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Consolidated Financial Results for the Three Months Ended June 30, 2024 [Japanese GAAP]

July 31, 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
Contact: Itaru Kitahira, Vice President, Chief Financial Officer
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Scheduled date of commencing dividend payments: –
Availability of supplementary explanatory materials on financial results: Available
Schedule of 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, 2024 (April 1, 2024 - June 30, 2024)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Three months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
June 30, 2024	11,726	6.2	(64)	–	952	37.1	801	54.0
June 30, 2023	11,038	(12.5)	(385)	–	694	(60.8)	520	(65.9)

(Note) Comprehensive income: Three months ended June 30, 2024: ¥1,324 million [14.4%]
Three months ended June 30, 2023: ¥1,157 million [(40.6)%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2024	126.47	–
June 30, 2023	79.55	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2024	60,543	33,147	54.8
As of March 31, 2024	58,444	32,143	55.0

(Reference) Equity: As of June 30, 2024: ¥33,147 million
As of March 31, 2024: ¥32,143 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, 2024	–	50.00	–	50.00	100.00
Fiscal year ending March 31, 2025	–				
Fiscal year ending March 31, 2025 (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, 2025 (April 1, 2024 - March 31, 2025)

(% 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	23,500	1.8	(500)	–	(300)	–	(400)	–	(63.09)
Full year	50,000	7.5	(200)	–	200	(11.6)	0	–	0.00

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

*** Notes:**

(1) Significant changes in the scope of consolidation during the period: 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, 2024:	7,200,000 shares
March 31, 2024:	7,200,000 shares

2) Total number of treasury stock at the end of the period:

June 30, 2024:	861,575 shares
March 31, 2024:	860,296 shares

3) Average number of shares during the period:

Three months ended June 30, 2024:	6,338,953 shares
Three months ended June 30, 2023:	6,542,637 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).

* Review of the Japanese-language originals of the attached quarterly consolidated financial statements by certified public accountants or an audit firm: None

* 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
(Notes on quarterly consolidated statements of cash flows) 9
3. Supplementary Information 10
Status of Orders Received and Sales (by Market) 10

1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

The Group established the Long-Term Vision FY2035 “Contribute to the next 100 years with our manufacturing capability that meets all manner of needs,” and started working on the Medium-Term Business Plan “SMK Next 100” that covers the period from FY2024 to FY2026 as the first milestone for achieving the vision. Based on the promotion of sustainable management, we have promoted to realize sustainable growth of sales and profits, strengthen our operating base that supports business, and promote sophistication of capital and financial strategies, aiming to maximize corporate value.

During the three months ended June 30, 2024, the global economy was relatively stable driven by firm growth in the U.S. economy. However, the future business climate remains uncertain mainly due to the China-U.S. standoff, the continued geopolitical risks caused by the prolonged Ukraine crisis and increasing tensions in the Middle East, as well as the prolonged sluggish real estate conditions and a downturn in consumer sentiment in China. In addition, inflation in the U.S. remained high, and the yen depreciated further.

In the electronic components industry, market conditions remained sluggish, but signs of a moderate recovery emerged in some markets. The car electronics market was on a recovery trend overall, but the inventory adjustments by some customers continued. In the ICT market, sales of smartphones, tablets, and other devices showed signs of having bottomed out following a round of inventory adjustments in the products, despite the impact of the prolonged replacement cycle in the U.S. and Europe. In the home appliance market, although inventory adjustments in housing facilities continued, inventory digestion in white goods progressed and orders received showed signs of a recovery. In the industry market, sales of FA and equipment-related products remained sluggish, despite an increase in demand for some of semiconductor-related products and other products.

In the three months ended June 30, 2024, in CS Division, sales in the ICT, car electronics, and industry markets remained strong, exceeding those of the same period of the previous fiscal year. In SCI Division, sales in the home appliance market remained strong as planned, although sales in the car electronics market decreased year on year. As a result, net sales amounted to ¥11,726 million (6.2% increase year on year), and operating loss was ¥64 million (compared to operating loss of ¥385 million in the same period of the previous fiscal year). Ordinary profit was ¥952 million (37.1% increase year on year) by recording foreign exchange gains of ¥887 million due to the yen depreciation, and profit attributable to owners of parent was ¥801 million (54.0% increase 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 the expansion in demand for EV battery-related products, in addition to steady sales of camera-related products. In the ICT market, sales exceeded those of the same period of the previous fiscal year as sales of smartphone-related products were firm and tablet-related demand for U.S. customers recovered. In the industry market, rechargeable batteries contributed to expanding sales. Meanwhile, in the home appliance market, although sales of amusement-related products declined year on year due to the impact of inventory adjustments in the market, sales increased year on year in CS Division as a whole.

As a result, net sales of CS Division amounted to ¥5,717 million (21.1% increase year on year), and operating profit was ¥569 million (1,147.8% increase year on year).

