SMK

INTEGRATED REPORT
2023

CREATIVE CONNECTIVITY
— Challenge, Creativity, Solutions

F o u n d i n g   S p i r i t

Good Parts Create Good Final Products

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.

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.

Company Name

SMK stands for Supertech Multifield Knowhow (exploring new fields by fully utilizing advanced technology and unique knowhow).

Corporate Brand Logo

The point of intersection in the middle of the letter "M" represents *infinity and interaction*, and symbolizes the *pursuit of infinite possibilities* and *advancement and integration by building technological interactions*, which is the spirit of the SMK Philosophy.

The eight dots surrounding the SMK logo represent the mindset that SMK employees are expected to have: *pride*, *confidence*, *zeal*, *sincerity*, *courage*, *trust*, *respect*, and a *global perspective*, and are linked to our Action Guidelines.

Contents

History

Contributing to the Development
of the Information Society

Electronic components are indispensable to our daily lives. Today, they are increasingly installed in many devices due to the evolution of technology and the development of IoT. In response to these changes, SMK has always continued to provide cutting-edge products and technology.

When the Company was first established in 1925, our core business was radio-related parts and radio receivers. After the World War II, we specialized in the electronic components business, and expanded as a comprehensive electronic components manufacturer while remaining true to our founding spirit that "good parts create good final products." Today, SMK's products are used in a wide range of fields, from the ICT market that includes smartphones, tablets, and wearable devices, to the car electronics and mobility markets, and the home appliance and industry markets that include white goods, game consoles, and solar power generation systems.

Since our full-scale entry into the global market in 1973, we have built partnerships with customers around the world, and currently provide products and services transnationally through a network that spans 16 regions globally.

Going forward, SMK will continue to contribute to the development of the information society and be a company in high demand by society.

SMK's Sales Trends

1925　　　　　　　1962　　　　　1970　　　　　　　　1980

Consolidated figures since FY1978.

SMK's Milestones

1925
Heishiro Ikeda founded Ikeda Musen Denki Seisakujo.

1929
Incorporated and renamed Showa Musen Kogyo Kabushiki Gaisha. Began manufacturing radio-related parts and radio receivers.

1946
Began manufacturing electronic components.

1962
Listed on the second section of the Tokyo Stock Exchange.

1973
Expanded into the global market. Established local subsidiaries in the U.S. and Belgium (sales offices) and a joint venture in Taiwan (production site).

1978
Listed on the first section of the Tokyo Stock Exchange.

1985
Changed the company name to SMK Corporation.

Developments in the Electronics Industry

1920s—
Radio broadcasting began in Japan.

1950s—
Television broadcasting began in Japan.

1970s—
Televisions and radio cassette recorders became smaller.

1980s—
The widespread use of PCs began. The audio-visual (AV) equipment industry experienced its heyday.

SMK's Mainstay Products

● Power transformers

● Radio receivers

"Olympic 680 model"
won a prize at the first competitive exhibition held by the Japan Radio Association in 1937.

● Cathode-ray tube (CRT) sockets
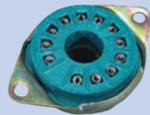
● Fuse holders

● Jacks (φ6.3) for TVs and large stereos

● Push-type channel switches for TVs

● Pin jacks for AV equipment

● CRT sockets

● Mini-jacks (φ3.5) for compact TVs and radio-cassette recorders

● Crimp connectors for AV equipment

● MT switches
 * MT＝Mechanical Tactile

● Keyboards for PCs

2000
Sales by Market

- Communication
- Information
- Audio-Visual
- Others

2010
Sales by Market

- Communication
- Information
- Audio-Visual
- Car electronics
- Others

2022
Sales by Market

- ICT
- Home appliance
- Car electronics
- Industry/others

21.3%

Overseas Sales Ratio

67.7%

1990   2000   2010   2022 (FY)
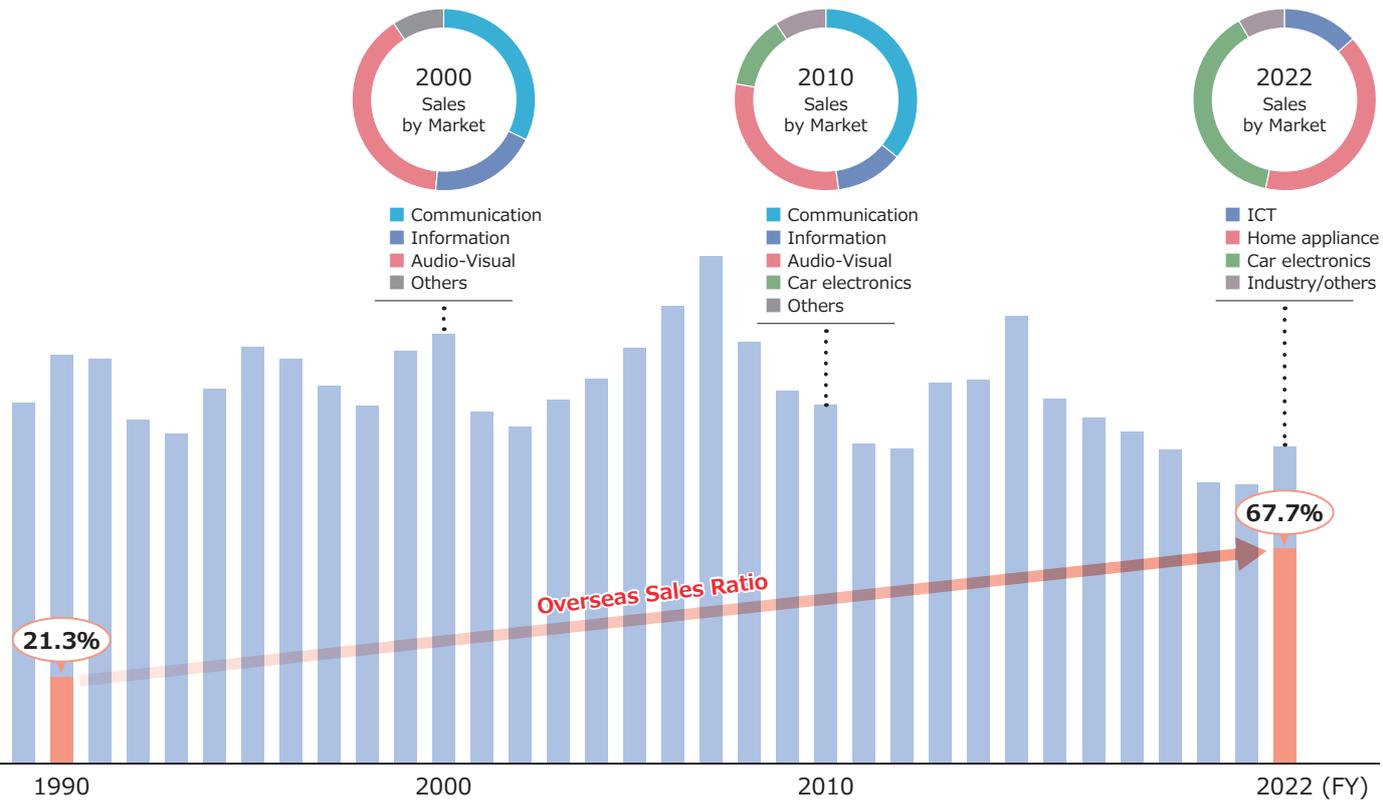
1995
Initiated "Transnational (TN) Management" to advance globalization.

| **Transnational** |
| = Global + Borderless |

1997
Established the SMK Charter for Corporate Behavior.

2006
Established the SMK Group Code of Conduct.

2021
Publicly announced the Medium-Term Business Plan for the first time.

2022
Transferred to the Prime Market of the Tokyo Stock Exchange.

2000s—
Mobile phones became widespread.

2010s—
Smartphones became widespread, and mobile networks saw significant advances in speed and capacity.
The growth of IoT devices and connected cars began.

- Infrared remote controls

- FPC/FFC connectors for AV equipment

- Mini-jacks (φ2.5) for mobile phones

- Camera connectors for mobile phones

- Remote controls for set-top boxes

- Touch panels for car navigation equipment

- Switches for smart phones

- Connectors for photovoltaic modules

- Connectors for automotive cameras

- FPC to board connectors for smart phones

- USB Type-C® receptacles

- Coaxial connectors for automotive devices

Top Message

Grow Continuously, Be Competitive, and Provide Solutions

Yasumitsu Ikeda
President, CEO and COO
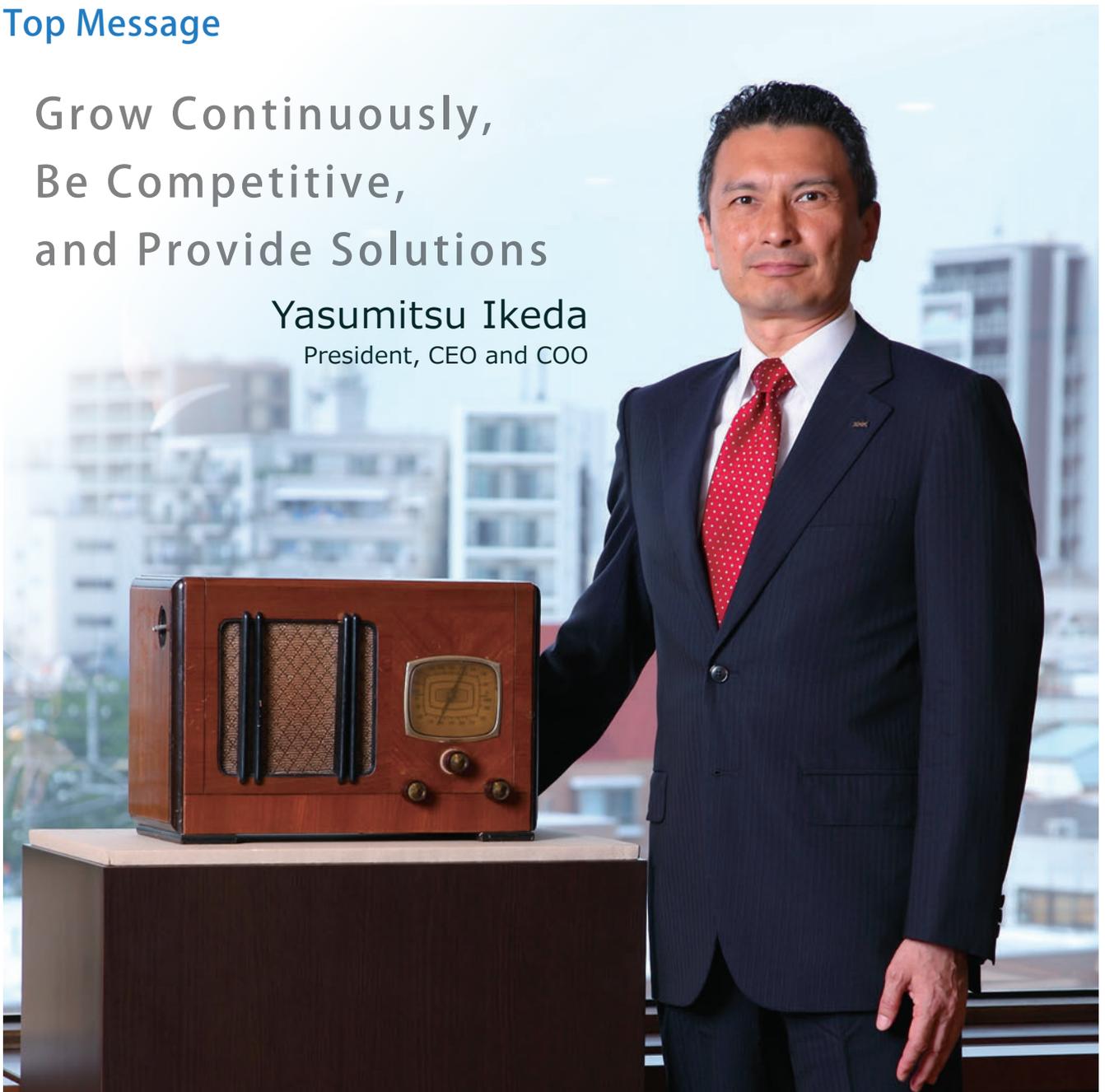
Publication of the Integrated Report

SMK is doing business under the 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." Our goal is to contribute to a sustainab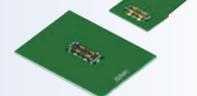le society while achieving sustainable growth as a company. To help a wide range of stakeholders, including shareholders and investors, understand our efforts and strategies toward realizing this goal, we have published SMK's first integrated report. By enriching the disclosure of non-financial information, including sustainability initiatives, in addition to financial information, we aim to deepen communication with our stakeholders, which will lead to the further enhancement of our corporate value.

Approaching the final year of our Medium-Term Business Plan

Although net sales and operating profit for FY2022 increased compared to the previous fiscal year, ordinary profit and net profit decreased due to a decline in foreign exchange gains and a booking of impairment losses. These results were unsatisfactory.

FY2023 is the final year of our current Medium-Term Business Plan for three years starting from FY2021. In the plan, we set targets of ¥60.7 billion in net sales and ¥3.1 billion in operating profit for FY2023. However, our forecast of sales and profit will not reach the targets, primarily because we haven't gotten new orders for 5G & wearable markets and have been affected by the impact of a downturn in demand resulting from the deteriorating market conditions in the ICT market.

