



ANNUAL REPORT

2023

For the fiscal year ended March 31, 2023

CREATIVE CONNECTIVITY



To Our Shareholders and Investors

We are obliged to you for your continued support and good patronage.

We would like to report on the outline and results of the SMK Group's business for the 101st fiscal year (from April 1, 2022 to March 31, 2023).

We look forward to your continuing support and encouragement.

June 2023

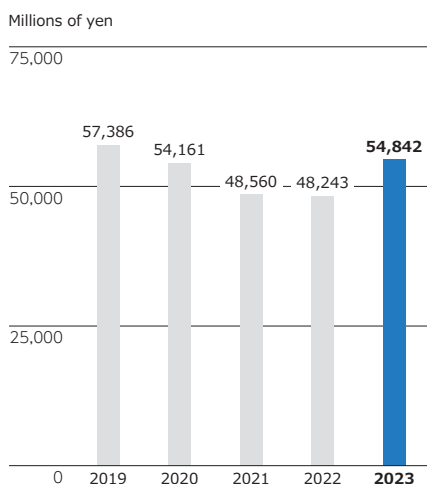
Yasumitsu Ikeda
President and CEO/COO



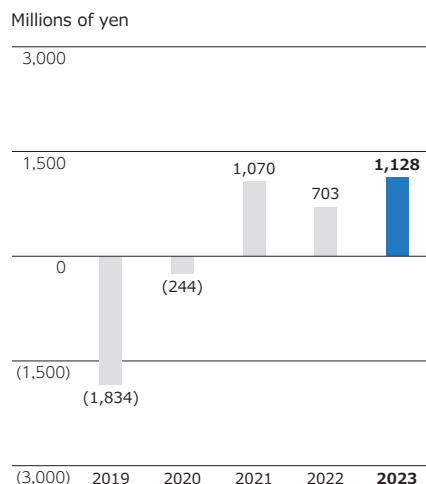
Financial Highlights

Years ended and as of March 31	Millions of yen		Percent Change 2022/2023	Thousands of U.S. dollars
	2022	2023		2023
Operating Results				
Net sales	¥ 48,243	¥ 54,842	13.7%	\$410,709
Operating income	703	1,128	60.5	8,448
Profit attributable to owners of parent	2,992	1,334	(55.4)	9,990
Financial Position				
Total assets	¥ 54,794	¥ 56,365	2.9%	\$422,115
Total net assets	30,643	32,274	5.3	241,698

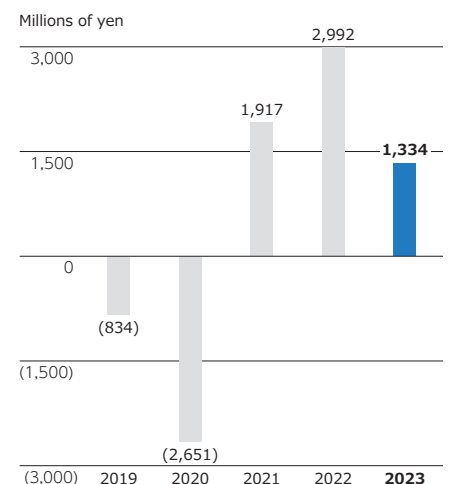
Net sales



Operating income (loss)



Profit (loss) attributable to owners of parent



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SMK Philosophy

SMK is committed to the advancement of mankind through development of the information society, by integrating its current technological strengths and creating advanced technology.

SMK Action Guidelines

- 1 Contribute to society with pride and confidence.
- 2 Be customer-oriented, with zeal and sincerity.
- 3 Challenge courageously for higher goals without fear of failure.
- 4 Trust and respect each other for a brighter working atmosphere.
- 5 Keep an open mind, and view SMK from a global perspective.

Years ended and as of March 31	Yen		Percent Change	U.S. dollars
	2022	2023	2022/2023	2023
Per Share Data				
Profit attributable to owners of parent				
Basic	¥ 472.14	¥ 209.12	(55.7)%	\$ 1.57
Diluted	—	—	—	—
Cash dividends	70.00	100.00	42.9	0.75

Note 1. The U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥133.53 = U.S. \$1.00.

Note 2. The Company carried out a consolidation of share at the ratio of 10 shares to 1 share on October 1, 2018.

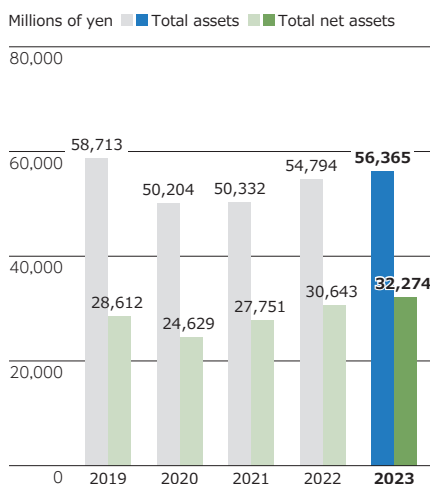
Basic earnings per share and diluted earnings per share have been calculated on the assumption that the said consolidation of share was carried out at the beginning of the year ended March 31, 2017.

Note 3. In the calculation of profit (loss) per share, the Company's shares remaining in the Board Benefit Trust (BBT), which are recorded as treasury stock under shareholders' equity, are included in the treasury stocks that are deducted in the calculation of the average number of shares in the period.

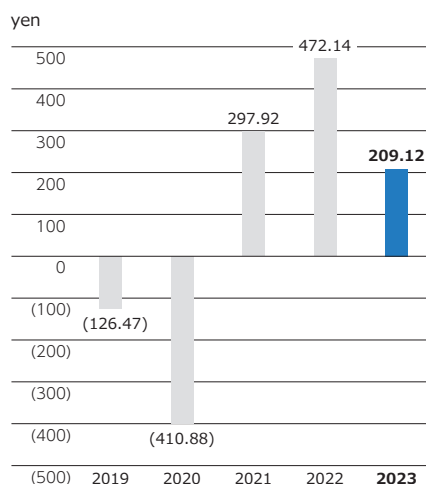
Note 4. The Company and its consolidated subsidiaries have adopted "Accounting Standard for Revenue Recognition" (ASBJ Statement No.29, March 31, 2020) from the beginning of the fiscal year ended March 31, 2022.

As such, financial position after the year ended March 31, 2022 is calculated after adoption of its accounting policy.

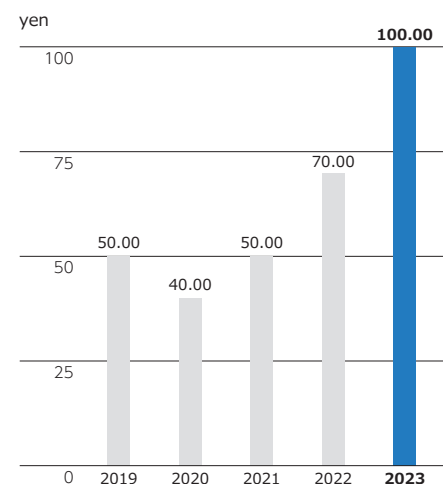
Total assets / Total net assets



Basic profit (loss) attributable to owners of parent per share



Cash dividends per share





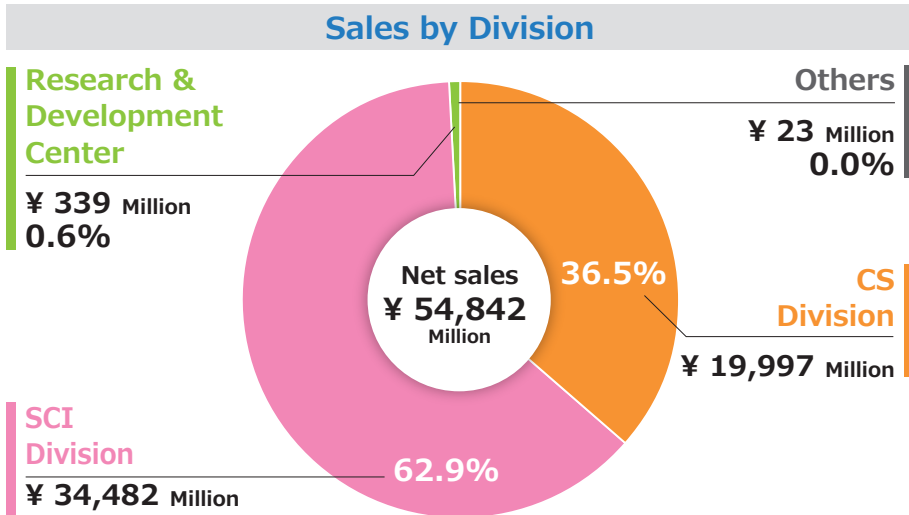
Overview of Consolidated Results by Division

(April 1, 2022 to March 31, 2023)

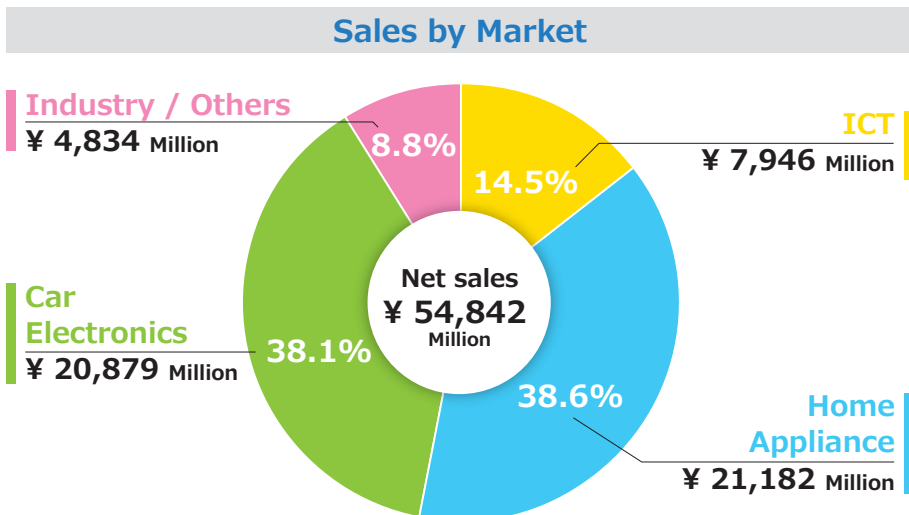
The many different electronic components that SMK produces are widely used by electronics manufacturers in and outside Japan. The markets for these components can be broadly classified into four markets: ICT Market, Home Appliance Market, Car Electronics Market and Industry Market.

Two divisions, namely CS (Connection System) Division and SCI (Sensing, Communications and Interface) Division, as well as Research & Development Center, are responsible for developing products that continually meet market requirements in the wide range of markets outlined above. The two divisions handle operations ranging from product planning and design to mass production, whereas Research & Development Center is primarily in charge of designing and developing products in new fields.

In this section, we present an overview of our results achieved in each of the two divisions and Research & Development Center in the fiscal year under review.



Others: businesses of other electronic parts, lease, real-estate rental, and worker dispatching undertakings.



Others: markets of medical equipment, rehabilitation equipment, etc.

CS (Connection System) Division

Major Products:

- Connectors (Coaxial, Board-to-Board, FPC)
- Jacks

SCI (Sensing, Communications and Interface) Division

Major Products:

- Remote Control Units
- Switches
- Camera Modules
- Touch Sensors

Research & Development Center

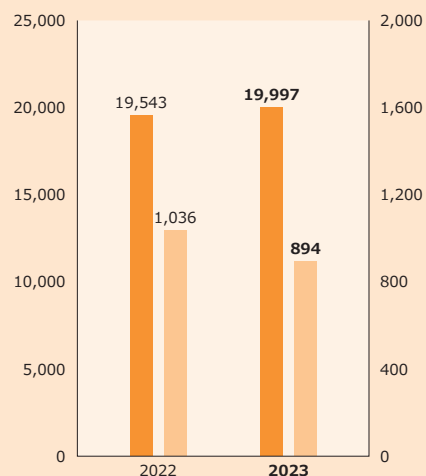
Major Products:

- Wireless Modules
- NFC Antennas

In the ICT market, sales of connectors for tablet devices of US customers increased strongly in the first six months of the fiscal year partly due to the contribution by the launch of new models, but slowed down from the third quarter due to inventory adjustments and other factors. In addition, sales of connectors for smartphones fell below those of the previous year due to a contraction in demand resulting from factors such as a decline in replacement demand, inflation and global instability. In the car electronics market, sales of mainstay connectors for cameras were firm, and sales of connectors for electrical devices and others grew steadily thanks to market share gains, exceeding those of the previous year. In the home appliance market, sales of connectors for video game consoles grew strongly. 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 ¥19,997 million (2.3% increase year on year), and operating income was ¥894 million (13.7% decrease year on year).

