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Consolidated Financial Results for the Six Months Ended September 30, 2022 [Japanese GAAP]



October 25, 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: November 11, 2022
 Scheduled date of commencing dividend payments: –
 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, 2022 (April 1, 2022 - September 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	%
Six months ended September 30, 2022	27,638	17.8	752	83.0	3,348	173.0	2,983	204.7
Six months ended September 30, 2021	23,465	2.4	411	(9.2)	1,226	95.9	979	67.9

(Note) Comprehensive income: Six months ended September 30, 2022: ¥3,477 million [192.9%]
 Six months ended September 30, 2021: ¥1,187 million [82.2%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
Six months ended September 30, 2022	472.17	—
Six months ended September 30, 2021	152.38	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2022	59,295	33,689	56.8
As of March 31, 2022	54,794	30,643	55.9

(Reference) Equity: As of September 30, 2022: ¥33,689 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	–	0.00			
Fiscal year ending March 31, 2023 (Forecast)			–	90.00	90.00

(Note) Revision to the forecast for dividends announced most recently: Revised

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	%	Yen
Full year	58,100	20.4	1,900	169.9	3,700	8.4	3,200	6.9	497.15

(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, 2022: 7,200,000 shares

March 31, 2022: 7,500,000 shares

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

September 30, 2022: 763,248 shares

March 31, 2022: 1,265,186 shares

3) Average number of shares during the period:

Six months ended September 30, 2022: 6,318,917 shares

Six months ended September 30, 2021: 6,425,204 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.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

During the six months ended September 30, 2022, the global economy significantly lost steam in the pace of economic recovery from the COVID-19 pandemic due to the surge in inflation and policy interest rate hikes in the U.S. and Europe where curbing inflation was the highest priority issue. In addition to continuing difficulties in procuring semiconductors and raw materials, interruption of resource supply brought about by the Ukraine crisis accelerated the price increase.

The prolonged crisis in Ukraine and the heightened tension between the U.S. and China over Taiwan increased the risk of global political and economic fragmentation, and exacerbated the uncertainty surrounding the outlook for the global economy.

The Chinese economy has entered a recessionary phase and the Japanese economy has faced greater uncertainty about the outlook as seen in the price rise caused by sharp devaluation of the yen.

In the electronic components industry, the car electronics market has not yet achieved full-fledged recovery of customers' production activity under the continuing global shortage of semiconductors and the Ukraine crisis, although the impact of lockdowns in China has been gradually alleviated. The ICT market has developed slowly due to the global inflation and downturn of the Chinese market, although the shortage of semiconductors and raw materials for smartphones, tablets, and other devices has begun to be relieved. In the home appliance market, sales of air purifiers and cooking appliances, which had been strong against a backdrop of growing stay-at-home demand and attention to hygiene, showed a reactionary drop, but sales of air conditioners, etc. increased. 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 six months ended September 30, 2022, net sales amounted to ¥27,638 million (17.8% increase year on year), and operating profit was ¥752 million (83.0% increase year on year). Ordinary profit was ¥3,348 million (173.0% increase year on year) with foreign exchange gains of ¥2,220 million recorded due to the depreciation of the yen, and profit attributable to owners of parent was ¥2,983 million (204.7% increase year on year).

Results by segment are as follows.

[CS Division]

In the ICT market, sales of connectors for use in tablet devices for customers in the U.S. increased due to the contribution by the launch of new models, but sales of connectors for smartphones declined year on year due to a decrease in production by some customers caused by difficulties in obtaining semiconductors and downturn of market centering on China. In the car electronics market, sales of connectors exceeded those of the same period of the previous fiscal year due to firm growth of sales of mainstay connectors for cameras and steady development of connectors for electrical devices. In the home appliance market, sales exceeded those of the same period of the previous fiscal year due to a favorable increase in sales of connectors for video game consoles and TV sets. 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 ¥10,786 million (6.2% increase year on year), and operating profit was ¥644 million (4.8% decrease year on year).

[SCI Division]

In the car electronics market, although automobile production has not fully recovered under the continued shortage of semiconductors, sales of control units, camera modules, touch sensors, etc. increased due to market share increase, increase of installed number and other factors, exceeding 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 full-fledged contribution from new models for smart appliances, a strong performance from units for home equipment, air conditioners, sanitation, etc. and a favorable development of home equipment

units. In the industry market, sales of touch sensors for office machines grew steadily.

As a result, net sales of SCI Division amounted to ¥16,694 million (26.9% increase year on year), and operating profit was ¥203 million (compared to operating loss of ¥154 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 decreased year on year, but sales for mobile printers and medical devices 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 ¥155 million (5.2% increase year on year), and operating loss was ¥96 million (compared to an operating loss of ¥112 million in the same period of the previous fiscal year).

