



# ANNUAL REPORT

# 2021

For the fiscal year ended March 31, 2021

CREATIVE CONNECTIVITY



## To Our Shareholders and Investors

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

On this occasion, we would like to express our deepest sympathy to everyone who has been affected by COVID-19.

We would like to report on the outline and results of the SMK Group's business for the 99th fiscal year (from April 1, 2020 to March 31, 2021).

We look forward to your continuing support and encouragement.

June 2021

**Yasumitsu Ikeda**  
President and CEO/COO



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## SMK Philosophy

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

## SMK Action Guidelines

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

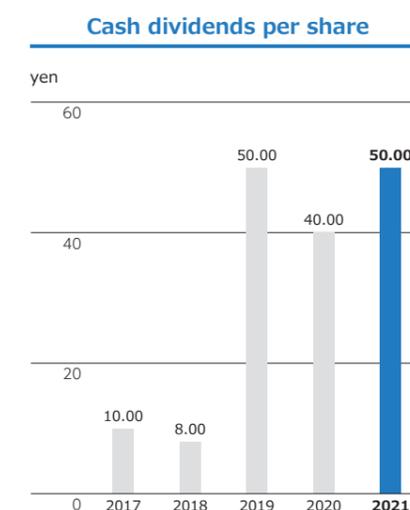
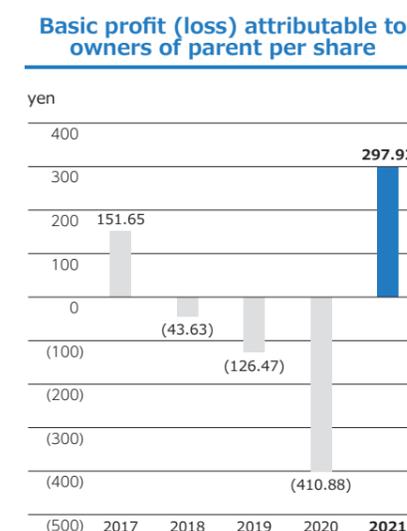
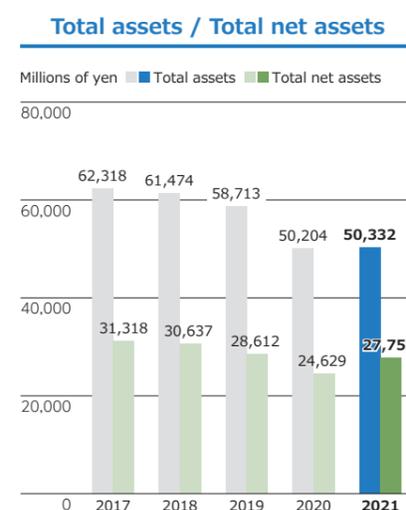
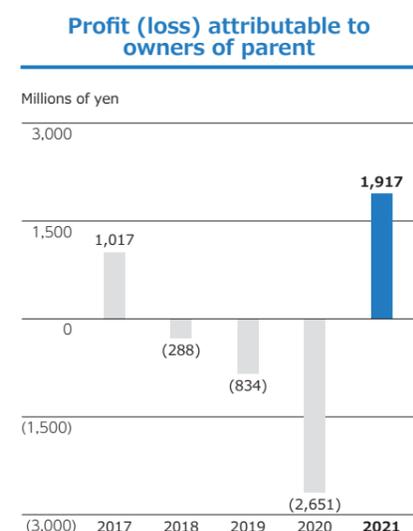
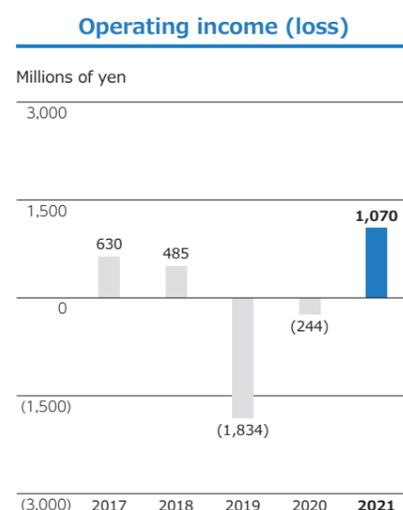
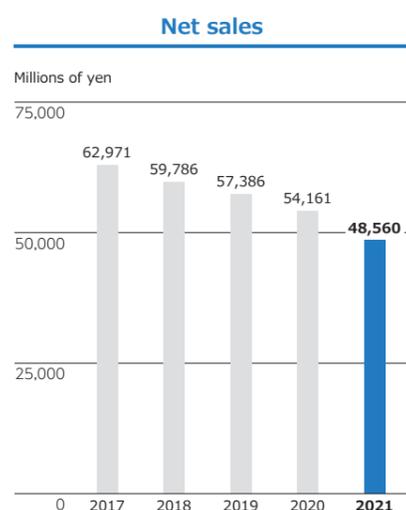


## Financial Highlights

Years ended and as of March 31	Millions of yen		Percent Change 2020/2021	Thousands of U.S. dollars
	2020	2021		2021
<b>Operating Results</b>				
Net sales	¥ 54,161	¥ 48,560	(10.3)%	\$438,623
Operating income (loss)	(244)	1,070	—	9,665
Profit (loss) attributable to owners of parent	(2,651)	1,917	—	17,316
<b>Financial Position</b>				
Total assets	¥ 50,204	¥ 50,332	0.3%	\$454,629
Total net assets	24,629	27,751	12.7	250,664

Years ended and as of March 31	Yen		Percent Change 2020/2021	U.S. dollars
	2020	2021		2021
<b>Per Share Data</b>				
Profit (loss) attributable to owners of parent				
Basic	¥(410.88)	¥ 297.92	—%	\$2.69
Diluted	—	—	—	—
Cash dividends	40.00	50.00	25.0	0.45

Note 1. The U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥110.71 = U.S. \$1.00.  
 2. The Company carried out a consolidation of share at the ratio of 10 shares to 1 share on October 1, 2018. Basic earnings per share and diluted earnings per share have been calculated on the assumption that the said consolidation of share was carried out at the beginning of the year ended March 31, 2017.  
 3. The Company and its consolidated subsidiaries have adopted "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) (hereinafter, the "Partial Amendments") from the beginning of the fiscal year ended March 31, 2019. As such, financial position for the year ended March 31, 2018 is calculated on the assumption that "Partial Amendments" is applied retrospectively.  
 4. In the calculation of profit (loss) per share, the Company's shares remaining in the Board Benefit Trust (BBT), which are recorded as treasury stock under shareholders' equity, are included in the treasury stocks that are deducted in the calculation of the average number of shares in the period.