Net sales / Operating income Millions of yen

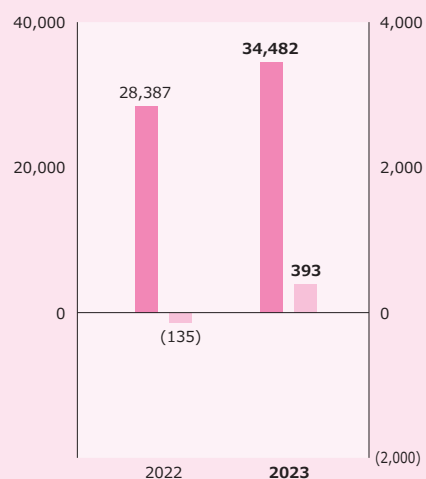


In the car electronics market, although automobile production did not fully recover, sales of camera modules, control units, etc. exceeded those of the previous year due to market share gains, increase of installed number and other factors. In the home appliance market, sales of the mainstay remote control units were strong due to the full-fledged contribution from new models for smart appliances, and a strong performance from units for home equipment, air conditioners, sanitation, etc. Sales of units for home equipment also expanded steadily.

In the fourth quarter, signs of a slowdown were seen in the home appliance and car electronics markets due to inventory adjustments and other factors, but full-year sales in SCI Division as a whole significantly exceeded those of the previous year.

As a result, net sales of SCI Division amounted to ¥34,482 million (21.5% increase year on year), and operating income was ¥393 million (compared to an operating loss of ¥135 million in the previous fiscal year).

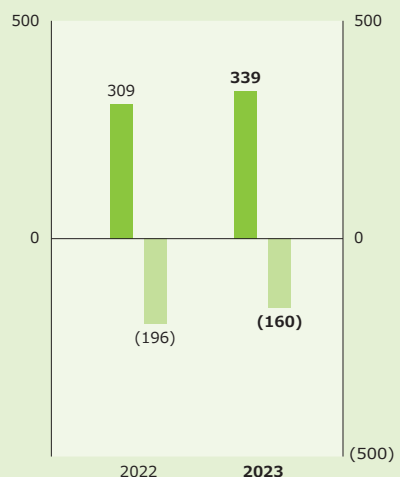
Net sales / Operating income (loss) Millions of yen



Regarding Bluetooth® modules, the central product of Research & Development Center's mainstay wireless communication module businesses, sales for payment terminals fell below those of the previous year, but sales for mobile printers and medical devices expanded. In addition, sales of Sub-GHz RF modules for lighting equipment expanded, and sales of Research & Development Center as a whole exceeded those of the previous year.

As a result, net sales of Research & Development Center amounted to ¥339 million (9.8% increase year on year), and operating loss was ¥160 million (compared to an operating loss of ¥196 million in the previous fiscal year).

Net sales / Operating loss Millions of yen





Five-Year Summary

SMK Corporation and Consolidated Subsidiaries

Years ended and as of March 31	Millions of yen					Thousands of U.S. dollars	
	2019	2020	2021	2022	2023	2023	
Operating Results							
Net sales	¥ 57,386	¥ 54,161	¥ 48,560	¥ 48,243	¥ 54,842	\$ 410,709	
Operating income (loss)	(1,834)	(244)	1,070	703	1,128	8,448	
Profit (loss) attributable to owners of parent	(834)	(2,651)	1,917	2,992	1,334	9,990	
Financial Position							
Total assets	¥ 58,713	¥ 50,204	¥ 50,332	¥ 54,794	¥ 56,365	\$ 422,115	
Total net assets	28,612	24,629	27,751	30,643	32,274	241,698	

	Yen				U.S. dollars	
Per Share Data						
Total net assets	¥ 4,415.09	¥ 3,870.65	¥ 4,311.91	¥ 4,914.89	¥ 4,932.86	\$ 36.94
Profit (loss) attributable to owners of parent						
Basic	(126.47)	(410.88)	297.92	472.14	209.12	1.57
Diluted	—	—	—	—	—	—
Cash dividends	50.00	40.00	50.00	70.00	100.00	0.75

Note 1. The U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥133.53 = U.S. \$1.00.

Note 2. The Company carried out a consolidation of share at the ratio of 10 shares to 1 share on October 1, 2018.

Basic earnings per share and diluted earnings per share have been calculated on the assumption that the said consolidation of share was carried out at the beginning of the years ended March 31, 2017.

Note 3. In the calculation of profit (loss) per share, the Company's shares remaining in the Board Benefit Trust (BBT), which are recorded as treasury stock under shareholders' equity, are included in the treasury stocks that are deducted in the calculation of the average number of shares in the period.

Note 4. The Company and its consolidated subsidiaries have adopted "Accounting Standard for Revenue Recognition" (ASBJ Statement No.29, March 31, 2020) from the beginning of the fiscal year ended March 31, 2022.

As such, financial position after the year ended March 31, 2022 is calculated after adoption of its accounting policy.



Financial Review

SMK's net sales for the fiscal year ended March 31, 2023 increased 13.7% year on year to ¥54,842 million (US\$410,709 thousand), and operating income of ¥1,128 million (US\$8,448 thousand) and profit attributable to owners of parent of ¥1,334 million (US\$9,990 thousand) were recorded.

Net Sales

In the home appliance market, our mainstay remote control units saw a strong performance from new models for smart appliances and units for home equipment, air conditioners, and sanitation, with sales exceeding those of the previous fiscal year. In the car electronics market, sales of connectors, camera modules, and control units were strong due to market share gains, an increase in the installed number and other factors, and exceeded those of the previous fiscal year. On the other hand, in the ICT market, sales decreased from the previous fiscal year due to worsening market conditions from the fourth quarter and inventory adjustments.

As a result, net sales were ¥54,842 million (US\$410,709 thousand), up 13.7% year on year.

Operating Income

Operating income amounted to ¥1,128 million (US\$8,448 thousand) due to the increase in net sales, the depreciation of the yen in the foreign exchange market, as well as continuous cost reduction efforts.

Profit attributable to owners of parent

Profit attributable to owners of parent was ¥1,334 million (US\$9,990 thousand) as a result of the recording of rent income/expense, foreign exchange gains, loss on impairment of fixed assets, etc. in other income/expenses.

Total Net Assets / ROE

As of March 31, 2023, total net assets were ¥32,274 million (US\$241,698 thousand), with an ROE of 4.2%.

Total Assets / ROA

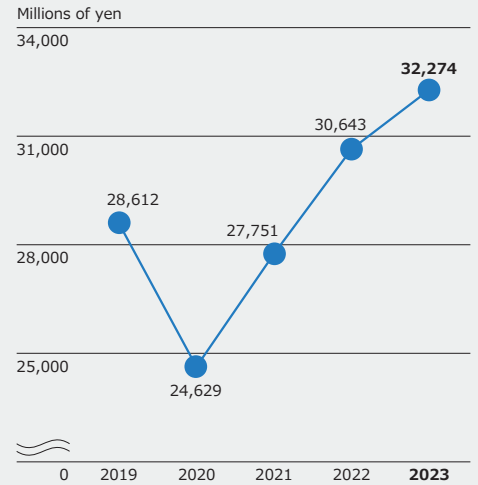
As of March 31, 2023, total assets were ¥56,365 million (US\$422,115 thousand), with an ROA of 4.5%.

Cash Flows

Net cash provided by operating activities amounted to ¥3,591 million (US\$26,893 thousand), net cash used in investing activities totaled ¥1,944 million (US\$14,559 thousand), and net cash used in financing activities was ¥862 million (US\$6,455 thousand).

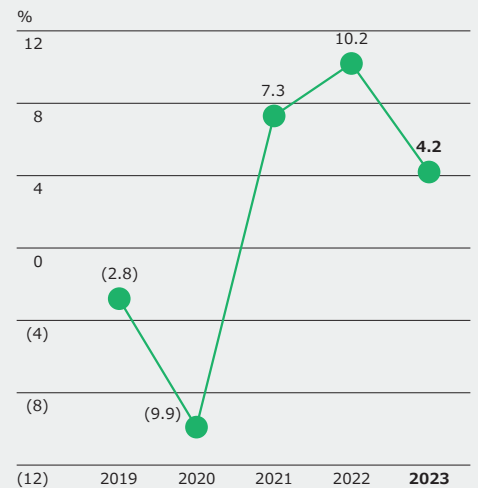
Total net assets

(As of March 31)



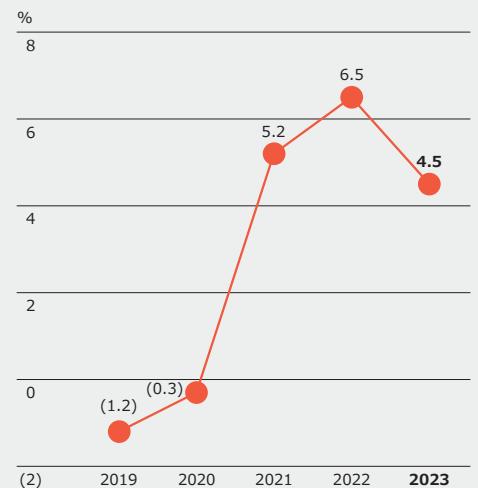
Return on equity (ROE)

(Years ended March 31)



Return on assets (ROA)

(Years ended March 31)



Consolidated Balance Sheet

SMK Corporation and Consolidated Subsidiaries
As of March 31, 2022 and 2023

	Millions of Yen		Thousands of U.S. dollars (Note 2)
Assets	2022	2023	2023
Current assets			
Cash and cash equivalents (Note 16)	¥ 8,505	¥ 8,915	\$ 66,764
Time deposits (Note 16)	49	54	404
Notes receivable, trade (Note 16)	53	64	479
Electronically recorded monetary claims (Note 16)	1,460	1,606	12,027
Accounts receivable, trade (Note 16)	11,286	11,505	86,160
Inventories (Note 3)	9,545	10,073	75,436
Other current assets (Note 18 and 22)	860	1,080	8,088
Allowance for doubtful accounts	(31)	(47)	(352)
	31,730	33,251	249,015
Investments and long-term loans			
Investment securities (Note 16 and 17)	3,639	4,041	30,263
Long-term loans receivable (Note 22)	99	92	689
Asset for retirement benefits (Note 7)	2,245	2,344	17,554
Other investments (Note 22)	731	963	7,212
Allowance for doubtful accounts	(86)	(88)	(659)
	6,628	7,352	55,059
Property, plant and equipment (Note 5, 12 and 19)			
Land (Note 4)	5,869	5,869	43,953
Buildings	19,066	19,641	147,091
Machinery and vehicles	24,804	25,238	189,006
Tooling and office furniture	20,214	19,385	145,173
Leased assets	29	29	217
Right of use assets	1,599	2,131	15,959
Construction in progress	186	198	1,483
	71,771	72,496	542,919
Less-accumulated depreciation	(55,580)	(56,928)	(426,331)
	16,190	15,567	116,581
Other assets			
Deferred tax assets (Note 13)	126	97	726
Intangible assets (Note 12)	116	94	704
	243	192	1,438
Total assets	¥ 54,794	¥ 56,365	\$ 422,115

