



ANNUAL REPORT

2024

For the fiscal year ended March 31, 2024

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 102nd fiscal year (from April 1, 2023 to March 31, 2024).

We look forward to your continuing support.

June 2024

**Yasumitsu Ikeda**  
President and CEO/COO



## CONTENTS

- To Our Shareholders and Investors
- Financial Highlights
- 2 Overview of Consolidated Results by Division
- 4 Financial Section
- 5 Financial Review
- 6 Consolidated Balance Sheet
- 8 Consolidated Statement of Income
- 8 Consolidated Statement of Comprehensive Income
- 9 Consolidated Statement of Changes in Net Assets
- 10 Consolidated Statement of Cash Flows
- 11 Notes to Consolidated Financial Statements
- 28 Officer Introduction
- Corporate Information

## 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.

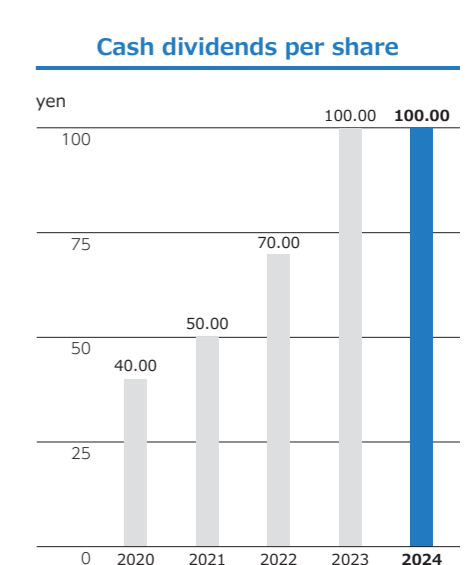
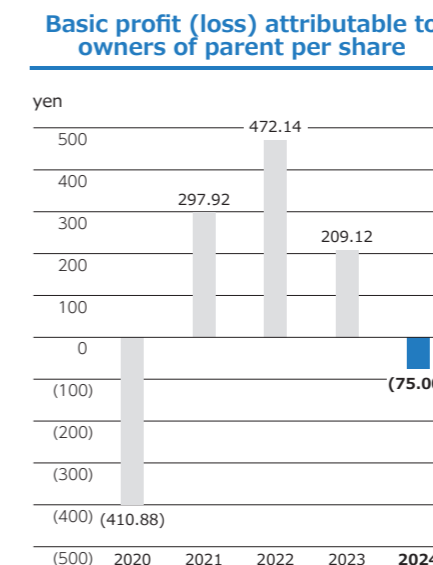
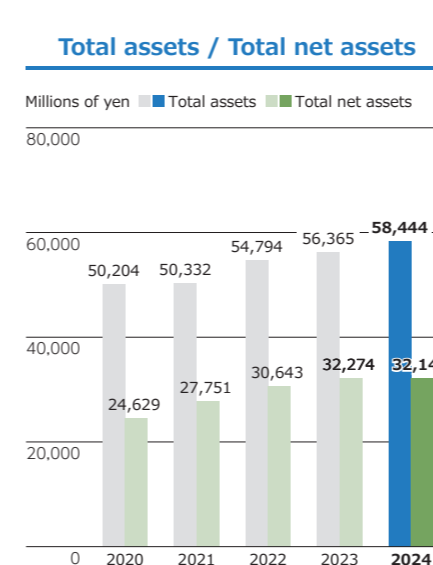
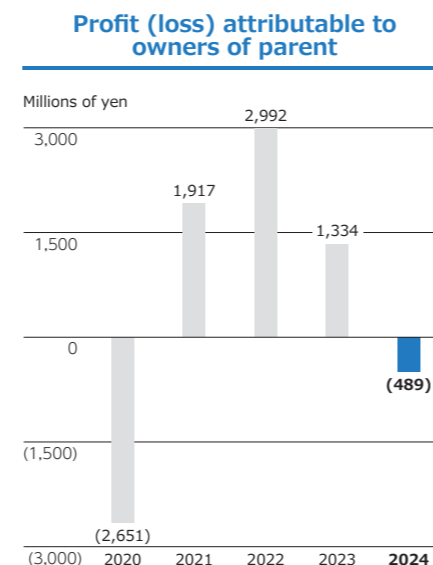
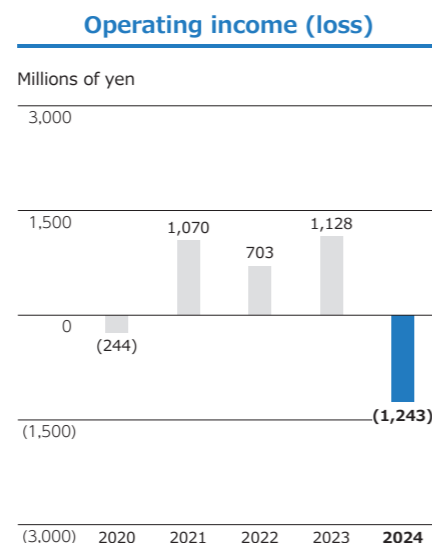
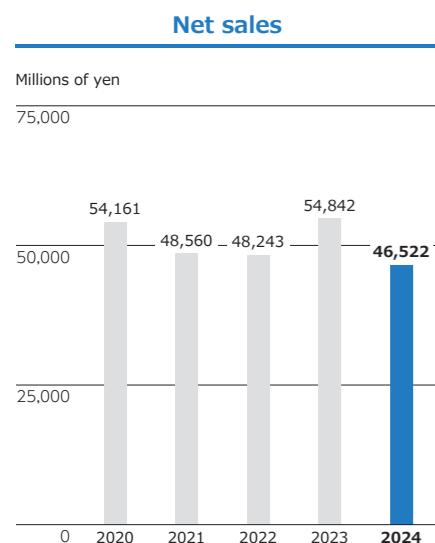


## Financial Highlights

Years ended and as of March 31	Millions of yen		Percent Change 2023/2024	Thousands of U.S. dollars
	2023	2024		2024
<b>Operating Results</b>				
Net sales	¥ 54,842	¥ 46,522	(15.2)%	\$307,258
Operating income (loss)	1,128	(1,243)	—	(8,209)
Profit (loss) attributable to owners of parent	1,334	(489)	—	(3,230)
<b>Financial Position</b>				
Total assets	¥ 56,365	¥ 58,444	3.7%	\$385,998
Total net assets	32,274	32,143	(0.4)	212,291

Years ended and as of March 31	Yen		Percent Change 2023/2024	U.S. dollars
	2023	2024		2024
<b>Per Share Data</b>				
Profit (loss) attributable to owners of parent				
Basic	¥ 209.12	¥ (75.00)	—	\$ (0.50)
Diluted	—	—	—	—
Cash dividends	100.00	100.00	0.0	0.66

Note 1. The U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥151.41 = U.S. \$1.00.  
 2. 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.  
 3. 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.





# Overview of Consolidated Results by Division

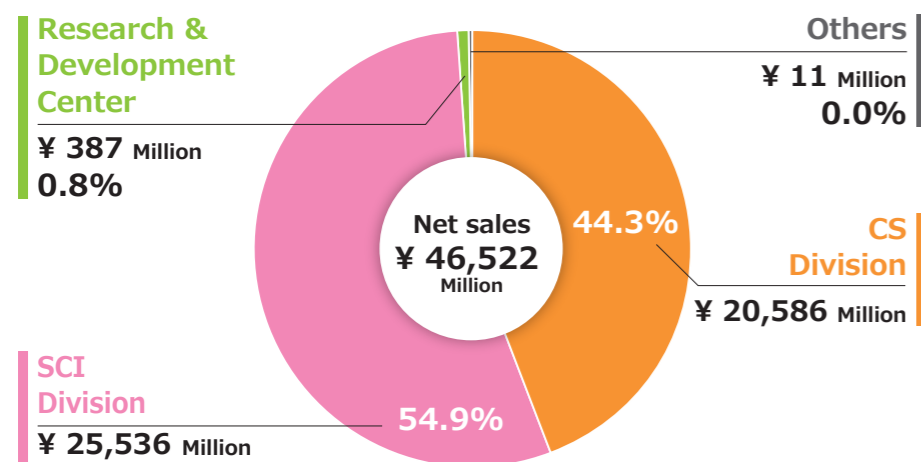
(April 1, 2023 to March 31, 2024)

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.

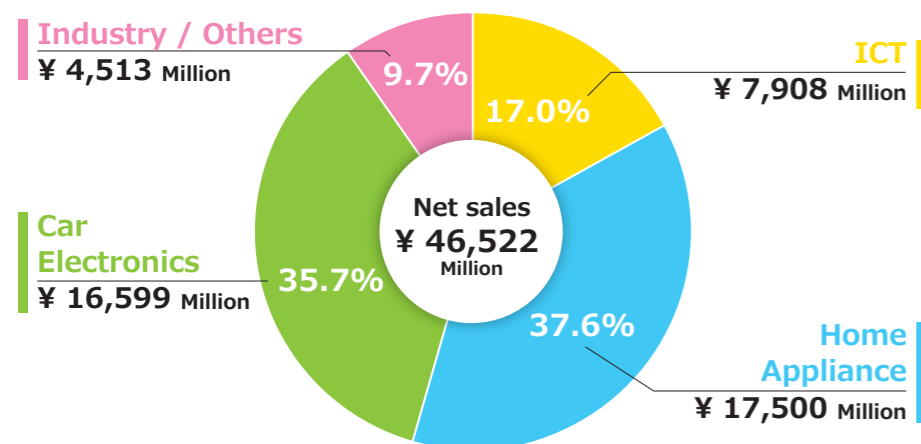
In this section, we present an overview of our results achieved in each of the two divisions and Research & Development Center in the fiscal year under review.