# Overview of Consolidated Results by Division

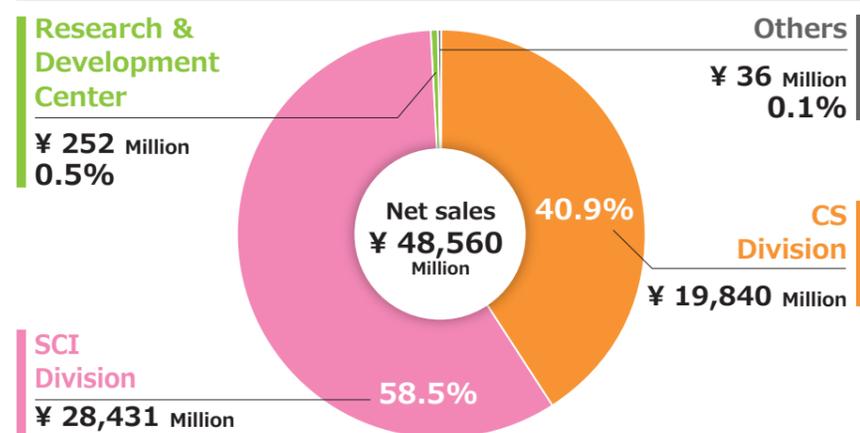
(April 1, 2020 to March 31, 2021)

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

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

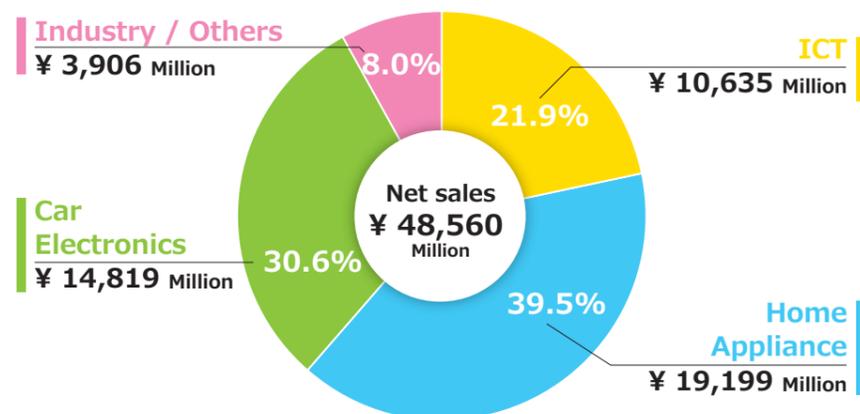
In this section, we present an overview of our results achieved in each of the two divisions and Research & Development Center in the fiscal year under review.

## Sales by Division



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

## Sales by Market



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

## CS (Connection System) Division

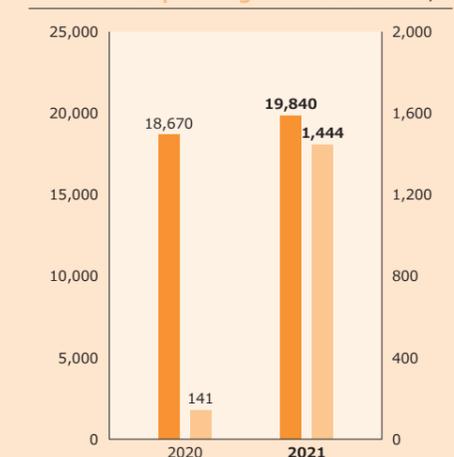
### Major Products

- Connectors (Coaxial, FPC)
- Jacks

In the ICT market, sales of connectors increased year on year due to increased demand from customers in the U.S. for use in tablet devices as a result of the expansion of remote work and online classes, as well as strong sales of connectors for smartphones made to customers in China. In the home appliance market, sales of new connectors for game consoles and TVs grew steadily and exceeded those of the previous year. In the car electronics market, sales remained sluggish until the second quarter, largely affected by the slump of automotive sales due to the spread of the COVID-19 pandemic, but orders recovered in the third quarter, mainly in China and the U.S., and remained at the same level as that of the previous fiscal year.

As a result, net sales of CS Division amounted to ¥19,840 million (6.3% increase year on year), and operating income was ¥1,444 million (924.3% increase year on year).

### Net sales / Operating income



## SCI (Sensing, Communications and Interface) Division

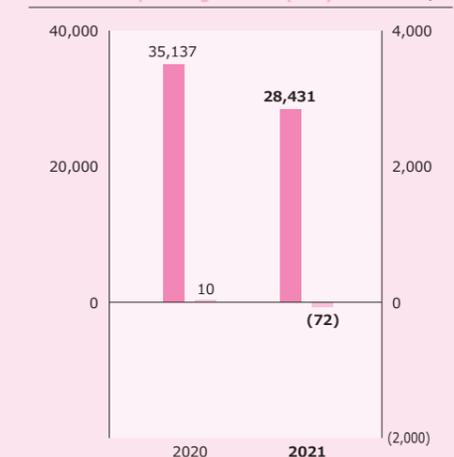
### Major Products

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

In the home appliance market, sales of remote control units for sanitary and home equipment increased year on year, but sales of remote control units for air conditioners decreased in the first quarter due to the impact of temporary shutdowns and lower capacity utilization rates at factories in Southeast Asia, and sales of remote control units for set-top boxes decreased in the fourth quarter. As a result, sales in the home appliance market as a whole decreased from the previous year. In the car electronics market, although orders for camera modules, units and touch sensors began to recover in the third quarter, the cumulative total for the period under review fell below that of the previous year due to the global slump in automotive sales. In the ICT market, sales of switches for smartphones made to customers in the U.S. decreased and fell below those of the previous year.

As a result, net sales of SCI Division amounted to ¥28,431 million (19.1% decrease year on year), and operating loss was ¥72 million (compared to operating income of ¥10 million in the previous fiscal year).

### Net sales / Operating income (loss)



## Research & Development Center

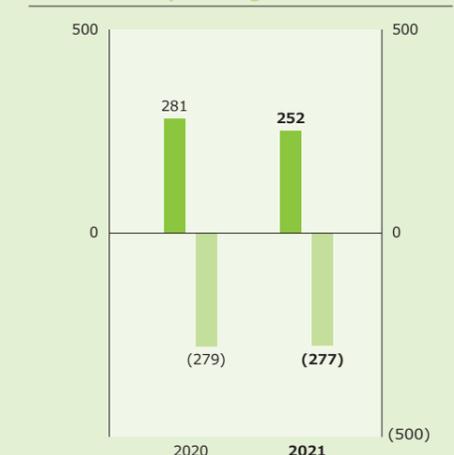
### Major Products

- Wireless Modules

Sales of Bluetooth® modules, which are the central product among wireless communication modules, the mainstay business of the Research & Development Center, fell below those of the previous year due to a decrease in sales for mobile printers, despite an increase in sales for payment terminals.

As a result, net sales of Research & Development Center amounted to ¥252 million (10.0% decrease year on year), and operating loss was ¥277 million (compared to an operating loss of ¥279 million in the previous fiscal year).

### Net sales / Operating loss



# Five-Year Summary

SMK Corporation and Consolidated Subsidiaries

Years ended and as of March 31	Millions of yen					Thousands of U.S. dollars	
	2017	2018	2019	2020	2021	2021	
<b>Operating Results</b>							
Net sales	¥ 62,971	¥ 59,786	¥ 57,386	¥ 54,161	¥ 48,560	\$ 438,623	
Operating income (loss)	630	485	(1,834)	(244)	1,070	9,665	
Profit (loss) attributable to owners of parent	1,017	(288)	(834)	(2,651)	1,917	17,316	
<b>Financial Position</b>							
Total assets	¥ 62,318	¥ 61,474	¥ 58,713	¥ 50,204	¥ 50,332	\$ 454,629	
Total net assets	31,318	30,637	28,612	24,629	27,751	250,664	

Per Share Data	Yen					U.S. dollars	
	2017	2018	2019	2020	2021	2021	
Total net assets	¥ 4,734.95	¥ 4,635.03	¥ 4,415.09	¥ 3,870.65	¥ 4,311.91	\$ 38.95	
Profit (loss) attributable to owners of parent							
Basic	151.65	(43.63)	(126.47)	(410.88)	297.92	2.69	
Diluted	151.62	—	—	—	—	—	
Cash dividends	10.00	8.00	50.00	40.00	50.00	0.45	

Note 1. The U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥110.71 = U.S. \$1.00.  
 2. The Company carried out a consolidation of share at the ratio of 10 shares to 1 share on October 1, 2018. Basic earnings per share and diluted earnings per share have been calculated on the assumption that the said consolidation of share was carried out at the beginning of the years ended March 31, 2017.  
 3. The Company and its consolidated subsidiaries have adopted "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) (hereinafter, the "Partial Amendments") from the beginning of the fiscal year ended March 31, 2019. As such, financial position for the years ended March 31, 2018 is calculated on the assumption that "Partial Amendments" is applied retrospectively.  
 4. In the calculation of profit (loss) per share, the Company's shares remaining in the Board Benefit Trust (BBT), which are recorded as treasury stock under shareholders' equity, are included in the treasury stocks that are deducted in the calculation of the average number of shares in the period.