(2) Explanation of Financial Position

Current assets increased 14.3% from the end of the previous fiscal year to ¥36,267 million. This was mainly due to increases of ¥1,235 million in cash and deposits, ¥1,732 million in accounts receivable - trade, and ¥1,300 million in merchandise and finished goods. Non-current assets decreased 0.2% from the end of the previous fiscal year to ¥23,028 million. This was mainly due to a decrease of ¥206 million in property, plant and equipment and an increase of ¥174 million in investments and other assets.

As a result, total assets increased 8.2% from the end of the previous fiscal year to ¥59,295 million.

Current liabilities increased 16.1% from the end of the previous fiscal year to ¥17,616 million. This was mainly due to an increase of ¥2,044 million in short-term borrowings. Non-current liabilities decreased 11.0% from the end of the previous fiscal year to ¥7,990 million. This was mainly due to a decrease of ¥764 million in long-term borrowings.

As a result, total liabilities increased 6.0% from the end of the previous fiscal year to ¥25,606 million.

Total net assets increased 9.9% from the end of the previous fiscal year to ¥33,689 million. This was mainly due to a decrease of ¥1,934 million in treasury shares, increases of ¥617 million in retained earnings and ¥551 million in foreign currency translation adjustment.

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

After considering the actual performance for the six months ended September 30, 2022 and future performance, the consolidated financial results forecast for the fiscal year ending March 31, 2023 announced on April 28, 2022 has been revised. Regarding the forecast figures, please refer to "Notice on the difference between consolidated financial results forecast for the six months ended September 30, 2022 and the actual performance figures and the revision of consolidated financial results forecast for the fiscal year ending March 31, 2023" announced today (October 25, 2022) (available only in Japanese). 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, 2022	As of September 30, 2022
Assets		
Current assets		
Cash and deposits	8,555	9,790
Notes receivable - trade	53	50
Electronically recorded monetary claims - operating	1,460	1,412
Accounts receivable - trade	11,286	13,019
Merchandise and finished goods	3,592	4,892
Work in process	961	997
Raw materials and supplies	4,991	5,056
Other	860	1,084
Allowance for doubtful accounts	(31)	(37)
Total current assets	31,730	36,267
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,169	4,203
Land	5,869	5,869
Other, net	6,151	5,911
Total property, plant and equipment	16,190	15,984
Intangible assets		
Other	116	113
Total intangible assets	116	113
Investments and other assets		
Other	6,841	7,018
Allowance for doubtful accounts	(86)	(87)
Total investments and other assets	6,755	6,930
Total non-current assets	23,063	23,028
Total assets	54,794	59,295

(Million yen)

	As of March 31, 2022	As of September 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	5,404	5,544
Short-term borrowings	5,066	7,110
Accounts payable - other	1,573	1,557
Income taxes payable	303	506
Provision for bonuses	745	796
Provision for bonuses for directors (and other officers)	30	—
Other	2,055	2,101
Total current liabilities	15,178	17,616
Non-current liabilities		
Long-term borrowings	6,214	5,450
Provision for retirement benefits for directors (and other officers)	173	120
Retirement benefit liability	39	54
Provision for share awards for directors (and other officers)	27	23
Other	2,517	2,340
Total non-current liabilities	8,972	7,990
Total liabilities	24,150	25,606
Net assets		
Shareholders' equity		
Share capital	7,996	7,996
Capital surplus	12,057	12,057
Retained earnings	15,925	16,542
Treasury shares	(4,876)	(2,941)
Total shareholders' equity	31,102	33,655
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	425	434
Deferred gains or losses on hedges	(2)	(0)
Foreign currency translation adjustment	(1,404)	(853)
Remeasurements of defined benefit plans	520	453
Total accumulated other comprehensive income	(459)	34
Total net assets	30,643	33,689
Total liabilities and net assets	54,794	59,295

(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, 2021	For the six months ended September 30, 2022
Net sales	23,465	27,638
Cost of sales	19,433	22,663
Gross profit	4,032	4,975
Selling, general and administrative expenses	3,621	4,222
Operating profit	411	752
Non-operating income		
Interest income	15	12
Dividend income	27	28
Rental income from real estate	528	491
Foreign exchange gains	107	2,220
Subsidies for employment adjustment	163	58
Other	344	357
Total non-operating income	1,187	3,169
Non-operating expenses		
Interest expenses	68	74
Rental costs on real estate	274	269
Loss on investments in investment partnerships	—	197
Other	28	32
Total non-operating expenses	371	572
Ordinary profit	1,226	3,348
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	35	0
Loss on valuation of investment securities	—	23
Total extraordinary losses	62	23
Profit before income taxes	1,174	3,328
Income taxes - current	148	356
Income taxes - deferred	47	(11)
Total income taxes	195	344
Profit	979	2,983
Profit attributable to owners of parent	979	2,983