See accompanying notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. dollars (Note 2)
Liabilities and net assets	2022	2023	2023
Current liabilities			
Short-term loans payable (Note 5)	¥ 5,066	¥ 6,491	\$ 48,611
Lease liabilities (Note 16)	407	434	3,250
Notes and accounts payable, trade	5,404	4,878	36,531
Accrued income taxes	303	347	2,599
Accrued bonuses	745	596	4,463
Accrued directors' and officers' bonuses	30	26	195
Accounts payable, non-trade	1,573	1,774	13,285
Other current liabilities (Note 6 and 18)	1,648	1,645	12,319
	15,178	16,193	121,269
Long-term liabilities			
Long-term debt (Note 5 and 16)	6,214	4,863	36,419
Lease liabilities (Note 16)	920	1,028	7,699
Deferred tax liabilities (Note 13)	961	1,220	9,137
Accrued directors' and officers' retirement benefits	173	131	981
Liability for retirement benefits (Note 7)	39	24	180
Accrued directors' and officers' share awards	27	29	217
Other long-term liabilities	634	598	4,478
	8,972	7,897	59,140
Net assets			
Shareholders' equity (Note 8)			
Common stock			
Authorized : 19,596,127 shares as of March 31, 2022 and 2023			
Issued : 7,500,000 shares as of March 31, 2022			
7,200,000 shares as of March 31, 2023	7,996	7,996	59,882
Capital surplus	12,057	12,057	90,294
Retained earnings	15,925	14,730	110,312
Treasury stock	(4,876)	(2,531)	(18,955)
	31,102	32,252	241,534
Accumulated other comprehensive income			
Net unrealized gains (losses) on other securities	425	773	5,789
Net unrealized gains (losses) from hedging instruments	(2)	—	—
Foreign currency translation adjustments	(1,404)	(1,149)	(8,605)
Retirement benefits asset and liability adjustments	520	397	2,973
	(459)	21	157
	30,643	32,274	241,698
Total liabilities and net assets	¥ 54,794	¥ 56,365	\$ 422,115

Consolidated Statement of Income

SMK Corporation and Consolidated Subsidiaries
Years ended March 31, 2022 and 2023

	Millions of Yen		Thousands of U.S. dollars (Note 2)
	2022	2023	2023
Net sales (Note 20 and 21)	¥ 48,243	¥ 54,842	\$ 410,709
Cost of sales (Note 3 and 9)	40,169	45,231	338,733
Selling, general and administrative expenses (Note 9 and 10)	7,369	8,483	63,529
Operating income (Note 21)	703	1,128	8,448
Other income			
Interest and dividend income (Note 22)	85	115	861
Rent income	1,057	980	7,339
Foreign exchange gains	1,426	720	5,392
Subsidies for employment adjustment	318	79	592
Gain on sales of fixed assets (Note 11)	32	18	135
Gain on sales of investment securities (Note 17)	—	2	15
Other	672	523	3,917
Total other income	3,592	2,441	18,281
Other expenses			
Interest expense	103	173	1,296
Rent expense (Note 22)	575	549	4,111
Loss on investments in investment partnerships	—	263	1,970
Loss on sales of fixed assets (Note 11)	34	0	0
Loss on disposal of fixed assets (Note 11)	38	76	569
Loss on impairment of fixed assets (Note 12)	3	517	3,872
Loss on valuation of investment securities	115	25	187
Other	171	58	434
Total other expenses	1,041	1,663	12,454
Profit before income taxes	3,254	1,906	14,274
Income taxes (Note 13)			
Current	312	352	2,636
Deferred	(49)	219	1,640
Profit	2,992	1,334	9,990
Profit attributable to owners of parent	¥ 2,992	¥ 1,334	\$ 9,990
	Yen		U.S. dollars (Note 2)
Per share data (Note 15)			
Total net assets	¥ 4,914.89	¥ 4,932.86	\$ 36.94
Profit attributable to owners of parent			
Basic	472.14	209.12	1.57
Diluted	—	—	—
Cash dividends	70.00	100.00	0.75

See accompanying notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

SMK Corporation and Consolidated Subsidiaries
Years ended March 31, 2022 and 2023

	Millions of Yen		Thousands of U.S. dollars (Note 2)
	2022	2023	2023
Profit	¥ 2,992	¥ 1,334	\$ 9,990
Other comprehensive income (Note 14)			
Net unrealized gains (losses) on other securities	137	347	2,599
Net unrealized gains (losses) from hedging instruments	5	2	15
Foreign currency translation adjustments	593	254	1,902
Retirement benefits asset and liability adjustments	(47)	(123)	(921)
Total other comprehensive income	689	481	3,602
Comprehensive income	¥ 3,682	¥ 1,815	\$ 13,592
Total comprehensive income attributable to:			
Owners of parent	¥ 3,682	¥ 1,815	\$ 13,592

See accompanying notes to consolidated financial statements.

Consolidated Statement of Changes in Net Assets

SMK Corporation and Consolidated Subsidiaries
Years ended March 31, 2022 and 2023

Millions of yen

	Shareholders' equity					Accumulated other comprehensive income						Total net assets
	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains (losses) on other securities	Net unrealized gains (losses) from hedging instruments	Foreign currency translation adjustments	Retirement benefits asset and liability adjustments	Total accumulated other comprehensive income	
Balance at April 1, 2021	7,500,000	¥ 7,996	¥ 12,057	¥ 13,241	¥ (4,394)	¥ 28,900	¥ 288	¥ (7)	¥ 1,997	¥ 568	¥ (1,149)	¥ 27,751
Cumulative effect of change in accounting principle				15		15						15
Restated balance at April 2021	7,500,000	7,996	12,057	13,256	(4,394)	28,915	288	(7)	(1,997)	568	(1,149)	27,766
Cash dividends paid				(323)		(323)						(323)
Profit attributable to owners of parent				2,992		2,992						2,992
Acquisition of treasury stock					(481)	(481)						(481)
Net changes in items other than shareholders' equity							137	5	593	(47)	689	689
Total changes	—	—	—	2,668	(481)	2,187	137	5	593	(47)	689	2,876
Balance at March 31, 2022	7,500,000	7,996	12,057	15,925	(4,876)	31,102	425	(2)	(1,404)	520	(459)	30,643
Balance at April 1, 2022	7,500,000	7,996	12,057	15,925	(4,876)	31,102	425	(2)	(1,404)	520	(459)	30,643
Cash dividends paid				(439)		(439)						(439)
Profit attributable to owners of parent				1,334		1,334						1,334
Acquisition of treasury stock					(2)	(2)						(2)
Disposition of treasury stock			(933)		1,191	257						257
Cancellation of treasury stock			(1,156)		1,156	—						—
Transfer from retained earnings to Capital surplus			2,089	(2,089)		—						—
Net changes in items other than shareholders' equity							347	2	254	(123)	481	481
Total changes	(300,000)	—	—	(1,194)	2,344	1,149	347	2	254	(123)	481	1,630
Balance at March 31, 2023	7,200,000	¥ 7,996	¥ 12,057	¥ 14,730	¥ (2,531)	¥ 32,252	¥ 773	¥ —	¥ (1,149)	¥ 397	¥ 21	¥ 32,274

Thousands of U.S. dollars (Note 2)

	Shareholders' equity					Accumulated other comprehensive income						Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains (losses) on other securities	Net unrealized gains (losses) from hedging instruments	Foreign currency translation adjustments	Retirement benefits asset and liability adjustments	Total accumulated other comprehensive income		
Balance at April 1, 2022	\$ 59,882	\$ 90,294	\$ 119,262	\$ (36,516)	\$ 232,921	\$ 3,183	\$ (15)	\$ (10,514)	\$ 3,894	\$ (3,437)	\$ 229,484	
Cash dividends paid			(3,288)		(3,288)						(3,288)	
Profit attributable to owners of parent			9,990		9,990						9,990	
Acquisition of treasury stock				(15)	(15)						(15)	
Disposition of treasury stock		(6,987)		8,919	1,925						1,925	
Cancellation of treasury stock		(8,657)		8,657	—						—	
Transfer from retained earnings to Capital surplus		15,644	(15,644)		—						—	
Net changes in items other than shareholders' equity						2,599	15	1,902	(921)	3,602	3,602	
Total changes	—	—	(8,942)	17,554	8,605	2,599	15	1,902	(921)	3,602	12,207	
Balance at March 31, 2023	\$ 59,882	\$ 90,294	\$ 110,312	\$ (18,955)	\$ 241,534	\$ 5,789	\$ —	\$ (8,605)	\$ 2,973	\$ 157	\$ 241,698	

Consolidated Statement of Cash Flows

SMK Corporation and Consolidated Subsidiaries
Years ended March 31, 2022 and 2023

	Millions of Yen		Thousands of U.S. dollars (Note 2)
	2022	2023	2023
Cash flows from operating activities			
Profit before income taxes	¥ 3,254	¥ 1,906	\$ 14,274
Depreciation and amortization	2,696	2,884	21,598
Loss on impairment of fixed assets	3	517	3,872
Increase (decrease) in accrued bonuses	17	(153)	(1,146)
Increase (decrease) in accrued directors' and officers' retirement benefits	25	(41)	(307)
Increase (decrease) in accrued directors' and officers' share awards	12	2	15
Increase (decrease) in asset and liability for retirement benefits	(289)	(294)	(2,202)
Interest and dividend income	(85)	(115)	(861)
Interest expense	103	173	1,296
(Gain) loss on sales of investment securities	—	(2)	(15)
(Gain) loss on sales of fixed assets	1	(18)	(135)
(Gain) loss on valuation of investment securities	115	25	187
Loss on disposal of fixed assets	38	76	569
Loss (gain) on investments in investment partnerships	—	263	1,970
(Increase) decrease in notes and accounts receivable, trade	1,142	564	4,224
(Increase) decrease in inventories	(2,351)	(160)	(1,198)
Increase (decrease) in notes and accounts payable, trade	(1,084)	(1,180)	(8,837)
(Increase) decrease in accounts receivable, non-trade	(152)	28	210
Increase (decrease) in accounts payable, non-trade	(354)	(9)	(67)
Other	(551)	(442)	(3,310)
Subtotal	2,543	4,021	30,113
Interest and dividends received	88	116	869
Interest paid	(115)	(177)	(1,326)
Income taxes paid	(318)	(388)	(2,906)
Income taxes refund	234	19	142
Net cash provided by (used in) operating activities	2,433	3,591	26,893
Cash flows from investing activities			
Payments into time deposits	(57)	(35)	(262)
Proceeds from time deposits	66	31	232
Purchases of fixed assets	(1,976)	(1,945)	(14,566)
Proceeds from sales of fixed assets	415	22	165
Purchases of intangible fixed assets	(35)	(19)	(142)
Purchases of investment securities	(37)	(20)	(150)
Proceeds from sales of investment securities	—	7	52
Payments for execution of loans	(26)	(11)	(82)
Collection of loans receivable	19	28	210
Net cash provided by (used in) investing activities	(1,631)	(1,944)	(14,559)
Cash flows from financing activities			
Increase (decrease) in short-term loans payable	(2,000)	200	1,498
Proceeds from long-term debt	3,800	2,700	20,220
Payments of long-term debt	(1,667)	(2,826)	(21,164)
Payments of lease liabilities	(301)	(496)	(3,715)
Purchases of treasury stock	(479)	(1)	(7)
Proceeds from sales of treasury stock	—	0	0
Dividends paid	(323)	(438)	(3,280)
Net cash provided by (used in) financing activities	(971)	(862)	(6,455)
Effect of exchange rate changes on cash and cash equivalents	(66)	(375)	(2,808)
Increase (decrease) in cash and cash equivalents	(236)	409	3,063
Cash and cash equivalents at beginning of the year	8,742	8,505	63,694
Cash and cash equivalents at end of the year	¥ 8,505	¥ 8,915	\$ 66,764