## Sales by Division



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

## Sales by Market



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

## CS (Connection System) Division

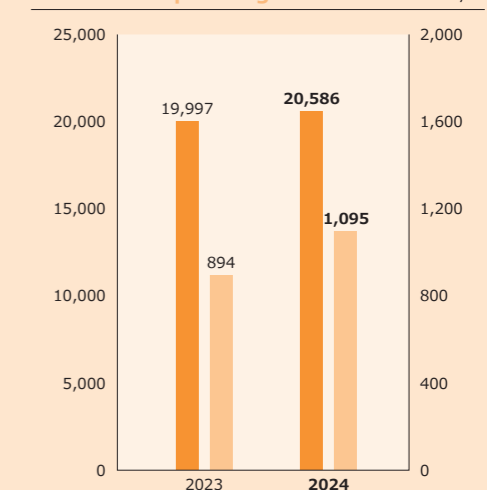
### Major Products:

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

In the car electronics market, sales of connectors exceeded those of the previous year due to firm sales of camera-related products and expansion in demand for electrical devices. In the ICT market, although tablet-related demand for US customers decreased, sales exceeded those of the previous year as smartphone-related demand for Chinese customers remained strong throughout the year. Meanwhile, in the home appliance market, although sales of amusement-related products declined year on year due to the impact of inventory adjustments in the market, sales 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 ¥20,586 million (2.9% increase year on year), and operating income was ¥1,095 million (22.5% increase year on year).

### Net sales / Operating income



## SCI (Sensing, Communications and Interface) Division

### Major Products:

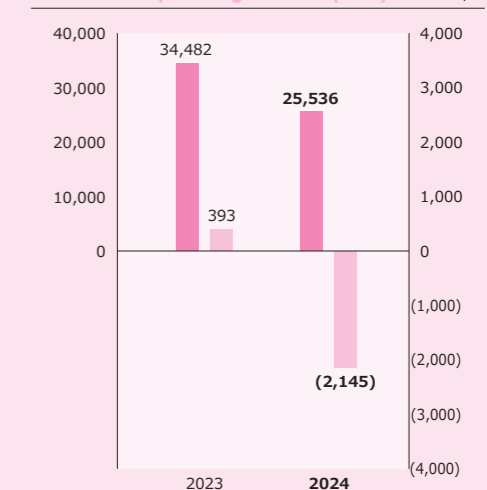
- Remote Control Units
- Switches
- Camera Modules
- Touch Sensors

In the home appliance market, sales of remote control units for sanitation expanded steadily, but sales of remote control units for housing equipment and air conditioners shrank from those in the previous year due to the impact of sluggish sales in the market. In the car electronics market, inventory adjustments by major customers continued beyond our projection and sales of in-vehicle control units and touch sensors shrank from those in the previous year.

In SCI Division as a whole, market conditions stagnated and inventory adjustments by major customers prolonged longer than projected, resulting in a year-on-year decline.

As a result, net sales of SCI Division amounted to ¥25,536 million (25.9% decrease year on year), and operating loss was ¥2,145 million (compared to an operating income of ¥393 million in the previous fiscal year).

### Net sales / Operating income (loss)



## Research & Development Center

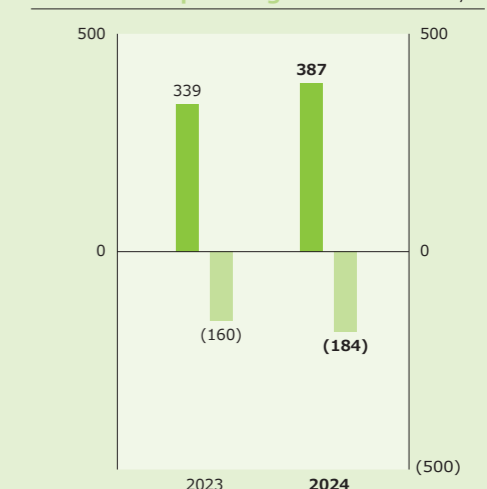
### Major Products:

- Wireless Modules
- NFC Antennas

Regarding Bluetooth® modules, the central product of Research & Development Center's wireless communication module businesses, sales for payment terminals and medical devices fell below those of the previous year, but sales for mobile printers 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 ¥387 million (14.2% increase year on year), and operating loss was ¥184 million (compared to an operating loss of ¥160 million in the previous fiscal year).

### Net sales / Operating loss





# Five-Year Summary

SMK Corporation and Consolidated Subsidiaries

Years ended and as of March 31	Millions of yen					Thousands of U.S. dollars	
	2020	2021	2022	2023	2024	2024	
<b>Operating Results</b>							
Net sales	¥ 54,161	¥ 48,560	¥ 48,243	¥ 54,842	¥ 46,522	\$ 307,258	
Operating income (loss)	(244)	1,070	703	1,128	(1,243)	(8,209)	
Profit (loss) attributable to owners of parent	(2,651)	1,917	2,992	1,334	(489)	(3,230)	
<b>Financial Position</b>							
Total assets	¥ 50,204	¥ 50,332	¥ 54,794	¥ 56,365	¥ 58,444	\$ 385,998	
Total net assets	24,629	27,751	30,643	32,274	32,143	212,291	

Per Share Data	Yen					U.S. dollars	
	2020	2021	2022	2023	2024	2024	
Total net assets	¥ 3,870.65	¥ 4,311.91	¥ 4,914.89	¥ 4,932.86	¥ 5,070.15	\$ 33.49	
Profit (loss) attributable to owners of parent							
Basic	(410.88)	297.92	472.14	209.12	(75.00)	(0.50)	
Diluted	—	—	—	—	—	—	
Cash dividends	40.00	50.00	70.00	100.00	100.00	0.66	

Note 1. The U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥151.41 = U.S. \$1.00.  
 2. 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.  
 3. 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.



SMK's net sales for the fiscal year ended March 31, 2024 decreased 15.2% year on year to ¥46,522 million (US\$307,258 thousand), and operating loss of ¥1,243 million (US\$8,209 thousand) and loss attributable to owners of parent of ¥489 million (US\$3,230 thousand) were recorded.

## Net Sales

In the home appliance market, sales for remote control units for sanitation purposes expanded steadily, but sales of remote control units for home equipment and air conditioners shrank from those in the previous fiscal year due to the impact of sluggish sales in the market. In the car electronics market, in connectors, sales of camera-related products were firm, but sales of in-vehicle control units and touch sensors shrank from those in the previous fiscal year due to inventory adjustments by major customers. In the ICT market, sales decreased from the previous fiscal year due to a decline in tablet-related demand as a result of a reactionary drop of stay-at-home demand during the COVID-19 pandemic.

As a result, net sales were ¥46,522 million (US\$307,258 thousand), down 15.2% year on year.

## Operating Income

Operating loss amounted to ¥1,243 million (US\$8,209 thousand) despite the improved variable cost rate and suppression of fixed costs from our continuous cost reduction efforts, due to the decrease in net sales and recording of unrecoverable loss on valuation of inventories.

## Profit attributable to owners of parent

Loss attributable to owners of parent was ¥489 million (US\$3,230 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, 2024, total net assets were ¥32,143 million (US\$212,291 thousand), with an ROE of (1.5)%.

## Total Assets / ROA

As of March 31, 2024, total assets were ¥58,444 million (US\$385,998 thousand), with an ROA (a) of 0.4%.

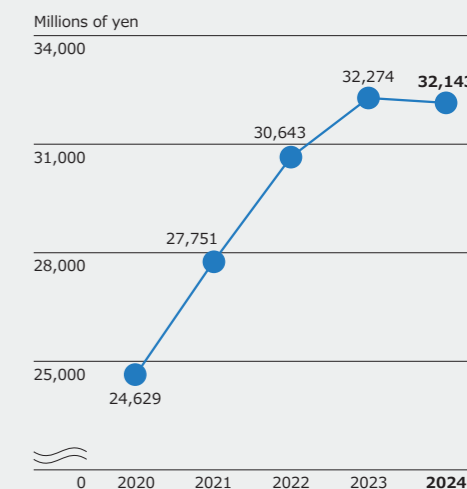
(a) ROA is based on ordinary profit which is added or subtracted interest income (expenses), dividend income, rent income (expenses), and foreign exchange gains from operating income (losses).

## Cash Flows

Net cash provided by operating activities amounted to ¥3,719 million (US\$24,562 thousand), net cash used in investing activities totaled ¥1,617 million (US\$10,680 thousand), and net cash used in financing activities was ¥478 million (US\$3,157 thousand).

