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Consolidated Financial Results for the Six Months Ended September 30, 2024 [Japanese GAAP]

October 29, 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
Phone: +81-3-3785-1111
Scheduled date of filing semi-annual securities report: November 13, 2024
Scheduled date of commencing dividend payments: November 20, 2024
Availability of supplementary explanatory materials on financial results: Available
Schedule of 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, 2024 (April 1, 2024 - September 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	
Six months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
September 30, 2024	23,614	2.3	108	–	74	(93.3)	(287)	–
September 30, 2023	23,075	(16.5)	(177)	–	1,118	(66.6)	1,010	(66.1)

(Note) Comprehensive income: Six months ended September 30, 2024: ¥(684) million [–%]
Six months ended September 30, 2023: ¥1,699 million [(51.1)%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2024	(45.35)	–
September 30, 2023	154.50	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2024	57,390	31,140	54.3
As of March 31, 2024	58,444	32,143	55.0

(Reference) Equity: As of September 30, 2024: ¥31,140 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	–	50.00			
Fiscal year ending March 31, 2025 (Forecast)			–	90.00	140.00

(Notes) 1. Revision to the forecast for dividends announced most recently: Yes
2. Breakdown of the year-end dividend for the fiscal year ending March 31, 2025:
Common dividend: ¥50.00
Commemorative dividend for SMK 100th Anniversary: ¥40.00

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
Full year	48,000	3.2	200	–	600	165.2	200	–	31.56

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

*** Notes:**

(1) Significant changes in the scope of consolidation during the period: None

(2) Accounting methods adopted particularly for the preparation of semi-annual 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, 2024:	7,200,000 shares
March 31, 2024:	7,200,000 shares

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

September 30, 2024:	861,876 shares
March 31, 2024:	860,296 shares

3) Average number of shares during the period:

Six months ended September 30, 2024:	6,338,732 shares
Six months ended September 30, 2023:	6,542,425 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).

* Semi-annual financial results reports are exempt from review conducted 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 Semi-annual 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 Semi-annual 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 six months ended September 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, dollar-yen exchange rates have turned to a yen appreciation trend since August due to the changes in Japanese and U.S. monetary policies.

In the electronic components industry, overall market conditions showed a moderate recovery trend. The car electronics market was on a recovery trend overall although a stalled movement was seen in sales of electric vehicles (EVs). In the ICT market, sales of smartphones, tablets, and other devices turned to expansion following a round of inventory adjustments in the products, and artificial intelligence (AI) servers expanded. In the home appliance market, although inventory adjustments in some of housing facilities continued, orders received for white goods 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 six months ended September 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 firm, although sales in the car electronics and industry markets decreased year on year. As a result, net sales amounted to ¥23,614 million (2.3% increase year on year), and operating profit was ¥108 million (compared to operating loss of ¥177 million in the same period of the previous fiscal year). Ordinary profit was ¥74 million (93.3% decrease year on year) by recording foreign exchange losses of ¥466 million due to the yen appreciation, and loss attributable to owners of parent was ¥287 million (compared to profit attributable to owners of parent of ¥1,010 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 the expansion in E-Bike-related products, in addition to steady sales of camera-related products. In the ICT market, sales expanded steadily as sales of smartphone-related products were firm and tablet-related demand for U.S. customers increased. In the industry market, sales exceeded those of the same period of the previous fiscal year due to the expansion in renewable energy-related products.

Meanwhile, in the home appliance market, although sales of amusement-related products declined year on year, sales increased year on year in CS Division as a whole, with the strong performance of digital camera-related products.

As a result, net sales of CS Division amounted to ¥11,519 million (11.3% increase year on year), and operating profit was ¥1,160 million (120.5% increase year on year).

[SCI Division]

In the home appliance market, sales of remote control units for sanitation, air conditioners, and smart home appliances expanded steadily, exceeding those of the same period of the previous fiscal year. Meanwhile, in the car electronics market, sales of control units decreased due to the continued inventory adjustments by

major customers. In addition, sales of camera modules decreased due to the impact of a decrease in models that use them, and sales decreased year on year in SCI Divion as a whole.

As a result, net sales of SCI Division amounted to ¥11,982 million (4.3% decrease year on year), and operating loss was ¥851 million (compared to operating loss of ¥608 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 and medical devices decreased year on year. In addition, sales of Sub-GHz communication modules for lighting equipment remained unchanged from the same period of the previous fiscal year, and sales of Innovation Center as a whole decreased year on year.

As a result, net sales of Innovation Center amounted to ¥113 million (46.1% decrease year on year), and operating loss was ¥200 million (compared to operating loss of ¥95 million in the same period of the previous fiscal year).

(2) Explanation of Financial Position

Current assets decreased 3.0% from the end of the previous fiscal year to ¥32,796 million. This was mainly due to an increase of ¥683 million in cash and deposits, and decreases of ¥739 million in electronically recorded monetary claims - operating, ¥819 million in accounts receivable - trade, and ¥388 million in merchandise and finished goods. Non-current assets decreased 0.1% from the end of the previous fiscal year to ¥24,594 million. This was mainly due to an increase of ¥226 million in investments and other assets, and a decrease of ¥261 million in property, plant and equipment.