Net Sales ■ Operating Profit
Unit: Billion yen

* Revised forecast announced in July 2023
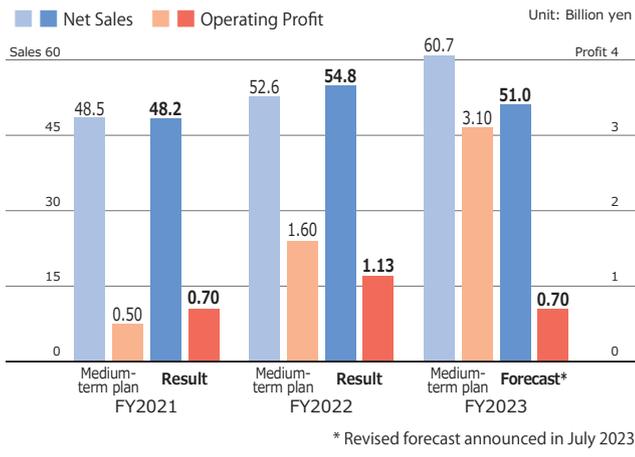
Given this situation, we are unlikely to achieve the quantitative targets for sales and profits; however, we are yielding some positive results in the qualitative targets for corporate structure reform.

With regard to improving productivity, which is one of our medium-term key initiatives, we have made progress in automation and labor savings, and in terms of quality improvements, we have reduced the number of quality complaints as a result of eliminating problems at the development stage through front-loading product development. In terms of enhancing operational efficiency, we have made progress in adopting RPA globally and also updated the online core system in Japan.

Currently, we are in the process of formulating the next Medium-Term Business Plan starting from FY2024. We are reviewing our achievements and remaining challenges in the current plan and developing strategies to achieve new growth from the next fiscal year onwards, including strengthening our corporate structure.

Toward sustainable growth

SMK positions CASE, 5G, Wearable, IoT, and Healthcare as growing markets to focus on. With these five markets, we aim to diversify our business models for sustainable growth. Currently, SMK's strength lies in the "custom-made parts business," in which we develop, produce, and sell products based on a flexible response to customer requests. Going forward, we will also strengthen the "solution-type business," in which we identify issues of customer and society and proactively propose solutions using our products, technology, and ideas. In addition, our present business model is a "one-time sale business," in which we just develop, manufacture, and sell our products. Besides that, we are now seeking a "recurring revenue business," in which we will provide our services on an ongoing basis.

To increase our competitiveness, it is also necessary to shift to high-margin, high-value-added products. While developing value-added products with high-frequency, sensing, and algorithm technologies, we also aim to achieve differentiation by focusing our efforts on "open innovation," which means that we collaborate with startup companies and universities that have cutting-edge technologies not currently available within SMK.

Promoting ESG management

To enhance corporate value, we will focus not only on improving our financial performance, but also on ESG (environmental, social, and governance) initiatives.

SMK has set a long-term goal of achieving carbon neutrality by 2045. To aim at the commitment, we have started the operation of solar power generation systems at the Toyama Works and Hitachi Works since FY2022, and plan to introduce these systems to several overseas sites during FY2023. Viewing solutions for social issues as business opportunities, we aim to generate sales and profits by developing and providing products and services that contribute to social change (green transformation), including the achievement of carbon neutrality.

SMK's most important asset is its employees. In addition to considering the introduction of a HR system that enables employees to fully realize their potential, we will conduct an employee engagement survey, starting from Japan in FY2023, and implement measures to make SMK a more rewarding place to work, based on the results. In terms of human resource development, we have traditionally been conducting training that combines class-based and job-specific education and distance learning, but we are also discussing the launch of reskilling programs to further support employees' growth.

As part of our efforts to strengthen corporate governance, we have established a Remuneration Committee since FY2021, and are also conducting self-assessments to confirm whether the Board of Directors is operating appropriately.

SMK will continue to promote ESG initiatives based on the demands and expectations of society, while utilizing surveys conducted by various ESG rating agencies, which we began responding to in FY2021.

To our stakeholders

Since its foundation in 1925, SMK has responded appropriately to the changing market while preserving our founding spirit of "Good Parts Create Good Final Products." At present, the business environment surrounding us remains uncertain due to global inflation, soaring prices of energy and raw material, and the prolonged war in Ukraine. At the same time, however, society is undergoing significant transformations driven by advancements in digitalization and growing social demand for achieving carbon neutrality as climate change becomes an urgent issue. Where there is a change, there are new business opportunities. By changing ourselves as a company and as individuals, we aim to seize these opportunities and achieve sustainable growth.

As SMK's employees work together to enhance corporate value, we would like to ask for your continued support and good patronage.

Value Creation Model

Input

Human Capital

Number of employees
4,607

Intellectual Capital

Number of patents/
utility models held
487

R&D expenses
2.3 billion yen

Natural Capital

Total energy consumption
40,585 MWh

Financial Capital

Equity ratio
57.3 %

Total assets
56.3 billion yen

Manufactured Capital

Capital expenditures
2.1 billion yen

Social and Relationship Capital

Stakeholders

FY2022 results.
The number of employees is
as of March 31, 2023.

SMK's management resources

Business Model

SMK's Vision

CREATIVE CONNECTIVITY
— Challenge, Creativity, Solutions

Utilizing our core technologies of *Connection*, *Wireless*, *Input*, and *Modules*, SMK will connect people to people, people to products, and products to products creatively, and provide solutions that contribute to the development of society.

Core Technologies

- Connection
- Wireless
- Input
- Module

- Marketing/Product Planning
- Sales
- R&D/Design
- Quality Control
- Procurement/Production

SMK

Medium-Term Business Plan

SMK's Vision

SMK Philosophy

Output

Net Sales in FY2022
54,842
million yen

by Division

- ■ CS Division — 36%
- ■ SCI Division — 63%
- ■ R&D Center — 1%
- ■ Others — 0%

by Market

- ■ ICT — 14%
- ■ Home appliance — 39%
- ■ Car electronics — 38%
- ■ Industry/Others — 9%

by Region
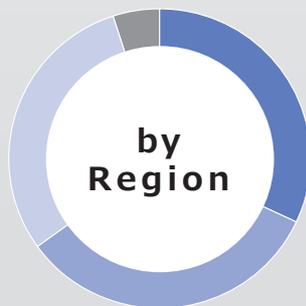
- ■ Japan — 32%
- ■ Asia — 33%
- ■ North America — 30%
- ■ Europe — 5%

Outcome

Social Value

Development of products and services to solve social issues

Environment ➡P.18

Carbon neutrality by 2045
Efficient use of resources

etc.

Social ➡P.21

Human capital management
Diversity
Social contribution

etc.

Governance ➡P.25

Enhanced governance
Board effectiveness
Crisis management

etc.

Economic Value

Improvement of ROA, ROE, and ROIC

Corporate Strategy

SMK is working toward the aim of "grow continuously, be competitive, and provide solutions" by focusing on expanding sales and generating stable profits and on reforming the corporate structure for new growth.

SMK's Target Markets

ICT

Information and Communication Technology

Smartphone
Tablet
PC
Wearable
Network Equipment
Tracking Device
Electronic Dictionary

Home Appliance

TV
STB
Smart Speaker
Air Conditioner
Gaming Console
Sanitary
Housing Equipment
Home Security
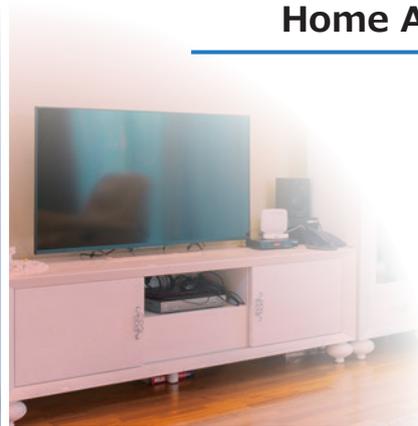
Industry/Others

Solar Power Generation System
Healthcare
Lighting Equipment
Multi-functional Machine
ECR/POS
Industrial Robot

Car Electronics

CASE
Car Navigation Equipment
Display Audio
IVI
Electrical Device
ECU

Currently, the business environment surrounding SMK is facing major changes as the result of rapid advances in the digitalization of society due to the full-scale spread of 5G and IoT, and in the transformation of the automotive industry due to the advancement of CASE (Connected, Autonomous, Shared & Service, Electric).

In response to these changing trends, SMK has positioned *CASE*, *5G*, *Wearable*, *IoT*, and *Healthcare* as growing markets to focus on, and is promoting the development and market launch of highly creative and pioneering products. We will further strengthen our growth strategy in these markets in preparation for our new Medium-Term Business Plan starting in FY2024. At the same time, we are proactively working to create new businesses and develop new customers by promoting co-creation with partners and open innovation.

In doing so, we will adapt to market changes, further increase our competitiveness, and achieve sustainable growth.

Focus Markets
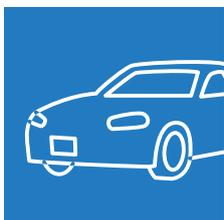
| CASE | 5G | Wearable | IoT | Healthcare |

Diversification of Business Models

Custom-Made Parts Business		Solution-Type Business
Currently, we mainly develop custom-made parts based on a flexible response to customer requests.	+	We will strengthen the solution-type business, in which we identify issues of customer and society and proactively propose solutions.

One-Time Sale Business		Recurring Revenue Business
We just develop, manufacture, and sell our products.	+	We are seeking a business, in which we will provide our services on an ongoing basis by combining software.

Enhancement of Cost Competitivenesss

- Review workflow, promote DX
- Improve quality
- Improve production efficiency (Smart factory, etc.)

Open Innovation

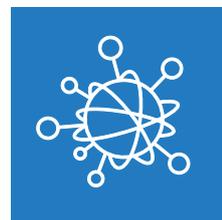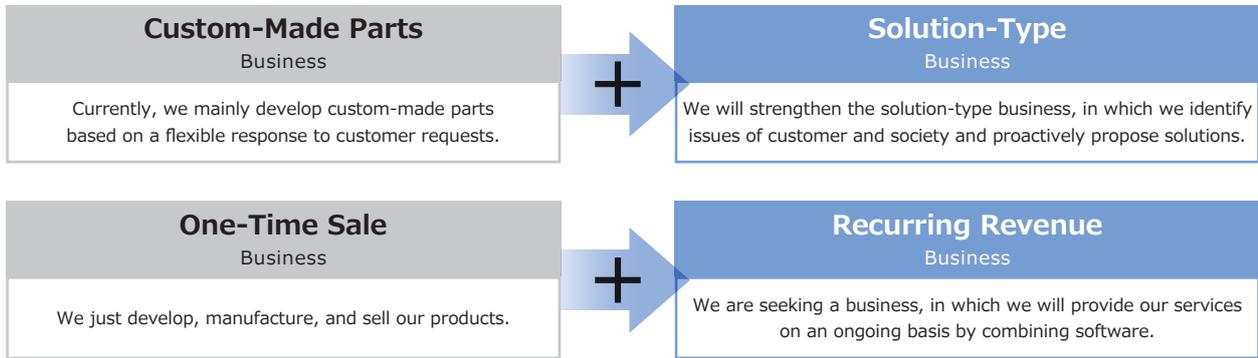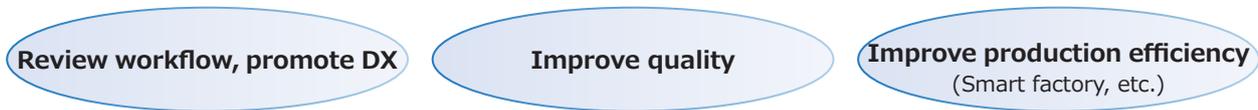We search through more than 1,000 companies annually for technologies around the world, mainly from Europe, the U.S., Japan, and Israel, and promote the creation of new solutions and businesses that can be deployed on a global scale by combining cutting-edge algorithms and AI technologies of startup companies with SMK's mass production design and manufacturing expertise.

Themes for reference
- Biometric and other sensors
- Communication
- HMI
- Energy
- Predictive/estimated algorithms
- Materials
- Monitoring
- Security

UWB type monitoring sensor

Partner: EchoCare Technologies Ltd., Israel

This is a highly functional, non-contact, camera-less radar-based monitoring system. By analyzing the radio waves reflected from the subject, the system detects their location, posture, respiration, and intensity of movements.
A proprietary algorithm that uses AI and machine learning analyzes this data, enabling the accurate detection of abnormal conditions such as falls and submersion in a bathtub.
The Proof of Concept (PoC) is currently in its final phase.

Reflected radio waves / Transmitted radio waves
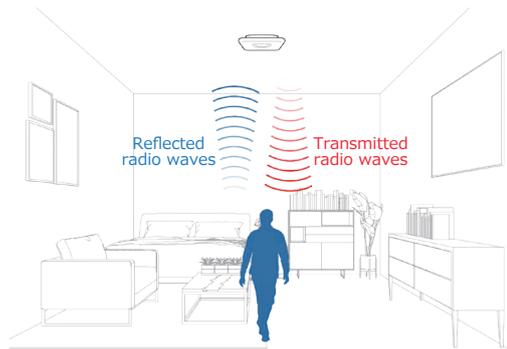
Technology to analyze diseases and emotions through speech

Partners: National Cerebral and Cardiovascular Center, Japan and Canary Speech, Inc., U.S.

This technology enables analysis of latent brain-related diseases and emotions through free-form Japanese speech of about 30 seconds. Specifically, it provides diagnostic support for diseases like dementia and depression, for which early detection is important. Additionally, it enables data analysis of difficult-to-quantify factors such as stress, anxiety, and fatigue levels.
The initial phase of joint research for algorithm development has concluded, and we are now commencing the PoC with our customers.