Quarterly Consolidated Statements of Comprehensive Income
Six Months Ended September 30

(Million yen)

	For the six months ended September 30, 2021	For the six months ended September 30, 2022
Profit	979	2,983
Other comprehensive income		
Valuation difference on available-for-sale securities	166	8
Deferred gains or losses on hedges	3	1
Foreign currency translation adjustment	115	551
Remeasurements of defined benefit plans, net of tax	(77)	(67)
Total other comprehensive income	208	493
Comprehensive income	1,187	3,477
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,187	3,477

(3) Quarterly Consolidated Statements of Cash flows

(Million yen)

	For the six months ended September 30, 2021	For the six months ended September 30, 2022
Cash flows from operating activities		
Profit before income taxes	1,174	3,328
Depreciation	1,372	1,393
Increase (decrease) in provision for bonuses	8	35
Increase (decrease) in provision for retirement benefits for directors (and other officers)	12	(52)
Increase (decrease) in provision for share awards for directors (and other officers)	6	(4)
Increase (decrease) in net defined benefit asset and liability	(127)	(125)
Interest and dividend income	(43)	(41)
Interest expenses	68	74
Loss (gain) on sale of non-current assets	16	(2)
Loss (gain) on valuation of investment securities	—	23
Loss on retirement of non-current assets	35	0
Loss (gain) on investments in investment partnerships	—	197
Decrease (increase) in trade receivables	940	192
Decrease (increase) in inventories	(1,110)	(650)
Increase (decrease) in trade payables	(85)	(1,272)
Decrease (increase) in accounts receivable - other	(286)	(94)
Increase (decrease) in accounts payable - other	(260)	(160)
Other, net	(166)	(809)
Subtotal	1,554	2,030
Interest and dividends received	45	51
Interest paid	(69)	(84)
Income taxes paid	(153)	(181)
Income taxes refund	117	—
Net cash provided by (used in) operating activities	1,495	1,816
Cash flows from investing activities		
Payments into time deposits	(41)	(19)
Proceeds from withdrawal of time deposits	51	16
Purchase of property, plant and equipment	(1,001)	(889)
Proceeds from sale of property, plant and equipment	28	6
Purchase of intangible assets	(14)	(11)
Purchase of investment securities	(24)	(0)
Loan advances	(16)	(5)
Proceeds from collection of loans receivable	8	15
Net cash provided by (used in) investing activities	(1,010)	(887)

(Million yen)

	For the six months ended September 30, 2021	For the six months ended September 30, 2022
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	700	415
Proceeds from long-term borrowings	—	2,700
Repayments of long-term borrowings	(836)	(1,836)
Repayments of lease liabilities	(138)	(210)
Purchase of treasury shares	(302)	(0)
Proceeds from sale of treasury shares	—	0
Dividends paid	(322)	(436)
Net cash provided by (used in) financing activities	(899)	631
Effect of exchange rate change on cash and cash equivalents	6	(329)
Net increase (decrease) in cash and cash equivalents	(408)	1,230
Cash and cash equivalents at beginning of period	8,742	8,505
Cash and cash equivalents at end of period	8,333	9,736

(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, 2021 (from April 1, 2021 to September 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	10,155	13,159	147	23,462	3	23,465
Inter-segment net sales or transfers	—	—	—	—	—	—
Total	10,155	13,159	147	23,462	3	23,465
Segment profit (loss) (operating profit)	677	(154)	(112)	410	0	411

(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 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 external 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. 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	Six months ended September 30, 2021 (From April 1, 2021 to September 30, 2021)		Six months ended September 30, 2022 (From April 1, 2022 to September 30, 2022)		Change	
	Amount	Contribution (%)	Amount	Contribution (%)	Amount	Change (%)
ICT	5,457	19.6	4,601	16.6	(856)	(15.7)
Home appliance	9,731	35.0	11,392	40.9	1,661	17.1
Car electronics	9,367	33.7	9,987	35.9	619	6.6
Industry and other	3,253	11.7	1,846	6.6	(1,406)	(43.2)
Total	27,809	100.0	27,827	100.0	17	0.1

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	Six months ended September 30, 2021 (From April 1, 2021 to September 30, 2021)		Six months ended September 30, 2022 (From April 1, 2022 to September 30, 2022)		Change	
	Amount	Contribution (%)	Amount	Contribution (%)	Amount	Change (%)
ICT	5,032	21.5	4,814	17.4	(217)	(4.3)
Home appliance	8,097	34.5	10,728	38.8	2,631	32.5
Car electronics	8,268	35.2	9,741	35.3	1,473	17.8
Industry and other	2,068	8.8	2,353	8.5	285	13.8
Total	23,465	100.0	27,638	100.0	4,172	17.8

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