[SCI Division]

In the home appliance market, in the mainstay remote control business, sales of units for sanitation and smart home appliances expanded, exceeding those of the same period of the previous fiscal year, although sales of units for home equipment decreased due to the continued inventory adjustments. Meanwhile, in the car electronics market, sales of control units declined year on year due to the continued inventory adjustments by major customers. In SCI Divion as a whole, the progress was in line with the initial plan, but sales decreased

year on year.

As a result, net sales of SCI Division amounted to ¥5,944 million (4.4% decrease year on year), and operating loss was ¥528 million (compared to operating loss of ¥377 million in the same period of the previous fiscal year).

[Innovation Center]

Regarding Bluetooth® modules, the central product of Innovation Center's mainstay wireless communication module businesses, sales for mobile printers, medical devices, and payment terminals decreased year on year. Meanwhile, sales of Sub-GHz communication systems for lighting equipment expanded, but sales of Innovation Center as a whole decreased year on year.

As a result, net sales of Innovation Center amounted to ¥64 million (36.0% decrease year on year), and operating loss was ¥104 million (compared to operating loss of ¥53 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 ¥35,446 million. This was mainly due to increases of ¥748 million in cash and deposits, and ¥444 million in raw materials and supplies. Non-current assets increased 1.9% from the end of the previous fiscal year to ¥25,096 million. This was mainly due to an increase of ¥418 million in investments and other assets.

As a result, total assets increased 3.6% from the end of the previous fiscal year to ¥60,543 million.

Current liabilities increased 8.2% from the end of the previous fiscal year to ¥16,633 million. This was mainly due to increases of ¥629 million in notes and accounts payable - trade, and ¥900 million in short-term borrowings. Non-current liabilities decreased 1.5% from the end of the previous fiscal year to ¥10,761 million. This was mainly due to a decrease of ¥239 million in long-term borrowings.

As a result, total liabilities increased 4.2% from the end of the previous fiscal year to ¥27,395 million.

Total net assets increased 3.1% from the end of the previous fiscal year to ¥33,147 million. This was mainly due to increases of ¥482 million in retained earnings, ¥259 million in valuation difference on available-for-sale securities, and ¥310 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, 2024 and the fiscal year ending March 31, 2025, announced on May 9, 2024.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31, 2024	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	10,258	11,007
Notes receivable - trade	50	45
Electronically recorded monetary claims - operating	3,132	2,822
Accounts receivable - trade	10,039	10,446
Merchandise and finished goods	3,424	3,409
Work in process	592	707
Raw materials and supplies	5,240	5,685
Other	1,150	1,391
Allowance for doubtful accounts	(64)	(68)
Total current assets	33,824	35,446
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,245	4,197
Land	5,819	5,819
Other, net	5,263	5,365
Total property, plant and equipment	15,328	15,383
Intangible assets		
Other	130	134
Total intangible assets	130	134
Investments and other assets		
Other	9,255	9,676
Allowance for doubtful accounts	(94)	(97)
Total investments and other assets	9,160	9,578
Total non-current assets	24,619	25,096
Total assets	58,444	60,543

(Million yen)

	As of March 31, 2024	As of June 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,643	3,273
Electronically recorded obligations - operating	2,058	1,541
Short-term borrowings	5,840	6,740
Accounts payable - other	1,801	2,077
Income taxes payable	270	159
Provision for bonuses	572	375
Provision for bonuses for directors (and other officers)	1	–
Valuation reserve for inventory purchase commitments	107	73
Other	2,075	2,392
Total current liabilities	15,371	16,633
Non-current liabilities		
Long-term borrowings	7,022	6,783
Provision for retirement benefits for directors (and other officers)	132	135
Retirement benefit liability	37	40
Provision for share awards for directors (and other officers)	27	31
Other	3,708	3,772
Total non-current liabilities	10,929	10,761
Total liabilities	26,300	27,395
Net assets		
Shareholders' equity		
Share capital	7,996	7,996
Capital surplus	12,057	12,057
Retained earnings	13,253	13,736
Treasury shares	(3,030)	(3,031)
Total shareholders' equity	30,276	30,758
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,159	1,419
Deferred gains or losses on hedges	(70)	(40)
Foreign currency translation adjustment	(497)	(186)
Remeasurements of defined benefit plans	1,274	1,196
Total accumulated other comprehensive income	1,866	2,389
Total net assets	32,143	33,147
Total liabilities and net assets	58,444	60,543

(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, 2023	For the three months ended June 30, 2024
Net sales	11,038	11,726
Cost of sales	9,273	9,477
Gross profit	1,764	2,248
Selling, general and administrative expenses	2,150	2,312
Operating loss	(385)	(64)
Non-operating income		
Interest income	13	25
Dividend income	31	24
Rental income from real estate	245	254
Foreign exchange gains	875	887
Other	121	22
Total non-operating income	1,288	1,214
Non-operating expenses		
Interest expenses	31	49
Rental costs on real estate	137	137
Other	40	11
Total non-operating expenses	208	198
Ordinary profit	694	952
Extraordinary income		
Gain on sale of non-current assets	0	5
Total extraordinary income	0	5
Extraordinary losses		
Loss on retirement of non-current assets	11	3
Loss on valuation of investment securities	–	2
Total extraordinary losses	11	5
Profit before income taxes	683	951
Income taxes - current	133	75
Income taxes - deferred	29	74
Total income taxes	163	150
Profit	520	801
Profit attributable to owners of parent	520	801