SMK's net sales for the fiscal year ended March 31, 2021 decreased 10.3% year on year to ¥48,560 million (US\$438,623 thousand), and operating income of ¥1,070 million (US\$9,665 thousand) and profit attributable to owners of parent of ¥1,917 million (US\$17,316 thousand) were recorded.

## Net Sales

In the ICT market, although sales expanded due to increased customer demand as a result of the expansion of remote work and online classes, sales in the home appliance, car electronics, industry and other markets decreased due to restrictions on operations at factories in Southeast Asia amid the spread of COVID-19 in the first quarter and the global slump in automotive sales.

As a result, net sales were ¥48,560 million (US\$438,623 thousand), down 10.3% year on year.

## Operating Income

As the cost of sales ratio improved year on year due to our efforts such as proactive launch of new products and initiatives taken to reduce costs, operating income amounted to ¥1,070 million (US\$9,665 thousand).

## Profit attributable to owners of parent

Profit attributable to owners of parent was ¥1,917 million (US\$17,316 thousand) as a result of recording rent income/expense, foreign exchange gains, subsidies for employment adjustment, etc. in other income/expenses.

## Total Net Assets / ROE

As of March 31, 2021, total net assets were ¥27,751 million (US\$250,664 thousand), with ROE of 7.3 %.

## Total Assets / ROA

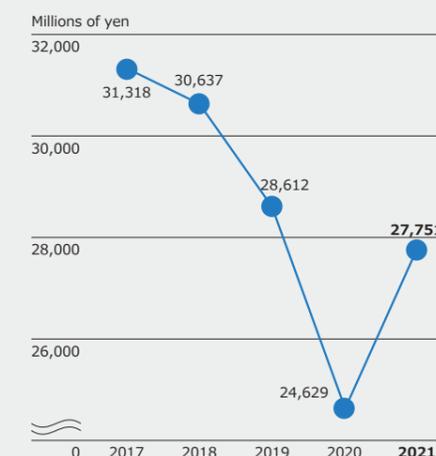
As of March 31, 2021, total assets were ¥50,332 million (US\$454,629 thousand), with ROA of 5.2%.

## Cash Flows

Net cash provided by operating activities amounted to ¥4,653 million (US\$42,029 thousand), net cash used in investing activities totaled ¥2,325 million (US\$21,001 thousand), and net cash used in financing activities was ¥3,904 million (US\$35,263 thousand).

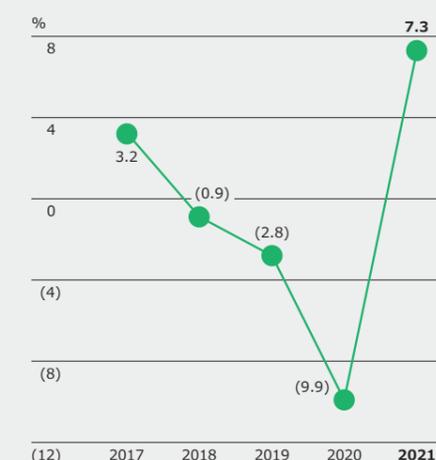
## Total net assets

(As of March 31)



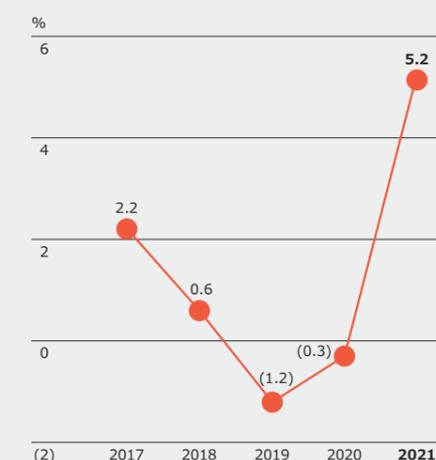
## Return on equity (ROE)

(Years ended March 31)



## Return on assets (ROA)

(Years ended March 31)



# Consolidated Balance Sheet

SMK Corporation and Consolidated Subsidiaries  
As of March 31, 2020 and 2021

Consolidated Balance Sheets

Assets	Millions of Yen		Thousands of U.S. dollars (Note 2)
	2020	2021	2021
<b>Current assets</b>			
Cash and cash equivalents (Note 15)	¥ 10,437	¥ 8,742	\$ 78,963
Time deposits (Note 15)	77	57	515
Notes and accounts receivable, trade (Note 15)	10,899	11,242	101,545
Electronically recorded monetary claims (Note 15)	1,432	1,325	11,968
Inventories (Note 3)	6,426	6,547	59,136
Other current assets (Note 17 and 20)	1,162	1,050	9,484
Allowance for doubtful accounts	(104)	(61)	(551)
	30,332	28,903	261,069
<b>Investments and long-term loans</b>			
Investment securities (Note 15 and 16)	2,493	3,113	28,119
Long-term loans receivable (Note 20)	50	90	813
Asset for retirement benefits (Note 6)	1,114	2,058	18,589
Other investments (Note 20)	641	661	5,971
Allowance for doubtful accounts	(39)	(84)	(759)
	4,259	5,839	52,741
<b>Property, plant and equipment</b> (Note 5, 11 and 18)			
Land (Note 4)	5,977	5,939	53,645
Buildings	19,032	19,386	175,106
Machinery and vehicles	22,762	23,108	208,725
Tooling and office furniture	19,082	19,489	176,036
Leased assets	30	32	289
Right of use assets	127	135	1,219
Construction in progress	221	128	1,156
	67,234	68,220	616,204
Less-accumulated depreciation	(51,842)	(52,816)	(477,066)
	15,392	15,403	139,129
<b>Other assets</b>			
Deferred tax assets (Note 12)	100	92	831
Intangible assets (Note 11)	120	93	840
	220	185	1,671
<b>Total assets</b>	¥ 50,204	¥ 50,332	\$ 454,629

See accompanying notes to consolidated financial statements.

Liabilities and net assets	Millions of Yen		Thousands of U.S. dollars (Note 2)
	2020	2021	2021
<b>Current liabilities</b>			
Short-term loans payable (Note 5 and 15)	¥ 9,639	¥ 6,122	\$ 55,298
Notes and accounts payable, trade (Note 15)	5,101	5,029	45,425
Accrued income taxes	283	330	2,981
Accrued bonuses	576	716	6,467
Accrued directors' and officers' bonuses	0	28	253
Accounts payable, non-trade (Note 15)	1,468	1,775	16,033
Other current liabilities (Note 17)	1,529	1,495	13,504
	18,598	15,498	139,987
<b>Long-term liabilities</b>			
Long-term debt (Note 5 and 15)	5,513	5,180	46,789
Deferred tax liabilities (Note 12)	491	954	8,617
Accrued directors' and officers' retirement benefits	134	147	1,328
Liability for retirement benefits (Note 6)	62	61	551
Accrued directors' and officers' share awards	—	14	126
Other long-term liabilities	774	723	6,531
	6,976	7,082	63,969
<b>Net assets</b>			
<b>Shareholders' equity</b> (Note 7)			
Common stock			
Authorized : 19,596,127 shares			
Issued : 7,500,000 shares	7,996	7,996	72,225
Capital surplus	12,057	12,057	108,906
Retained earnings	11,582	13,241	119,601
Treasury stock	(4,391)	(4,394)	(39,689)
	27,245	28,900	261,042
<b>Accumulated other comprehensive income</b>			
Net unrealized gains (losses) on other securities	106	288	2,601
Net unrealized gains (losses) from hedging instruments	(18)	(7)	(63)
Foreign currency translation adjustments	(2,295)	(1,997)	(18,038)
Retirement benefits asset and liability adjustments	(122)	568	5,131
	(2,329)	(1,149)	(10,378)
<b>Non-controlling interests</b>	(286)	—	—
	24,629	27,751	250,664
<b>Total liabilities and net assets</b>	¥ 50,204	¥ 50,332	\$ 454,629