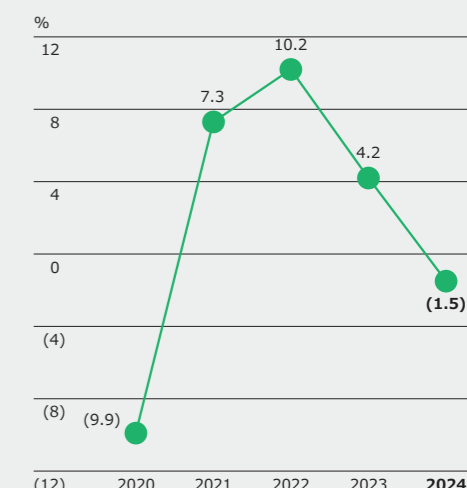
## Total net assets

(As of March 31)



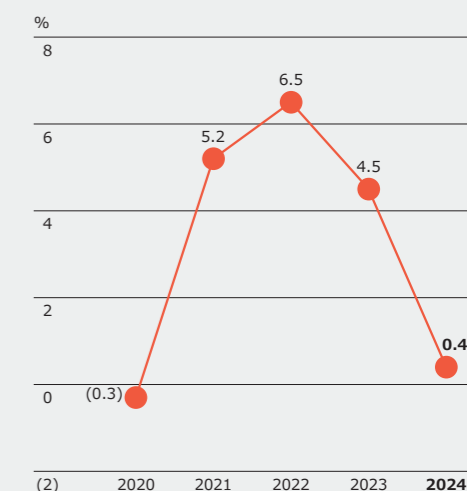
## Return on equity (ROE)

(Years ended March 31)



## Return on assets (ROA)

(Years ended March 31)



# Consolidated Balance Sheet

SMK Corporation and Consolidated Subsidiaries  
As of March 31, 2023 and 2024

Consolidated Balance Sheets

Assets	Millions of Yen		Thousands of U.S. dollars (Note 2)
	2023	2024	2024
<b>Current assets</b>			
Cash and cash equivalents (Note 18)	¥ 8,915	¥ 10,197	\$ 67,347
Time deposits (Note 18)	54	61	403
Notes receivable, trade (Note 18)	64	50	330
Electronically recorded monetary claims (Note 18)	1,606	3,132	20,686
Accounts receivable, trade (Note 18)	11,505	10,039	66,303
Inventories (Note 3)	10,073	9,257	61,139
Other current assets (Note 20 and 24)	1,080	1,150	7,595
Allowance for doubtful accounts	(47)	(64)	(423)
	33,251	33,824	223,393
<b>Investments and long-term loans</b>			
Investment securities (Note 18 and 19)	4,041	4,327	28,578
Long-term loans receivable (Note 24)	92	90	594
Asset for retirement benefits (Note 8)	2,344	3,788	25,018
Other investments (Note 24)	963	900	5,944
Allowance for doubtful accounts	(88)	(94)	(621)
	7,352	9,010	59,507
<b>Property, plant and equipment</b> (Note 5, 13 and 21)			
Land (Note 4)	5,869	5,819	38,432
Buildings	19,641	20,697	136,695
Machinery and vehicles	25,238	25,851	170,735
Tooling and office furniture	19,385	18,966	125,263
Leased assets	29	39	258
Right of use assets	2,131	2,314	15,283
Construction in progress	198	39	258
	72,496	73,728	486,943
Less-accumulated depreciation	(56,928)	58,400	385,708
	15,567	15,328	101,235
<b>Other assets</b>			
Deferred tax assets (Note 15)	97	149	984
Intangible assets (Note 13)	94	130	859
	192	279	1,843
<b>Total assets</b>	¥ 56,365	¥ 58,444	\$ 385,998

See accompanying notes to consolidated financial statements.

Liabilities and net assets	Millions of Yen		Thousands of U.S. dollars (Note 2)
	2023	2024	2024
<b>Current liabilities</b>			
Short-term loans payable (Note 5)	¥ 6,491	¥ 5,840	\$ 38,571
Lease liabilities (Note 18)	434	504	3,329
Notes and accounts payable, trade	4,878	4,702	31,055
Accrued income taxes	347	270	1,783
Accrued bonuses	596	572	3,778
Accrued directors' and officers' bonuses	26	1	7
Accounts payable, non-trade	1,774	1,801	11,895
Valuation reserve for inventory purchase commitments	—	107	707
Other current liabilities (Note 6 and 20)	1,645	1,571	10,376
	16,193	15,371	101,519
<b>Long-term liabilities</b>			
Long-term debt (Note 5 and 18)	4,863	7,022	46,377
Lease liabilities (Note 18)	1,028	997	6,585
Deferred tax liabilities (Note 15)	1,220	2,005	13,242
Accrued directors' and officers' retirement benefits	131	132	872
Liability for retirement benefits (Note 8)	24	37	244
Accrued directors' and officers' share awards	29	27	178
Other long-term liabilities	598	705	4,656
	7,897	10,929	72,181
<b>Net assets</b>			
<b>Shareholders' equity</b> (Note 9)			
Common stock			
Authorized : 19,596,127 shares			
Issued : 7,200,000 shares			
	7,996	7,996	52,810
Capital surplus	12,057	12,057	79,631
Retained earnings	14,730	13,253	87,531
Treasury stock	(2,531)	(3,030)	(20,012)
	32,252	30,276	199,960
<b>Accumulated other comprehensive income</b>			
Net unrealized gains (losses) on other securities	773	1,159	7,655
Net unrealized gains (losses) from hedging instruments	—	(70)	(462)
Foreign currency translation adjustments	(1,149)	(497)	(3,282)
Retirement benefits asset and liability adjustments	397	1,274	8,414
	21	1,866	12,324
	32,274	32,143	212,291
<b>Total liabilities and net assets</b>	¥ 56,365	¥ 58,444	\$ 385,998

## Consolidated Statement of Income

SMK Corporation and Consolidated Subsidiaries  
Years ended March 31, 2023 and 2024

	Millions of Yen		Thousands of U.S. dollars (Note 2)
	2023	2024	2024
<b>Net sales</b> (Note 22 and 23)	¥ 54,842	¥ 46,522	\$ 307,258
<b>Cost of sales</b> (Note 3 and 10)	45,231	39,094	258,200
<b>Selling, general and administrative expenses</b> (Note 10 and 11)	8,483	8,671	57,268
<b>Operating income (loss)</b> (Note 23)	1,128	(1,243)	(8,209)
<b>Other income</b>			
Interest and dividend income (Note 24)	115	167	1,103
Rent income	980	987	6,519
Foreign exchange gains	720	1,089	7,192
Gain on sales of fixed assets (Note 12)	18	183	1,209
Gain on sales of investment securities (Note 19)	2	273	1,803
Other	603	201	1,328
Total other income	2,441	2,903	19,173
<b>Other expenses</b>			
Interest expense	173	156	1,030
Rent expense (Note 24)	549	581	3,837
Loss on investments in investment partnerships	263	112	740
Loss on sales of fixed assets (Note 12)	0	—	—
Loss on disposal of fixed assets (Note 12)	76	72	476
Loss on impairment of fixed assets (Note 13)	517	562	3,712
Loss on valuation of investment securities	25	1	7
Extra retirement payments (Note 14)	—	102	674
Other	58	125	826
Total other expenses	1,663	1,715	11,327
<b>Profit before income taxes</b>	1,906	(53)	(350)
<b>Income taxes</b> (Note 15)			
Current	352	233	1,539
Deferred	219	201	1,328
<b>Profit (loss)</b>	1,334	(489)	(3,230)
<b>Profit (loss) attributable to owners of parent</b>	¥ 1,334	¥ (489)	\$ (3,230)

### Per share data (Note 17)

	Yen	U.S. dollars (Note 2)
Total net assets	¥ 4,932.86	\$ 33.49
Profit attributable to owners of parent		
Basic	209.12	(0.50)
Diluted	—	—
Cash dividends	100.00	0.66

See accompanying notes to consolidated financial statements.

## Consolidated Statement of Comprehensive Income

SMK Corporation and Consolidated Subsidiaries  
Years ended March 31, 2023 and 2024

	Millions of Yen		Thousands of U.S. dollars (Note 2)
	2023	2024	2024
<b>Profit (loss)</b>	¥ 1,334	¥ (489)	\$ (3,230)
<b>Other comprehensive income</b> (Note 14)			
Net unrealized gains (losses) on other securities	347	385	2,543
Net unrealized gains (losses) from hedging instruments	2	(70)	(462)
Foreign currency translation adjustments	254	652	4,306
Retirement benefits asset and liability adjustments	(123)	876	5,786
Total other comprehensive income	481	1,844	12,179
<b>Comprehensive income</b>	¥ 1,815	¥ 1,355	\$ 8,949
<b>Total comprehensive income attributable to:</b>			
Owners of parent	¥ 1,815	¥ 1,355	\$ 8,949

See accompanying notes to consolidated financial statements.