Notes to Consolidated Financial Statements

SMK Corporation and Consolidated Subsidiaries

Note 1. Summary of significant accounting policies

- (a) Basis of presenting financial statements
The accompanying consolidated financial statements of SMK Corporation (the “Company”) and consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan. For the purpose of this document, certain reclassifications have been made in the accompanying consolidated financial statements to facilitate understanding by readers outside Japan. In addition, certain reclassifications have been made to the prior year’s consolidated financial statements to conform to the current year’s presentation.
- (b) Basis of consolidation and investments in affiliated companies
The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries over which substantial control is exercised either through majority ownership of voting stock and/or by other means. All significant intercompany balances and transactions have been eliminated in consolidation. Certain foreign subsidiaries’ fiscal period ends on December 31, which differs from the year-end date of the Company; however, the financial statements of these companies were tentatively closed as of March 31 and necessary adjustments for consolidation were made. Investments in affiliates (companies over which the Company has the ability to exercise significant influence) are accounted for by the equity method. Consolidated profit attributable to owners of parent includes the Company’s equity in the current profit attributable to owners of parent or loss of such companies, after the elimination of unrealized intercompany profits. All assets and liabilities of the Company’s subsidiaries are revalued at the acquisition, if applicable, and the excess of cost over the underlying net assets at the date of acquisition is amortized over a period of five years on a straight-line basis if such excess is material, or charged to income when incurred if immaterial.
- (c) Scope of consolidation
Number of consolidated subsidiaries: 24
SMK-Hungary Kft. was liquidated during the year ended March 31, 2023, which was excluded from the scope of consolidation.
- (d) Application of equity method of accounting
Number of affiliated companies accounted for using the equity method: 1
- (e) Translation of foreign currencies
Receivables and payables denominated in foreign currencies are translated into yen at the appropriate closing rate at the end of the reporting period, and differences arising from the translation are included in the consolidated statement of income. All asset and liability accounts of foreign subsidiaries and affiliates are translated into Japanese yen at the appropriate closing rate at the end of the reporting period. Revenue and expense accounts are translated at the average rates of exchange prevailing during the year. Differences arising from the translation are presented as foreign currency translation adjustments in the consolidated financial statements.
- (f) Cash and cash equivalents
Cash and cash equivalents consist of cash on hand, cash in banks which can be withdrawn at any time and short-term investments with a maturity of three months or less when purchased which can easily be converted to cash and are subject to little risk of change in value.
- (g) Inventories
Inventories are mainly stated at the lower of cost or market. The following inventories are measured principally by their respective methods:
Finished products: Retail cost method
Work in process: Actual raw material cost, determined by the most recent purchase cost method, plus direct labor costs and manufacturing overheads
Raw materials and supplies: Most recent purchase cost method
Consolidated subsidiaries adopt mainly the moving average method.
- (h) Securities
Marketable securities classified as other securities are carried at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in net assets. Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined by the moving average method.
- (i) Derivatives
Derivatives are stated at fair value.
- (j) Property, plant and equipment and depreciation (except for leased assets, Right of use assets)
Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment is calculated principally by the declining-balance method for the Company and its domestic subsidiaries, and by the straight-line method mainly for foreign subsidiaries. Certain buildings of the Company and its domestic subsidiaries acquired on or after April 1, 1998 and facilities attached to buildings and other non-building structures acquired on or after April 1, 2016 are depreciated by the straight-line method. The estimated useful lives of the assets are as follows:
Buildings: 10 to 50 years
Machinery and vehicles: 4 to 10 years
Tooling and office furniture: 2 to 6 years
The residual values of the property, plant and equipment acquired on or before March 31, 2007 are depreciated equally over a period of 5 years starting from the year following the year in which they have been depreciated up to their depreciable limit or 5% of the acquisition cost.

- (k) Intangible assets (except for leased assets)
Amortization of intangible assets is calculated by the straight-line method. Software for own use is amortized based on the utilizable period (5 years).
- (l) Leased assets
Noncancellable lease transaction that transfer substantially all risks and rewards associated with the ownership of assets are accounted for as finance leases. Depreciation of leased assets is calculated by the straight-line method based on the lease life as the useful life and the residual value is zero.
- (m) Right of use assets
Depreciation of right of use assets is calculated by the straight-line method based on the lease term as the useful life and the residual value is zero.
- (n) Allowance for doubtful accounts
The allowance for doubtful accounts is provided based on past experience for normal receivables and on an estimate of the collectability of receivables from companies in financial difficulty.
- (o) Accrued bonus
Accrued bonuses are provided on the estimate of the amounts to be paid in the future by the Company, domestic consolidated subsidiaries and certain overseas subsidiaries based on an accrual basis at the balance sheet date.
- (p) Accrued directors' and officers' bonuses
Accrued directors' and officers' bonuses are provided on the estimate of the amounts to be paid subsequent to the balance sheet date.
- (q) Accrued directors' and officers' retirement benefits
Accrued directors' and officers' retirement benefits have been provided at an amount equal to 100% of the amount which would be required to be paid based on the Company's bylaws if all directors and officers resigned from the Company on the balance sheet date.
- (r) Accrued board benefit trust
Accrued board benefit trust have been provided at an amount equal to 100% of the amount which would be required to be paid based on the Company's bylaws if all directors and officers exercised board benefit trust on the balance sheet date.
- (s) Retirement benefits
Asset and liability for retirement benefits for employees are recorded mainly at the amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets as of balance sheet date.
The retirement benefit obligation for employees is attributed to each period by the benefit formula method over the estimated years of service of the eligible employees. Actuarial gain or loss is amortized in the year following the year in which the gain or loss is recognized primarily by the straight-line method over a period of 5 years, which is within the estimated average remaining years of service of employees.
- (t) Significant revenue and expenses
The main performance obligations in key businesses of the Company and its consolidated subsidiaries concerning revenue from contracts with customers is the sales of the parts for electro-communication device and electronic equipment in Japan and abroad. For the sales of these products, revenue is recognized at the point in time when the products are delivered to the customer. However, for sales within Japan of these products, revenue is recognized at the time of shipment in accordance with the alternative treatment prescribed in Paragraph 98 of "the Implementation Guidance on Accounting Standard for Revenue Recognition".
- (u) Hedge accounting
(1) Method of hedge accounting
Deferral hedge accounting is applied for interest rate swap transactions.
The exceptional treatment is applied for interest rate swap transactions meeting certain conditions.
(2) Hedging instruments and hedged items
Hedging instruments: interest rate swaps
Hedged items: long-term debt subject to interest rate fluctuation risk.
(3) Hedging policy
The Company uses interest rate swaps to hedge risks from interest rate fluctuations on borrowings, only when approved by the management.
(4) Assessment of effectiveness of hedging activities
The Company evaluates the hedge effectiveness by comparing accumulated fluctuations of the hedging instrument and hedged item every quarter.
When the exceptional treatment is applied for interest rate swaps, the assessment of hedge effectiveness is omitted.
- (v) Income taxes
Deferred income taxes are recognized based on the differences between financial reporting and the tax bases of the assets and liabilities and are calculated using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.
- (w) Per share information
Basic net income per share is computed based on the net income available for distribution to shareholders of common stock and weighted-average number of shares of common stock outstanding during the year. Diluted profit attributable to owners of parent per share is computed based on the profit attributable to owners of parent available for distribution to shareholders and average number of shares of common stock outstanding during each year after giving effect to the dilutive potential of shares of common stock to be issued upon the conversion of convertible bonds.
Net assets per share is computed based on the net assets available for distribution to shareholders of common stock and the number of shares of common stock outstanding at the balance sheet date. Cash dividends per share shown for each period in the consolidated statement of income represent the dividends applicable to the respective period.
- (x) Consumption taxes on assets
Nondeductible consumption taxes on assets are expensed in the consolidated financial statements.

(y) Significant accounting estimates

1. Impairment of fixed assets

(1) Amount recorded in the consolidated financial statements

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Property, plant and equipment	¥ 16,190	¥ 15,567	\$ 116,581

Note: Of which, SCI Division (Facilities of remote controls, switches, and camera modules): ¥503 million (\$3,767 thousand) for the year ended March 31, 2022 and CS Division: ¥672 million (\$5,033 thousand) for the year ended March 31, 2023.

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Impairment loss	¥ 3	¥ 517	\$ 3,872

Note: Of which, SCI Division (Facilities of remote controls, switches, and camera modules): ¥– million (\$– thousand) for the year ended March 31, 2022 and CS Division: ¥– million (\$– thousand) for the year ended March 31, 2023.

(2) Other information that facilitates users' understanding of financial statements

(i) Calculation method

Assets or asset groups that have an indication of impairment are tested for impairment, and when it is determined that an impairment loss should be recognized, the book value is reduced to the recoverable amount and an impairment loss is recorded. The recoverable amount is measured at value in use or net realizable value. Value in use is calculated by discounting future net cash flows estimated based on the future business plan to the present value.

(ii) Key assumptions

The key assumptions used in estimating future cash flows are forecasts of sales volume and sales prices, which serve the basis of the business plan. The forecast of sales volume and sales prices are calculated based on the estimated future order documents and purchase orders prepared by the customers.

(iii) Effect on the consolidated financial statements for the next fiscal year ending March 31, 2024

The estimation of projected sales volume and sales prices, which is the key assumptions, are highly uncertain. If the projected sales volume and sales prices fluctuated significantly in the future, impairment losses may be incurred in the year ending March 31, 2024.

2. Recoverability of deferred tax assets

(1) Amount recorded in the consolidated financial statements

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Deferred tax assets, net	¥ 126	¥ 97	\$ 726

Note: The amount before offsetting with deferred tax liabilities is ¥438 million (\$3,280 thousand) for the year ended March 31, 2023.

(2) Other information that facilitates users' understanding of financial statements

(i) Calculation method

The recoverability of deferred tax assets for deductible temporary differences and operating loss carryforwards for tax purposes is determined by estimating taxable income based on future profitability. Estimates of taxable income derived from future profitability are based on future business plans.

(ii) Key assumptions

The key assumptions used in estimating taxable income are forecasts of sales volume and sales prices, which serve the basis of the business plan. The forecast of sales volume and sales prices are calculated based on the estimated future order documents and purchase orders prepared by the customers.

(iii) Effect on the consolidated financial statements for the next fiscal year ending March 31, 2024

The estimation of projected sales volume and sales prices, which is the key assumptions, are highly uncertain. If the projected sales volume and sales prices fluctuated significantly in the future, changes in estimates of taxable income may result in the reversal of deferred tax assets.

(z) Change in presentation

(Consolidated Balance Sheet)

"Profit on investments in investment partnerships" previously presented as "other" in non-operating income has been to "loss on investments in investment partnerships" in non-operating expenses and been reclassified for the year ended March 31, 2023 because it exceeds 10% of total non-operating expenses.

Note that, "profit on investments in investment partnerships" was ¥213 million (\$1,595 thousand) of "other" in non-operating income in consolidated statement of income for the year ended of March 31, 2022.

(aa) Additional information

Introduction of Board Benefit Trust

We introduced a new share-based compensation plan, a "Board Benefit Trust (BBT)" (the "Plan") for directors (including executive officer, excluding outside directors; "Directors") based on the resolution at the 96th General Meeting of Shareholders on June 22, 2018 for the purpose of raising awareness of contributing to the improvement of medium- to long-term business results.

Regarding the accounting treatment for the plan, the gross method is adopted based on the "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees, etc. through Trusts" (ASBJ Practical Issue Task Force No.30, March 26, 2015).

(1) Outline of the Plan

The Plan is a share-based compensation plan under which our shares are acquired through a trust (the trust established in accordance with the Plan, the "Trust") by using the funds contributed by the Company. Directors will receive the Company's shares through the Trust in accordance with the officer stock benefit rules prescribed by the Company. In principle, Directors will receive benefits, such as the Company's shares, on their retirement.

(2) The Company's shares remaining in the Trust

The Company's shares remaining in the Board Benefit Trust (BBT) are recorded by the Company as treasury stock under net assets at their book value in the BBT (excluding the amount of ancillary expenses). As of March 31, 2023, the book value of the said treasury stock was ¥151 million (\$1,131 thousand), and the number of shares was 41,200.

Note 2. U.S. dollar amounts

The U.S. dollar amounts are stated solely for the convenience of the reader at the rate of U.S. \$1.00 = ¥133.53, the approximate rate of exchange at March 31, 2023. The translation should not be construed as a representation that the Japanese yen amounts actually represent, have been or could be converted into U.S. dollars at that or any other rate.