## Consolidated Statement of Income

SMK Corporation and Consolidated Subsidiaries  
Years ended March 31, 2020 and 2021

	Millions of Yen		Thousands of U.S. dollars (Note 2)
	2020	2021	2021
<b>Net sales</b> (Note 19)	¥ 54,161	¥ 48,560	\$ 438,623
<b>Cost of sales</b> (Note 3 and 8)	46,437	40,119	362,379
<b>Selling, general and administrative expenses</b> (Note 8 and 9)	7,968	7,370	66,570
<b>Operating Profit (loss)</b> (Note 19)	(244)	1,070	9,665
<b>Other income</b>			
Interest and dividend income (Note 20)	105	71	641
Rent income	1,050	1,066	9,629
Foreign exchange gains	—	160	1,445
Subsidies for employment adjustment	—	542	4,896
Gain on sales of fixed assets (Note 10)	90	21	190
Gain on sales of golf memberships	23	—	—
Other	407	525	4,742
<b>Total other income</b>	1,676	2,387	21,561
<b>Other expenses</b>			
Interest expense	109	108	976
Rent expense (Note 20)	559	567	5,121
Foreign exchange losses	692	—	—
Compensation expenses	—	87	786
Loss on sales of fixed assets (Note 10)	36	0	0
Loss on disposal of fixed assets (Note 10)	72	79	714
Loss on impairment of fixed assets (Note 11)	2,953	130	1,174
Loss on valuation of investment securities	23	112	1,012
Loss on liquidation of subsidiaries and affiliates	—	22	199
Other	148	76	686
<b>Total other expenses</b>	4,596	1,186	10,713
<b>Profit (loss) before income taxes</b>	(3,165)	2,271	20,513
<b>Income taxes</b> (Note 12)			
Current	228	297	2,683
Refund	(292)	—	—
Deferred	(163)	93	840
<b>Profit (loss)</b>	(2,937)	1,881	16,990
<b>Loss attributable to non-controlling interests</b>	(286)	(35)	(316)
<b>Profit (loss) attributable to owners of parent</b>	¥ (2,651)	¥ 1,917	\$ 17,316

### Per share data (Note 14)

	Yen	Yen	U.S. dollars (Note 2)
Total net assets	¥ 3,870.65	¥ 4,311.91	\$ 38.95
Profit (loss) attributable to owners of parent			
Basic	(410.88)	297.92	2.69
Diluted	—	—	—
Cash dividends	40.00	50.00	0.45

See accompanying notes to consolidated financial statements.

## Consolidated Statement of Comprehensive Income

SMK Corporation and Consolidated Subsidiaries  
Years ended March 31, 2020 and 2021

	Millions of Yen		Thousands of U.S. dollars (Note 2)
	2020	2021	2021
<b>Profit (loss)</b>	¥ (2,937)	¥ 1,881	\$ 16,990
<b>Other comprehensive income</b> (Note 13)			
Net unrealized gains (losses) on other securities	(191)	181	1,635
Net unrealized gains (losses) from hedging instruments	(10)	10	90
Foreign currency translation adjustments	(268)	297	2,683
Retirement benefits asset and liability adjustments	(132)	690	6,232
<b>Total other comprehensive income</b>	(603)	1,180	10,658
<b>Comprehensive income</b>	¥ (3,541)	¥ 3,061	\$ 27,649
<b>Total comprehensive income attributable to:</b>			
Owners of parent	¥ (3,254)	¥ 3,097	\$ 27,974
Non-controlling interests	¥ (286)	¥ (35)	\$ (316)

See accompanying notes to consolidated financial statements.

## Consolidated Statement of Changes in Net Assets

SMK Corporation and Consolidated Subsidiaries  
Years ended March 31, 2020 and 2021

	Millions of yen												
	Shareholders' equity					Accumulated other comprehensive income							
	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains (losses) on other securities	Net unrealized gains (losses) from hedging instruments	Foreign currency translation adjustments	Retirement benefits asset and liability adjustments	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
<b>Balance at April 1, 2019</b>	7,500,000	¥ 7,996	¥ 12,057	¥ 14,597	¥ (4,313)	¥ 30,338	¥ 297	¥ (7)	¥ (2,027)	¥ 10	¥ (1,726)	¥ —	¥ 28,612
Cash dividends paid				(326)		(326)							(326)
Loss attributable to owners of parent				(2,651)		(2,651)							(2,651)
Acquisition of treasury stock					(128)	(128)							(128)
Disposition of treasury stock					49	12							12
Transfer to Capital surplus from retained earnings				37	(37)	—							—
Net changes in items other than shareholders' equity						—	(191)	(10)	(268)	(132)	(603)	(286)	(889)
<b>Total changes</b>				(3,014)	(78)	(3,093)	(191)	(10)	(268)	(132)	(603)	(286)	(3,982)
<b>Balance at March 31, 2020</b>	7,500,000	7,996	12,057	11,582	(4,391)	27,245	106	(18)	(2,295)	(122)	(2,329)	(286)	24,629
<b>Balance at April 1, 2020</b>	7,500,000	7,996	12,057	11,582	(4,391)	27,245	106	(18)	(2,295)	(122)	(2,329)	(286)	24,629
Cash dividends paid				(259)		(259)							(259)
Profit attributable to owners of parent				1,917		1,917							1,917
Acquisition of treasury stock					(3)	(3)							(3)
Disposition of treasury stock						—							—
Transfer to Capital surplus from retained earnings						—							—
Net changes in items other than shareholders' equity						—	181	10	297	690	1,180	286	1,466
<b>Total changes</b>				1,658	(3)	1,655	181	10	297	690	1,180	286	3,122
<b>Balance at March 31, 2021</b>	7,500,000	¥ 7,996	¥ 12,057	¥ 13,241	¥ (4,394)	¥ 28,900	¥ 288	¥ (7)	¥ (1,997)	¥ 568	¥ (1,149)	¥ —	¥ 27,751

	Thousands of U.S. dollars (Note 2)											
	Shareholders' equity					Accumulated other comprehensive income						
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains (losses) on other securities	Net unrealized gains (losses) from hedging instruments	Foreign currency translation adjustments	Retirement benefits asset and liability adjustments	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
<b>Balance at April 1, 2020</b>	\$ 72,225	\$ 108,906	\$ 104,616	\$(39,662)	\$ 246,093	\$ 957	\$ (163)	\$ (20,730)	\$ (1,102)	\$ (21,037)	\$ (2,583)	\$ 222,464
Cash dividends paid			(2,339)		(2,339)							(2,339)
Profit attributable to owners of parent			17,316		17,316							17,316
Acquisition of treasury stock				(27)	(27)							(27)
Disposition of treasury stock					—							—
Transfer to Capital surplus from retained earnings					—							—
Net changes in items other than shareholders' equity					—	1,635	90	2,683	6,232	10,658	2,583	13,242
<b>Total changes</b>			14,976	(27)	14,949	1,635	90	2,683	6,232	10,658	2,583	28,200
<b>Balance at March 31, 2021</b>	\$ 72,225	\$ 108,906	\$ 119,601	\$(39,689)	\$ 261,042	\$ 2,601	\$ (63)	\$ (18,038)	\$ 5,131	\$ (10,378)	\$ —	\$ 250,664