## Consolidated Statement of Changes in Net Assets

SMK Corporation and Consolidated Subsidiaries  
Years ended March 31, 2023 and 2024

	Millions of yen											
	Shareholders' equity					Accumulated other comprehensive income						
	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	Total net assets
<b>Balance at April 1, 2022</b>	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 to Capital surplus from retained earnings			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
<b>Balance at March 31, 2023</b>	7,200,000	¥ 7,996	¥ 12,057	¥ 14,730	¥ (2,531)	¥ 32,252	¥ 773	—	¥ (1,149)	¥ 397	¥ 21	¥ 32,274
<b>Balance at April 1, 2023</b>	7,200,000	¥ 7,996	¥ 12,057	¥ 14,730	¥ (2,531)	¥ 32,252	¥ 773	—	¥ (1,149)	¥ 397	¥ 21	¥ 32,274
Cash dividends paid				(987)		(987)						(987)
Loss attributable to owners of parent				(489)		(489)						(489)
Acquisition of treasury stock					(500)	(500)						(500)
Disposition of treasury stock					1	1						1
Net changes in items other than shareholders' equity							385	(70)	652	876	1,844	1,844
Total changes	—	—	—	(1,476)	(498)	(1,975)	385	(70)	652	876	1,844	(131)
<b>Balance at March 31, 2024</b>	7,200,000	¥ 7,996	¥ 12,057	¥ 13,253	¥ (3,030)	¥ 30,276	¥ 1,159	¥ (70)	¥ (497)	¥ 1,274	¥ 1,866	¥ 32,143

	Thousands of U.S. dollars (Note 2)										
	Shareholders' equity					Accumulated other comprehensive income					
	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	Total net assets
<b>Balance at April 1, 2023</b>	\$ 52,810	\$ 79,631	\$ 97,286	\$ (16,716)	\$ 213,011	\$ 5,105	\$ —	\$ (7,589)	\$ 2,622	\$ 139	\$ 213,156
Cash dividends paid			(6,519)		(6,519)						(6,519)
Loss attributable to owners of parent			(3,230)		(3,230)						(3,230)
Acquisition of treasury stock				(3,302)	(3,302)						(3,302)
Disposition of treasury stock				7	7						7
Net changes in items other than shareholders' equity						2,543	(462)	4,306	5,786	12,179	12,179
Total changes	—	—	(9,748)	(3,289)	(13,044)	2,543	(462)	4,306	5,786	12,179	(865)
<b>Balance at March 31, 2024</b>	\$ 52,810	\$ 79,631	\$ 87,531	\$ (20,012)	\$ 199,960	\$ 7,655	\$ (462)	\$ (3,282)	\$ 8,414	\$ 12,324	\$ 212,291

## Consolidated Statement of Cash Flows

SMK Corporation and Consolidated Subsidiaries  
Years ended March 31, 2023 and 2024

	Millions of Yen		Thousands of U.S. dollars (Note 2)
	2023	2024	2024
<b>Cash flows from operating activities</b>			
Profit (loss) before income taxes	¥ 1,906	¥ (53)	\$ (350)
Depreciation and amortization	2,884	2,451	16,188
Loss on impairment of fixed assets	517	562	3,712
Increase (decrease) in accrued bonuses	(153)	(33)	(218)
Increase (decrease) in valuation reserve for inventory purchase commitments	—	103	680
Increase (decrease) in accrued directors' and officers' retirement benefits	(41)	0	0
Increase (decrease) in accrued directors' and officers' share awards	2	(1)	(7)
Increase (decrease) in asset and liability for retirement benefits	(294)	(187)	(1,235)
Interest and dividend income	(115)	(167)	(1,103)
Interest expense	173	156	1,030
(Gain) loss on sales of investment securities	(2)	(273)	(1,803)
(Gain) loss on sales of fixed assets	(18)	(183)	(1,209)
(Gain) loss on valuation of investment securities	25	1	7
Loss on disposal of fixed assets	76	72	476
Loss (gain) on investments in investment partnerships	263	112	740
Extra retirement payments	—	102	674
(Increase) decrease in notes and accounts receivable, trade	564	1,321	8,725
(Increase) decrease in inventories	(160)	1,440	9,511
Increase (decrease) in notes and accounts payable, trade	(1,180)	(1,209)	(7,985)
(Increase) decrease in accounts receivable, non-trade	28	78	515
Increase (decrease) in accounts payable, non-trade	(9)	(20)	(132)
Other	(442)	(92)	(608)
Subtotal	4,021	4,180	27,607
Interest and dividends received	116	169	1,116
Interest paid	(177)	(169)	(1,116)
Income taxes paid	(388)	(387)	(2,556)
Income taxes refund	19	28	185
Extra retirement payments	—	(102)	(674)
<b>Net cash provided by (used in) operating activities</b>	<b>3,591</b>	<b>3,719</b>	<b>24,562</b>
<b>Cash flows from investing activities</b>			
Payments into time deposits	(35)	(52)	(343)
Proceeds from time deposits	31	48	317
Purchases of fixed assets	(1,945)	(2,379)	(15,712)
Proceeds from sales of fixed assets	22	260	1,717
Purchases of intangible fixed assets	(19)	(58)	(383)
Purchases of investment securities	(20)	(87)	(575)
Proceeds from sales of investment securities	7	634	4,187
Payments for execution of loans	(11)	(8)	(53)
Collection of loans receivable	28	23	152
Other	—	2	13
<b>Net cash provided by (used in) investing activities</b>	<b>(1,944)</b>	<b>(1,617)</b>	<b>(10,680)</b>
<b>Cash flows from financing activities</b>			
Increase (decrease) in short-term loans payable	200	2,200	14,530
Proceeds from long-term debt	2,700	3,300	21,795
Payments of long-term debt	(2,826)	(3,991)	(26,359)
Payments of lease liabilities	(496)	(504)	(3,329)
Purchases of treasury stock	(1)	(498)	(3,289)
Proceeds from sales of treasury stock	0	—	—
Dividends paid	(438)	(984)	(6,499)
<b>Net cash provided by (used in) financing activities</b>	<b>(862)</b>	<b>(478)</b>	<b>(3,157)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(375)</b>	<b>(341)</b>	<b>(2,252)</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>409</b>	<b>1,282</b>	<b>8,467</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>8,505</b>	<b>8,915</b>	<b>58,880</b>
<b>Cash and cash equivalents at end of the year</b>	<b>¥ 8,915</b>	<b>¥ 10,197</b>	<b>\$ 67,347</b>

## 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

#### (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) Valuation reserve for inventory purchase commitments  
Inventories that are reserved to purchase are provided on an estimate of the collectability from the loss resulting from decreased profitability.
- (r) 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.
- (s) 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.
- (t) 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.
- (u) 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".
- (v) 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.
- (w) 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.
- (x) 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.
- (y) Consumption taxes on assets  
Nondeductible consumption taxes on assets are expensed in the consolidated financial statements.

(z) Significant accounting estimates

Impairment of fixed assets

(1) Amount recorded in the consolidated financial statements

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Property, plant and equipment	¥ 15,567	¥ 15,328	\$ 101,235

Note: Of which, CS Division: ¥672 million (\$4,438 thousand) for the year ended March 31, 2023 and CS Division: ¥643 million (\$4,246 thousand), SMK Electronics (Phils.) Corporation: ¥417 million (\$2,754 thousand) for the year ended March 31, 2024.

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Impairment loss	¥ 517	¥ 562	\$ 3,712

Note: Of which, CS Division: ¥– million (\$– thousand) for the year ended March 31, 2023 and CS Division: ¥– million (\$– thousand), SMK Electronics (Phils.) Corporation: ¥213 million (\$1,407 thousand) for the year ended March 31, 2024.

(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 and the estimated recoverable amount are forecasts of sales volume, sales prices and discount rate 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. The discount rate is calculated based on inherent risk of interest rate and asset group.

(iii) Effect on the consolidated financial statements for the next fiscal year ending March 31, 2025

The estimation of projected sales volume, sales prices and discount rate, which is the key assumptions, are highly uncertain. If the assumption that is used for the estimation of the year ended March 31, 2024 due to the change of business environment, impairment losses may be incurred in the year ending March 31, 2025.

(aa) Change in presentation

(Consolidated Statement of Income)

"Subsidies for employment adjustment" has been reclassified to "other" in non-operating expenses for the year ended March 31, 2024 because it becomes less than 10% of total non-operating expenses.

As a result, ¥79 million (\$522 thousand) of "Subsidies for employment adjustment" in consolidated statement of income for the year ended March 31, 2023 have been reclassified to "other" in non-operating income in consolidated statement of income for the year ended of March 31, 2024.

(ab) 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, 2024, the book value of the said treasury stock was ¥149 million (\$984 thousand), and the number of shares was 40,800.