Note 3. Inventories

Inventories as of March 31, 2022 and 2023 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Finished products	¥ 3,592	¥ 4,277	\$ 32,030
Work in process	961	660	4,943
Raw materials and supplies	4,991	5,134	38,448
Total	¥ 9,545	¥ 10,073	\$ 75,436

The write-downs of inventories resulting from decreased profitability for the years ended March 31, 2022 and 2023 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Cost of sales	¥ 345	¥ 366	\$ 2,741

Note 4. Reduction entries

Reduction entries due to acceptance of prefectural government's grants relating to property, plant and equipment as of March 31, 2022 and 2023 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Land	¥ 101	¥ 101	\$ 756

Note 5. Short-term loans payable and long-term debt

Short-term loans payable and long-term debt as of March 31, 2022 and 2023 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Short-term loans payable			
Average interest rate on short-term loans payable, principally from banks, is 0.46%			
Secured	¥ —	¥ —	\$ —
Unsecured	2,300	2,500	18,722
Total	¥ 2,300	¥ 2,500	\$ 18,722
Long-term debt			
Average interest rate on long-term debt, principally from banks, is 1.00%			
Secured	¥ 4,628	¥ 5,474	\$ 40,995
Unsecured	4,352	3,380	25,313
Less: portion due within one year	(2,766)	(3,991)	(29,888)
Total	¥ 6,214	¥ 4,863	\$ 36,419

The assets pledged as collateral for short-term and long-term debt as of March 31, 2022 and 2023 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
(1) Factory foundation			
Buildings	¥ 1,019	¥ 993	\$ 7,437
Machinery and vehicles	44	195	1,460
Tooling and office furniture	80	64	479
Land	256	256	1,917
Total	¥ 1,400	¥ 1,510	\$ 11,308
(2) Other			
Buildings	¥ 200	¥ 185	\$ 1,385
Tooling and office furniture	0	1	7
Land	39	39	292
Total	¥ 240	¥ 226	\$ 1,693

The aggregate annual maturities of long-term debt (including current portion) outstanding as of March 31, 2023 were summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2024	¥ 3,991	\$ 29,888
2025	1,056	7,908
2026	1,056	7,908
2027	1,056	7,908
2028	1,276	9,556
2029 and thereafter	416	3,115
Total	¥ 8,854	\$ 66,307

Note 6. Other current liabilities

Of which, contract liabilities as of March 31, 2022 and 2023 were summarized as follows.

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Contract liabilities	¥ 56	¥ 224	\$ 1,678

Note 7. Retirement benefits plans

The Company and certain of its domestic consolidated subsidiaries have either funded or unfunded defined benefit pension plans and defined contribution benefit pension plans.

The Company has funded corporate pension fund plans and defined contribution pension plans. As a defined benefit pension plan, the Company has adopted a cash balance plan. Under the cash balance plan, the plan sponsor contributes money into a plan participant's account based on the points according to the employee's years of service and job performance and the points are calculated with an interest credit that reflects changes in market interest rates.

Certain subsidiaries have funded and unfunded lump-sum payment plans and defined contribution pension plans. The simplified method is applied for the calculation of liability for retirement benefits and retirement benefit expense of certain domestic subsidiaries.

The changes in the retirement benefit obligation during the years ended March 31, 2022 and 2023 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Balance at the beginning of the year	¥ 5,644	¥ 5,362	\$ 40,156
Service cost	247	234	1,752
Interest cost	38	37	277
Actuarial gain and loss	43	(13)	(97)
Retirement benefit paid	(621)	(553)	(4,141)
Other	10	2	15
Balance at the end of the year	¥ 5,362	¥ 5,070	\$ 37,969

The changes in plan assets during the years ended March 31, 2022 and 2023 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Balance at the beginning of the year	¥ 7,641	¥ 7,567	\$ 56,669
Expected return on plan assets	134	129	966
Actuarial gain and loss	182	12	90
Contributions by the Company	226	223	1,670
Retirement benefits paid	(616)	(544)	(4,074)
Balance at the end of the year	¥ 7,567	¥ 7,390	\$ 55,343

The funded status of the plans and the amounts recognized in the consolidated balance sheet as of March 31, 2022 and 2023 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Funded retirement benefit obligation	¥ 5,338	¥ 5,045	\$ 37,782
Plan assets at fair value	(7,567)	(7,390)	(55,343)
	(2,229)	(2,344)	(17,554)
Unfunded retirement benefit obligation	23	24	180
Net liability for retirement benefits in the balance sheet	(2,205)	(2,319)	(17,367)
Liability for retirement benefits	39	24	180
Asset for retirement benefits	(2,245)	(2,344)	(17,554)
Net liability for retirement benefits in the balance sheet	¥ (2,205)	¥ (2,319)	\$ (17,367)

The components of retirement benefit expense for the years ended March 31, 2022 and 2023 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Service cost	¥ 248	¥ 232	\$ 1,737
Interest cost	38	37	277
Expected return on plan assets	(134)	(129)	(966)
Amortization of actuarial gain and loss	(220)	(206)	(1,543)
Retirement benefit expense	¥ (68)	¥ (66)	\$ (494)

The components of retirement benefits asset and liability adjustments included in other comprehensive income (before tax effect) for the years ended March 31, 2022 and 2023 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Actuarial gain and loss	¥ (77)	¥ (176)	\$ (1,318)

The components of retirement benefits asset and liability adjustments included in accumulated other comprehensive income (before tax effect) as of March 31, 2022 and 2023 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Unrecognized actuarial gain and loss	¥ 733	¥ 556	\$ 4,164

The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2022 and 2023 were as follows:

	2022	2023
Bonds	7.1%	7.3%
Stocks	36.8	34.9
Life insurances	32.0	31.2
Funds	14.0	10.8
Other	10.1	15.8
Total	100.0%	100.0%

1. The total plan assets include retirement benefit trusts which constitute 17.2% for the year ended March 31, 2022 and 19.5% for the year ended March 31, 2023.
2. The expected rates of return on plan assets has been estimated based on the anticipated allocation of plan assets to each asset category and the expected long-term returns on plan assets held in each category.

The required contributions to the defined contribution plans by the Company and its consolidated subsidiaries for the years ended March 31, 2022 and 2023 amounted to ¥83 million and ¥90 million (\$674 thousand), respectively.

Assumptions to calculate the actuarial present value of the benefit obligation and the expected return on plan assets as of March 31, 2022 and 2023 were as follows:

	2022	2023
Discount rate	0.6%	0.6%
Re-evaluation rate	0.51%	0.52%
Expected rates of return on plan assets	2.0%	2.0%

Note 8. Net assets

Information regarding changes in net assets for the years ended March 31, 2022 and 2023 was as follows:

1. Shares issued and outstanding / Treasury stock

Types of shares	2022			Number of shares at March 31, 2022	2023			Number of shares at March 31, 2023
	Number of shares at April 1, 2021	Increase	Decrease		Number of shares at April 1, 2022	Increase	Decrease	
Shares issued:								
Common stock	7,500,000	—	—	7,500,000	7,500,000	—	300,000	7,200,000
Treasury stock:								
Common stock	1,064,036	201,150	—	1,265,186	1,265,186	1,266	609,200	657,252

The Company's shares remaining in the Board Benefit Trust (BBT) are included in treasury stock (43,800 shares at March 31, 2022 and 41,200 shares at March 31 2023).

	Number of shares	
	2022	2023
1. Details of the decrease of shares issued are as follows:		
Decrease due to cancellation of shares	—	300,000
2. Details of the increase of treasury stock are as follows:		
Increase due to purchase of shares	200,000	—
Increase due to purchase of shares of less than standard unit	514	535
Increase in shares held by affiliates accounted for by the equity method	636	731
3. Details of the decrease of treasury stock are as follows:		
Decrease due to cancellation of shares	—	300,000
Decrease due to disposal of shares	—	200,000
Decrease due to disposal of shares as restricted stock	—	106,600
Decrease due to payment of executive compensation based on BBT	—	2,600

2. Dividends

(1) Dividends paid

Resolution	Type of shares	2022		Cut-off date	Effective date
		Total dividends (Millions of yen)	Dividends per share (Yen)		
Shareholders' meeting on June 23, 2021	Common stock	324	50	March 31, 2021	June 24, 2021

Resolution	Type of shares	2022		2023		2023	
		Total dividends (Millions of yen)	Dividends per share (Yen)	Cut-off date	Effective date	Total dividends (Thousands of U.S. dollars)	Dividends per share (U.S. dollars)
Shareholders' meeting on June 22, 2022	Common stock	440	70	March 31, 2022	June 23, 2022	3,295	0.52

(2) Dividends with the cut-off date in the year ended March 31, 2022 and the effective date in the year ending March 31, 2023

2022						
Resolution	Type of shares	Source of dividends	Total dividends (Millions of yen)	Dividends per share (Yen)	Cut-off date	Effective date
Shareholders' meeting on June 22, 2022	Common stock	Retained earnings	440	70	March 31, 2022	June 23, 2022

Dividends with the cut-off date in the year ended March 31, 2023 and the effective date in the year ending March 31, 2024

2023							2023	
Resolution	Type of shares	Source of dividends	Total dividends (Millions of yen)	Dividends per share (Yen)	Cut-off date	Effective date	Total dividends (Thousands of U.S. dollars)	Dividends per share (U.S. dollars)
Shareholders' meeting on June 27, 2023	Common stock	Retained earnings	659	100	March 31, 2023	June 28, 2023	4,935	0.75

Dividends of the Company's shares remaining in the Board Benefit Trust (BBT) ¥4 million (\$30 thousand) are included in total dividends based on the resolution at shareholders' meeting on June 27, 2023.

Note 9. Research and development costs

Research and development costs included in cost of sales and selling, general and administrative expenses for the years ended March 31, 2022 and 2023 amounted to ¥2,384 million and ¥2,390 million (\$17,899 thousand), respectively.

Note 10. Selling, general and administrative expenses

Major elements of selling, general and administrative expenses for the years ended March 31, 2022 and 2023 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Salaries and wages of employees	¥ 3,706	¥ 4,189	\$ 31,371
Provision for bonus	308	271	2,030
Provision for directors' and officers' bonus	30	26	195
Retirement benefit cost	11	4	30
Provision for directors' and officers' retirement benefits	24	21	157
Provision for directors' and officers' share awards	12	11	82
Provision for doubtful accounts	(34)	12	90

Note 11. Gains and losses of fixed assets

The components of gains and losses of fixed assets for the years ended March 31, 2022 and 2023 were as follows:

Gains on sales of fixed assets

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Buildings	¥ 16	¥ —	\$ —
Machinery and vehicles	3	9	67
Tooling and office furniture	2	9	67
Land	10	—	—
Total	¥ 32	¥ 18	\$ 135

Loss on sales of fixed assets

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Buildings	¥ 31	¥ —	\$ —
Machinery and vehicles	1	0	0
Tooling and office furniture	0	—	—
Land	1	—	—
Total	¥ 34	¥ 0	\$ 0

Loss on disposal of fixed assets

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Buildings	¥ 16	¥ 0	\$ 0
Machinery and vehicles	13	54	404
Tooling and office furniture	8	21	157
Intangible asset	0	0	0
Total	¥ 38	¥ 76	\$ 569

Note 12. Loss on impairment of fixed assets

An impairment loss is recognized when the carrying amount of an asset exceeds undiscounted future net cash flows which are expected to be generated by such asset. The impairment loss is measured by the amount by which the carrying amount of the asset exceeds its recoverable amount being the higher of the discounted future net cash flows or net realizable value.

For the year ended March 31, 2022, impairment losses were recognized for the following assets.

			Millions of yen					2022	
Asset group	Location	Use	Buildings	Machinery and vehicles	Tooling and office furniture	Right of use assets	Construction in progress	Intangible assets	Total
SCI Division	Japan	Touch panel production facilities	¥ 3	¥ —	¥ —	¥ —	¥ —	¥ —	¥ 3
Total			¥ 3	¥ —	¥ —	¥ —	¥ —	¥ —	¥ 3

For the year ended March 31, 2023, impairment losses were recognized for the following assets.