## Consolidated Statement of Cash Flows

SMK Corporation and Consolidated Subsidiaries  
Years ended March 31, 2020 and 2021

	Millions of Yen		Thousands of U.S. dollars (Note 2)
	2020	2021	2021
<b>Cash flows from operating activities</b>			
Profit (loss) before income taxes	¥ (3,165)	¥ 2,271	\$ 20,513
Depreciation and amortization	3,292	2,237	20,206
Loss on impairment of fixed assets	2,953	130	1,174
Increase (decrease) in accrued bonuses	(44)	134	1,210
Increase (decrease) in accrued directors' and officers' retirement benefits	(41)	13	117
Increase (decrease) in accrued directors' and officers' share awards	—	14	126
Increase (decrease) in asset and liability for retirement benefits	(62)	30	271
Interest and dividend income	(105)	(71)	(641)
Interest expense	109	108	976
(Gain) loss on sales of fixed assets	(53)	(20)	(181)
(Gain) loss on valuation of investment securities	23	112	1,012
(Gain) loss on sales of golf memberships	(23)	—	—
Loss on disposal of fixed assets	72	79	714
Loss on liquidation of subsidiaries and affiliates	—	22	199
(Increase) decrease in notes and accounts receivable, trade	1,622	367	3,315
(Increase) decrease in inventories	1,394	103	930
Increase (decrease) in notes and accounts payable, trade	533	(838)	(7,569)
(Increase) decrease in accounts receivable, non-trade	109	7	63
Increase (decrease) in accounts payable, non-trade	271	340	3,071
Other	(80)	(141)	(1,274)
Subtotal	6,806	4,903	44,287
Interest and dividends received	106	77	696
Interest paid	(102)	(114)	(1,030)
Income taxes paid	(464)	(212)	(1,915)
<b>Net cash provided by (used in) operating activities</b>	<b>6,345</b>	<b>4,653</b>	<b>42,029</b>
<b>Cash flows from investing activities</b>			
Payments into time deposits	(228)	(75)	(677)
Proceeds from time deposits	258	98	885
Purchases of fixed assets	(2,637)	(2,334)	(21,082)
Proceeds from sales of fixed assets	250	52	470
Purchases of intangible fixed assets	(40)	(26)	(235)
Proceeds from sale of intangible fixed assets	0	—	—
Purchases of investment securities	(159)	(63)	(569)
Proceeds from sales of investment securities	—	0	0
Proceeds from redemption of investment securities	29	—	—
Payments for execution of loans	(30)	(9)	(81)
Collection of loans receivable	32	31	280
<b>Net cash provided by (used in) investing activities</b>	<b>(2,525)</b>	<b>(2,325)</b>	<b>(21,001)</b>
<b>Cash flows from financing activities</b>			
Increase (decrease) in short-term loans payable	(5,692)	(1,950)	(17,614)
Proceeds from long-term debt	4,000	1,400	12,646
Payments of long-term debt	(2,015)	(3,055)	(27,595)
Purchases of treasury stock	(127)	(1)	(9)
Proceeds from sales of treasury stock	12	—	—
Dividends paid	(325)	(259)	(2,339)
Other	(29)	(37)	(334)
<b>Net cash provided by (used in) financing activities</b>	<b>(4,176)</b>	<b>(3,904)</b>	<b>(35,263)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>17</b>	<b>(94)</b>	<b>(849)</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(338)</b>	<b>(1,671)</b>	<b>(15,093)</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>10,776</b>	<b>10,437</b>	<b>94,273</b>
<b>Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation</b>	<b>—</b>	<b>(24)</b>	<b>(217)</b>
<b>Cash and cash equivalents at end of the year</b>	<b>¥ 10,437</b>	<b>¥ 8,742</b>	<b>\$ 78,963</b>

## Notes to Consolidated Financial Statements

SMK Corporation and Consolidated Subsidiaries

### Note 1. Summary of significant accounting policies

- (a) Basis of presenting financial statements  
The accompanying consolidated financial statements of SMK Corporation (the "Company") and consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan. For the purpose of this document, certain reclassifications have been made in the accompanying consolidated financial statements to facilitate understanding by readers outside Japan. In addition, certain reclassifications have been made to the prior year's consolidated financial statements to conform to the current year's presentation.
- (b) Basis of consolidation and investments in affiliated companies  
The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries over which substantial control is exercised either through majority ownership of voting stock and/or by other means. All significant intercompany balances and transactions have been eliminated in consolidation. Certain foreign subsidiaries' fiscal period ends on December 31, which differs from the year-end date of the Company; however, the financial statements of these companies were tentatively closed as of March 31 and necessary adjustments for consolidation were made. Investments in affiliates (companies over which the Company has the ability to exercise significant influence) are accounted for by the equity method. Consolidated profit attributable to owners of parent includes the Company's equity in the current profit attributable to owners of parent or loss of such companies, after the elimination of unrealized intercompany profits. All assets and liabilities of the Company's subsidiaries are revalued at the acquisition, if applicable, and the excess of cost over the underlying net assets at the date of acquisition is amortized over a period of five years on a straight-line basis if such excess is material, or charged to income when incurred if immaterial.
- (c) Scope of consolidation  
Number of consolidated subsidiaries: 25  
SMK-LOGOMOTION filed a petition for bankruptcy during the year ended March 31, 2021, which was excluded from scope of consolidation. SMK Eletronica Brasil Ltda and SMK-LINK Electronics Corporation were liquidated during the year ended March 31, 2021, which were excluded from the scope of consolidation, respectively.
- (d) Application of equity method of accounting  
Number of affiliated companies accounted for using the equity method: 1
- (e) Translation of foreign currencies  
Receivables and payables denominated in foreign currencies are translated into yen at the appropriate closing rate at the end of the reporting period, and differences arising from the translation are included in the consolidated statement of income. All asset and liability accounts of foreign subsidiaries and affiliates are translated into Japanese yen at the appropriate closing rate at the end of the reporting period. Revenue and expense accounts are translated at the average rates of exchange prevailing during the year. Differences arising from the translation are presented as foreign currency translation adjustments in the consolidated financial statements.
- (f) Cash and cash equivalents  
Cash and cash equivalents consist of cash on hand, cash in banks which can be withdrawn at any time and short-term investments with a maturity of three months or less when purchased which can easily be converted to cash and are subject to little risk of change in value.
- (g) Inventories  
Inventories are mainly stated at the lower of cost or market. The following inventories are measured principally by their respective methods:  
Finished products: Retail cost method  
Work in process: Actual raw material cost, determined by the most recent purchase cost method, plus direct labor costs and manufacturing overheads  
Raw materials and supplies: Most recent purchase cost method  
Consolidated subsidiaries adopt mainly the moving average method.
- (h) Securities  
Marketable securities classified as other securities are carried at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in net assets. Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined by the moving average method.
- (i) Derivatives  
Derivatives are stated at fair value.
- (j) Property, plant and equipment and depreciation (except for leased assets, Right of use assets)  
Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment is calculated principally by the declining-balance method for the Company and its domestic subsidiaries, and by the straight-line method mainly for foreign subsidiaries. Certain buildings of the Company and its domestic subsidiaries acquired on or after April 1, 1998 and facilities attached to buildings and other non-building structures acquired on or after April 1, 2016 are depreciated by the straight-line method. The estimated useful lives of the assets are as follows:  
Buildings: 10 to 50 years  
Machinery and vehicles: 4 to 10 years  
Tooling and office furniture: 2 to 6 years  
The residual values of the property, plant and equipment acquired on or before March 31, 2007 are depreciated equally over a period of 5 years starting from the year following the year in which they have been depreciated up to their depreciable limit or 5% of the acquisition cost.