As a result, total assets decreased 1.8% from the end of the previous fiscal year to ¥57,390 million.

Current liabilities decreased 0.9% from the end of the previous fiscal year to ¥15,237 million. This was mainly due to increases of ¥468 million in notes and accounts payable - trade and ¥700 million in short-term borrowings, and a decrease of ¥1,030 million in electronically recorded obligations - operating. Non-current liabilities increased 0.8% from the end of the previous fiscal year to ¥11,012 million. This was mainly due to an increase of ¥229 million in long-term borrowings.

As a result, total liabilities decreased 0.2% from the end of the previous fiscal year to ¥26,250 million.

Total net assets decreased 3.1% from the end of the previous fiscal year to ¥31,140 million. This was mainly due to decreases of ¥606 million in retained earnings and ¥360 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, 2024 and future business trends, the consolidated financial results forecast for the fiscal year ending March 31, 2025, announced on May 9, 2024, 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 29, 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 third quarter and thereafter is assumed to be ¥145 per US dollar.

2. Semi-annual Consolidated Financial Statements and Principal Notes

(1) Semi-annual Consolidated Balance Sheets

(Million yen)

	As of March 31, 2024	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	10,258	10,942
Notes receivable - trade	50	31
Electronically recorded monetary claims - operating	3,132	2,393
Accounts receivable - trade	10,039	9,219
Merchandise and finished goods	3,424	3,035
Work in process	592	522
Raw materials and supplies	5,240	5,390
Other	1,150	1,329
Allowance for doubtful accounts	(64)	(68)
Total current assets	33,824	32,796
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,245	4,147
Land	5,819	5,819
Other, net	5,263	5,099
Total property, plant and equipment	15,328	15,066
Intangible assets		
Other	130	139
Total intangible assets	130	139
Investments and other assets		
Other	9,255	9,480
Allowance for doubtful accounts	(94)	(93)
Total investments and other assets	9,160	9,387
Total non-current assets	24,619	24,594
Total assets	58,444	57,390

(Million yen)

	As of March 31, 2024	As of September 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,643	3,112
Electronically recorded obligations - operating	2,058	1,028
Short-term borrowings	5,840	6,540
Accounts payable - other	1,801	1,602
Income taxes payable	270	172
Provision for bonuses	572	691
Provision for bonuses for directors (and other officers)	1	–
Valuation reserve for inventory purchase commitments	107	22
Other	2,075	2,067
Total current liabilities	15,371	15,237
Non-current liabilities		
Long-term borrowings	7,022	7,252
Provision for retirement benefits for directors (and other officers)	132	121
Retirement benefit liability	37	36
Provision for share awards for directors (and other officers)	27	32
Other	3,708	3,570
Total non-current liabilities	10,929	11,012
Total liabilities	26,300	26,250
Net assets		
Shareholders' equity		
Share capital	7,996	7,996
Capital surplus	12,057	12,057
Retained earnings	13,253	12,647
Treasury shares	(3,030)	(3,030)
Total shareholders' equity	30,276	29,671
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,159	1,277
Deferred gains or losses on hedges	(70)	(58)
Foreign currency translation adjustment	(497)	(857)
Remeasurements of defined benefit plans	1,274	1,108
Total accumulated other comprehensive income	1,866	1,469
Total net assets	32,143	31,140
Total liabilities and net assets	58,444	57,390

(2) Semi-annual Consolidated Statements of Income and Comprehensive Income

Semi-annual Consolidated Statements of Income

(Million yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Net sales	23,075	23,614
Cost of sales	19,001	18,955
Gross profit	4,074	4,658
Selling, general and administrative expenses	4,251	4,550
Operating profit (loss)	(177)	108
Non-operating income		
Interest income	47	89
Dividend income	33	25
Rental income from real estate	487	510
Foreign exchange gains	976	–
Other	184	220
Total non-operating income	1,729	846
Non-operating expenses		
Interest expenses	68	107
Rental costs on real estate	273	284
Foreign exchange losses	–	466
Other	91	22
Total non-operating expenses	433	880
Ordinary profit	1,118	74
Extraordinary income		
Gain on sale of non-current assets	182	5
Other	1	–
Total extraordinary income	183	5
Extraordinary losses		
Loss on retirement of non-current assets	36	5
Impairment losses	–	80
Loss on valuation of investment securities	1	2
Total extraordinary losses	37	88
Profit (loss) before income taxes	1,264	(7)
Income taxes - current	282	176
Income taxes - deferred	(28)	103
Total income taxes	254	279
Profit (loss)	1,010	(287)
Profit (loss) attributable to owners of parent	1,010	(287)

Semi-annual Consolidated Statements of Comprehensive Income

(Million yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Profit (loss)	1,010	(287)
Other comprehensive income		
Valuation difference on available-for-sale securities	228	117
Deferred gains or losses on hedges	(35)	12
Foreign currency translation adjustment	533	(360)
Remeasurements of defined benefit plans, net of tax	(37)	(166)
Total other comprehensive income	688	(396)
Comprehensive income	1,699	(684)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,699	(684)