			Millions of yen					2023	
Asset group	Location	Use	Buildings	Machinery and vehicles	Tooling and office furniture	Right of use assets	Construction in progress	Intangible assets	Total
CS Division	Japan	Connector production facilities	¥ —	¥ —	¥ 12	¥ —	¥ —	¥ —	¥ 12
SCI Division	Japan	Remote controls/Switches/Camera modules production facilities	4	298	67	—	—	2	372
Research & Development Center	Japan	Wireless module production facilities	—	—	0	—	—	—	0
SMK Manufacturing, Inc.	U.S.A.	Remote controls/Unit production facilities	—	48	3	33	0	0	85
SMK Electronica S.A. de C.V.	Mexico	Remote controls/Unit production facilities	3	16	2	—	—	3	25
SMK Electronics (Phils.) Corporation	Philippines	Connector production facilities	—	0	18	—	—	—	19
Total			¥ 7	¥ 363	¥ 106	¥ 33	¥ 0	¥ 6	¥ 517

			Thousands of U.S. dollars					2023	
Asset group	Location	Use	Buildings	Machinery and vehicles	Tooling and office furniture	Right of use assets	Construction in progress	Intangible assets	Total
CS Division	Japan	Connector production facilities	\$ —	\$ —	\$ 90	\$ —	\$ —	\$ —	\$ 90
SCI Division	Japan	Remote controls/Switches/Camera modules production facilities	30	2,232	502	—	—	15	2,786
Research & Development Center	Japan	Wireless module production facilities	—	—	0	—	—	—	0
SMK Manufacturing, Inc.	U.S.A.	Remote controls/Unit production facilities	—	359	22	247	0	0	637
SMK Electronica S.A. de C.V.	Mexico	Remote controls/Unit production facilities	22	120	15	—	—	22	187
SMK Electronics (Phils.) Corporation	Philippines	Connector production facilities	—	0	135	—	—	—	142
Total			\$ 52	\$ 2,718	\$ 794	\$ 247	\$ 0	\$ 45	\$ 3,872

The Company's assets for business operations are categorized into groups on a division-by-division basis and the Company's rental property and idle property on an individual property basis, whereas consolidated subsidiaries' assets for business operations are categorized into groups on a subsidiary-by-subsidiary basis and their rental property and idle property on an individual property basis.

Of the above asset groups, SCI Division, Research & Development Center, SMK Manufacturing, Inc. and SMK Electronica S.A. de C.V. suffered declining trends in net sales and income due to intense price competition in the market. The future cash flows from their asset groups were estimated and it was found that they could not generate sufficient profitability to recover the carrying value of the asset groups, and therefore their book value was reduced to the recoverable amounts. As for the CS Division and SMK Electronics (Phils.) Corporation, some production facilities were recognized as idle assets during the fiscal year ended March 31, 2023 and their book value was reduced to the recoverable amounts since no future cash flows are expected.

The recoverable amount of the asset group of the CS Division, SCI Division, Research & Development Center, SMK Manufacturing, Inc., SMK Electronica S.A. de C.V. and SMK Electronics (Phils.) Corporation were measured at value in use, and since no future cash flows are expected, the full amount of the book value of the fixed assets regarding this business is recorded as impairment loss.

Note 13. Income taxes

Income taxes applicable to the Company and its domestic subsidiaries comprised corporation, inhabitants' and enterprise taxes which, in the aggregate, resulted in statutory tax rates of approximately 30.5% for the year ended March 31, 2022 and 2023. A reconciliation between the statutory tax rate and the effective tax rate for the years ended March 31, 2022 and 2023 were as follows.

	2022	2023
Statutory tax rate	30.5%	30.5%
Items such as entertainment expenses permanently non-deductible for tax purposes	0.5	1.1
Items such as dividend income permanently non-taxable	(5.4)	(10.1)
Change in valuation allowance	(12.6)	4.5
Tax credit for R&D expenses	(2.8)	(5.2)
Foreign withholding taxes	0.5	1.7
Inhabitant tax on per capita basis	0.6	1.1
Statutory tax rate differences in subsidiaries	(7.1)	(8.3)
Elimination of dividend income	6.8	14.2
Accumulated surplus of subsidiaries	0.8	0.2
Other	(3.7)	0.3
Effective tax rate	8.1%	30.0%

The Company and its domestic subsidiaries adopted the group tax sharing system from the beginning of the current fiscal year. In accordance with this, the accounting procedures and disclosure of corporate and local income taxes and tax effect accounting are based on the "Practical solution on the Accounting and Disclosure under the Group Tax Sharing System" (ASBJ Practical Issue Task Force No. 42, August 12, 2021).

The significant components of deferred tax assets and liabilities at March 31, 2022 and 2023 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Deferred tax assets:			
Inventory write-down	¥ 102	¥ 108	\$ 809
Accrued bonuses	204	170	1,273
Intercompany profit on inventory	63	66	494
Liability for retirement benefits	8	8	60
Allowance for doubtful accounts	38	35	262
Impairment loss	574	611	4,576
Operating loss carryforwards for tax purposes	2,036	2,267	16,977
Other	828	539	4,037
Total gross deferred tax assets	3,856	3,807	28,510
Valuation allowance for net operating loss carryforwards	(1,976)	(2,205)	(16,513)
Valuation allowance for deductible temporary differences	(1,313)	(1,164)	(8,717)
Total valuation allowance	(3,290)	(3,369)	(25,230)
Total deferred tax assets	566	438	3,280
Deferred tax liabilities:			
Asset for retirement benefits	(685)	(713)	(5,340)
Deferred gain on land	(36)	(36)	(270)
Advanced depreciation on buildings	(5)	(5)	(37)
Net unrealized gains on other securities	(175)	(329)	(2,464)
Accumulated surplus of foreign subsidiaries	(143)	(140)	(1,048)
Valuation difference on subsidiaries	(307)	(305)	(2,284)
Other	(47)	(30)	(225)
Deferred tax liabilities	(1,401)	(1,561)	(11,690)
Net deferred tax assets	¥ (834)	¥ (1,122)	\$ (8,403)

- Valuation allowance has increased by ¥79 million (\$592 thousand). This increase is due to the additional recognition of valuation allowance for net operating loss carryforwards in subsidiaries.
- A breakdown of net operating loss carryforwards and valuation allowance by expiry date as of March 31, 2022 and 2023 is as follows:

2022	Millions of yen							Total
	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years		
Net operating loss carryforwards (a)	¥ 1	¥ 162	¥ 11	¥ 29	¥ 6	¥ 1,825	¥ 2,036	
Valuation allowance	(1)	(162)	(11)	(29)	(6)	(1,764)	(1,976)	
Deferred tax assets	¥ —	¥ —	¥ —	¥ —	¥ —	¥ 60	¥ 60	

2023	Millions of yen							Total
	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years		
Net operating loss carryforwards (a)	¥ —	¥ 3	¥ 4	¥ 3	¥ 187	¥ 2,067	¥ 2,267	
Valuation allowance	—	(3)	(4)	(3)	(187)	(2,006)	(2,205)	
Deferred tax assets	¥ —	¥ —	¥ —	¥ —	¥ —	¥ 61	¥ 61	

2023	Thousands of U.S. dollars							Total
	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years		
Net operating loss carryforwards (a)	\$ —	\$ 22	\$ 30	\$ 22	\$ 1,400	\$ 15,480	\$ 16,977	
Valuation allowance	—	(22)	(30)	(22)	(1,400)	(15,023)	(16,513)	
Deferred tax assets	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 457	\$ 457	

(a) The amount is determined by multiplying the corresponding net operating loss carryforwards by the effective statutory tax rate.

Note 14. Other comprehensive income

The following table presents reclassification adjustments and tax effects allocated to each component of other comprehensive income for the years ended March 31, 2022 and 2023.

	Millions of Yen		Thousands of U.S. dollars
	2022	2023	2023
Net unrealized gains (losses) on other securities:			
Amount arising during the year	¥ 198	¥ 504	\$ 3,774
Reclassification adjustments for gains and losses included in profit attributable to owners of parent	—	(2)	(15)
Amount before tax effect	198	502	3,759
Tax effect	(60)	(154)	(1,153)
Net unrealized gains (losses) on other securities	137	347	2,599
Net unrealized gains (losses) from hedging instruments:			
Amount arising during the year	(2)	—	—
Reclassification adjustments for gains and losses included in profit attributable to owners of parent	7	2	15
Amount before tax effect	5	2	15
Tax effect	—	—	—
Net unrealized gains (losses) from hedging instruments	5	2	15
Foreign currency translation adjustments:			
Amount arising during the year	595	308	2,307
Reclassification adjustments for gains and losses included in profit attributable to owners of parent	—	(78)	(584)
Amount before tax effect	595	230	1,722
Tax effect	(2)	23	172
Foreign currency translation adjustments	593	254	1,902
Retirement benefits asset and liability adjustments:			
Amount arising during the year	142	29	217
Reclassification adjustments for gains and losses included in profit attributable to owners of parent	(220)	(206)	(1,543)
Amount before tax effect	(77)	(176)	(1,318)
Tax effect	30	53	397
Retirement benefits asset and liability adjustments	(47)	(123)	(921)
Total other comprehensive income	¥ 689	¥ 481	\$ 3,602

Note 15. Amounts per share

- In the calculation of total net assets and profit per share, the Company's shares remaining in the Board Benefit Trust (BBT), which are recorded as treasury stock under shareholders' equity, are included in the treasury stocks that are deducted in the calculation of the number of shares as of March 31, 2022 and 2023 and the average number of shares for the year ended March 31, 2022 and 2023. In the calculation of total net assets per share, the said treasury stock deducted as of March 31, 2022 and 2023 is 43,800 and 41,200, respectively. In the calculation of profit per share, the said treasury stock deducted for the year ended March 31, 2022 and 2023 is 43,800 and 41,958, respectively.
- Profit attributable to owners of parent per share of common stock is based on the following information:

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Basic Profit attributable to owners of parent per share:			
Profit attributable to owners of parent	¥2,992	¥1,334	\$9,990
Profit attributable to owners of parent not attributable to common stockholders	—	—	—
Profit attributable to owners of parent attributable to common stock	2,992	1,334	9,990
	Thousands of shares		
	2022	2023	
Average number of shares of common stock outstanding during the year	6,337	6,382	

Note 16. Financial instruments

(1) Policy for financial instruments

The Company and consolidated subsidiaries manage temporary cash surpluses through low-risk financial assets.

The Company and consolidated subsidiaries raise funds through bank borrowings.

The Company and consolidated subsidiaries use derivatives for the purpose of reducing risk and do not enter into derivatives for speculative or trading purposes.

(2) Types of financial instruments and related risk

Trade receivables - trade notes, electronically recorded monetary claims and trade accounts receivable- are exposed to credit risk in relation to customers. Regarding this risk, the credit management is executed periodically.

Marketable securities and investment securities are exposed to market risk. The fair value of those securities is reported in a board meeting periodically.

Substantially all trade payables - trade notes and accounts payable - have payment due dates within one year.

Short-term loans payable are raised mainly in connection with business activities, and the repayment dates of long-term debt extend up to five years from the balance sheet date and lease liabilities are raised mainly in connection with capital investment. Long-term debt with variable interest rates is exposed to interest rate fluctuation risk. However, to reduce such risk and fix interest expense for long-term debt bearing interest at variable rates, the Company and consolidated subsidiaries utilizes interest rate swap transactions as a hedging instrument. Information regarding the method of hedge accounting, hedging instruments and hedged items, hedging policy, and the assessment of effectiveness of hedging activities is found in Note 1 (u).

Execution and management of derivatives transactions are carried out in accordance with the company rules specifying the transaction authority. In addition, in order to alleviate credit risk, derivative transactions are only dealt with banks with high credit ratings. Although operating liabilities and loans payable are exposed to liquidity risk, the Group's companies are able to manage it by using methods such as preparing monthly cash management plans.

(3) Additional information regarding fair value of financial instruments

The contract amounts, etc. relating to derivatives transactions are described in Note 18. Derivatives themselves do not serve as indicators of market risk involved in derivatives transactions.