- ( k ) Intangible assets (except for leased assets)  
Amortization of intangible assets is calculated by the straight-line method. Software for own use is amortized based on the utilizable period (5 years).  
Goodwill is amortized by the straight-line method mainly over 5 years.
- ( l ) Leased assets  
Noncancellable lease transaction that transfer substantially all risks and rewards associated with the ownership of assets are accounted for as finance leases. Depreciation of leased assets is calculated by the straight-line method based on the lease life as the useful life and the residual value is zero.
- ( m ) Right of use assets  
Depreciation of right of use assets is calculated by the straight-line method based on the lease term as the useful life and the residual value is zero.
- ( n ) Allowance for doubtful accounts  
The allowance for doubtful accounts is provided based on past experience for normal receivables and on an estimate of the collectability of receivables from companies in financial difficulty.
- ( o ) Accrued bonus  
Accrued bonuses are provided on the estimate of the amounts to be paid in the future by the Company, domestic consolidated subsidiaries and certain overseas subsidiaries based on an accrual basis at the balance sheet date.
- ( p ) Accrued directors' and officers' bonuses  
Accrued directors' and officers' bonuses are provided on the estimate of the amounts to be paid subsequent to the balance sheet date.
- ( q ) Accrued directors' and officers' retirement benefits  
Accrued directors' and officers' retirement benefits have been provided at an amount equal to 100% of the amount which would be required to be paid based on the Company's bylaws if all directors and officers resigned from the Company on the balance sheet date.
- ( r ) Accrued board benefit trust  
Accrued board benefit trust have been provided at an amount equal to 100% of the amount which would be required to be paid based on the Company's bylaws if all directors and officers exercised board benefit trust on the balance sheet date.
- ( s ) Retirement benefits  
Asset and liability for retirement benefits for employees are recorded mainly at the amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets as of balance sheet date.  
The retirement benefit obligation for employees is attributed to each period by the benefit formula method over the estimated years of service of the eligible employees. Actuarial gain or loss is amortized in the year following the year in which the gain or loss is recognized primarily by the straight-line method over a period of 5 years, which is within the estimated average remaining years of service of employees.
- ( t ) Hedge accounting  
(1) Method of hedge accounting  
Deferral hedge accounting is applied for interest rate swap transactions.  
The exceptional treatment is applied for interest rate swap transactions meeting certain conditions.  
(2) Hedging instruments and hedged items  
Hedging instruments: interest rate swaps  
Hedged items: long-term debt subject to interest rate fluctuation risk.  
(3) Hedging policy  
The Company uses interest rate swaps to hedge risks from interest rate fluctuations on borrowings, only when approved by the management.  
(4) Assessment of effectiveness of hedging activities  
The Company evaluates the hedge effectiveness by comparing accumulated fluctuations of the hedging instrument and hedged item every quarter.  
When the exceptional treatment is applied for interest rate swaps, the assessment of hedge effectiveness is omitted.
- ( u ) Income taxes  
Deferred income taxes are recognized based on the differences between financial reporting and the tax bases of the assets and liabilities and are calculated using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.
- ( v ) Per share information  
Basic net income per share is computed based on the net income available for distribution to shareholders of common stock and weighted-average number of shares of common stock outstanding during the year. Diluted profit attributable to owners of parent per share is computed based on the profit attributable to owners of parent available for distribution to shareholders and average number of shares of common stock outstanding during each year after giving effect to the dilutive potential of shares of common stock to be issued upon the conversion of convertible bonds.  
Net assets per share is computed based on the net assets available for distribution to shareholders of common stock and the number of shares of common stock outstanding at the balance sheet date. Cash dividends per share shown for each period in the consolidated statement of income represent the dividends applicable to the respective period.
- ( w ) Consumption taxes  
Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes. Nondeductible consumption taxes are expensed in the consolidated financial statements.
- ( x ) Consolidated taxation system  
The Company and its consolidated subsidiaries apply consolidated taxation system.
- ( y ) Adoption of tax effect accounting for the transition from the consolidated taxation system to the group tax sharing system  
For items that have transitioned to the group tax sharing system and those for which the non-consolidated tax payment system have been reviewed in line with the transition to the group tax sharing system, established under the " Act for Partial Revision of the Income Tax Act and Other Acts" (Act No. 8 of 2020), the Company adopts the treatment set forth in Paragraph 3 of the "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (ASBJ Practical Issues Task Force No. 39, March 31, 2020) not to apply provisions of Paragraph 44 of the "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018). The amounts of deferred tax assets and deferred tax liabilities are, therefore, based on provisions of the tax code prior to the revision.

- ( z ) Significant accounting estimates
1. Impairment of fixed assets
- (1) Amount recorded in the consolidated financial statements for the year ended March 31, 2021  
Property, plant and equipment: ¥15,403 million (\$139,129 thousand) (of which, SMK Electronics (Phils.) Corporation: ¥383 million (\$3,459 thousand))  
Impairment loss: ¥130 million (\$1,174 thousand) (of which, SMK Electronics (Phils.) Corporation: ¥— million (\$— thousand))
- (2) Other information that facilitates users' understanding of financial statements
- ( i ) Calculation method  
Assets or asset groups that have an indication of impairment are tested for impairment, and when it is determined that an impairment loss should be recognized, the book value is reduced to the recoverable amount and an impairment loss is recorded. The recoverable amount is measured at value in use or net realizable value. Value in use is calculated by discounting future net cash flows estimated based on the future business plan to the present value.
- ( ii ) Key assumptions  
The key assumptions used in estimating future cash flows are forecasts of sales volume and sales prices, which serve the basis of the business plan. The forecast of sales volume is calculated based on the estimated future order documents prepared by the customers. The impact of COVID-19 has been calculated assuming a main scenario in which vaccination will expand and the disease will gradually subside.
- ( iii ) Effect on the consolidated financial statements for the next fiscal year ending March 31, 2022  
The estimation of projected sales volume, which is one of the key assumptions, is highly uncertain. If the projected sales volume decreases significantly in the future due to the timing as to when the COVID-19 pandemic will subside and the impact that the pandemic will have on the economic environment, or due to changes in the market trend, impairment losses may be incurred in the year ending March 31, 2022.
2. Recoverability of deferred tax assets
- (1) Amount recorded in the consolidated financial statements for the year ended March 31, 2021  
Deferred tax assets, net: ¥92 million (\$831 thousand)  
Note: The amount before offsetting with deferred tax liabilities is ¥392 million (\$3,541 thousand).
- (2) Other information that facilitates users' understanding of financial statements
- ( i ) Calculation method  
The recoverability of deferred tax assets for deductible temporary differences and operating loss carryforwards for tax purposes is determined by estimating taxable income based on future profitability. Estimates of taxable income derived from future profitability are based on future business plans.
- ( ii ) Key assumptions  
The key assumptions used in estimating taxable income are forecasts of sales volume and sales prices, which serve the basis of the business plan. The forecast of sales volume is calculated based on the estimated future order documents prepared by the customers. The impact of COVID-19 has been calculated assuming a main scenario in which vaccination will expand and the disease will gradually subside.
- ( iii ) Effect on the consolidated financial statements for the next fiscal year ending March 31, 2022  
The estimation of projected sales volume, which is one of the key assumptions, is highly uncertain. If the projected sales volume decreases significantly in the future due to the timing as to when the COVID-19 pandemic will subside and the impact that the pandemic will have on the economic environment, or due to changes in the market trend, changes in estimates of taxable income may result in the reversal of deferred tax assets.
- (aa) Accounting standards issued but not yet effective  
Accounting Standards and Implementation Guidance on Revenue Recognition  
The Accounting Standards Board of Japan (ASBJ) issued "Accounting Standard for Revenue Recognition" (ASBJ Statement No.29, March 31, 2020) and "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No.30, March 26, 2021).
- (1) Overview  
This is a comprehensive accounting standard for revenue recognition. Specifically, the accounting standard establishes the following five-step model that will apply to revenue from customers:
1. Identify the contract(s) with a customer
  2. Identify the performance obligations in the contract
  3. Determine the transaction price
  4. Allocate the transaction price to the performance obligations in the contract
  5. Recognize revenue when(or as) the entity satisfies a performance obligation
- (2) Schedule date of adoption  
The Company expects to adopt the accounting standard and implementation guidance from the beginning of the fiscal year ending March 31, 2022.
- (3) Impact of the adoption of accounting standard and implementation guidance  
The Company is currently evaluating the effect of the adoption of this accounting standard and implementation guidance on its consolidated financial statements.
- Accounting Standard for Fair Value Measurement and Related Implementation Guidance  
The Accounting Standards Board of Japan (ASBJ) issued "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30), and "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No.31), along with related updates to "Accounting Standard for Financial Instruments" (ASBJ Statement No.10), and "Implementation Guidance on Disclosures about Fair Value of Financial Instruments." (ASBJ Guidance No. 19).