**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 = ¥151.41, the approximate rate of exchange at March 31, 2024. 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, 2023 and 2024 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Finished products	¥ 4,277	¥ 3,424	\$ 22,614
Work in process	660	592	3,910
Raw materials and supplies	5,134	5,240	34,608
Total	¥ 10,073	¥ 9,257	\$ 61,139

The write-downs of inventories resulting from decreased profitability for the years ended March 31, 2023 and 2024 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Cost of sales	¥ 366	¥ 932	\$ 6,155

### Note 4. Reduction entries

Reduction entries due to acceptance of prefectural government's grants relating to property, plant and equipment as of March 31, 2023 and 2024 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Land	¥ 101	¥ 101	\$ 667

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

Short-term loans payable and long-term debt as of March 31, 2023 and 2024 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Short-term loans payable			
Average interest rate on short-term loans payable, principally from banks, is 0.51%			
Secured	¥ —	¥ 1,566	\$ 10,343
Unsecured	2,500	3,133	20,692
Total	¥ 2,500	¥ 4,700	\$ 31,042
Long-term debt			
Average interest rate on long-term debt, principally from banks, is 1.06%			
Secured	¥ 5,474	¥ 3,483	\$ 23,004
Unsecured	3,380	4,680	30,909
Less: portion due within one year	(3,991)	(1,140)	(7,529)
Total	¥ 4,863	¥ 7,022	\$ 46,377

The assets pledged as collateral for short-term and long-term debt as of March 31, 2023 and 2024 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
(1) Factory foundation			
Buildings	¥ 993	¥ 1,037	\$ 6,849
Machinery and vehicles	195	172	1,136
Tooling and office furniture	64	69	456
Land	256	256	1,691
Total	¥ 1,510	¥ 1,536	\$ 10,145
(2) Other			
Buildings	¥ 185	¥ 171	\$ 1,129
Tooling and office furniture	1	1	7
Land	39	39	258
Total	¥ 226	¥ 211	\$ 1,394

The aggregate annual maturities of long-term debt (including current portion) outstanding as of March 31, 2024 were summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
	2024	2024
2024	¥ 1,140	\$ 7,529
2025	1,140	7,529
2026	1,140	7,529
2027	1,324	8,744
2028	416	2,748
2029 and thereafter	3,000	19,814
Total	¥ 8,163	\$ 53,913

### Note 6. Other current liabilities

Of which, contract liabilities as of March 31, 2023 and 2024 were summarized as follows.

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Contract liabilities	¥ 224	¥ 61	\$ 403

### Note 7. Notes receivable maturing on the balance sheet date

Notes receivable on the balance sheet date are treated as if they were settled at the cleaning date of notes. Consequently, as the balance sheet date for the fiscal year ended March 31, 2024 was a bank holiday, the following notes receivable maturing on the balance sheet date were included in the amount of balance at March 31, 2024.

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Notes receivable	¥ —	¥ 0	\$ 0

### Note 8. 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, 2023 and 2024 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Balance at the beginning of the year	¥ 5,362	¥ 5,070	\$ 33,485
Service cost	234	225	1,486
Interest cost	37	36	238
Actuarial gain and loss	(13)	(124)	(819)
Retirement benefit paid	(553)	(557)	(3,679)
Other	2	10	66
Balance at the end of the year	¥ 5,070	¥ 4,661	\$ 30,784

The changes in plan assets during the years ended March 31, 2023 and 2024 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Balance at the beginning of the year	¥ 7,567	¥ 7,390	\$ 48,808
Expected return on plan assets	129	123	812
Actuarial gain and loss	12	1,234	8,150
Contributions by the Company	223	212	1,400
Retirement benefits paid	(544)	(549)	(3,626)
Balance at the end of the year	¥ 7,390	¥ 8,412	\$ 55,558

The funded status of the plans and the amounts recognized in the consolidated balance sheet as of March 31, 2023 and 2024 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Funded retirement benefit obligation	¥ 5,045	¥ 4,624	\$ 30,540
Plan assets at fair value	(7,390)	(8,412)	(55,558)
	(2,344)	(3,788)	(25,018)
Unfunded retirement benefit obligation	24	37	244
Net liability for retirement benefits in the balance sheet	(2,319)	(3,750)	(24,767)
Liability for retirement benefits	24	37	244
Asset for retirement benefits	(2,344)	(3,788)	(25,018)
Net liability for retirement benefits in the balance sheet	¥ (2,319)	¥ (3,750)	\$ (24,767)

The components of retirement benefit expense for the years ended March 31, 2023 and 2024 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Service cost	¥ 232	¥ 219	\$ 1,446
Interest cost	37	36	238
Expected return on plan assets	(129)	(123)	(812)
Amortization of actuarial gain and loss	(206)	(115)	(760)
Retirement benefit expense	¥ (66)	¥ 17	\$ 112

The components of retirement benefits asset and liability adjustments included in other comprehensive income (before tax effect) for the years ended March 31, 2023 and 2024 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Actuarial gain and loss	¥ (176)	¥ 1,249	\$ 8,249

The components of retirement benefits asset and liability adjustments included in accumulated other comprehensive income (before tax effect) as of March 31, 2023 and 2024 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Unrecognized actuarial gain and loss	¥ 556	¥ 1,806	\$ 11,928

The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2023 and 2024 were as follows:

	2023	2024
	Bonds	7.3%
Stocks	34.9	44.6
Life insurances	31.2	25.6
Funds	10.8	9.2
Other	15.8	13.8
Total	100.0%	100.0%

- The total plan assets include retirement benefit trusts which constitute 19.5% for the year ended March 31, 2023 and 27.5% for the year ended March 31, 2024.
- 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, 2023 and 2024 amounted to ¥90 million and ¥85 million (\$561 thousand), respectively.

Assumptions to calculate the actuarial present value of the benefit obligation and the expected return on plan assets as of March 31, 2023 and 2024 were as follows:

	2023	2024
Discount rate	0.6%	0.6%
Re-evaluation rate	0.52%	0.55%
Expected rates of return on plan assets	2.0%	2.0%

## Note 9. Net assets

Information regarding changes in net assets for the years ended March 31, 2023 and 2024 was as follows:

- Shares issued and outstanding / Treasury stock

Types of shares	2023			2024			Number of shares at March 31, 2024
	Number of shares at April 1, 2022	Increase	Decrease	Number of shares at April 1, 2023	Increase	Decrease	
Shares issued:							
Common stock	7,500,000	—	300,000	7,200,000	—	—	7,200,000
Treasury stock:							
Common stock	1,265,186	1,266	609,200	657,252	203,444	400	860,296

The Company's shares remaining in the Board Benefit Trust (BBT) are included in treasury stock (41,200 shares at March 31, 2023 and 40,800 shares at March 31, 2024).

	Number of shares	
	2023	2024
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	535	770
Increase in shares held by affiliates accounted for by the equity method	731	874
Increase due to free acquisition of shares as restricted stock	—	1,800
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	400

- Dividends

- (1) Dividends paid

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

Resolution	Type of shares	2024		Cut-off date	Effective date	2024	
		Total dividends (Millions of yen)	Dividends per share (Yen)			Total dividends (Thousands of U.S. dollars)	Dividends per share (U.S. dollars)
Shareholders' meeting on June 27, 2023	Common stock	659	100	March 31, 2023	June 28, 2023	4,352	0.66
Board of Directors' meeting on October 25, 2023	Common stock	329	50	September 30, 2023	November 28, 2023	2,173	0.33

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

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

- Dividends with the cut-off date in the year ended March 31, 2024 and the effective date in the year ending March 31, 2025

Resolution	Type of shares	Source of dividends	2024		Cut-off date	Effective date	2024	
			Total dividends (Millions of yen)	Dividends per share (Yen)			Total dividends (Thousands of U.S. dollars)	Dividends per share (U.S. dollars)
Shareholders' meeting on June 25, 2024	Common stock	Retained earnings	319	50	March 31, 2024	June 26, 2024	2,107	0.33

Dividends of the Company's shares remaining in the Board Benefit Trust (BBT) ¥2 million (\$13 thousand) are included in total dividends based on the resolution at shareholders' meeting on June 25, 2024.

## Note 10. 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, 2023 and 2024 amounted to ¥2,390 million and ¥2,557 million (\$16,888 thousand), respectively.

## Note 11. Selling, general and administrative expenses

Major elements of selling, general and administrative expenses for the years ended March 31, 2023 and 2024 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Salaries and wages of employees	¥ 4,189	¥ 4,294	\$ 28,360
Provision for bonus	271	247	1,631
Provision for directors' and officers' bonus	26	1	7
Retirement benefit cost	4	39	258
Provision for directors' and officers' retirement benefits	21	2	13
Provision for directors' and officers' share awards	11	(0)	(0)
Provision for doubtful accounts	12	11	73

## Note 12. Gains and losses of fixed assets

The components of gains and losses of fixed assets for the years ended March 31, 2023 and 2024 were as follows:

Gains on sales of fixed assets

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Buildings	¥ —	¥ 42	\$ 277
Machinery and vehicles	9	3	20
Tooling and office furniture	9	2	13
Land	—	135	892
Total	¥ 18	¥ 183	\$ 1,209

Loss on sales of fixed assets

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Machinery and vehicles	¥ 0	¥ —	\$ —
Total	¥ 0	¥ —	\$ —

Loss on disposal of fixed assets

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Buildings	¥ 0	¥ 0	\$ 0
Machinery and vehicles	54	50	330
Tooling and office furniture	21	21	139
Intangible asset	0	—	—
Total	¥ 76	¥ 72	\$ 476

### Note 13. 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, 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	Long-term prepaid expenses	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
<b>Total</b>			<b>¥ 7</b>	<b>¥ 363</b>	<b>¥ 106</b>	<b>¥ 33</b>	<b>¥ 0</b>	<b>¥ 6</b>	<b>¥ —</b>	<b>¥ 517</b>