Information regarding fair value of financial instruments at March 31, 2022 and 2023 was summarized as follows:

	Millions of yen						Thousands of U.S. dollars		
	2022			2023			2023		
	Book value	Fair value	Difference	Book value	Fair value	Difference	Book value	Fair value	Difference
Investment securities	¥ 2,130	¥ 2,130	¥ —	¥ 2,608	¥ 2,608	¥ —	\$ 19,531	\$ 19,531	\$ —
Long-term debt	8,980	8,977	(3)	8,854	8,877	23	66,307	66,479	172
Lease liabilities	1,327	1,327	(0)	1,463	1,463	(0)	10,956	10,956	(0)
Derivatives	(41)	(41)	—	(13)	(13)	—	(97)	(97)	—

- "Cash and cash equivalents, time deposits", "notes receivable, trade", "electronically recorded monetary claims", "accounts receivable, trade", "notes and account payable, trade", "short-term loans payable", and "accounts payable, non-trade" are omitted because these are cash items and their fair values approximate their carrying values due to their short maturities.
- Investment in limited liability partnership ¥1,069 million in the consolidated balance sheet as of March 31, 2022 and ¥927 million (\$6,942 thousand) in the consolidated balance sheet as of March 31, 2023 are omitted.
- Financial instruments whose fair value is extremely difficult to determine

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Unlisted securities	¥ 439	¥ 505	\$ 3,782

- Long-term debt includes current portion of long-term debt recorded as short-term loans payable in the consolidated balance sheets.
- The assets and liabilities arising from derivatives are shown on a net basis with the amount in parentheses representing a net liability position.
- The schedules for redemption of monetary assets and securities with maturities

	Millions of yen						Thousands of U.S. dollars		
	2022			2023			2023		
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due in one year or less	Due after one year through five years	Due after five years through ten years
Cash equivalents and time deposits	¥ 8,546	¥ —	¥ —	¥ 8,962	¥ —	¥ —	\$ 67,116	\$ —	\$ —
Notes receivable, trade	¥53	—	—	64	—	—	479	—	—
Electronically recorded monetary claims	1,460	—	—	1,606	—	—	12,027	—	—
Accounts receivable, trade	¥ 11,286	—	—	11,505	—	—	86,160	—	—
Total	¥ 21,347	¥ —	¥ —	¥ 22,139	¥ —	¥ —	\$ 165,798	\$ —	\$ —

7. The redemption schedule for short-term loans payable and long-term debt are disclosed in Note 5.

Breakdown of fair value of financial instruments by level

Fair values of financial instruments are categorized into these levels as described below on the basis of the observability and the materiality of the inputs used in the fair value measurement.

Level1: Fair values measured using quoted prices of identical assets or liabilities in active markets among observable valuation inputs

Level2: Fair values measured using inputs other than inputs included within Level 1 among observable valuation inputs

Level3: Fair values measured using unobservable valuation inputs

When several inputs that have significant impact on fair value measurement are used and those inputs are categorized into different levels, the fair value is categorized into the lowest hierarchy level for fair value measurement among those in which each of the inputs belongs.

(1) Financial instruments measured at fair value

Category	Millions of yen								Thousands of U.S. dollars			
	2022				2023				2023			
	Fair value				Fair value				Fair value			
	Level1	Level2	Level3	Total	Level1	Level2	Level3	Total	Level1	Level2	Level3	Total
Investment securities												
Other securities												
Stocks	¥ 2,130	¥ —	¥ —	¥ 2,130	¥ 2,608	¥ —	¥ —	¥ 2,608	\$ 19,531	\$ —	\$ —	\$ 19,531
Total assets	2,130	—	—	2,130	2,608	—	—	2,608	19,531	—	—	19,531
Derivatives												
Currency-related derivative financial instruments	—	39	—	39	—	13	—	13	—	97	—	97
Interest-related derivative financial instruments	—	2	—	2	—	—	—	—	—	—	—	—
Total liabilities	¥ —	¥ 41	¥ —	¥ 41	¥ —	¥ 13	¥ —	¥ 13	\$ —	\$ 97	\$ —	\$ 97

(2) Financial instruments other than those measured at fair value

Category	Millions of yen								Thousands of U.S. dollars			
	2022				2023				2023			
	Fair value				Fair value				Fair value			
	Level1	Level2	Level3	Total	Level1	Level2	Level3	Total	Level1	Level2	Level3	Total
Long-term debt	¥ —	¥ 8,977	¥ —	¥ 8,977	¥ —	¥ 8,877	¥ —	¥ 8,877	\$ —	\$ 66,479	\$ —	\$ 66,479
Lease liabilities	—	1,327	—	1,327	—	1,463	—	1,463	—	10,956	—	10,956
Total liabilities	¥ —	¥ 10,305	¥ —	¥ 10,305	¥ —	¥ 10,341	¥ —	¥ 10,341	\$ —	\$ 77,443	\$ —	\$ 77,443

Investment securities

Listed stocks are determined by using quoted prices. Fair values of listed stocks are categorized as Level 1 since they are traded in active markets.

Derivatives

The fair value of interest rate swaps and foreign exchange forward contracts are categorized as Level 2 because they are measured using the discounted present value method with observable inputs such as interest rates and exchange rates.

Long-term debt and lease liabilities

Fair values are measured using the discounted present value method based on the total amount of principle and interest, remaining maturity, and interest rates taking into account credit risk, and are categorized as Level 2.

Note 17. Securities

Information regarding securities classified as other securities at March 31, 2022 and 2023 was summarized as follows:

	Millions of yen						Thousands of U.S. dollars		
	2022			2023			2023		
	Book value	Acquisition	Unrealized gain (loss)	Book value	Acquisition	Unrealized gain (loss)	Book value	Acquisition	Unrealized gain (loss)
Securities whose book value exceeds their acquisition									
Stocks	¥ 1,639	¥ 993	¥ 646	¥ 2,597	¥ 1,490	¥ 1,107	\$ 19,449	\$ 11,159	\$ 8,290
Subtotal	1,639	993	646	2,597	1,490	1,107	19,449	11,159	8,290
Securities whose acquisition exceeds their book value									
Stocks	490	537	(46)	10	14	(3)	75	105	(22)
Subtotal	490	537	(46)	10	14	(3)	75	105	(22)
Total	¥ 2,130	¥ 1,530	¥ 600	¥ 2,608	¥ 1,504	¥ 1,103	\$ 19,531	\$ 11,263	\$ 8,260

Unlisted stocks of ¥1,103 million at March 31, 2022 and ¥959 million (\$7,182 thousand) at March 31, 2023 are not included in the above table because there were no quoted market prices available.

Investment securities in unconsolidated subsidiaries and affiliates are as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Investment securities	¥ 404	¥ 473	\$ 3,542

Information regarding sales of securities classified as other securities for the years ended March 31, 2022 and 2023 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Proceeds from sales of securities	¥ —	¥ 7	\$ 52
Stocks	—	7	52
Gains on sales	—	2	15
Stocks	—	2	15
Losses on sales	—	—	—
Stocks	—	—	—

Impairment of investment securities classified as other securities for the years ended March 31, 2022 and 2023 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Stocks	¥ 115	¥ 25	\$ 187

Note 18. Derivatives

As a matter of policy, the Company does not speculate in derivative transactions. The Company does not anticipate nonperformance by any of the counterparties to the derivative transactions, all of whom are leading domestic financial institutions with high bond ratings.

In accordance with the Company's policy, the accounting department controls derivative transactions and requires approval by the director responsible for accounting and the representative directors of the Company. The director who has the responsibility to control the performance and the related risks connected with derivatives reports these to the Management Committee of the Company.

The Company uses interest rate swaps to hedge the risks from interest rate fluctuations on borrowings. The exceptional method of hedge accounting is used to account for those transactions.

(Currency related)

	Millions of yen						Thousands of U.S. dollars		
	Contract amount		Fair value		Unrealized gain (loss)		Contract amount	Fair value	Unrealized gain (loss)
	2022	2023	2022	2023	2022	2023	2023	2023	2023
Forward foreign exchange contracts:									
Sell: US\$ / Buy: Yen	¥ 779	¥ 504	¥ (39)	¥ (13)	¥ (39)	¥ (13)	\$ 3,774	\$ (97)	\$ (97)
Total	¥ 779	¥ 504	¥ (39)	¥ (13)	¥ (39)	¥ (13)	\$ 3,774	\$ (97)	\$ (97)

(Interest related)

	Millions of yen						Thousands of U.S. dollars		
	Contract amount		Due after one year		Fair value		Contract amount	Due after one year	Fair value
	2022	2023	2022	2023	2022	2023	2023	2023	2023
Interest rate swaps (Deferral hedge accounting)	¥ 1,940	¥ —	¥ —	¥ —	¥ (2)	¥ —	\$ —	\$ —	\$ —

Note 19. Investment and rental property

The profit of investment and rental property for the year ended March 31, 2022 amounted to ¥481 million. The profit of investment and rental property for the year ended March 31, 2023 amounted to ¥431 million (\$3,228 thousand). Information on the fair value of investment and rental property at March 31, 2022 and 2023 was summarized as follows:

Millions of yen								Thousands of U.S. dollars			
2022				2023				2023			
Book value beginning of the year	Net change	Book value end of the year	Fair value end of the year	Book value beginning of the year	Net change	Book value end of the year	Fair value end of the year	Book value beginning of the year	Net change	Book value end of the year	Fair value end of the year
¥ 6,782	¥ (111)	¥ 6,671	¥ 13,161	¥ 6,671	¥ (111)	¥ 6,559	¥ 13,051	\$ 49,959	\$ (831)	\$ 49,120	\$ 97,738

- The fair value represents the acquisition cost less accumulated depreciation.
- The components of net change in book value for the year ended March 31, 2022 included increases mainly due to acquisitions in the amount of ¥57 million and decrease mainly due to depreciation ¥149 million. The components of net change in book value for the year ended March 31, 2023 included increases mainly due to acquisitions in the amount of ¥40 million (\$300 thousand), and decrease mainly due to depreciation ¥151 million (\$1,131 thousand).
- The fair value is mainly based upon the amount appraised by outside independent real estate appraisers.

Note 20. Revenue recognition

- Information on disaggregated revenue arising from contracts with customers

Millions of yen						
2022						
	Reportable segments					
	CS Division	SCI Division	Research & Development Center	Subtotal	Others	Total
Japan	¥ 4,776	¥ 10,705	¥ 305	¥ 15,787	¥ 4	¥ 15,792
China	6,965	2,753	2	9,721	—	9,721
Other Asia	2,908	3,725	—	6,633	—	6,633
U.S.A.	4,424	9,838	—	14,262	—	14,262
Other North America	—	438	—	438	—	438
Europe	468	926	0	1,394	—	1,394
Revenue from contracts with customers	19,543	28,387	309	48,239	4	48,243
Revenue from external customers	¥ 19,543	¥ 28,387	¥ 309	¥ 48,239	¥ 4	¥ 48,243

Millions of yen						
2023						
	Reportable segments					
	CS Division	SCI Division	Research & Development Center	Subtotal	Others	Total
Japan	¥ 4,393	¥ 13,018	¥ 332	¥ 17,743	¥ 23	¥ 17,767
China	7,103	2,649	3	9,756	—	9,756
Other Asia	3,420	4,997	—	8,418	—	8,418
U.S.A.	4,289	11,556	—	15,846	—	15,846
Other North America	—	342	—	342	—	342
Europe	791	1,917	3	2,711	—	2,711
Revenue from contracts with customers	19,997	34,482	339	54,819	23	54,842
Revenue from external customers	¥ 19,997	¥ 34,482	¥ 339	¥ 54,819	¥ 23	¥ 54,842

Thousands of U.S. dollars						
2023						
	Reportable segments					
	CS Division	SCI Division	Research & Development Center	Subtotal	Others	Total
Japan	\$ 32,899	\$ 97,491	\$ 2,486	\$ 132,877	\$ 172	\$ 133,056
China	53,194	19,838	22	73,062	—	73,062
Other Asia	25,612	37,422	—	63,042	—	63,042
U.S.A.	32,120	86,542	—	118,670	—	118,670
Other North America	—	2,561	—	2,561	—	2,561
Europe	5,924	14,356	22	20,303	—	20,303
Revenue from contracts with customers	149,757	258,234	2,539	410,537	172	410,709
Revenue from external customers	\$ 149,757	\$ 258,234	\$ 2,539	\$ 410,537	\$ 172	\$ 410,709

Note1: "Others" which includes other parts business is a business segment that is not included in reportable segments.

Note2: The sales by regions is based on customers' locations and is classified by countries or regions.