### (1) Overview

The ASBJ has developed an "Accounting Standard for Fair Value Measurement" and "Implementation Guidance on Accounting Standard for Fair Value Measurement" (hereinafter collectively, the "Fair Value Measurement Standard"), which provide guidance for fair value measurement in order to improve comparability with internationally recognized accounting standards. The Fair Value Measurement Standard is applied with respect to the fair value of the following items;

- Financial instruments defined in "Accounting Standard for Financial Instruments"

"Implementation Guidance on Disclosures about Fair Value of Financial Instruments" has been revised requiring disclosure of financial instruments broken down by level in the fair value hierarchy.

### (2) Scheduled date of adoption

The Company expects to adopt the accounting standards and related implementation guidance from the beginning of the fiscal year ending March 31, 2022.

### (3) Impact of adoption of revised accounting standard and related implementation guidance

The Company is currently evaluating the effect of the adoption of the accounting standards and related implementation guidance on its consolidated financial statements.

### (ab) Change in presentation

(Changes due to the application of Accounting Standard for Disclosure of Accounting Estimates)

The company adopted "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No.31, March 31, 2020) and disclosed "Significant accounting estimates" for the year ended March 31, 2021.

The company omitted the note for the year ended March 31, 2020 according to the transitional treatment set forth in Paragraph 11 of the above accounting standard.

(Consolidated Balance Sheet)

Electronically recorded monetary claims previously presented as "notes and accounts receivable, trade" in current assets have been reclassified to "electronically recorded monetary claims" for the year ended March 31, 2021 because of its increased quantitative materiality.

As a result, ¥12,332 million (\$111,390 thousand) of "notes and accounts receivable, trade" in current assets previously presented in consolidated balance sheet for the year ended March 31, 2020 have been reclassified to ¥1,432 million (\$12,934 thousand) of "electronically recorded monetary claims" and ¥10,899 million (\$98,446 thousand) of "notes and accounts receivable, trade" in consolidated balance sheet as of March 31, 2021.

### (ac) Additional information

#### Introduction of Board Benefit Trust

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

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

#### (1) Outline of the Plan

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

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

The Company's shares remaining in the Board Benefit Trust (BBT) are recorded by the Company as treasury stock under net assets at their book value in the BBT (excluding the amount of ancillary expenses). As of March 31, 2021, the book value of the said treasury stock was ¥160 million (\$1,445 thousand), and the number of shares was 43,800.

## Note 2. U.S. dollar amounts

The U.S. dollar amounts are stated solely for the convenience of the reader at the rate of U.S. \$1.00 = ¥110.71, the approximate rate of exchange at March 31, 2021. The translation should not be construed as a representation that the Japanese yen amounts actually represent, have been or could be converted into U.S. dollars at that or any other rate.

## Note 3. Inventories

Inventories as of March 31, 2020 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Finished products	¥ 2,385	¥ 2,721	\$ 24,578
Work in process	810	707	6,386
Raw materials and supplies	3,230	3,118	28,164
Total	¥ 6,426	¥ 6,547	\$ 59,136

The write-downs of inventories resulting from decreased profitability for the years ended March 31, 2020 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Cost of sales	¥ 523	¥ 370	\$ 3,342

## Note 4. Reduction entries

Reduction entries due to acceptance of prefectural government's grants relating to property, plant and equipment as of March 31, 2020 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Land	¥ 101	¥ 101	\$ 912

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

Short-term loans payable and long-term debt as of March 31, 2020 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Short-term loans payable			
Average interest rate on short-term loans payable, principally from banks, is 0.48%			
Secured	¥ 2,000	¥ 900	\$ 8,129
Unsecured	4,551	3,554	32,102
Total	¥ 6,551	¥ 4,454	\$ 40,231
Long-term debt			
Average interest rate on long-term debt, principally from banks, is 1.01%			
Secured	¥ 3,223	¥ 2,832	\$ 25,580
Unsecured	5,378	4,016	36,275
Less: portion due within one year	(3,088)	(1,667)	(15,057)
Total	¥ 5,513	¥ 5,180	\$ 46,789

The assets pledged as collateral for short-term and long-term debt as of March 31, 2020 and 2021 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
(1) Factory foundation			
Buildings	¥ 1,107	¥ 1,066	\$ 9,629
Machinery and vehicles	60	51	461
Tooling and office furniture	110	90	813
Land	256	256	2,312
Total	¥ 1,535	¥ 1,465	\$ 13,233
(2) Other			
Buildings	¥ 228	¥ 212	\$ 1,915
Tooling and office furniture	1	1	9
Land	39	39	352
Total	¥ 269	¥ 252	\$ 2,276

The aggregate annual maturities of long-term debt (including current portion) outstanding as of March 31, 2021 were summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2022	¥ 1,667	\$ 15,057
2023	2,246	20,287
2024	2,934	26,502
2025	—	—
2026 and thereafter	—	—
Total	¥ 6,848	\$ 61,855

## Note 6. Retirement benefits plans

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

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

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

The changes in the retirement benefit obligation during the years ended March 31, 2020 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Balance at the beginning of the year	¥ 6,530	¥ 5,877	\$ 53,085
Service cost	280	262	2,367
Interest cost	42	38	343
Actuarial gain and loss	(218)	48	434
Retirement benefit paid	(756)	(589)	(5,320)
Other	(1)	5	45
Balance at the end of the year	¥ 5,877	¥ 5,644	\$ 50,980

The changes in plan assets during the years ended March 31, 2020 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Balance at the beginning of the year	¥ 7,696	¥ 6,929	\$ 62,587
Expected return on plan assets	138	126	1,138
Actuarial gain and loss	(341)	945	8,536
Contributions by the Company	183	220	1,987
Retirement benefits paid	(747)	(580)	(5,239)
Balance at the end of the year	¥ 6,929	¥ 7,641	\$ 69,018

The funded status of the plans and the amounts recognized in the consolidated balance sheet as of March 31, 2020 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Funded retirement benefit obligation	¥ 5,855	¥ 5,623	\$ 50,790
Plan assets at fair value	(6,929)	(7,641)	(69,018)
	(1,074)	(2,017)	(18,219)
Unfunded retirement benefit obligation	22	20	181
Net liability for retirement benefits in the balance sheet	(1,051)	(1,996)	(18,029)
Liability for retirement benefits	62	61	551
Asset for retirement benefits	(1,114)	(2,058)	(18,589)
Net liability for retirement benefits in the balance sheet	¥ (1,051)	¥ (1,996)	\$ (18,029)