Input / Analysis of Speech Data / Speech / Use of Analytical Information / Network / Analysis Algorithm

Strategies by Segment

Net Sales in FY2022
54,842 million yen

R&D Center — Others
CS
SCI
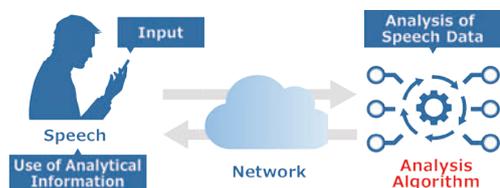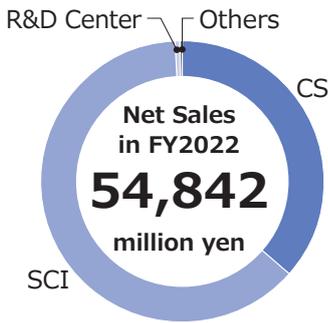
SMK operates three business segments: the CS Division, the SCI Division, and the Research & Development (R&D) Center.
The CS and SCI Divisions develop technologies and products in their respective areas of responsibility, while the R&D Center conducts cutting-edge development. Furthermore, these three segments collaborate to focus on deepening and developing our core technologies of Connection, Wireless, Input, and Modules.

CS Division   Connection System

Connectors are the foundation of electronics. The CS Division contributes to adding value to customers' products by using its accumulated technologies to make mobile devices smaller and thinner, increase the current in industrial equipment, and increase the transmission speed of car electronics.

FY2022 Sales
19,997 million yen

● **Major products**
Connectors (coaxial, board-to-board, FPC), jacks
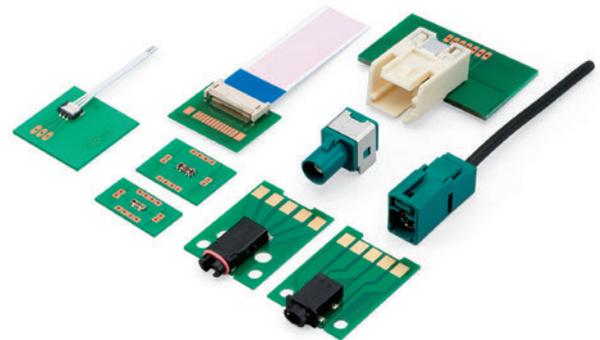
SCI Division   Sensing, Communications and Interface

The SCI Division is working to create new markets, new businesses, and new products by accelerating the development of *Sensing* technology to support the IoT era, *Communication* technology to contribute to the advancement of the information society, and *Interface* technology to enhance usability in applications such as automobiles.

FY2022 Sales
34,482 million yen

● **Major products**
Remote controls, switches, camera modules

R&D Center   Research & Development

The R&D Center is engaged in R&D of products using new technologies, focusing on products based on high-frequency technologies, such as Sub-GHz communication modules and NFC antennas. The Center is also advancing the development of products for the promising healthcare and car electronics markets, such as EMG sensors and radar-based vital sensors.

FY2022 Sales
339 million yen

● **Major products**
Sub-GHz communication modules, NFC antennas, EMG sensors

CS Division

Message

Contributing to the creation of a prosperous society through optimal proposals

Hideo Sugano
Vice President and Senior General Manager of CS Division

Although there was a time when it was rumored that "connectors would become unnecessary" as parts became more integrated and their functions became more sophisticated, the demand for connectors has, in fact, become more diversified as the shift to electronics has progressed in all fields. Furthermore, the necessity of connectors has grown for the maintainability and expandability of equipment, and for the productivity in the manufacturing processes.

We have shared challenges with customers, such as miniaturizing mobile devices, supporting higher currents in industrial equipment, and increasing the transmission speed of automotive devices, and provided optimal solutions. Such solutions have been extended to products that transcend fields, contributing to improving the added value of various final products. In addition, we are also developing original manufacturing equipment in-house that enables us to create optimal manufacturing methods to ensure the continued stable supply of highly reliable, high-quality products at reasonable costs.

While further advancing the technological capabilities we have accumulated in this way, we will focus on two main markets: the car electronics market, where even power sources are becoming electronic, and the ICT market, where high-speed, large-capacity technology is accelerating. Regardless of the market, whether consumer products, industry, or other, we will continue to contribute to the creation of a prosperous society by providing optimal proposals to meet customer needs.

Core Competencies

▶ **Compact and high-speed transmission design**
Leveraging our experience in the ICT market, we develop the industry's smallest and highest-speed connectors with high reliability.

▶ **Custom solutions**
With a proven track record, we offer flexible customized solutions with unique structures.

▶ **Automation**
We provide excellent cost and delivery responsiveness through the development of versatile, high-speed, and high-quality manufacturing equipment.

Key Focus Areas

CASE

In response to growing demand driven by the CASE trend in the car electronics market, we are strengthening development of automotive camera connectors, coaxial connectors, and high-speed transmission connectors.

With the expansion of the EV market, we commercialized the FV series of FPC connectors and crimp connectors, which feature a locking mechanism for stable connections and a compact design, targeting applications such as battery monitoring systems. We aim to increase sales by expanding the number of models that use these connectors and also promoting them to various automotive electronics manufacturers.

Automotive Camera Connector   FPC Connector "FV-1"

5G

In the ICT market, we are expanding our lineup of the RB-1 series of RF board to board connectors and earth terminals for noise suppression, with the keywords being compact, thin, and high speed.

We will continue to focus on developing connectors compatible with high frequencies with an eye on the expansion of the 5G smartphone market in the future.
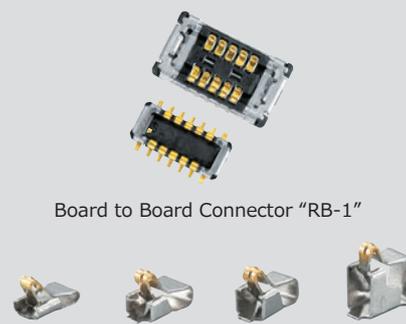
Board to Board Connector "RB-1"

Ultra Small Terminal

SCI Division

Message

Responding to diversifying needs and working to solve social issues

Takashi Ito
Senior General Manager of SCI Division

The SCI Division develops business by creating products that adapt to diversifying needs, mainly in the home appliance/housing equipment market and the car electronics market, which are our mainstay markets, based on *Sensing*, *Communication*, and *Interface* technologies.

Furthermore, in order to build a new business pillar, we will focus particularly on the development of sensing technology, and are proceeding with in-house development of unit products and services combined with the optimal communications technology, leveraging our high-frequency technologies and development knowhow of various sensor products, unbound by conventional markets and needs.

In addition to existing products for the home appliance, housing equipment, and car electronics markets, we will create new value that can provide excitement to customers and society by expanding our products to a wide range of fields and applications. Going forward, we are committed to actively proposing solutions to address the needs and issues of customers and markets, as well as social issues such as risk prediction, monitored nursing care, healthcare, and environmental issues, in markets around the world. Our goal is to simultaneously contribute to the creation of a secure and safe society while achieving sustainability in business.

Core Competencies

▶ **Product diversity**

We offer a variety of products that combine Sensing, Communication, and Interface features.

▶ **Solutions to social issues**

We provide solutions for issues such as decarbonization, shrinking labor force, and an aging population.

▶ **Local sourcing and consumption**

Our overseas sites offer one-stop services (comprehensive support from sales, development to production).

Key Focus Areas

Smart Appliance   **Housing Equipment**

In addition to remote controls, our conventional mainstay product, we are developing new products applying high-frequency communications, ultra-low power consumption, and non-contact technologies.

Sensor unit using hybrid technology of energy harvesting and wireless power transfer.

CASE

As well as expanding the product lineup of camera modules, which are increasingly being installed in cars due to advances in ADAS and autonomous driving technology, we will also strengthen proposals for unit products such as operating switches used for steering wheels and to open and close windows, and key fobs.

Initiatives to solve social issues

By developing unit products that combine sensing technology and algorithms, we aim to solve social issues such as healthcare, environmental issues, and the declining workforce.

Millimeter Wave Sensor "Milweb™"

R&D Center

Message

Toward the development of high-value-added products that contribute to society

Nobutaka Hirai
General Manager of R&D Center

The R&D Center works on development with the aim of realizing high-valued-added products, including algorithms in combination with hardware, based on high-frequency and antenna technologies. It forms the same profit center as the CS Division and SCI Division, which means we receive first-hand experience every day of how the technologies and products we develop will contribute to society.

The R&D Center has traditionally developed mainly Bluetooth® communication modules and touchless operating panels. Currently, we are developing Sub-GHz (920MHz band) communication modules and NFC antennas, as well as EMG sensors (sensors that visualize muscle strength) and biometric sensors (sensors that use high frequencies for contactless verification of breathing and heartbeat), for which we are developing both hardware and algorithms.

Our role is to launch high-value-added products in the market and solve the issues faced by society and our customers. We repeatedly ask ourselves what issues are facing society and customers; what they would like to see resolved; and what technologies are capable of solving these issues. One of our strengths lies in our ability to collaboratively explore issues and technologies together with the sales and marketing teams, and drive development aimed at solving the issues. Through providing high-value-added products, we aim to contribute to the advancement of society.

Core Competencies

▶ **High-frequency expertise**
We possess advanced high-frequency technology, cultivated through the design of communication modules and antennas.

▶ **Capability to co-develop algorithms and hardware**
We develop practical algorithms that work seamlessly with hardware, including sensors.

▶ **Design capability to meet customer specifications**
We fulfill diverse customer needs through a combination of circuit design, software, and algorithms.

Key Focus Areas

IoT

- Logistics management
- Factory/warehouse management
- Lighting market
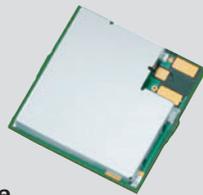
Sub-GHz Communication Module
Uses an original protocol radio in the 920 MHz band and can be customized with software.
Capable of communication from tens to hundreds of meters at a communication speed of 100 kbps.

Healthcare Wearable

- Sports markets (running, golf, cycling, etc.)
- Senior care markets (frail prevention/prediction, rehabilitation, etc.)

EMG Sensor
Equipped with SMK's proprietary algorithm.
Enables visualization of muscle activity and detection of muscle strength changes.

Wearable CASE IoT

- Smartwatches (small wearable devices)
- Smart keys

NFC Antenna
Features a compact and low-profile design with a unique winding structure, enabling mounting in narrow and limited spaces.

SMK's Manufacturing

CREATIVE CONNECTIVITY

Masanobu Ikeo
Director and Executive Deputy President, Chief Technology Officer

Guided by the SMK Philosophy that "SMK is committed to the advancement of mankind through development of the information society, by integrating its current technological strengths and creating advanced technology," we have established our vision: "CREATIVE CONNECTIVITY—Challenge, Creativity, Solutions." With these as our basic spirit, we are continuously engaged in research and development to propose solutions and added value to the issues facing society and our customers.

Research and development is a universal source of competitiveness for manufacturers. Based on the core technologies we have accumulated and refined over many years in the electronic information industry, we take great pleasure every day in our efforts to contribute to the improved convenience of society and to the creation of value for our customers' new products, including their usability and environmental durability.

The engineers who create these values are located at R&D sites throughout the world, including Japan, the U.S., Mexico, China, and ASEAN, and form transnational teams. We also hold regular Technology Conference as a forum for interaction among engineers that enables them to approach issues from diverse perspectives and stimulate their engineering spirit. We are developing engineers who have a high level of expertise, the imagination to look to the future, and even a small amount of courage to say, "Let's create innovation;" in other words, engineers who create new value by incorporating new ways of thinking and new technology.

SMK will continue to take on challenges to contribute to a better society and future.

Research and Development	Improving design quality and reducing development lead time

Front-Loading Product Development

We promote front-loading product development to eliminate problems that may occur during the manufacturing process in the early stages of product development, thereby reducing later rework.

Specifically, the product development process prior to mass production is divided into four steps: planning, design, design prototyping, and trial production. Cross functional team (CFT) members carry out tasks at each step and hold technical discussions (TD) to discuss technical matters and solve issues. In addition, we conduct a design review (DR) to reliably determine whether or not to proceed to the next step. In this way, we are taking measures to prevent unresolved issues from being carried through to the next step.

We are also working on improving the environment for design and development, which is the upstream stage of the product development process. In particular, we are promoting the construction and utilization of product data management (PDM) systems, and strengthening the use of simulation technology.

PDM systems
From design to manufacturing, it is not only necessary to shorten the development period, improve design efficiency, improve quality, and reduce costs, but also to promote collaborative design among the mechanical, electrical, and software design sections, and strengthen data sharing and utilization with the production engineering and manufacturing departments. To this end, we have built an integrated system that centrally manages an extensive variety of technical information and data, including CAD data, bills of material (BOM), and technical documents. By also linking this with our core system, we are expanding the range of utilization.

Simulation technology
To effectively use computer aided engineering (CAE) tools that analyze structure, fluids, heat, vibration, acoustics, and electromagnetic fields, we are promoting in-house training that divides analysis levels into three:
Advanced: Highly difficult analysis, including new fields and coupled analysis
Intermediate: Reduced analysis time and improved accuracy
Elementary: Simultaneous progress with design drawing through analysis by the designer themselves

Improve Quality

Approach to Quality

SMK's basic concept is *Ultimate Quality Management*. This involves employees not just from divisions directly engaged in production, but throughout the entire company. Through this concept of *Ultimate Quality Management*, we aim to improve customer satisfaction.

Quality Management System

We employ an integrated quality management system based on the international standard ISO 9001. In addition, five sites have acquired IATF 16949, an international standard for quality management specific to the automotive industry.