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

Millions of yen										
2024										
Asset group	Location	Use	Buildings	Machinery and vehicles	Tooling and office furniture	Right of use assets	Construction in progress	Intangible assets	Long-term prepaid expenses	Total
SCI Division	Japan	Remote controls/Switches/Camera modules/Touch sensor production facilities	¥ 7	¥ 77	¥ 43	¥ 40	¥ —	¥ 1	¥ 44	¥ 215
Research & Development Center	Japan	Wireless module production facilities	—	—	0	—	—	0	8	9
SMK Manufacturing, Inc.	U.S.A.	Remote controls/Unit production facilities	5	1	0	—	23	0	—	31
SMK Electronica S.A. de C.V.	Mexico	Remote controls/Unit production facilities	73	16	2	—	—	—	—	92
SMK Electronics (Phils.) Corporation	Philippines	Connector/Remote controls/Touch sensor production facilities	17	170	26	—	—	—	—	213
<b>Total</b>			<b>¥ 103</b>	<b>¥ 266</b>	<b>¥ 73</b>	<b>¥ 40</b>	<b>¥ 23</b>	<b>¥ 2</b>	<b>¥ 53</b>	<b>¥ 562</b>

Thousands of U.S. dollars										
2024										
Asset group	Location	Use	Buildings	Machinery and vehicles	Tooling and office furniture	Right of use assets	Construction in progress	Intangible assets	Long-term prepaid expenses	Total
SCI Division	Japan	Remote controls/Switches/Camera modules/Touch sensor production facilities	\$ 46	\$ 509	\$ 284	\$ 264	\$ —	\$ 7	\$ 291	\$ 1,420
Research & Development Center	Japan	Wireless module production facilities	—	—	0	—	—	0	53	59
SMK Manufacturing, Inc.	U.S.A.	Remote controls/Unit production facilities	33	7	0	—	152	0	—	205
SMK Electronica S.A. de C.V.	Mexico	Remote controls/Unit production facilities	482	106	13	—	—	—	—	608
SMK Electronics (Phils.) Corporation	Philippines	Connector/Remote controls/Touch sensor production facilities	112	1,122	172	—	—	—	—	1,407
<b>Total</b>			<b>\$ 680</b>	<b>\$ 1,757</b>	<b>\$ 482</b>	<b>\$ 264</b>	<b>\$ 152</b>	<b>\$ 13</b>	<b>\$ 350</b>	<b>\$ 3,712</b>

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., SMK Electronica S.A. de C.V. and SMK Electronics (Phils.) Corporation 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.

The recoverable amount of the asset group of the SCI Division, Research & Development Center, SMK Manufacturing, Inc. and SMK Electronica S.A. de C.V. 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.

The recoverable amount of asset group of SMK Electronics (Phils.) Corporation was measured at value in use, which was calculated by discounting future cash flows at 14.5%

### Note 14. Extra retirement payments

Extra retirement payments were due to reorganization of North American group.

### Note 15. 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, 2023.

A reconciliation between the statutory tax rate and the effective tax rate for the years ended March 31, 2023 was as follows. For the year ended March 31, 2024, note is omitted because it became loss before income taxes.

	2023	2024
Statutory tax rate	30.5%	—%
Items such as entertainment expenses permanently non-deductible for tax purposes	1.1	—
Items such as dividend income permanently non-taxable	(10.1)	—
Change in valuation allowance	4.5	—
Tax credit for R&D expenses	(5.2)	—
Foreign withholding taxes	1.7	—
Inhabitant tax on per capita basis	1.1	—
Statutory tax rate differences in subsidiaries	(8.3)	—
Elimination of dividend income	14.2	—
Accumulated surplus of subsidiaries	0.2	—
Other	0.3	—
Effective tax rate	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, 2023 and 2024 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
<b>Deferred tax assets:</b>			
Inventory write-down	¥ 108	¥ 277	\$ 1,829
Accrued bonuses	170	123	812
Intercompany profit on inventory	66	66	436
Liability for retirement benefits	8	9	59
Allowance for doubtful accounts	35	38	251
Impairment loss	611	605	3,996
Operating loss carryforwards for tax purposes	2,267	2,424	16,010
Other	539	682	4,504
<b>Total gross deferred tax assets</b>	<b>3,807</b>	<b>4,227</b>	<b>27,918</b>
Valuation allowance for net operating loss carryforwards	(2,205)	(2,347)	(15,501)
Valuation allowance for deductible temporary differences	(1,164)	(1,564)	(10,330)
<b>Total valuation allowance</b>	<b>(3,369)</b>	<b>(3,912)</b>	<b>(25,837)</b>
<b>Total deferred tax assets</b>	<b>438</b>	<b>314</b>	<b>2,074</b>
<b>Deferred tax liabilities:</b>			
Asset for retirement benefits	(713)	(1,137)	(7,509)
Deferred gain on land	(36)	(36)	(238)
Advanced depreciation on buildings	(5)	(4)	(26)
Net unrealized gains on other securities	(329)	(497)	(3,282)
Accumulated surplus of foreign subsidiaries	(140)	(136)	(898)
Valuation difference on subsidiaries	(305)	(304)	(2,008)
Other	(30)	(53)	(350)
<b>Deferred tax liabilities</b>	<b>(1,561)</b>	<b>(2,170)</b>	<b>(14,332)</b>
<b>Net deferred tax assets</b>	<b>¥ (1,122)</b>	<b>¥ (1,855)</b>	<b>\$ (12,252)</b>

- Valuation allowance has increased by ¥542 million (\$3,579 thousand). This increase is due to the valuation allowance for inventory write-down in the Company and its consolidated subsidiaries and 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, 2023 and 2024 is as follows:

	Millions of yen						
	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	Total
<b>2023</b>							
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

	Millions of yen						
	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	Total
<b>2024</b>							
Net operating loss carryforwards (a)	¥ 4	¥ 10	¥ 9	¥ 166	¥ 124	¥ 2,109	¥ 2,424
Valuation allowance	(4)	(10)	(9)	(166)	(124)	(2,033)	(2,347)
Deferred tax assets	¥ —	¥ —	¥ —	¥ —	¥ —	¥ 76	¥ 76

	Thousands of U.S. dollars						
	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	Total
<b>2024</b>							
Net operating loss carryforwards (a)	\$ 26	\$ 66	\$ 59	\$ 1,096	\$ 819	\$ 13,929	\$ 16,010
Valuation allowance	(26)	(66)	(59)	(1,096)	(819)	(13,427)	(15,501)
Deferred tax assets	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 502	\$ 502

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

#### Note 16. 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, 2023 and 2024.

	Millions of Yen		Thousands of U.S. dollars
	2023	2024	2024
<b>Net unrealized gains (losses) on other securities:</b>			
Amount arising during the year	¥ 504	¥ 826	\$ 5,455
Reclassification adjustments for gains and losses included in profit attributable to owners of parent	(2)	(273)	(1,803)
Amount before tax effect	502	552	3,646
Tax effect	(154)	(167)	(1,103)
Net unrealized gains (losses) on other securities	347	385	2,543
<b>Net unrealized gains (losses) from hedging instruments:</b>			
Amount arising during the year	—	(70)	(462)
Reclassification adjustments for gains and losses included in profit attributable to owners of parent	2	—	—
Amount before tax effect	2	(70)	(462)
Tax effect	—	—	—
Net unrealized gains (losses) from hedging instruments	2	(70)	(462)
<b>Foreign currency translation adjustments:</b>			
Amount arising during the year	308	652	4,306
Reclassification adjustments for gains and losses included in profit attributable to owners of parent	(78)	—	—
Amount before tax effect	230	652	4,306
Tax effect	23	—	—
Foreign currency translation adjustments	254	652	4,306
<b>Retirement benefits asset and liability adjustments:</b>			
Amount arising during the year	29	1,364	9,009
Reclassification adjustments for gains and losses included in profit attributable to owners of parent	(206)	(115)	(760)
Amount before tax effect	(176)	1,249	8,249
Tax effect	53	(372)	(2,457)
Retirement benefits asset and liability adjustments	(123)	876	5,786
Total other comprehensive income	¥ 481	¥ 1,844	\$ 12,179

#### Note 17. 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, 2023 and 2024 and the average number of shares for the year ended March 31, 2023 and 2024. In the calculation of total net assets per share, the said treasury stock deducted as of March 31, 2023 and 2024 is 41,200 and 40,800, respectively. In the calculation of profit per share, the said treasury stock deducted for the year ended March 31, 2023 and 2024 is 41,958 and 40,917, 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
	2023	2024	2024
<b>Basic Profit attributable to owners of parent per share:</b>			
Profit (loss) attributable to owners of parent	¥ 1,334	¥ (489)	\$(3,230)
Profit (loss) attributable to owners of parent not attributable to common stockholders	—	—	—
Profit (loss) attributable to owners of parent attributable to common stock	1,334	(489)	(3,230)
	Thousands of shares		
	2023	2024	
Average number of shares of common stock outstanding during the year	6,382	6,525	

#### Note 18. Financial instruments

- 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.
- 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 (v). 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.
- Additional information regarding fair value of financial instruments
 

The contract amounts, etc. relating to derivatives transactions are described in Note 20. Derivatives themselves do not serve as indicators of market risk involved in derivatives transactions.

