

Status of Orders Received and Sales (by Market)

1) Orders received

(Million yen)

Market	Three months ended June 30, 2021 (From April 1, 2021 to June 30, 2021)		Three months ended June 30, 2022 (From April 1, 2022 to June 30, 2022)		Change	
	Amount	Contribution (%)	Amount	Contribution (%)	Amount	Change (%)
ICT	2,510	18.6	2,229	16.4	(281)	(11.2)
Home appliance	5,105	37.9	5,494	40.4	388	7.6
Car electronics	4,341	32.2	4,788	35.3	446	10.3
Industry and other	1,520	11.3	1,069	7.9	(450)	(29.6)
Total	13,478	100.0	13,581	100.0	103	0.8

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

2) Sales

(Million yen)

Market	Three months ended June 30, 2021 (From April 1, 2021 to June 30, 2021)		Three months ended June 30, 2022 (From April 1, 2022 to June 30, 2022)		Change	
	Amount	Contribution (%)	Amount	Contribution (%)	Amount	Change (%)
ICT	2,311	20.3	2,358	18.7	47	2.0
Home appliance	4,218	37.0	4,734	37.5	516	12.2
Car electronics	3,990	35.0	4,366	34.6	375	9.4
Industry and other	885	7.7	1,157	9.2	272	30.8
Total	11,405	100.0	12,616	100.0	1,211	10.6

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