> For a list of certified sites,
> please see the "ISO Certification" page on our website.
> **https://www.smk.co.jp/company/iso/**

Eradication of Complaints

Quality Improvement Committee
The Quality Improvement Committee meets once a month to report the quality status of the entire company to senior management, and to share information with heads of overseas production sites and quality assurance managers. When a serious complaint occurs, a detailed report covering aspects from the cause of the complaint to the prevention of its recurrence is made and guidance on countermeasures is provided at the committee meeting.

Company-wide quality improvement activities
We encourage small group activities aimed at daily quality improvements at our production sites. Each worker on site strives to enhance their quality awareness and improvement skills. The results are shared at the annual Q-Up Conference and extended horizontally to other sites.

Improve Production Efficiency

Improving Productivity through the Promotion of Automation, Labor Savings, and Smart Factories

In terms of production engineering, we are promoting automation and labor savings through the use of robots. We are gradually introducing automated assembly and inspection equipment for remote controls using 6-axis robots at our factories in China and Malaysia, and SCARA robots in the molding and assembly processes at our Japan and overseas factories, thereby achieving labor savings.

By introducing IoT technology, we are also promoting the automatic collection of operational data and the shift to paperless factories, and currently working on building and expanding a predictive maintenance system. Furthermore, as a challenge to new technology, we are aiming to realize an unmanned transportation system within factories. We are exploring the possibility of establishing systems for the automated supply of parts, as well as the automated collection of products and scrap using unmanned guided vehicles. Our future objective is to extend the use of this system beyond factory operations, aiming to also enhance efficiency in office workflows.
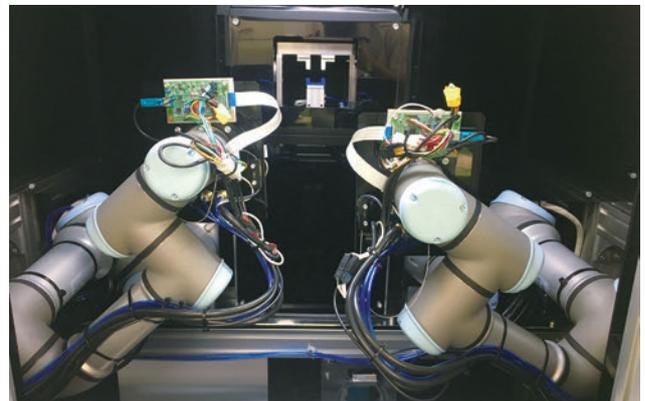
Automated assembly and inspection equipment for remote controls using 6-axis robots

Production facilities for automotive connectors using SCARA robots

Environment

Social

Governance

Development of information society

Growing use of renewable energy

Prevention of traffic accidents

Promotion of health for all

Approach to Sustainability Management

Based on the SMK Philosophy and the SMK Group Charter for Corporate Behavior,
the SMK Group solves social issues through products and services, engages in environmentally and
socially responsible business practices, and contributes to the realization of a sustainable society.

Sustainability Governance

SMK promotes sustainability-related activities centered on the CSR Committee and the Crisis-Management Committee, both chaired by the President. These activities are supervised and overseen by the Board of Directors or the Executive Officers' Meeting. The CSR Committee was established in 2007 and oversees CSR activities aimed at enhancing corporate value. Various committees and working groups fall under this committee, including the Environmental Conservation Committee and the Compliance Committee, which carry out activities aimed at improving sustainability.

The Crisis-Management Committee was established in 2005 and is responsible for building and monitoring the risk management system as well as determining response and recovery policies in the event of risk. Under the umbrella of this committee, there are the BCM Committee, security-related committees, and various working groups, which work on risk management from multiple angles.

In addition, the Personnel Evaluation Committee and the HR Ability Development/Utilization Meeting promote activities to maintain and expand human capital. They play a central role in reforming the HR system, developing human resources, and promoting diversity.

Structure

```
                    Board of Directors Meeting
                              |
                    Executive Officers' Meeting
        ┌─────────────┬──────────────┬──────────────┐
```

CSR Committee Chair: President	Crisis-Management Committee Chair: President	Personnel Evaluation Committee Chair: HR Officer	HR Ability Development/ Utilization Meeting Chair: HR Officer
Environmental Conservation Committee	BCM Committee		
TN Administration Meeting (Work environment/labor/ human right/social contribution)	Trade Secret Management Committee (IT Security)		
Compliance Committee	TN IT Committee		

Environment

Environment

Recognizing that the environment is one of the important matters for corporate management, the SMK Group promotes environmentally friendly initiatives in all aspects, including product development and activities at factories.

SMK Environmental Charter

Basic Philosophy

The SMK Group pursues environmental preservation as well as economic development by integrating its current technological strengths and creating advanced technology. As a good corporate citizen, every one of us will contribute to the promotion of sustainable global development.

Action Guidelines

1. Develop environmentally friendly products
2. Reduce waste by using everything to its fullest extent
3. Preserve natural resources and saving of energy
4. Encourage 3R (reduce, reuse, and recycle)
5. Realize waste-free procurement and manufacturing

Environmental Governance

SMK has established the Environmental Conservation Committee under the CSR Committee to manage risks related to the global environment, including climate change.

The Environmental Conservation Committee is chaired by the officer in charge of environment, and is composed of representatives from divisions, production sites, and other related departments.

The committee meets regularly to manage the status of environmental conservation activities throughout the Group and deliberate on activity policies and indices. The committee also receives reports from each of the sites and subordinate organizations, and horizontally disseminates useful information and initiatives.

```
┌─────────────────────────────────────┐
│           CSR Committee             │
└─────────────────────────────────────┘
                  │
┌─────────────────────────────────────┐
│   Environmental Conservation        │
│           Committee                 │
│     Chair: Environmental Officer    │
└─────────────────────────────────────┘
                  │
┌─────────────────────────────────────┐
│   Environmental Conservation        │
│     Committee at each site          │
└─────────────────────────────────────┘
```
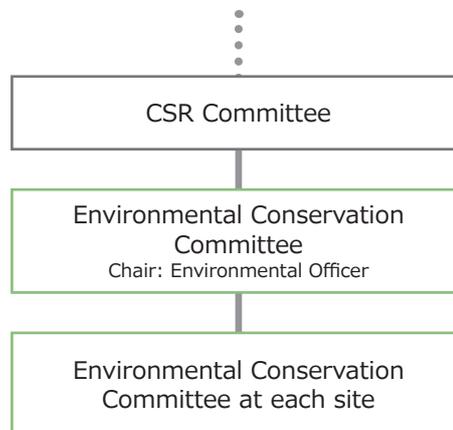
Environmental Management Systems

SMK's environmental management systems are in accordance with ISO 14001, the international standard. SMK has obtained ISO 14001 certification for all of our Japan sites and overseas production sites.

> For a list of certified sites,
> please see the "ISO Certification" page on our website.
> **https://www.smk.co.jp/company/iso/**

The Environmental Conservation Committee shares information on revisions to laws and regulations related to each site and verifies compliance status and the presence of incidents related to the environment or ecosystems. In FY2022, there were no violations of environment-related laws or fines in the SMK Group.

	FY2020	FY2021	FY2022
Number of violations	0	0	0
Amount of fines (US$)	0	0	0

Aiming for Carbon Neutrality

SMK has set medium- and long-term targets for Scope 1 and 2 emissions with the aim of achieving carbon neutrality by FY2045.

Long-term target

FY2045　Achieve carbon neutrality

Medium-term target

FY2030　CO_2 emissions per unit of production value:
40.0% reduction from FY2020

Key initiatives
- Upgrade to energy-saving facilities
- Install solar power generation systems
- Choose low-carbon power options

Regarding climate change mitigation, specialized teams, including the Carbon Neutrality Task Force, established under the Environmental Conservation Committee in 2021, are advancing their activities by leveraging their expertise and knowledge.

We believe that it is important to understand the greenhouse gas emissions in the supply chain as a whole and make improvements, and are therefore endeavoring to calculate Scope 3 (greenhouse gas emissions other than those emitted from direct business activities by the SMK Group).

The Scope 3 emissions for FY2022 are disclosed on our website.
https://www.smk.co.jp/csr/esg_data/

Introduction of solar power generation systems

In FY2022, we installed solar power generation systems at our production sites in Japan in addition to the existing systems at the SMK Philippines factory. The electricity generated is consumed internally, leading to a reduction in CO_2 emissions. We are planning to continue introducing the systems at our overseas production sites.

Toyama Works

Hitachi Works

SMK Eco Products

As part of our efforts to develop products and services that address social issues, SMK is working to increase the proportion of SMK Eco Products. Eco Products consist of eco-friendly design products and eco-contributing products. (Products that fall into both categories are counted without duplication.)

Eco-friendly design products

SMK products that meet internal standards for energy conservation and higher efficiency, resource conservation, environmental protection and eco-friendliness, and reduced load on manufacturing processes.

Eco-contributing products

SMK products used in products for environmental markets as defined by internal standards.

While there have been some fluctuations from year to year, the sales ratio of Eco Products has expanded by approximately 1.6 times since the initiative began in FY2012.

Examples
- Connectors for photovoltaic module (▶)
- Energy monitors for battery storage systems
- Control switches for EVs

% of Sales of Eco Products

1.6 times Eco Products

62
53
Eco-friendly design products
39
32
29
Eco-contributing products
10
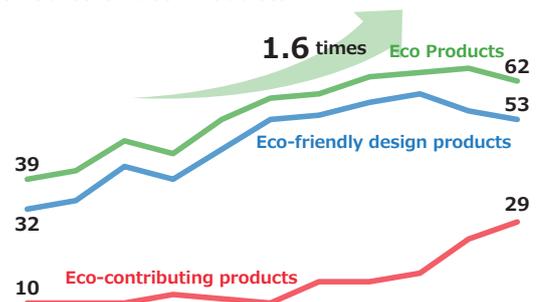
2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 (FY)

Information Disclosure Based on TCFD Recommendations

In July 2023, SMK expressed our support for the Task Force on Climate-related Financial Disclosures (TCFD).
We consider climate change to be one of the factors affecting the Earth, our activities, our customers, and our supply chain. We will continue to promote climate change measures throughout the Group and strive to improve the quality of information disclosure based on the TCFD recommendations.

TCFD | TASK FORCE ON CLIMATE–RELATED FINANCIAL DISCLOSURES

For information disclosure based on the TCFD recommendations, please see the "Response to TCFD" page on our website.
https://www.smk.co.jp/csr/tcfd/

Environmental conservation activities in FY2022

We set annual targets for energy and resource saving and are working towards achieving them.

Reduction of CO₂ emissions

Through energy-saving initiatives, we achieved our targets for both CO₂ emissions per unit of production value and total CO₂ emissions in FY2022.
In addition to the ongoing upgrades to energy-saving facilities, we installed and begun operating solar power generation systems at the Toyama and Hitachi Works in FY2022.

Effective Use of Resources

Through waste elimination activities in the manufacturing process, we achieved our targets for both waste emissions and per unit of production value in FY2022.
Furthermore, by promoting recycling at our overseas production sites, we also achieved our target for landfill disposal.

Initiatives		FY2022		Self Assessment
		Target	Results	
Preventing global warming	CO₂ emissions per unit of production value * CO₂ emissions / production value	Year-on-year reduction of 11% or more	Year-on-year reduction of **22**%	A
	CO₂ emissions	27,615t-CO₂ or less	**24,008**t-CO₂	A
Effective use of resources	Waste emissions per unit of production value * Waste emissions / production value	Year-on-year reduction of 18% or more	Year-on-year reduction of **27**%	A
	Waste emissions	990t or less	**853**t	A
	Landfill disposal	64t or less	**63**t	A

Self Assessment: **A** Target achieved, **B** not achieved (but improved from the previous year), **C** not achieved

For the targets and results for other indicators, please see the "Environmental Conservation Activities" page on our website.
https://www.smk.co.jp/csr/e_data/

CO₂ emissions (t-CO₂)
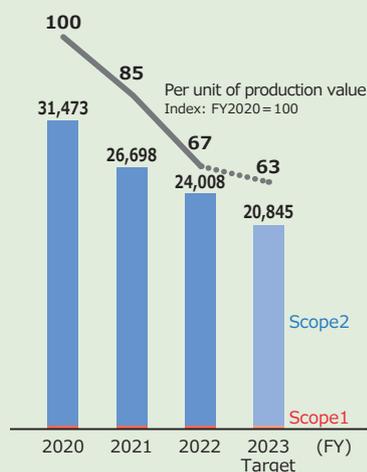
Waste emissions (t)
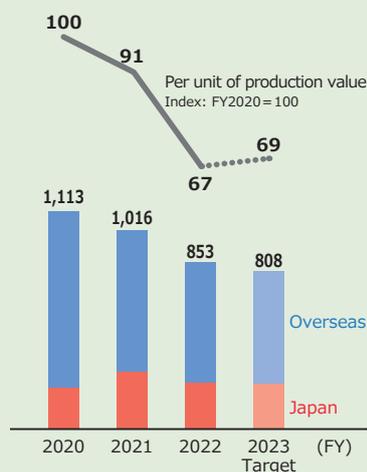
Landfill disposal (t)
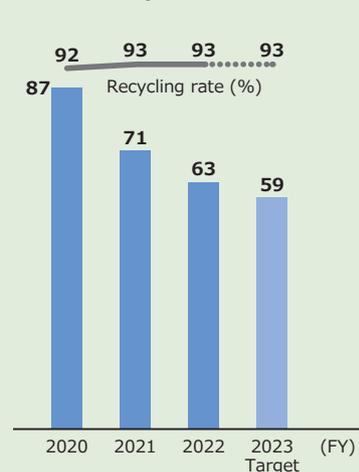
S Social

Social

The SMK Group aims to be a company in high demand by society, and a company with a culture to develop human resources.