Information regarding fair value of financial instruments at March 31, 2023 and 2024 was summarized as follows:

	Millions of yen						Thousands of U.S. dollars		
	2023			2024			2024		
	Book value	Fair value	Difference	Book value	Fair value	Difference	Book value	Fair value	Difference
Investment securities	¥ 2,608	¥ 2,608	¥ —	¥ 2,869	¥ 2,869	¥ —	\$ 18,949	\$ 18,949	\$ —
Long-term debt	8,854	8,877	23	8,163	8,303	140	53,913	54,838	925
Lease liabilities	1,463	1,463	(0)	1,502	1,501	(0)	9,920	9,913	(0)
Derivatives	(13)	(13)	—	(99)	(99)	—	(654)	(654)	—

- "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 ¥927 million in the consolidated balance sheet as of March 31, 2023 and ¥949 million (\$6,268 thousand) in the consolidated balance sheet as of March 31, 2024 are omitted.
- Financial instruments whose fair value is extremely difficult to determine

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Unlisted securities	¥ 505	¥ 508	\$ 3,355

- 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		
	2023			2024			2024		
	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	¥ 8,962	¥ —	¥ —	¥ 10,251	¥ —	¥ —	\$ 67,704	\$ —	\$ —
Notes receivable, trade	¥64	—	—	50	—	—	330	—	—
Electronically recorded monetary claims	1,606	—	—	3,132	—	—	20,686	—	—
Accounts receivable, trade	¥ 11,505	—	—	10,039	—	—	66,303	—	—
Total	¥ 22,139	¥ —	¥ —	¥ 23,474	¥ —	¥ —	\$ 155,036	\$ —	\$ —

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			
	2023				2024				2024			
	Fair value				Fair value				Fair value			
	Level1	Level2	Level3	Total	Level1	Level2	Level3	Total	Level1	Level2	Level3	Total
Investment securities												
Other securities												
Stocks	¥ 2,608	¥ —	¥ —	¥ 2,608	¥ 2,794	¥ —	¥ —	¥ 2,794	\$18,453	\$ —	\$ —	\$18,453
Others	—	—	—	—	—	—	75	75	—	—	495	495
Total assets	2,608	—	—	2,608	2,794	—	75	2,869	18,453	—	495	18,949
Derivatives												
Currency-related derivative financial instruments	—	13	—	13	—	(28)	—	(28)	—	(185)	—	(185)
Interest-related derivative financial instruments	—	—	—	—	—	(70)	—	(70)	—	(462)	—	(462)
Total liabilities	¥ —	¥ 13	¥ —	¥ 13	¥ —	¥ (99)	¥ —	¥ (99)	\$ —	\$ (654)	\$ —	\$ (654)

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

Category	Millions of yen								Thousands of U.S. dollars			
	2023				2024				2024			
	Fair value				Fair value				Fair value			
	Level1	Level2	Level3	Total	Level1	Level2	Level3	Total	Level1	Level2	Level3	Total
Long-term debt	¥ —	¥ 8,877	¥ —	¥ 8,877	¥ —	¥ 8,303	¥ —	¥ 8,303	\$ —	\$54,838	\$ —	\$54,838
Lease liabilities	—	1,463	—	1,463	—	1,501	—	1,501	—	9,913	—	9,913
Total liabilities	¥ —	¥10,341	¥ —	¥10,341	¥ —	¥ 9,805	¥ —	¥ 9,805	\$ —	\$64,758	\$ —	\$64,758

Note1: Description of valuation techniques used to measure fair value and inputs related to fair value measurement

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.

Others are Simple Agreement for Future Equity and categorized as Level 3. It is estimated by using recent fair value with the consideration of events that affect the value of financial instruments recent quoted price.

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.

Note2: Information about financial instruments of Level 3 measured at fair value

(1) Reconciliation of opening and closing balance are as follows.

	Millions of yen	Thousands of U.S. dollars
	2024	2024
Balance at the beginning of the year	¥ —	\$ —
Profit or loss or other comprehensive income	2	13
Recognized in other comprehensive income (a)	2	13
Purchase, sale, issuance and settement	73	482
Balance at the end of the year	¥ 75	\$ —

(a) Included in "net unrealized gain (loss) on other securities" in "other comprehensive income" in the consolidated statement of comprehensive income.

(2) Explanation of the fair value assessment process.

The fair value of financial instruments that are categorized as Level 3 are calculated based on Accounting Standards for Fair Value Measurement (ASBJ Statement No.30, July 4, 2019). In the calculation of the fair value, it is considered categories of fair value level and valuation techniques used to measure fair value depending on the nature, characteristics and risks of the assets.

## Note 19. Securities

Information regarding securities classified as other securities at March 31, 2023 and 2024 was summarized as follows:

	Millions of yen						Thousands of U.S. dollars		
	2023			2024			2024		
	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	¥ 2,597	¥ 1,490	¥ 1,107	¥ 2,777	¥ 1,121	¥ 1,656	\$18,341	\$ 7,404	\$10,937
Others	—	—	—	75	73	2	495	482	13
Subtotal	2,597	1,490	1,107	2,852	1,194	1,658	18,836	7,886	10,950
Securities whose acquisition exceeds their book value									
Stocks	10	14	(3)	17	22	(5)	112	145	(33)
Subtotal	10	14	(3)	17	22	(5)	112	145	(33)
Total	¥ 2,608	¥ 1,504	¥ 1,103	¥ 2,869	¥ 1,216	¥ 1,653	\$18,949	\$ 8,031	\$10,917

Unlisted stocks of ¥959 million at March 31, 2023 and ¥981 million (\$6,479 thousand) at March 31, 2024 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
	2023	2024	2024
Investment securities	¥ 473	¥ 475	\$ 3,137

Information regarding sales of securities classified as other securities for the years ended March 31, 2023 and 2024 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Proceeds from sales of securities	¥ 7	¥ 634	\$ 4,187
Stocks	7	634	4,187
Gains on sales	2	273	1,803
Stocks	2	273	1,803
Losses on sales	—	—	—
Stocks	—	—	—

Impairment of investment securities classified as other securities for the years ended March 31, 2023 and 2024 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Stocks	¥ 25	¥ 1	\$ 7

## Note 20. 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)
	2023	2024	2023	2024	2023	2024	2024	2024	2024
Forward foreign exchange contracts:									
Sell: US\$ / Buy: Yen	¥ 504	¥ 754	¥ (13)	¥ (28)	¥ (13)	¥ (28)	\$ 4,980	\$ (185)	\$ (185)
Total	¥ 504	¥ 754	¥ (13)	¥ (28)	¥ (13)	¥ (28)	\$ 4,980	\$ (185)	\$ (185)

(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
	2023	2024	2023	2024	2023	2024	2024	2024	2024
Interest rate swaps (Deferral hedge accounting)	¥ —	¥ 3,000	¥ —	¥ 3,000	¥ —	¥ (70)	\$19,814	\$19,814	\$ (462)

## Note 21. Investment and rental property

The profit of investment and rental property for the year ended March 31, 2023 amounted to ¥431 million.  
The profit of investment and rental property for the year ended March 31, 2024 amounted to ¥406 million (\$2,681 thousand).  
Information on the fair value of investment and rental property at March 31, 2023 and 2024 was summarized as follows:

Millions of yen						Thousands of U.S. dollars					
2023			2024			2023			2024		
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
¥ 6,671	¥ (111)	¥ 6,559	¥ 13,051	¥ 6,559	¥ (4)	¥ 6,555	¥ 13,302	\$ 43,319	\$ (26)	\$ 43,293	\$ 87,854

- The fair value represents the acquisition cost less accumulated depreciation.
- 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 and decrease mainly due to depreciation ¥151 million. The components of net change in book value for the year ended March 31, 2024 included increases mainly due to acquisitions in the amount of ¥168 million (\$1,110 thousand), and decrease mainly due to depreciation ¥157 million (\$1,037 thousand) and gain on sales of fixed assets ¥16 million (\$106 thousand).
- The fair value is mainly based upon the amount appraised by outside independent real estate appraisers.

## Note 22. Revenue recognition

- Information on disaggregated revenue arising from contracts with customers

	Millions of yen					
	2023					
	Reportable segments			Subtotal	Others	Total
CS Division	SCI Division	Research & Development Center				
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

	Millions of yen					
	2024					
	Reportable segments			Subtotal	Others	Total
CS Division	SCI Division	Research & Development Center				
Japan	¥ 4,552	¥ 10,361	¥ 386	¥ 15,301	¥ 11	¥ 15,313
China	7,723	2,106	0	9,830	—	9,830
Other Asia	3,288	4,125	—	7,414	—	7,414
U.S.A.	4,296	7,279	—	11,576	—	11,576
Other North America	—	108	—	108	—	108
Europe	725	1,554	—	2,279	—	2,279
Revenue from contracts with customers	20,586	25,536	387	46,510	11	46,522
Revenue from external customers	¥ 20,586	¥ 25,536	¥ 387	¥ 46,510	¥ 11	¥ 46,522

	Thousands of U.S. dollars					
	2024					
	Reportable segments			Subtotal	Others	Total
CS Division	SCI Division	Research & Development Center				
Japan	\$ 30,064	\$ 68,430	\$ 2,549	\$101,057	\$ 73	\$101,136
China	51,007	13,909	0	64,923	—	64,923
Other Asia	21,716	27,244	—	48,966	—	48,966
U.S.A.	28,373	48,075	—	76,455	—	76,455
Other North America	—	713	—	713	—	713
Europe	4,788	10,264	—	15,052	—	15,052
Revenue from contracts with customers	135,962	168,655	2,556	307,179	73	307,258
Revenue from external customers	\$135,962	\$168,655	\$ 2,556	\$307,179	\$ 73	\$307,258

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.