(3) Semi-annual Consolidated Statements of Cash Flows

(Million yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Cash flows from operating activities		
Profit (loss) before income taxes	1,264	(7)
Depreciation	1,254	1,146
Impairment losses	–	80
Increase (decrease) in provision for bonuses	99	127
Increase (decrease) in valuation reserve for inventory purchase commitments	–	(64)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	7	(11)
Increase (decrease) in provision for share awards for directors (and other officers)	4	4
Increase (decrease) in net defined benefit asset and liability	(79)	(197)
Interest and dividend income	(80)	(115)
Interest expenses	68	107
Loss (gain) on sale of non-current assets	(182)	(5)
Loss (gain) on valuation of investment securities	1	2
Loss on retirement of non-current assets	36	5
Loss (gain) on investments in investment partnerships	(81)	(134)
Decrease (increase) in trade receivables	1,063	1,164
Decrease (increase) in inventories	(352)	235
Increase (decrease) in trade payables	(636)	(249)
Decrease (increase) in accounts receivable - other	84	33
Increase (decrease) in accounts payable - other	(84)	(263)
Other, net	(130)	(7)
Subtotal	2,258	1,851
Interest and dividends received	82	116
Interest paid	(83)	(104)
Income taxes paid	(223)	(293)
Income taxes refund	28	–
Net cash provided by (used in) operating activities	2,062	1,570
Cash flows from investing activities		
Payments into time deposits	(35)	(23)
Proceeds from withdrawal of time deposits	19	23
Purchase of property, plant and equipment	(1,132)	(996)
Proceeds from sale of property, plant and equipment	257	6
Purchase of intangible assets	(15)	(18)
Purchase of investment securities	(80)	(4)
Loan advances	(4)	(8)
Proceeds from collection of loans receivable	10	8
Other, net	3	–
Net cash provided by (used in) investing activities	(977)	(1,012)

(Million yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	1,500	500
Proceeds from long-term borrowings	3,000	1,000
Repayments of long-term borrowings	(3,404)	(570)
Repayments of lease liabilities	(221)	(286)
Purchase of treasury shares	(0)	(0)
Dividends paid	(655)	(318)
Net cash provided by (used in) financing activities	217	324
Effect of exchange rate change on cash and cash equivalents	(358)	(198)
Net increase (decrease) in cash and cash equivalents	943	684
Cash and cash equivalents at beginning of period	8,915	10,197
Cash and cash equivalents at end of period	9,859	10,882

(4) Notes to Semi-annual 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 six months ended September 30, 2023 (from April 1, 2023 to September 30, 2023)

(Million yen)

	Reportable segment				Amount recorded in Semi-annual Consolidated Statements of Income
	CS (Connection System) Division	SCI (Sensing, Communications and Interface) Division	Innovation Center	Total	
Net sales					
Net sales to outside customers	10,349	12,515	210	23,075	23,075
Inter-segment net sales or transfers	–	–	–	–	–
Total	10,349	12,515	210	23,075	23,075
Segment profit (loss) (operating loss)	526	(608)	(95)	(177)	(177)

For the six months ended September 30, 2024 (from April 1, 2024 to September 30, 2024)

(Million yen)

	Reportable segment				Amount recorded in Semi-annual Consolidated Statements of Income
	CS (Connection System) Division	SCI (Sensing, Communications and Interface) Division	Innovation Center	Total	
Net sales					
Net sales to outside customers	11,519	11,982	113	23,614	23,614
Inter-segment net sales or transfers	–	–	–	–	–
Total	11,519	11,982	113	23,614	23,614
Segment profit (loss) (operating profit)	1,160	(851)	(200)	108	108

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 six months ended September 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 six months ended September 30, 2023 under the same conditions as that for the period under review, and therefore reclassified information is not disclosed.

3. Supplementary Information

Status of Orders Received and Sales (by Market)

1) Orders received

(Million yen)

Market	Six months ended September 30, 2023 (From April 1, 2023 to September 30, 2023)		Six months ended September 30, 2024 (From April 1, 2024 to September 30, 2024)		Change	
	Amount	Contribution (%)	Amount	Contribution (%)	Amount	Change (%)
ICT	3,718	17.3	3,812	16.0	94	2.5
Home appliance	7,934	36.8	9,901	41.6	1,966	24.8
Car electronics	7,913	36.8	7,584	31.8	(329)	(4.2)
Industry and other	1,966	9.1	2,516	10.6	550	28.0
Total	21,533	100.0	23,814	100.0	2,281	10.6

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	Six months ended September 30, 2023 (From April 1, 2023 to September 30, 2023)		Six months ended September 30, 2024 (From April 1, 2024 to September 30, 2024)		Change	
	Amount	Contribution (%)	Amount	Contribution (%)	Amount	Change (%)
ICT	3,771	16.3	4,052	17.2	280	7.4
Home appliance	9,045	39.2	10,026	42.5	980	10.8
Car electronics	8,065	35.0	7,145	30.3	(919)	(11.4)
Industry and other	2,192	9.5	2,390	10.0	197	9.0
Total	23,075	100.0	23,614	100.0	539	2.3

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