To respect the dignity and individuality of employees and help them achieve pleasant and enriched lives, we are implementing various initiatives to support diverse talent, enhancing our human resource development system, and creating a safe and secure work environment. In addition, we are actively working on improving customer satisfaction to gain trust from our customers, and engaging in social welfare and community involvement activities aimed at coexistence with society.

Human Capital Management Initiatives

In line with the SMK's Vision of "CREATIVE CONNECTIVITY—Challenge, Creativity, Solutions," we aim to solve various issues facing society and our customers, and contribute to the creation of a better society and future. To achieve this, we are engaged in a variety of initiatives that encourage employees with diverse attributes to act independently based on a spirit of *independence, self-help, and self-regulation*, and demonstrate their individual abilities to the maximum.

Human Capital-related Governance

The Board of Directors deliberates on and makes decisions regarding human capital investments related to the management strategy, and communicates them to the Executive Officers' Meeting. Human capital investment for all Group employees is deliberated and determined by the Executive Officers' Meeting. Under its umbrella, we have established the Personnel Evaluation Committee, which deliberates on the HR systems including support for the active participation of diverse talent, and the HR Ability Development/Utilization Meeting, which deliberates on human resource development and upskilling. Labor compliance, including respect for human rights, and occupational health and safety are the responsibility of the TN Administration Meeting, which is under the umbrella of the Board of Directors and the Executive Officers' Meeting.

(See Sustainability governance structure on page 17.)

Strategy for Promoting Human Capital Management

Article 5 of the SMK Group Charter for Corporate Behavior states, "We will strive to make it possible for employees to lead pleasant and enriched lives, by guaranteeing a comfortable and safe work environment and respecting our employees' dignity and individuality." In accordance with this basic policy, we are engaged in the initiatives shown in the table below.

| Key issues	Policies	Measures
Active participation of diverse talent	Respect the individuality and human rights of each employee and promote diversity	• Recruit and train transnational (incl. non-Japanese) human resources. • Expand mid-career recruitment and support their active participation. • Implement programs to empower female employees. • Reduce turnover rate by improving employee engagement.
Human resource development	Establish a development system to support the active participation of diverse talent	• Expand job-specific training to develop specialized talent. • Implement transnational leadership development training. • Provide employee reskilling and human resource development.
Safe and secure work environment	Make it possible for employees to lead pleasant and enriched lives, by guaranteeing a comfortable and safe work environment	• Utilize the PDCA cycle for labor compliance. • Strengthen occupational health and safety activities. • Improve participation rates in health check-ups and retests. • Create an environment that enables flexible work styles.

Supporting the Active Participation of Diverse Talent

Non-Japanese employees

To foster a culture in which non-Japanese human resources can actively participate, we operate an integrated grading and evaluation system under a transnational HR system based on uniform standards for all Group companies in Japan and overseas.

In addition, by making English and Chinese our official languages, we are creating an environment that facilitates the involvement of non-Japanese employees, supporting their active participation within Japan and the localization of overseas site management.

Ratio of non-Japanese in management positions * (consolidated)

2019	2020	2021	2022 (FY)
19%	21%	22%	22%
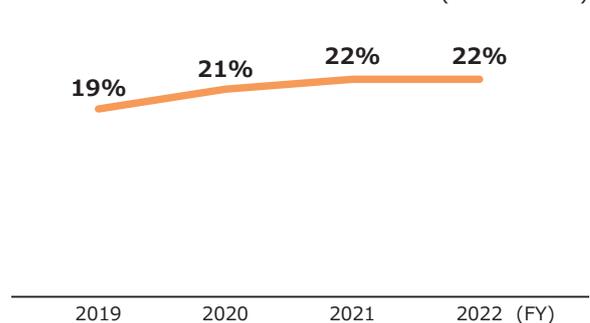
Mid-career employees

Whether new graduate hires or mid-career hires, we are conducting proactive recruitment worldwide, and many employees hired through mid-career recruitment are actively contributing at SMK. Our aim is for the company to develop by way of mid-career hires utilizing their diverse experience.

Ratio of mid-career hires in management positions * (consolidated)

2019	2020	2021	2022 (FY)
45%	46%	47%	50%
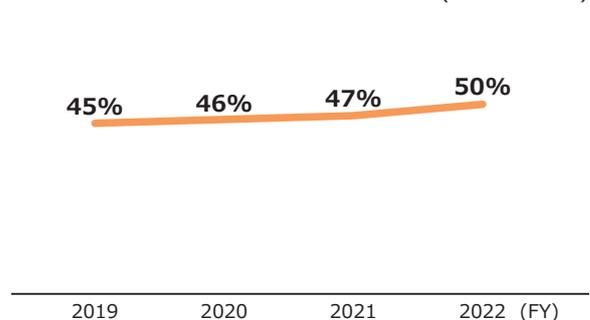
Female employees

SMK was ahead of its time in providing support to employees to balance childcare and work by introducing a maximum period of three years for childcare leave. The average length of service for female employees at SMK Corporation (non-consolidated) is 22.5 years, exceeding that for male employees at 19.5 years.

As well as proactively introducing systems that enable flexible work styles, including telework and three-day weekends, we are also implementing a selection system to train candidates for leadership positions. Through these efforts, the number of women in management positions is gradually increasing. We are also actively recruiting female employees through new graduate and mid-career recruitment.

Ratio of women in management positions * (consolidated)

2019	2020	2021	2022 (FY)
9%	10%	9%	11%
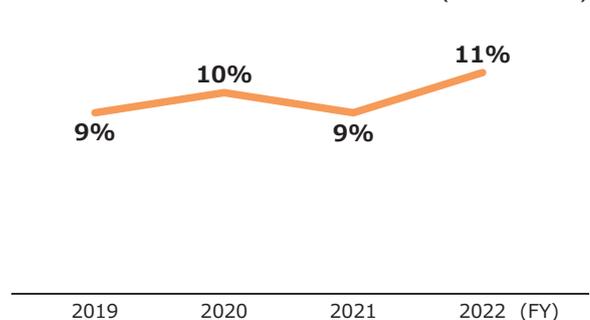
* Equivalent to general/section managers in the transnational HR system.

Employees with disabilities

At SMK, we strive to create a comfortable work environment for all employees, regardless of whether or not they have a disability, and proactively support long-term employment.

The current employment ratio for people with a disability exceeds the legal rate, and we will continue our commitment to employ people with a disability.

Ratio of employees with disability (non-consolidated)

	2019	2020	2021	2022 (FY)
Ratio of employees with disability	2.1%	2.1%	2.5%	2.7%
Statutory employment rate	2.2%	2.3%	2.3%	2.3%
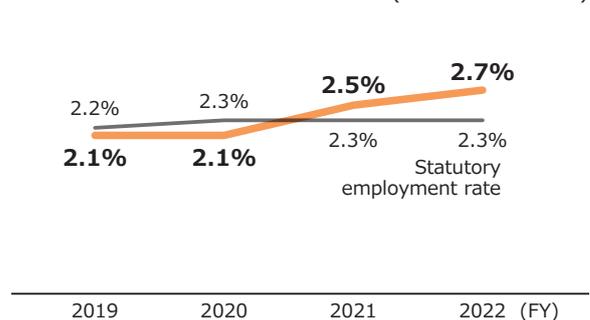
Human Resource Development

Organizational structure

The HR Ability Development/Utilization Meeting is in charge of human resource training, including competence development, for all Group employees. The Meeting determines education policies for the entire Group, shares the status of education implementation at all sites, and exchanges opinions on new initiatives.

Employee education policy

Recognizing that education and training are up-front investments that enhance corporate vitality, our basic policy for employee education is to strategically implement class-based and job-specific education. Furthermore, in order to respect our employees' desire to grow based on their own spirit of *independence, self-help, and self-regulation*, we are actively working to expand our subscription programs in addition to distance learning and e-learning.

Reskilling initiatives

To carry out employee reskilling with the aim of acquiring the driving force of DX, we have launched a project to identify target skills. We are positioning reskilling as a focus area for future human resource development.

Developing executive personnel

Based on the executive personnel selection system and the successor nomination system, we are promoting the development of executive personnel by systematically implementing personnel rotations and operational handovers. From 2022 to the first half of 2023, we held the SMK Management School Junior Course, an educational program to develop executive personnel. A total of 26 people completed the entire course, including 8 non-Japanese and 2 female employees. Going forward, we will proceed with preparations for holding the Management School Senior Course.

Safe and Secure Work Environment

Respect for human rights

To respect the human rights of all people working in the SMK Group and create a safe and secure work environment, we have set forth the behaviors that officers and employees should practice in the SMK Group Code of Conduct. Based on this, each Group company is working to ensure the prohibition on forced and child labor, respect for human rights, the prohibition on discrimination, compliance with employment regulations, the provision of appropriate working hours and wages, and freedom of association. Going forward, we will strengthen the checking functions of the entire Group and strive to prevent human rights violations before they occur.

Health promotion

SMK values the importance of each employee leading a healthy and happy life, both physically and mentally, and we are working to support the health of our employees.
We aim for 100% participation rate for health check-ups and retests to promote physical health. For mental well-being, we conduct annual mental health self-care training to improve our employees' abilities to cope with stress. Additionally, we have established an in-house advisory service to help with the early detection of mental health issues.

Eradicating work-related accidents

SMK is working on health and safety initiatives at each site with the goal of zero work-related accidents. When an accident does occur, we discuss preventive measures across the entire Group to avoid similar accidents from occurring again.

(Consolidated)	FY2020	FY2021	FY2022
Work-related accident frequency rate	**0.27**	**0.00**	**0.00**
Number of accidents resulting in lost time injuries	**3**	**0**	**0**

	FY2020	FY2021	FY2022
Reference: Average frequency rate in the electronic parts, devices, electronic circuits manufacturing industry*	0.52	0.58	0.62

* Japan, Calendar year cumulative total,
  Source: "Survey on Industrial Accidents" (Ministry of Health, Labor and Welfare)

Improving Customer Satisfaction (CS)

SMK conducts a CS questionnaire once every three years to improve customer satisfaction (the next questionnaire is scheduled for FY2024). The questionnaire targets customers in the material procurement, technology, and quality assurance divisions to find out how customers view our activities and improvement efforts. We share the results throughout the company and reflect them in improvement efforts to address new issues, mainly in the production, technology, and quality assurance divisions.

	FY2021
Overall score 4-point scale from 1 (satisfied) to 4 (dissatisfied)	**1.77**
Data coverage (%) Sales from customers surveyed / Net Sales × 100	**57**

Social Contribution Activities

As a responsible corporation, SMK engages in a range of social contribution and social welfare activities such as tree-planting, local beautification around factories, as well as educational and community support. We are committed to continuing these initiatives in the future.

(Unit: Million yen)	FY2020	FY2021	FY2022
Social contribution expense (Cash contributions)	**35.8**	**2.0**	**4.2**
Employee volunteer hours during paid working hours (Monetary valuation)	**1.2**	**1.4**	**5.0**
Contributions of product and services (Monetary valuation)	**0.7**	**0.4**	**0.7**

Activities in FY2022

▶ Donation of Hygiene Supplies (Philippines Factory)

For a healthy and safe learning environment, we donated hygiene and cleaning supplies as well as stationery to elementary schools, and conducted classroom disinfection.

▶ Tree Planting (Shenzhen Factory)

28 employees participated and planted 20 trees.

▶ Vegetable Garden (Philippines Factory)

For the benefit of local residents, we donated about 700 vegetable seedlings, including squash, eggplant, and string beans, and 20 employees participated in planting.

▶ Internship Opportunities (Headquarters, Malaysia Factory, etc.)

We offer internship opportunities, primarily to university students, supporting their career development and skill building.

Showa Ikeda Memorial Foundation

The Showa Ikeda Memorial Foundation, a public interest incorporated foundation established by SMK founder, the late Mr. Heishiro Ikeda and his wife, the late Mrs. Shizuko Ikeda, provides a wide range of support centered on three projects: scholarship programs, social welfare projects, and traditional performing arts projects.

G

Governance

Corporate Governance

Based on the SMK Philosophy and Action Guidelines, the SMK Group recognizes that the strengthening of corporate governance is one of the most important management issues in order to continuously and stably enhance our corporate value, as well as to be a company that is trusted by all stakeholders, including shareholders, business partners, employees, and regional communities.

Corporate Governance Structure

In April 2002, we separated the offices of the Chairman and the President and introduced an executive officer and outside board member system. Clearly separating the Board of Directors, which is responsible for management decision-making and business supervision, from the functions of executive officers, who are responsible for business execution, creates a system that allows management responsibility to be clarified and speedy management decisions to be made. Furthermore, all three members of the Board of Auditors are

Outside Auditors who supervise Directors' performance of duty from an objective standpoint.

The Remuneration Committee was set up in January 2022 under the Board of Directors to ensure fairness, transparency, and objectivity of Directors' remuneration.