2. Information providing a basis for understanding revenue arising from contracts with customers

The Company and its consolidated subsidiaries sell the parts for electro-communication device and electronic equipment in Japan and abroad. The satisfied point of performance obligations is the point in time when the products are delivered to the customer because it can be judged that the customer obtains control of the product at the time. However, for sales within Japan of these products, revenue is recognized at the time of shipment in accordance with the alternative treatment prescribed in Paragraph 98 of “the Implementation Guidance on Accounting Standard for Revenue Recognition”. The consideration for transactions is generally received within approximately 3 months after delivery of the goods. Furthermore, there is no adjustment for the significant financing component concerning receivables arising from contracts with customers.

3. Information about the relationship between the satisfaction of performance obligations under contracts with customers and cash flows from these contracts, and the amount and timing of revenue from contracts with existing customers at the end of the fiscal year that are expected to be recognized in the following fiscal year or beyond

(1) Balance of contract assets and contract liabilities

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Receivables arising from contracts with customers (balance at the beginning of the year)	¥ 12,567	¥ 12,800	\$ 95,859
Receivables arising from contracts with customers (balance at the end of the year)	12,800	13,176	98,674
Contract liabilities (balance at the beginning of the year)	138	56	419
Contract liabilities (balance at the end of the year)	¥ 56	¥ 224	\$ 1,678

Contract liabilities mainly relate to advance payments received from customers for sales of tooling based on payment terms. Contract liabilities are reversed as revenue is recognized.

The revenue recognized during the fiscal year that was included in the balance of contract liabilities at the beginning of the year was ¥56 million (\$419 thousand). The main reasons for the increase of ¥167 million (\$1,251 thousand) in contract liabilities in the fiscal year were advance payments received from customers for sales of tooling is increased.

(2) Transaction price allocated to remaining performance obligations

At the end of the fiscal year ended March 31, 2023, there is no unsatisfied performance obligations which needs to be noted. Furthermore, the Company and consolidated subsidiaries have been adopted the treatment prescribed in Paragraph 80-22 (1) of “Accounting Standard for Revenue Recognition” (ASBJ statement No.29, March 31, 2020) and the contracts which are initially expected to terminate within one year are not included in this notes.

Note 21. Segment information

(Overview)

The reporting segments of the Company and consolidated subsidiaries are designed as business segments whose segregated financial information can be obtained and to which the management reviews to decide on the allocation of managerial and financial resources and to evaluate their financial performance.

The Company and consolidated subsidiaries are primarily engaged in the three divisions as follows;

CS (Connection System) Division: The division produces and sells connectors and jacks.

SCI (Sensing, Communications and Interface) Division: The division produces and sells remote controls, switches, camera modules and touch sensors.

Research & Development Center: The center produces and sells wireless module and NFC antennas.

The business segment information is prepared in a manner similar to the accounting treatment as described in Note 1. Segment performance is evaluated based on operating income or loss.

1. Business segment information

2022	Millions of yen							Adjustment	Consolidated
	Reporting Segments			Subtotal	Other	Total			
	CS Division	SCI Division	Research & Development Center						
Net sales									
Outside customers	¥ 19,543	¥ 28,387	¥ 309	¥ 48,239	¥ 4	¥48,243	¥ —	¥ 48,243	
Intersegment sales	—	—	—	—	—	—	—	—	
Total	19,543	28,387	309	48,239	4	48,243	—	48,243	
Operating income (loss)	1,036	(135)	(196)	703	0	703	—	703	
Identifiable assets	13,112	18,401	288	31,803	6,745	38,548	16,246	54,794	
Others									
Depreciation	1,579	926	4	2,509	187	2,696	—	2,696	
Increase in fixed assets and intangible fixed assets	1,146	744	2	1,893	62	1,955	—	1,955	

2023	Millions of yen								
	Reporting Segments					Other	Total	Adjustment	Consolidated
	CS Division	SCI Division	Research & Development Center	Subtotal					
Net sales									
Outside customers	¥ 19,997	¥ 34,482	¥ 339	¥ 54,819	¥ 23	¥ 54,842	¥ —	¥ 54,842	
Intersegment sales	—	—	—	—	—	—	—	—	
Total	19,997	34,482	339	54,819	23	54,842	—	54,842	
Operating income (loss)	894	393	(160)	1,127	1	1,128	—	1,128	
Identifiable assets	11,805	20,007	334	32,147	6,642	38,790	17,574	56,365	
Others									
Depreciation	1,648	1,059	4	2,712	171	2,884	—	2,884	
Increase in fixed assets and intangible fixed assets	1,446	653	1	2,101	47	2,149	—	2,149	

2023	Thousands of U.S. dollars								
	Reporting Segments					Other	Total	Adjustment	Consolidated
	CS Division	SCI Division	Research & Development Center	Subtotal					
Net sales									
Outside customers	\$ 149,757	\$ 258,234	\$ 2,539	\$ 410,537	\$ 172	\$ 410,709	\$ —	\$ 410,709	
Intersegment sales	—	—	—	—	—	—	—	—	
Total	149,757	258,234	2,539	410,537	172	410,709	—	410,709	
Operating income (loss)	6,695	2,943	(1,198)	8,440	7	8,448	—	8,448	
Identifiable assets	88,407	149,831	2,501	240,747	49,742	290,497	131,611	422,115	
Others									
Depreciation	12,342	7,931	30	20,310	1,281	21,598	—	21,598	
Increase in fixed assets and intangible fixed assets	10,829	4,890	7	15,734	352	16,094	—	16,094	

Other is business segments not included in the reportable segments. It includes other parts, leasing, property rental and worker dispatch businesses.

Adjustment includes corporate assets which are not allocable to the reportable segments.

2. Geographical information

(1) Net sales

2022	Millions of yen						
	Japan	Asia		North America		Europe	Consolidated
		China	Other	U.S.A.	Other		
Net sales	¥ 15,792	¥ 9,721	¥ 6,633	¥ 14,262	¥ 438	¥ 1,394	¥ 48,243

2023	Millions of yen						
	Japan	Asia		North America		Europe	Consolidated
		China	Other	U.S.A.	Other		
Net sales	¥ 17,767	¥ 9,756	¥ 8,418	¥ 15,846	¥ 342	¥ 2,711	¥ 54,842

2023	Thousands of U.S. dollars						
	Japan	Asia		North America		Europe	Consolidated
		China	Other	U.S.A.	Other		
Net sales	\$ 133,056	\$ 73,062	\$ 63,042	\$ 118,670	\$ 2,561	\$ 20,303	\$ 410,709

(2) Fixed assets

2022	Millions of yen					
	Japan	Asia		North America	Europe	Consolidated
		China	Other			
Fixed assets	¥ 11,046	¥ 4,374	¥ 687	¥ 69	¥ 12	¥ 16,190

2023	Millions of yen					
	Japan	Asia		North America	Europe	Consolidated
		China	Other			
Fixed assets	¥ 10,794	¥ 3,781	¥ 786	¥ 195	¥ 9	¥ 15,567

2023	Thousands of U.S. dollars					
	Japan	Asia		North America	Europe	Consolidated
		China	Other			
Fixed assets	\$ 80,836	\$ 28,316	\$ 5,886	\$ 1,460	\$ 67	\$ 116,581

3. Information about major customers

The company and consolidated subsidiaries have no major customers which account for 10% or more of net sales.

4. Information about the loss on impairment of fixed assets

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
CS Division	¥ —	¥ 32	\$ 240
SCI Division	3	484	3,625
Research & Development Center	—	0	0
Subtotal	3	517	3,872
Other	—	—	—
Adjustments and eliminations	—	—	—
Consolidated	¥ 3	¥ 517	\$ 3,872

5. Information about the amortization of goodwill and the balance of goodwill

For the years ended March 31, 2022 and 2023, there was no amortization and balance of goodwill.

Note 22. Related party transactions

Significant transactions with related parties for the years ended March 31, 2022 and 2023 were as follows:

2022	Millions of yen			
	Transactions		Balances	
	Rent	Interest income	Other current assets	Other current assets
Terutaka Ikeda (Supreme corporate adviser)	¥ 14	—	¥ 14	¥ 1
2023	Millions of yen			
	Transactions		Balances	
	Collection of loan receivable	Interest income	Other current assets	Long-term loans receivable
Paul Evans (Director)	¥ 1	¥ 0	¥ 2	¥ 29
2023	Thousands of U.S. dollars			
	Transactions		Balances	
	Rent	Interest income	Other current assets	Other current assets
Terutaka Ikeda (Supreme corporate adviser)	\$ 105	—	\$ 105	\$ 7
2023	Thousands of U.S. dollars			
	Transactions		Balances	
	Collection of loan receivable	Interest income	Other current assets	Long-term loans receivable
Paul Evans (Director)	\$ 30	\$ 7	\$ 15	\$ 202

1. Business transactions with related parties are carried out on an arm's-length basis similar to third party transactions.
2. Terutaka Ikeda is the parent of President and CEO/COO Yasumitsu Ikeda.

Note 23. Subsequent Events

There were no subsequent events for the year ended March 31, 2023.



Officer Introduction

(As of June 27, 2023)

Directors



Yasumitsu Ikeda
President,
Chief Executive Officer and
Chief Operating Officer



Masanobu Ieko
Director and
Executive Deputy President,
Chief Technology Officer



Paul Evans
Director and
Executive Vice President



Tetsuo Hara
Director and
Executive Vice President



Toshio Nakamura
Director (Outside)



Kaoru Ishikawa
Director (Outside)

Auditors



Morikazu Fukui
Full-Time Auditor
(Outside)



Naru Nakashima
Auditor (Outside)



Fumio Nishimura
Auditor (Outside)

Corporate Executive Officers



Kohei Ohgaki
Executive Vice President,
Chief Financial Officer



Hiroshi Usami
Executive Vice President,
Chief Information Officer



Mitsuyuki Masubuchi
Vice President



Fumikazu Hata
Vice President



Mikio Otsubo
Vice President



Hideo Sugano
Vice President



Corporate Information

(As of March 31, 2023)

Corporate Data

Name	SMK Corporation
Established	April 3, 1925
Registered	January 15, 1929
Primary business	Manufacture, sale of various parts for electro-communication device and electronic equipment and provision of related services
Capital	¥ 7,996,828,021
Stock exchange listing	Tokyo Stock Exchange
Administrator of shareholders register	Mitsubishi UFJ Trust and Banking Corporation
Independent auditors	Ernst & Young ShinNihon LLC Tokyo, Japan
Employees (Consolidated)	4,607
Global network (As of July 31, 2023)	
Japanese domestic bases (7 sites)	Tokyo (Head office), Toyama, Hitachi, Osaka, Nagoya, Ibaraki and Fukuoka
Overseas bases (32 sites)	Taiwan, China, Singapore, Thailand, Malaysia, Philippines, Korea, Ireland, U.K., France, Germany, Belgium, U.S.A. and Mexico



Head Office



Toyama Works



Hitachi Works

Shares and Shareholders

Authorized shares	19,596,127
Issued shares (including 644,338 shares of treasury stock)	7,200,000
Number of shareholders	6,494

Major shareholders (top ten)	Shares owned (1,000 shares)	Percentage of shares (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	577	8.80
SMK Cooperating Company Share Holding Association	481	7.35
The Showa Ikeda Memorial Foundation	350	5.34
Dai Nippon Printing Co., Ltd.	320	4.88
Nippon Life Insurance Company	307	4.70
Mizuho Bank, Ltd.	262	4.01
SMK Employees Share Holding Association	231	3.53
Meiji Yasuda Life Insurance Company	137	2.10
Custody Bank of Japan, Ltd. (Trust Account)	137	2.09
Terutaka Ikeda	126	1.94

Note: The Company holds 644 thousand shares of treasury stock, but is excluded from the above list. Figures for percentage of shares are calculated after subtracting the number of treasury stock. The number of treasury stock includes the 41 thousand shares of the Company held by the Officer Stock Benefit Trust.

Share ownership by shareholder type

Financial institutions	24.80%
Financial instruments dealers	1.51%
Other entities	15.96%
Foreign entities, etc.	5.84%
Individuals and others	51.89%

Please see our website for detailed IR information.

The IR Information section of SMK's website includes annual reports and presentation materials. The website also carries information about SMK's products, corporate data and CSR/ESG initiatives.

Website <https://www.smk.co.jp/>

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