Quarterly Consolidated Statements of Comprehensive Income

Three Months Ended June 30

(Million yen)

	For the three months ended June 30, 2023	For the three months ended June 30, 2024
Profit	520	801
Other comprehensive income		
Valuation difference on available-for-sale securities	262	259
Deferred gains or losses on hedges	–	29
Foreign currency translation adjustment	392	310
Remeasurements of defined benefit plans, net of tax	(17)	(77)
Total other comprehensive income	637	523
Comprehensive income	1,157	1,324
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,157	1,324

(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)

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

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

(Million yen)

	Reportable segment				Amount recorded in Quarterly Consolidated Statements of Income
	CS (Connection System) Division	SCI (Sensing, Communications and Interface) Division	Innovation Center	Total	
Net sales					
Net sales to outside customers	4,720	6,217	100	11,038	11,038
Inter-segment net sales or transfers	–	–	–	–	–
Total	4,720	6,217	100	11,038	11,038
Segment profit (loss) (operating loss)	45	(377)	(53)	(385)	(385)

For the three months ended June 30, 2024 (from April 1, 2024 to June 30, 2024)

(Million yen)

	Reportable segment				Amount recorded in Quarterly Consolidated Statements of Income
	CS (Connection System) Division	SCI (Sensing, Communications and Interface) Division	Innovation Center	Total	
Net sales					
Net sales to outside customers	5,717	5,944	64	11,726	11,726
Inter-segment net sales or transfers	–	–	–	–	–
Total	5,717	5,944	64	11,726	11,726
Segment profit (loss) (operating loss)	569	(528)	(104)	(64)	(64)

2. Information on changes in reportable segments

In accordance with the reorganization as of April 1, 2024, the Company integrated Sales Division (Head Quarter) into Product Divisions and Research & Development Center, as well as integrated New Business Creation Unit in Marketing Department into Research & Development Center, reorganizing Innovation Center. Accordingly, from the three months ended June 30, 2024, the name of the reportable segment previously indicated as "Research & Development Center" has been changed to "Innovation Center," and other parts business included in "Others" is now included in "SCI Division" and "Innovation Center." The segment information for the three months ended June 30, 2023 has also been prepared based on the name and classification of the reportable segment after the

change.

Regarding the integration of Product Divisions, Research & Development Center, and Sales Division (Head Quarter), it is practically difficult to prepare the segment information for the three months ended June 30, 2023 under the same conditions as that for the period under review, and therefore reclassified information is not disclosed.

(Notes on quarterly consolidated statements of cash flows)

Quarterly consolidated statements of cash flows are not prepared for the three months ended June 30, 2024. Depreciation (including amortization of intangible assets) for the period under review is as follows.

(Million yen)

	For the three months ended June 30, 2023	For the three months ended June 30, 2024
Depreciation	644	569

3. Supplementary Information

Status of Orders Received and Sales (by Market)

1) Orders received

(Million yen)

Market	Three months ended June 30, 2023 (From April 1, 2023 to June 30, 2023)		Three months ended June 30, 2024 (From April 1, 2024 to June 30, 2024)		Change	
	Amount	Contribution (%)	Amount	Contribution (%)	Amount	Change (%)
ICT	1,640	15.5	2,270	18.1	629	38.4
Home appliance	4,088	38.7	5,203	41.5	1,114	27.3
Car electronics	3,820	36.2	3,663	29.2	(156)	(4.1)
Industry and other	1,016	9.6	1,411	11.2	395	38.9
Total	10,565	100.0	12,548	100.0	1,982	18.8

Market	(Reference) Fiscal year ended March 31, 2024 (From April 1, 2023 to March 31, 2024)	
	Amount	Contribution (%)
ICT	7,668	17.6
Home appliance	16,326	37.4
Car electronics	15,825	36.3
Industry and other	3,833	8.8
Total	43,653	100.0

2) Sales

(Million yen)

Market	Three months ended June 30, 2023 (From April 1, 2023 to June 30, 2023)		Three months ended June 30, 2024 (From April 1, 2024 to June 30, 2024)		Change	
	Amount	Contribution (%)	Amount	Contribution (%)	Amount	Change (%)
ICT	1,626	14.7	2,185	18.6	558	34.4
Home appliance	4,376	39.7	4,917	41.9	540	12.3
Car electronics	3,928	35.6	3,378	28.8	(550)	(14.0)
Industry and other	1,105	10.0	1,244	10.6	138	12.6
Total	11,038	100.0	11,726	100.0	687	6.2

Market	(Reference) Fiscal year ended March 31, 2024 (From April 1, 2023 to March 31, 2024)	
	Amount	Contribution (%)
ICT	7,908	17.0
Home appliance	17,500	37.6
Car electronics	16,599	35.7
Industry and other	4,513	9.7
Total	46,522	100.0