SMK has submitted Internal Control Report to authorities from June 2009 to improve internal administration, complying with the Internal Control Reporting System based on the Financial Instruments and Exchange Act effective in 2008.
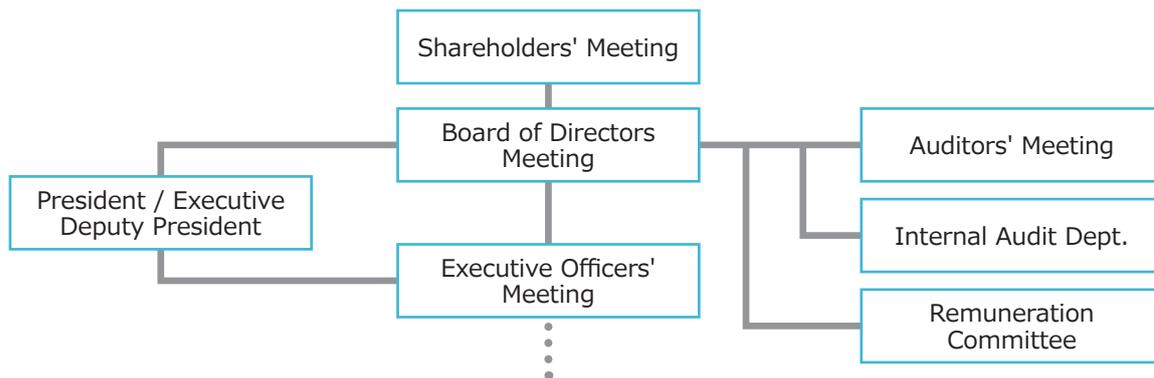
Officer Selection Policy

Decisions regarding the appointment and dismissal of senior management are made following in-depth deliberation by the Board of Directors. The Company appoints persons with excellent character and insight who are suitable to be part of the senior management team.

In the selection of Inside Director candidates, the Board nominates persons who can contribute to the Company's

profits by being involved in overall management as a Director. In addition, to reflect external opinions, the Board also nominates candidates for Outside Director with sufficient knowledge and experience.

As for Auditor candidates, the Company nominates persons with the expertise to fairly audit the execution of duties by Directors and competently fulfill their auditing functions.

Remuneration Committee

The Remuneration Committee comprises one Inside Director (President) and two Outside Directors, with the majority being Independent Outside Directors.

Status of activities

In FY2022, the Remuneration Committee met twice. For the attendance status by individual committee members, please see the table on page 27.

Details of activities

The committee conducts multifaceted deliberations regarding individual remuneration for Directors, including consistency with the Policy for Determining Director Remuneration determined by the Board, and provides recommendations to the Board.

The committee is also considering the revision of standard remuneration criteria to create a remuneration system that is more closely linked to business performance.

Director Remuneration

Remuneration for each Director is determined by the Board of Directors with respect for the recommendations prepared by the Remuneration Committee.

Basic policy

The basic policy for remuneration for Directors is to have a system that fully functions as an incentive for Directors to continuously enhance corporate value, and to set appropriate levels of remuneration based on the duties of each Director when determining remuneration for individual Directors. Outside Directors receive fixed monthly remuneration only, from the perspective of ensuring independence from management.

Remuneration system

Item	Details	Objective
Fixed remuneration	Fixed monthly remuneration	Basic remuneration in accordance with duties
Performance-linked remuneration (incl. non-monetary compensation)	Bonuses	Incentives to improve business performance each fiscal year
	Retirement benefits	Encourage improving medium- to long-term business performance and social contribution
	Board Benefit Trust	Encourage contribution to medium- to long-term corporate value enhancement and increasing shareholder value

FY2022 officer remuneration results

Officer classification	Total amount of remuneration, etc. (million yen)	Total amount of remuneration by type (million yen)				Number of eligible officers
		Fixed remuneration	Bonuses	Retirement benefits	Board Benefit Trust	
Inside Director	121	73	27	13	8	4
Outside Director	13	13	not eligible	not eligible	not eligible	2
Inside Auditor	—	—	—	—	—	0
Outside Auditor	16	16	not eligible	not eligible	not eligible	3

Activities of the Board of Directors

In FY2022, the Board of Directors met five times. The matters that the Board must consider are diverse, and we have established a system to enable prompt convocation and discussions as needed for each case.
For the attendance status of each officer, please see the table on page 27.

Main topics discussed at the Board of Directors Meetings in FY2022

- Progress status of the Medium-Term Business Plan, and formulation of the next Medium-Term Business Plan
- Strengthening of corporate governance
- Sustainability initiatives
- Decisions on important investments

Board Effectiveness

To increase the effectiveness of the Board and enhance corporate value, we conduct a board performance assessment once a year in the form of a questionnaire, and work on improving the issues identified.

> The assessment results are published on our website.
> **https://www.smk.co.jp/csr/fair/**

In addition, to ensure active participation of Outside Officers in the deliberations by the Board, meetings attended only by Independent Outside Officers are held on a regular basis to exchange information and share awareness based on an independent and objective viewpoint.

List of Officers, Skill Matrix, and Attendance Status

The Board of Directors consists of six Directors (including two Outside Directors) and three Auditors (all of whom are Outside Auditors). The majority of Board members are Outside Officers with a wealth of knowledge and experience in the fields of trade, diplomacy, law, and finance. Additionally, a non-Japanese officer is included on the Board, allowing discussions from diverse perspectives unbound by industry customs.

Directors

President, CEO and COO
Yasumitsu Ikeda

FY2022 attendance rate
Board meeting 100% (5/5)
Remuneration Committee 100% (2/2)

Director and Executive Vice President
Tetsuo Hara

FY2022 attendance rate
Board meeting 100% (5/5)

Director and Executive Deputy President, CTO
Masanobu Ikeo

FY2022 attendance rate
Board meeting 100% (5/5)

Director `Outside` `Independent`
Toshio Nakamura

FY2022 attendance rate
Board meeting 100% (5/5)
Remuneration Committee 100% (2/2)

Director and Executive Vice President
Paul Evans

FY2022 attendance rate
Board meeting 80% (4/5)

Director `Outside` `Independent`
Kaoru Ishikawa

FY2022 attendance rate
Board meeting 100% (5/5)
Remuneration Committee 100% (2/2)

Auditors

Full-Time Auditor `Outside` `Independent`
Morikazu Fukui

FY2022 attendance rate
Board meeting 100% (5/5)
Auditors' meeting 100% (8/8)

Auditor `Outside` `Independent`
Naru Nakashima

FY2022 attendance rate
Board meeting 100% (5/5)
Auditors' meeting 100% (8/8)

Auditor `Outside` `Independent`
Fumio Nishimura

FY2022 attendance rate
Board meeting 100% (5/5)
Auditors' meeting 100% (8/8)

* The notation following the attendance percentage, such as (5/5), indicates the number of attendances divided by the total number of meetings.

Skill Matrix

	Main expertise possessed by Officers						
	Management	Technology development	Sales and marketing	Global	Legal affairs (Compliance)	Finance and accounting	Environment and society
Directors							
Yasumitsu Ikeda, President, CEO and COO	○		○	○			
Masanobu Ikeo, Director and Executive Deputy President, CTO	○	○					○
Paul Evans, Director and Executive Vice President	○		○	○			
Tetsuo Hara, Director and Executive Vice President	○	○	○				
Toshio Nakamura, Director `Outside` `Independent`	○			○			○
Kaoru Ishikawa, Director `Outside` `Independent`	○			○			○
Auditors							
Morikazu Fukui, Full-Time Auditor `Outside` `Independent`	○			○	○	○	
Naru Nakashima, Auditor `Outside` `Independent`	○				○		○
Fumio Nishimura, Auditor `Outside` `Independent`	○				○	○	

Executive Officers (excluding those concurrently serving as Directors)

Executive Vice President, CFO **Kohei Ohgaki**
Executive Vice President, CIO **Hiroshi Usami**

Vice President **Mitsuyuki Masubuchi**
Vice President **Fumikazu Hata**

Vice President **Mikio Otsubo**
Vice President **Hideo Sugano**

Outside Director's Message

Toshio Nakamura
Director (Outside)

SMK's products are mainly parts and modules incorporated into final products. However, the lifespan of our end users' final products is becoming shorter every year, and those rates of change and evolution are accelerating rapidly. For this reason, more than ever before, we need to understand users' needs, and cultivate development and production capabilities that meet those needs, as well as advanced development skills with an eye to the future. Meanwhile, it goes without saying that there is strong demand for products to be supplied at a greater quality and at required prices.

To address these issues, it is essential that all divisions share issues and related information, and that related divisions collaborate with one another. Fortunately for SMK, I believe that we are beginning to build that momentum through presentations of company-wide business plans and the formulation process of the Medium-Term Business Plan, and that the motivation to do so is increasing. I look forward to continued growth into the future.

Joined the Ministry of International Trade and Industry in 1970, and subsequently served as Director-General of the Trade Bureau, Commissioner of the Small and Medium Enterprise Agency, Secretary-General of the Japan Association for the 2005 World Exposition, President of the Japan Chamber of Commerce and Industry, and Outside Director of the Enterprise Turnaround Initiative Corporation of Japan, among other positions. Currently, he serves concurrently as Chairman of the National Association of Small and Medium Enterprise Promotion Organizations and as Outside Director of Aoki Super Co., LTD. He was appointed as Outside Director of SMK in June 2016.

Kaoru Ishikawa
Director (Outside)

SMK aims to connect people to people, people to products, and products to products creatively, and to develop human resources with ambition.

Although business for electronic components manufacturers takes the form of B to B, we look at customers' products to see whether those components are making the daily lives of consumers more comfortable and safer. We must also strive to understand what economic society, including consumers, will require next, explore the solutions we need to provide, and be needed by society.

At the basis of this is excellent technological capabilities, sincerity, and insight. With the present international situation becoming increasingly difficult to predict, both management and employees must stay attuned and remain strong both offensively and defensively. SMK has been a leader in globalization with excellent human resources from overseas, including Directors at the Head Office and presidents of local subsidiaries, and we will continue our endeavors to make sure that we leave no stone unturned.

Joined the Ministry of Foreign Affairs in 1972, and subsequently served as Director-General of the International Community Cooperation Department, Director-General of the Economic Affairs Bureau, Ambassador Extraordinary and Plenipotentiary of Japan to Egypt, and Ambassador Extraordinary and Plenipotentiary of Japan to Canada, among other positions. Currently, he serves concurrently as Director of Kawamura Gakuen, Director of The Society for Promotion of Japanese Diplomacy, Outside Auditor of SHIMIZU CORPORATION, and Director of Mitsubishi UFJ Foundation. He was appointed as Outside Director of SMK in June 2017.

Outside Auditor's Message

Naru Nakashima
Auditor (Outside)

We are currently in an era in which companies are required to fulfill their social responsibilities, the basis for which requires companies to explore and verify forms of governance that avoid any involvement in illegal activities. This governance can only be realized if each company with its own corporate culture acts creatively in a manner that is not just nominal but also practical.

SMK is a company with a Board of Auditors, a Remuneration Committee, and mechanisms to disseminate information about the whistle-blowing system on the home screen of the Company's intranet website. We have also established a system in which all Auditors are Outside Auditors and Independent Officers.

At the Board of Directors meetings, Directors and Auditors, including the CEO, share their ideas and knowledge with each other without condescension. We have created and maintain a corporate culture in which no one is autocratic, which is the biggest cause of serious misconduct. Going forward, we would like to further endeavor to maintain and develop this fundamental element of corporate governance.

Appointed judge of Nagoya District Court in 1987. He registered as an attorney at law in 1988 and established NAKASHIMA Naru Law Office (currently NAKASHIMA Naru Comprehensive Law Office) in 1990. He was appointed as Outside Auditor of SMK in June 2008.

Compliance

Organizational structure

SMK has established the "SMK Group Charter for Corporate Behavior" and the "SMK Group Code of Conduct" to promote CSR and compliance. The Compliance Committee, established under the CSR Committee, is responsible for formulating key policies to ensure corporate behavior based on ethical principles and legal compliance. It also implements and monitors various initiatives for driving compliance.

Rules	Company Creeds, SMK Philosophy, SMK Action Guidelines SMK Group Charter for Corporate Behavior ⇒ Shows what SMK should comply with. SMK Group Code of Conduct ⇒ Shows what SMK employees should comply with.
Organization	Corporate governance structure CSR Committee Compliance Committee, etc.
Actions for business partners	To customers: Response to CSR questionnaire and audit To suppliers: Supply Chain CSR Guidelines, supplier questionnaire

Education for employees

To ensure the thorough implementation of CSR and compliance, the SMK Group Charter for Corporate Behavior and the SMK Group Code of Conduct, translated into Japanese, English, and Chinese, are distributed as booklets to all Group employees worldwide and employees are required to submit a pledge to adhere to these codes. In addition to training for new employees, we conduct regular CSR & Compliance Comprehensive Tests to raise employee awareness.

	FY2020	FY2021	FY2022
% of employees trained in CSR	**97.7**	**98.0**	**99.1**

We also provide regular e-learning trainings for employees to help them acquire the basic legal knowledge necessary for business operations, such as the subcontract act, competition law, anti-bribery, and trade secret management.

Whistle-blowing system

To ensure the early detection, correction, and prevention of violations of laws and internal regulations, we established the SMK Ethics Helpline as an internal whistle-blowing channel. The Company addresses reports and inquiries from employees in accordance with the Whistle Blowing Operation Rules. Two contact points are available: an internal contact within the Corporate Legal Department and an external contact point at an outside law firm, which allows anonymous reporting. Furthermore, a message from the President is regularly distributed to employees to remind them that this is a secure system. This approach aims to create a system that is easily accessible and effective in practice.

Information Management

Trade secret management

SMK has established the Trade Secret Management Regulations and the Trade Secret Management and Administration Standards for the purpose of properly utilizing trade secrets and preventing leaks. In accordance with these, we strive to manage information appropriately.
Every year, we conduct an internal audit to check the management status and correct any issues.

Personal data management

We endeavor to handle personal data appropriately in accordance with the TN Personal Data Management Regulation, which covers the entire SMK Group, the privacy policies established by each Group company, and detailed rules regarding the appropriate handling of personal data.