- 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.

- 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

- Balance of contract assets and contract liabilities

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Receivables arising from contracts with customers (balance at the beginning of the year)	¥ 12,800	¥ 13,176	\$ 87,022
Receivables arising from contracts with customers (balance at the end of the year)	13,176	13,222	87,326
Contract liabilities (balance at the beginning of the year)	56	224	1,479
Contract liabilities (balance at the end of the year)	¥ 224	¥ 61	\$ 403

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 ¥224 million (\$1,479 thousand). The main reasons for the decrease of ¥163 million (\$1,077 thousand) in contract liabilities in the fiscal year were reversal as revenue is recognized.

- 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 23. 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.

- Business segment information

	Millions of yen							
	Reporting Segments				Other	Total	Adjustment	Consolidated
	CS Division	SCI Division	Research & Development Center	Subtotal				
<b>2023</b>								
<b>Net sales</b>								
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
<b>Operating income (loss)</b>	894	393	(160)	1,127	1	1,128	—	1,128
<b>Identifiable assets</b>	11,805	20,007	334	32,147	6,642	38,790	17,574	56,365
<b>Others</b>								
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

2024	Millions of yen							
	Reporting Segments				Other	Total	Adjustment	Consolidated
	CS Division	SCI Division	Research & Development Center	Subtotal				
<b>Net sales</b>								
Outside customers	¥ 20,586	¥ 25,536	¥ 387	¥ 46,510	¥ 11	¥ 46,522	¥ —	¥ 46,522
Intersegment sales	—	—	—	—	—	—	—	—
Total	20,586	25,536	387	46,510	11	46,522	—	46,522
<b>Operating income (loss)</b>	1,095	(2,145)	(184)	(1,234)	(9)	(1,243)	—	(1,243)
<b>Identifiable assets</b>	12,447	18,335	387	31,171	6,628	37,799	20,644	58,444
<b>Others</b>								
Depreciation	1,478	786	11	2,276	174	2,451	—	2,451
Increase in fixed assets and intangible fixed assets	1,035	1,082	9	2,127	163	2,290	—	2,290

2024	Thousands of U.S. dollars							
	Reporting Segments				Other	Total	Adjustment	Consolidated
	CS Division	SCI Division	Research & Development Center	Subtotal				
<b>Net sales</b>								
Outside customers	\$ 135,962	\$ 168,655	\$ 2,556	\$ 307,179	\$ 73	\$ 307,258	\$ —	\$ 307,258
Intersegment sales	—	—	—	—	—	—	—	—
Total	135,962	168,655	2,556	307,179	73	307,258	—	307,258
<b>Operating income (loss)</b>	7,232	(14,167)	(1,215)	(8,150)	(59)	(8,209)	—	(8,209)
<b>Identifiable assets</b>	82,207	121,095	2,556	205,871	43,775	249,647	136,345	385,998
<b>Others</b>								
Depreciation	9,762	5,191	73	15,032	1,149	16,188	—	16,188
Increase in fixed assets and intangible fixed assets	6,836	7,146	59	14,048	1,077	15,124	—	15,124

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

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

2024	Millions of yen						
	Japan	Asia		North America		Europe	Consolidated
		China	Other	U.S.A.	Other		
Net sales	¥ 15,313	¥ 9,830	¥ 7,414	¥ 11,576	¥ 108	¥ 2,279	¥ 46,522

2024	Thousands of U.S. dollars						
	Japan	Asia		North America		Europe	Consolidated
		China	Other	U.S.A.	Other		
Net sales	\$ 101,136	\$ 64,923	\$ 48,966	\$ 76,455	\$ 713	\$ 15,052	\$ 307,258

### (2) Fixed assets

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

2024	Millions of yen					
	Japan	Asia		North America	Europe	Consolidated
		China	Other			
Fixed assets	¥ 10,811	¥ 3,438	¥ 803	¥ 219	¥ 54	¥ 15,328

2024	Thousands of U.S. dollars					
	Japan	Asia		North America	Europe	Consolidated
		China	Other			
Fixed assets	\$ 71,402	\$ 22,707	\$ 5,303	\$ 1,446	\$ 357	\$ 101,235

## 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
	2023	2024	
	CS Division	¥ 32	
SCI Division	484	529	3,494
Research & Development Center	0	9	59
Subtotal	517	562	3,712
Other	—	—	—
Adjustments and eliminations	—	—	—
Consolidated	¥ 517	¥ 562	\$ 3,712

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

For the years ended March 31, 2023 and 2024, there was no amortization and balance of goodwill.

## Note 24. Related party transactions

Significant transactions with related parties for the years ended March 31, 2023 and 2024 were as follows:

2023	Millions of yen			
	Transactions		Balances	
	Rent	Other investments	Other current assets	
Terutaka Ikeda (Supreme corporate adviser)	¥ 14	¥ 14	¥ 1	

2024	Millions of yen			
	Transactions		Balances	
	Collection of loan receivable	Interest income	Other current assets	Long-term loans receivable
Paul Evans (Director)	¥ 4	¥ 1	¥ 2	¥ 27

2024	Millions of yen			
	Transactions		Balances	
	Rent	Other investments	Other current assets	
Terutaka Ikeda (Supreme corporate adviser)	¥ 14	¥ 14	¥ 1	

2024	Thousands of U.S. dollars			
	Transactions		Balances	
	Collection of loan receivable	Interest income	Other current assets	Long-term loans receivable
Paul Evans (Director)	\$ 26	\$ 0	\$ 13	\$ 172

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 25. Subsequent Events

There were no subsequent events for the year ended March 31, 2024.



# Officer Introduction

(As of June 25, 2024)

## Directors



**Yasumitsu Ikeda**  
President,  
Chief Executive Officer and  
Chief Operating Officer



**Masanobu Ikeo**  
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



**Kohei Ohgaki**  
Full-Time Auditor



**Naru Nakashima**  
Auditor (Outside)



**Fumio Nishimura**  
Auditor (Outside)

## Corporate Executive Officers



**Hiroshi Usami**  
Executive Vice President,  
Chief Information Officer



**Mitsuyuki Masubuchi**  
Vice President



**Fumikazu Hata**  
Vice President



**Mikio Otsubo**  
Vice President



**Hideo Sugano**  
Vice President



**Takashi Ito**  
Vice President



**Itaru Kitahira**  
Vice President,  
Chief Financial Officer





# Corporate Information

(As of March 31, 2024)

## Corporate Data

<b>Name</b>	SMK Corporation
<b>Established</b>	April 3, 1925
<b>Registered</b>	January 15, 1929
<b>Primary business</b>	Manufacture, sale of various parts for electro-communication device and electronic equipment and provision of related services
<b>Capital</b>	¥ 7,996,828,021
<b>Stock exchange listing</b>	Tokyo Stock Exchange
<b>Administrator of shareholders register</b>	Mitsubishi UFJ Trust and Banking Corporation
<b>Independent auditors</b>	Ernst & Young ShinNihon LLC Tokyo, Japan
<b>Employees (Consolidated)</b>	4,104
<b>Global network</b> (As of July 31, 2024)	
<b>Japanese domestic bases</b> (7 sites)	Tokyo (Head office), Toyama, Hitachi, Osaka, Nagoya, Ibaraki and Fukuoka
<b>Overseas bases</b> (28 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

<b>Authorized shares</b>	19,596,127
<b>Issued shares</b> (including 846,508 shares of treasury stock)	7,200,000
<b>Number of shareholders</b>	6,006

Major shareholders (top ten)	Shares owned (1,000 shares)	Percentage of shares (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	612	9.65
SMK Cooperating Company Share Holding Association	518	8.17
The Showa Ikeda Memorial Foundation	359	5.66
Dai Nippon Printing Co., Ltd.	320	5.04
Nippon Life Insurance Company	307	4.84
SMK Employees Share Holding Association	269	4.24
Mizuho Bank, Ltd.	167	2.64
Custody Bank of Japan, Ltd. (Trust Account)	150	2.37
Meiji Yasuda Life Insurance Company	137	2.17
Terutaka Ikeda	130	2.05

Note: The Company holds 846 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 40 thousand shares of the Company held by the Officer Stock Benefit Trust.

## Share ownership by shareholder type

Financial institutions	22.90%
Financial instruments dealers	1.50%
Other entities	16.86%
Foreign entities, etc.	5.71%
Individuals and others	53.04%

### 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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