Information Security

SMK formulated the IT Security Policy in 2005 and has been working to protect and manage data. Subsequently, in light of changes in the social environment due to advances in IT, we revised the policy in September 2023 as the IT Security Regulation. Based on these regulations, we have established a structure in which the TN IT Committee, chaired by the CIO, deliberates and globally implements security policies and countermeasures.

In addition to building a system to prevent unauthorized access and virus infections from external sources, we also request external organizations to conduct vulnerability tests and incorporate specialized knowledge in efforts to build more robust information security systems. Moreover, we are working on managing the extraction of data and on data encryption in order to prevent information security incidents and accidents.

Business Continuity Management (BCM)

BCM structure

SMK established a BCM Committee in 2007 to respond to business interruption risks such as disasters. Led by this committee, the entire company is working to improve the level of its business continuity plan (BCP), which combines alternative strategies and local recovery strategies, in order to minimize the impact even at the time of a disaster and fulfill our responsibilities to stakeholders.

We have formulated a BCP that responds to various events (earthquakes, fires, floods, lightning, volcanic eruptions, infectious diseases, etc.) and is endeavoring to strengthen our business continuity and employees' abilities to respond to crises. In addition, each product division and production site is proactively implementing its BCP initiatives, with support from the BCM Committee at the Head Office.

Main initiatives

IT systems	(See the IT-BCP section)
Sales activities	Standardize processing methods so that clerical work related to orders, etc. can be undertaken at an alternative location
	Conduct regular tests among locations
Procurement	Create a system for rapid alternative procurement
Import/ export	Consider and implement alternative transportation routes
Ensure the safety of human lives	Establish a system to confirm the safety of employees and their families to ensure prompt business recovery and continuity response, and support for employees

Education for employees

Once a year, we provide training to all Group employees who have access to our internal networks. The training covers the threat of cyber-attacks, appropriate responses to suspicious emails, and procedures to be followed in the event of a suspected virus infection.

% of employees trained in FY2022	Average correct answer rate
99.8%	**96.5 %**

Furthermore, twice a year, we conduct suspicious email training without advance warning. Employees who open the emails and take inappropriate actions, such as clicking on a URL in the email body or an attachment, receive additional education. This effort aims to enhance employee awareness of thorough information security.

IT-BCP

We have formulated a BCP for IT systems, vital infrastructure for business continuity, and are strengthening measures in readiness for risks such as disasters and cyber-attacks.

In formulating a BCP, we conducted a business impact analysis (BIA) to set recovery priorities and target recovery times for IT systems. We have also established a response team in advance, which will engage in recovery in the event of a disaster in accordance with the recovery manual and priorities.

In normal circumstances, we focus on creating a disaster-resistant IT system. For critical IT systems, we have installed servers in two data centers in Tokyo and Hokuriku, which perform mutual backups, creating a mechanism that allows the ongoing use of one system even if the other becomes unusable. The adoption of cloud services, including at overseas sites, is also actively underway.

As a preparation for a cyber-attack, we regularly back up all our IT systems and have a system in place to quickly restore them. We also organize a computer security incident response team (CSIRT) to rapidly identify the cause of the failure and endeavor to prevent secondary damage. Outages that exceed the target response times set by the BIA are defined as serious incidents, and our target for such incidents is zero annually. In FY2022, there were no serious incidents.

	FY2021	FY2022	Target
Number of serious incidents	**0**	**0**	**0**

To verify the effectiveness of these BCPs, we conduct training for multiple scenarios and review the BCPs based on the results.

Supply Chain Management

In the process of making products to our customers, SMK receives assistance from many suppliers. To build a sustainable supply chain, when we start doing business with new suppliers, we ask them to agree with SMK's procurement policy, and implement appropriate procedures, including on-site process audits. For existing significant suppliers, we conduct periodic evaluations and provide recurring feedback to maintain a healthy supply chain. Furthermore, to supply products of a stable quality, we hold regular quality meetings with suppliers to monitor quality trends, discuss issues, and share information, including technical problem solutions.

Number of suppliers audited

FY2018	FY2019	FY2020	FY2021	FY2022
166	144	107	144	151

Supplier performance evaluations

We conduct an annual evaluation of the manufacturing companies among our significant suppliers, which covers technological capabilities and environmental responsiveness in addition to QCD (Quality, Cost, Delivery), and provide feedback on the results. Our aim is to optimize the supply chain through mutual cooperation.

Number of suppliers evaluated

FY2018	FY2019	FY2020	FY2021	FY2022
85	85	80	95	87

CSR procurement

To promote CSR from multiple perspectives in our business, we request that suppliers understand and submit a written agreement to the SMK Supply Chain CSR Guidelines.

Supply Chain CSR Guidelines
https://www.smk.co.jp/csr/quality/

Green Procurement

We promote green procurement by presenting the Green Procurement Guidelines and the Controlled Chemical Substances Standard to suppliers, and by procuring materials that comply with the standards.

Green Procurement Guidelines
https://www.smk.co.jp/csr/green/

SDGs awareness activities

In 2020, we launched the SDGs Promotion Working Group under the CSR Committee. This working group takes the lead in conducting annual education for all employees, aiming to raise awareness and encourage the integration of the SDGs into their daily work and lives. We also compile information on how SMK's products, services, and business activities are linked to each of the SDGs, and introduce this information internally and externally.

For more information on our sustainability initiatives, please visit our website.

▶**Our Commitment to SDGs**

https://www.smk.co.jp/csr/sdgs/

▶**ESG DATA**

https://www.smk.co.jp/csr/esg_data/

Financial and Non-financial Highlights

Financial Highlights

Net sales **54,842** million yen

FY2018	FY2019	FY2020	FY2021	FY2022
57,386	54,161	48,560	48,243	54,842
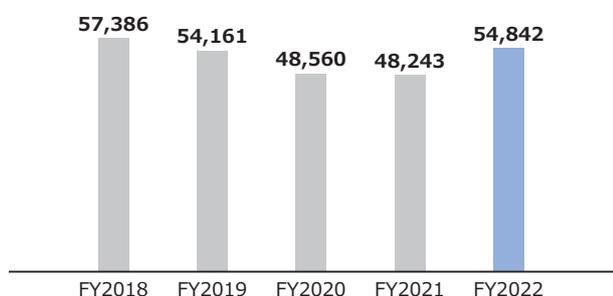
Operating profit **1,128** million yen
Operating profit ratio to sales **2.1** %

FY2018	FY2019	FY2020	FY2021	FY2022
(1,834)	(244)	1,070	703	1,128
(3.2)	(0.5)	2.2	1.5	2.1
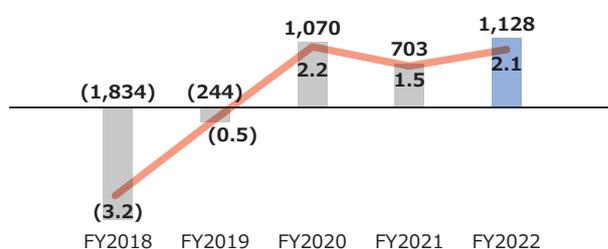
Profit attributable to owners of parent **1,334** million yen

FY2018	FY2019	FY2020	FY2021	FY2022
(834)	(2,651)	1,917	2,992	1,334
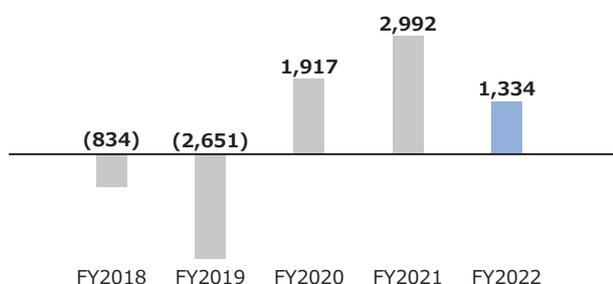
Net assets **32,274** million yen
Equity ratio **57.3** %

FY2018	FY2019	FY2020	FY2021	FY2022
28,612	24,629	27,751	30,643	32,274
48.7	49.6	55.1	55.9	57.3
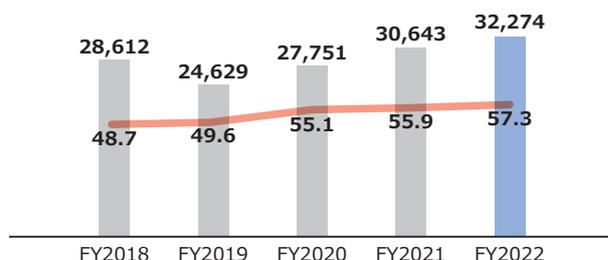
Return on equity (ROE) **4.2** %
Ratio of ordinary profit to total assets (ROA) **4.5** %

	FY2018	FY2019	FY2020	FY2021	FY2022
ROA	(1.2)	(0.3)	5.2	6.5	4.5
ROE	(2.8)	(9.9)	7.3	10.2	4.2
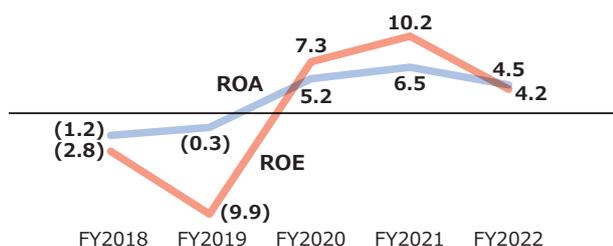
Dividend per share **100** yen
Payout ratio **47.8** %

FY2018	FY2019	FY2020	FY2021	FY2022
50	40	50	70	100
		16.8	14.8	47.8
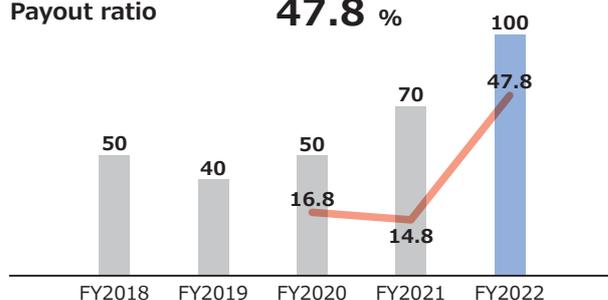
Non-financial Highlights

Number of employees **4,607**

FY2018	FY2019	FY2020	FY2021	FY2022
5,828	5,593	5,407	4,963	4,607
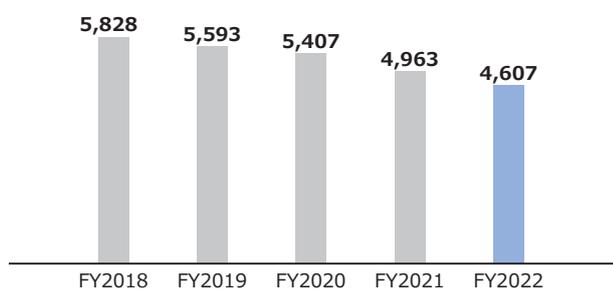
CO₂ emissions (Scope1+2) **24,008** t-CO₂

FY2018	FY2019	FY2020	FY2021	FY2022
33,034	31,868	31,473	26,698	24,008
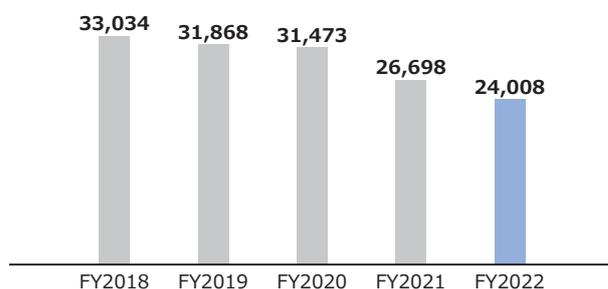
Financial Data Unit: Million yen

Operating Results

	FY2018 Mar. 2019	FY2019 Mar. 2020	FY2020 Mar. 2021	FY2021 Mar. 2022	FY2022 Mar. 2023
Net Sales	57,386	54,161	48,560	48,243	54,842
Operating profit	(1,834)	(244)	1,070	703	1,128
Ordinary profit	(707)	(185)	2,601	3,413	2,503
Profit attributable to owners of parent	(834)	(2,651)	1,917	2,992	1,334
Capital expenditures	4,287	2,996	2,256	1,955	2,149
R&D expenses	2,982	2,845	2,515	2,384	2,390
Depreciation and amortization	3,664	3,292	2,237	2,696	2,884

Per Share Data

	FY2018 Mar. 2019	FY2019 Mar. 2020	FY2020 Mar. 2021	FY2021 Mar. 2022	FY2022 Mar. 2023
Book-value per share (BPS) (Yen)	4,415.09	3,870.65	4,311.91	4,914.89	4,932.86
Earnings per share (EPS) (Yen)	(126.47)	(410.88)	297.92	472.14	209.12
Dividend per share (Yen)	50	40	50	70	100
Payout ratio (%)	—	—	16.8	14.8	47.8

Financial Indicators

	FY2018 Mar. 2019	FY2019 Mar. 2020	FY2020 Mar. 2021	FY2021 Mar. 2022	FY2022 Mar. 2023
Equity ratio (%)	48.7	49.6	55.1	55.9	57.3
Return on equity (ROE) (%)	(2.8)	(9.9)	7.3	10.2	4.2
Ratio of ordinary profit to total assets (ROA) (%)	(1.2)	(0.3)	5.2	6.5	4.5

Cash Flows

	FY2018 Mar. 2019	FY2019 Mar. 2020	FY2020 Mar. 2021	FY2021 Mar. 2022	FY2022 Mar. 2023
Net cash provided by (used in) operating activities	1,608	6,345	4,653	2,433	3,591
Net cash provided by (used in) investing activities	(2,091)	(2,525)	(2,325)	(1,631)	(1,944)
Free cash flow	(482)	3,820	2,327	801	1,647
Net cash provided by (used in) financing activities	997	(4,176)	(3,904)	(971)	(862)
Cash and cash equivalents at end of period	10,776	10,437	8,742	8,505	8,915

(Note)
The Company carried out a consolidation of share at the ratio of 10 shares to 1 share on October 1, 2018.
Book-value per share and earnings per share have been calculated on the assumption that the said consolidation of share was carried out at the beginning of the year ended March 31, 2019.

Non-financial Data

	FY2019 Mar. 2020	FY2020 Mar. 2021	FY2021 Mar. 2022	FY2022 Mar. 2023
Employee				
Number of employees [Consolidated]	5,593	5,407	4,963	4,607
Number of employees [Non-Consolidated]	770	737	693	643
Female managers [Consolidated] (%)[1]	9.1	10.1	9.3	10.8
Non-Japanese managers [Consolidated] (%)[1]	18.8	20.8	21.9	22.3
Mid-career hires managers [Consolidated] (%)[1]	44.8	45.6	47.0	50.0
Male that took childcare leave [Non-Consolidated] (%)	0.0	15.4	0.0	9.1
Employees with disability [Non-Consolidated] (%)	2.1	2.1	2.5	2.7
Turnover rate [Consolidated] (%)[2]	5.4	4.8	6.8	4.7
Turnover rate [Non-Consolidated] (%)[2]	2.7	2.5	3.5	3.0
Average length of service [Non-Consolidated] (Years)	20.4	20.7	20.9	20.6
Human Capital Development				
Average hours of training per employee [Consolidated] (Hours)	—	—	—	21
Average amount spent per employee on training [Consolidated] (Yen)	7,057	3,821	6,081	8,072
Human Rights, Occupational Health & Safety				
Employees trained in human rights [Consolidated] (%)	97.8	97.7	98.0	99.1
Lost-time injuries frequency rate [Consolidated] (%)	0.0	0.3	0.0	0.0
Work-related accidents [Consolidated] (Numbers)	0	5	0	2
Environmental Performance				
CO_2 emissions (Scope1+2) [Consolidated] (t-CO_2)	31,868	31,473	26,698	24,008
Total waste generated [Consolidated] (t)	1,193	1,113	1,016	853
Final disposed waste [Consolidated] (t)	103	87	71	63
Recycling rate [Consolidated] (%)	91	92	93	93

(Note)
*1 Equivalent to general/section managers in SMK's transnational HR system.
*2 Non-managerial employees to general managers in SMK's transnational HR system. Excluding retirement.

Consolidated Financial Statements

Consolidated Balance Sheets   Unit: Million yen

	As of March 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	8,555	8,969
Notes receivable - trade	53	64
Electronically recorded monetary claims - operating	1,460	1,606
Accounts receivable - trade	11,286	11,505
Merchandise and finished goods	3,592	4,277
Work in process	961	660
Raw materials and supplies	4,991	5,134
Other	860	1,080
Allowance for doubtful accounts	(31)	(47)
Total current assets	31,730	33,251
Non-current assets		
Property, plant and equipment		
Buildings and structures	19,066	19,641
Accumulated depreciation and impairment	(14,897)	(15,583)
Buildings and structures, net	4,169	4,058
Machinery, equipment and vehicles	24,804	25,238
Accumulated depreciation and impairment	(21,297)	(22,170)
Machinery, equipment and vehicles, net	3,506	3,068
Tools, furniture and fixtures	20,214	19,385
Accumulated depreciation and impairment	(19,069)	(18,426)
Tools, furniture and fixtures, net	1,144	959
Land	5,869	5,869
Leased assets	29	29
Accumulated depreciation and impairment	(23)	(26)
Leased assets, net	6	3
Right of use assets	1,599	2,131
Accumulated depreciation and impairment loss	(292)	(721)
Right of use assets, net	1,307	1,409
Construction in progress	186	198
Total property, plant and equipment	16,190	15,567
Intangible assets		
Other	116	94
Total intangible assets	116	94
Investments and other assets		
Investment securities	3,639	4,041
Long-term loans receivable	99	92
Retirement benefit asset	2,245	2,344
Deferred tax assets	126	97
Other	731	963
Allowance for doubtful accounts	(86)	(88)
Total investments and other assets	6,755	7,450
Total non-current assets	23,063	23,113
Total assets	54,794	56,365

	As of March 31, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	5,404	4,878
Short-term borrowings	5,066	6,491
Lease liabilities	407	434
Accounts payable - other	1,573	1,774
Income taxes payable	303	347
Provision for bonuses	745	596
Provision for bonuses for directors (and other officers)	30	26
Other	1,648	1,645
Total current liabilities	15,178	16,193
Non-current liabilities		
Long-term borrowings	6,214	4,863
Lease liabilities	920	1,028
Deferred tax liabilities	961	1,220
Provision for retirement benefits for directors (and other officers)	173	131
Retirement benefit liability	39	24
Provision for share awards for directors (and other officers)	27	29
Other	634	598
Total non-current liabilities	8,972	7,897
Total liabilities	24,150	24,090
Net assets		
Shareholders' equity		
Share capital	7,996	7,996
Capital surplus	12,057	12,057
Retained earnings	15,925	14,730
Treasury shares	(4,876)	(2,531)
Total shareholders' equity	31,102	32,252
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	425	773
Deferred gains or losses on hedges	(2)	—
Foreign currency translation adjustment	(1,404)	(1,149)
Remeasurements of defined benefit plans	520	397
Total accumulated other comprehensive income	(459)	21
Total net assets	30,643	32,274
Total liabilities and net assets	54,794	56,365

Consolidated Statements of Income   Unit: Million yen

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Net sales	48,243	54,842
Cost of sales	40,169	45,231
Gross profit	8,073	9,611
Selling, general and administrative expenses	7,369	8,483
Operating profit	703	1,128
Non-operating income		
Interest income	31	44
Dividend income	54	70
Rental income from real estate	1,057	980
Foreign exchange gains	1,426	720
Subsidies for employment adjustment	318	79
Other	672	523
Total non-operating income	3,559	2,420
Non-operating expenses		
Interest expenses	103	173
Rental costs on real estate	575	549
Loss on investments in investment partnerships	—	263
Other	171	58
Total non-operating expenses	850	1,044
Ordinary profit	3,413	2,503
Extraordinary income		
Gain on sale of non-current assets	32	18
Gain on sale of investment securities	—	2
Total extraordinary income	32	21
Extraordinary losses		
Loss on sale of non-current assets	34	0
Loss on retirement of non-current assets	38	76
Impairment losses	3	517
Loss on valuation of investment securities	115	25
Total extraordinary losses	191	618
Profit before income taxes	3,254	1,906
Income taxes - current	312	352
Income taxes - deferred	(49)	219
Total income taxes	262	571
Profit	2,992	1,334
Profit attributable to owners of parent	2,992	1,334

Consolidated Statements of Comprehensive Income   Unit: Million yen

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Profit	2,992	1,334
Other comprehensive income		
Valuation difference on available-for-sale securities	137	347
Deferred gains or losses on hedges	5	2
Foreign currency translation adjustment	593	254
Remeasurements of defined benefit plans, net of tax	(47)	(123)
Total other comprehensive income	689	481
Comprehensive income	3,682	1,815
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,682	1,815

Consolidated Statements of Cash Flows   Unit: Million yen

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Cash flows from operating activities		
Profit before income taxes	3,254	1,906
Depreciation	2,696	2,884
Impairment losses	3	517
Increase (decrease) in provision for bonuses	17	(153)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	25	(41)
Increase (decrease) in provision for share awards for directors (and other officers)	12	2
Increase (decrease) in net defined benefit asset and liability	(289)	(294)
Interest and dividend income	(85)	(115)
Interest expenses	103	173
Loss (gain) on sale of investment securities	—	(2)
Loss (gain) on sale of non-current assets	1	(18)
Loss (gain) on valuation of investment securities	115	25
Loss on retirement of non-current assets	38	76
Loss (gain) on investments in investment partnerships	—	263
Decrease (increase) in trade receivables	1,142	564
Decrease (increase) in inventories	(2,351)	(160)
Increase (decrease) in trade payables	(1,084)	(1,180)
Decrease (increase) in accounts receivable - other	(152)	28
Increase (decrease) in accounts payable - other	(354)	(9)
Other, net	(551)	(442)
Subtotal	2,543	4,021
Interest and dividends received	88	116
Interest paid	(115)	(177)
Income taxes paid	(318)	(388)
Income taxes refund	234	19
Net cash provided by (used in) operating activities	2,433	3,591
Cash flows from investing activities		
Payments into time deposits	(57)	(35)
Proceeds from withdrawal of time deposits	66	31
Purchase of property, plant and equipment	(1,976)	(1,945)
Proceeds from sale of property, plant and equipment	415	22
Purchase of intangible assets	(35)	(19)
Purchase of investment securities	(37)	(20)
Proceeds from sale of investment securities	—	7
Loan advances	(26)	(11)
Proceeds from collection of loans receivable	19	28
Net cash provided by (used in) investing activities	(1,631)	(1,944)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(2,000)	200
Proceeds from long-term borrowings	3,800	2,700
Repayments of long-term borrowings	(1,667)	(2,826)
Repayments of lease liabilities	(301)	(496)
Purchase of treasury shares	(479)	(1)
Proceeds from sale of treasury shares	—	0
Dividends paid	(323)	(438)
Net cash provided by (used in) financing activities	(971)	(862)
Effect of exchange rate change on cash and cash equivalents	(66)	(375)
Net increase (decrease) in cash and cash equivalents	(236)	409
Cash and cash equivalents at beginning of period	8,742	8,505
Cash and cash equivalents at end of period	8,505	8,915

Global Network as of March 31, 2023

■ Sales Office

📍 Works

📍 R&D Location

ASIA

SMK High-Tech Taiwan Trading Co., Ltd.

SMK Electronics (H.K.) Ltd.

SMK Trading (H.K.) Ltd.

SMK Electronics (Dongguan) Co., Ltd.

SMK Electronics (Shenzhen) Co., Ltd.

SMK Electronics Trading (Shenzhen) Co., Ltd.

SMK Electronics Trading (Shenzhen) Co., Ltd. Chongqing SOHO

SMK Electronics Technology Development (Shenzhen) Co., Ltd.

SMK Electronics Trading (Shanghai) Co., Ltd.

SMK Electronics Int'l. Trading (Shanghai) Co., Ltd.

SMK Electronics Int'l. Trading (Shanghai) Co., Ltd. Beijing Office

SMK Korea Co., Ltd.

ASEAN

SMK Electronics Singapore Pte. Ltd.

SMK Electronics Singapore Pte. Ltd. Design Center

SMK Electronics Singapore Pte. Ltd. Thailand Representative Office

SMK Electronics (Malaysia) Sdn. Bhd.

SMK Electronics (Phils.) Corporation

EUROPE

SMK Electronics (Europe) Limited Dublin H.Q.

SMK Electronics (Europe) Limited U.K. Branch

SMK Electronics (Europe) Limited U.K. South Office

SMK Electronics (Europe) Limited France Office

SMK Electronics (Europe) Limited Dusseldorf Branch

SMK Electronics (Europe) Limited Belgium Office

AMERICA

SMK Electronics Corporation, U.S.A., San Diego H.Q.

SMK Electronics Corporation, U.S.A., San Jose Office

SMK Electronics Corporation, U.S.A., New York Office

SMK Electronics Corporation, U.S.A., Seattle Office

SMK Electronics Corporation, U.S.A., Detroit Office

SMK Manufacturing, Inc.

SMK Electronica S.A. de C.V.

SMK Mexicana, S. de R. L. de C. V. Tijuana Office

SMK Mexicana, S. de R. L. de C. V. Mexico City Office

JAPAN

SMK Corporation
Head Office
Osaka Branch
Nagoya Branch
Ibaraki Sales Office
Fukuoka Sales Office
Toyama Works
Hitachi Works

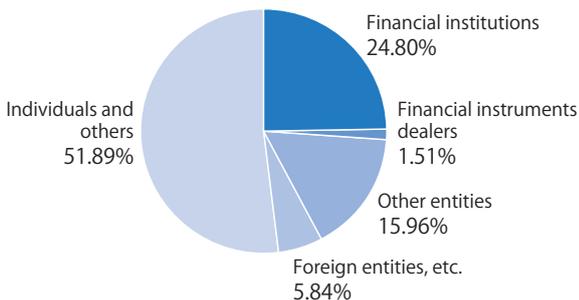# Company Outline as of March 31, 2023

Name	SMK Corporation
Established	1925
Capital	7,996 million yen
Stock exchange listing	Tokyo Stock Exchange, Prime Market (Securities Code: 6798)
Settlement term	March 31

Sales	54,842 million yen (Consolidated)
Employees	4,607 (Consolidated)
Head office	5-5, Togoshi 6-chome, Shinagawa-ku, Tokyo 142-8511
Website	https://www.smk.co.jp/

Stock Information as of March 31, 2023

Authorized shares	19,596,127
Issued shares	7,200,000
Number of shareholders	6,494

Share Ownership by Shareholder Type

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

Major Shareholders (Top Ten)

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

SMK holds 644 thousand shares of treasury stock, but these are excluded from the above list. Figures for percentage of shares are calculated after subtracting the number of treasury stock. The number of treasury stock includes the 41 thousand shares of the Company held by the Board Benefit Trust.

SMK Corporation