The components of retirement benefit expense for the years ended March 31, 2020 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Service cost	¥ 283	¥ 259	\$ 2,339
Interest cost	42	38	343
Expected return on plan assets	(138)	(126)	(1,138)
Amortization of actuarial gain and loss	(63)	93	840
Retirement benefit expense	¥ 124	¥ 265	\$ 2,394

The components of retirement benefits asset and liability adjustments included in other comprehensive income (before tax effect) for the years ended March 31, 2020 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Actuarial gain and loss	¥ (188)	¥ 990	\$ 8,942

The components of retirement benefits asset and liability adjustments included in accumulated other comprehensive income (before tax effect) as of March 31, 2020 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Unrecognized actuarial gain and loss	¥ (179)	¥ 811	\$ 7,325

The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2020 and 2021 were as follows:

	2020	2021
	Bonds	4.1%
Stocks	34.6	34.2
Life insurances	38.5	33.4
Funds	9.8	9.4
Other	13.0	15.9
Total	100.0%	100.0%

- The total plan assets include retirement benefit trusts which constitute 10.5% for the year ended March 31, 2020 and 14.5% for the year ended March 31, 2021.
- The expected rates of return on plan assets has been estimated based on the anticipated allocation of plan assets to each asset category and the expected long-term returns on plan assets held in each category.

The required contributions to the defined contribution plans by the Company and its consolidated subsidiaries for the years ended March 31, 2020 and 2021 amounted to ¥86 million and ¥92 million (\$830 thousand), respectively.

Assumptions to calculate the actuarial present value of the benefit obligation and the expected return on plan assets as of March 31, 2020 and 2021 were as follows:

	2020	2021
Discount rate	0.6%	0.6%
Re-evaluation rate	0.71%	0.58%
Expected rates of return on plan assets	2.0%	2.0%

## Note 7. Net assets

Information regarding changes in net assets for the years ended March 31, 2020 and 2021 was as follows:

### 1. Shares issued and outstanding / Treasury stock

Types of shares	2020			2021				
	Number of shares at April 1, 2019	Increase	Decrease	Number of shares at March 31, 2020	Number of shares at April 1, 2020	Increase	Decrease	Number of shares at March 31, 2021
Shares issued:								
Common stock	7,500,000	—	—	7,500,000	7,500,000	—	—	7,500,000
Treasury stock:								
Common stock	1,019,483	48,026	4,600	1,062,909	1,062,909	1,127	—	1,064,036

The Company's shares remaining in the Board Benefit Trust (BBT) are included in treasury stock (43,800 shares at March 31, 2020 and 2021).

#### 1. Details of the increase of treasury stock are as follows:

	2020	2021
Increase due to purchase of shares	46,800	—
Increase due to purchase of shares of less than standard unit	573	573
Increase in shares held by affiliates accounted for by the equity method	653	554

#### 2. Details of the decrease of treasury stock are as follows:

Decrease due to sales of shares held by subsidiaries	4,600	—
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### 2. Dividends

#### (1) Dividends paid

Resolution	Type of shares	2020		Cut-off date	Effective date
		Total dividends (Millions of yen)	Dividends per share (Yen)		
Shareholders' meeting on June 25, 2019	Common stock	326	50	March 31, 2019	June 26, 2019

Resolution	Type of shares	2021		Cut-off date	Effective date	2021	
		Total dividends (Millions of yen)	Dividends per share (Yen)			Total dividends (Thousands of U.S. dollars)	Dividends per share (U.S. dollars)
Shareholders' meeting on June 23, 2020	Common stock	259	40	March 31, 2020	June 24, 2020	2,339	0.36

#### (2) Dividends with the cut-off date in the year ended March 31, 2020 and the effective date in the year ending March 31, 2021

Resolution	Type of shares	Source of dividends	2020		Cut-off date	Effective date
			Total dividends (Millions of yen)	Dividends per share (Yen)		
Shareholders' meeting on June 23, 2020	Common stock	Retained earnings	259	40	March 31, 2020	June 24, 2020

#### Dividends with the cut-off date in the year ended March 31, 2021 and the effective date in the year ending March 31, 2022

Resolution	Type of shares	Source of dividends	2021		Cut-off date	Effective date	2021	
			Total dividends (Millions of yen)	Dividends per share (Yen)			Total dividends (Thousands of U.S. dollars)	Dividends per share (U.S. dollars)
Shareholders' meeting on June 23, 2021	Common stock	Retained earnings	324	50	March 31, 2021	June 24, 2021	2,927	0.45

Dividends of the Company's shares remaining in the Board Benefit Trust (BBT) ¥2 million (\$18 thousand) are included in total dividends based on the resolution at shareholders' meeting on June 23, 2021.

## Note 8. Research and development costs

Research and development costs included in cost of sales and selling, general and administrative expenses for the years ended March 31, 2020 and 2021 amounted to ¥2,845 million and ¥2,515 million (\$22,717 thousand), respectively.

## Note 9. Selling, general and administrative expenses

Major elements of selling, general and administrative expenses for the years ended March 31, 2020 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Salaries and wages of employees	¥ 3,833	¥ 3,601	\$ 32,526
Provision for bonus	261	308	2,782
Provision for directors' and officers' bonus	0	28	253
Retirement benefit cost	81	131	1,183
Provision for directors' and officers' retirement benefits	0	25	226
Provision for directors' and officers' share awards	—	14	126
Provision for doubtful accounts	(2)	2	18

## Note 10. Gains and losses of fixed assets

The components of gains and losses of fixed assets for the years ended March 31, 2020 and 2021 were as follows:

Gains on sales of fixed assets

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Buildings	¥ 9	¥ —	\$ —
Machinery and vehicles	28	14	126
Tooling and office furniture	10	7	63
Land	41	—	—
Total	¥ 90	¥ 21	\$ 190

Loss on sales of fixed assets

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Buildings	¥ 17	¥ —	\$ —
Machinery and vehicles	18	—	—
Tooling and office furniture	1	0	0
Total	¥ 36	¥ 0	\$ 0

Loss on disposal of fixed assets

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Buildings	¥ 7	¥ —	\$ —
Machinery and vehicles	52	60	542
Tooling and office furniture	12	19	172
Intangible asset	0	—	—
Total	¥ 72	¥ 79	\$ 714

## Note 11. Loss on impairment of fixed assets

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

For the year ended March 31, 2020, impairment losses were recognized for the following assets.

Asset group	Location	Use	Millions of yen					Total
			Buildings	Machinery and vehicles	Tooling and office furniture	Construction in progress	Intangible assets	
CS Division	Japan	Connector/Jack production facilities	¥ 8	¥ 995	¥ 194	¥ —	¥ —	¥ 1,197
SCI Division	Japan	Touch panel production facilities	0	0	1	—	—	2
Research & Development Center	Japan	Wireless module production facilities	—	38	1	—	0	40
SMK Manufacturing, Inc.	U.S.A.	Remote controls/Unit production facilities	0	17	9	1	0	30
SMK Electronica S.A. de C.V.	Mexico	Remote controls/Unit production facilities	0	2	0	1	2	6
SMK Electronics (Dongguan) Co., Ltd.	China	Connector/Jack production facilities Switch/Remote controls/ Unit production facilities	—	904	173	—	—	1,077
SMK Electronics (Phils.) Corporation	Philippines	Touch panel/Remote controls production facilities	174	422	—	—	—	597
SMK-LOGOMOTION Corporation	Japan	Others	—	—	0	—	—	0
Total			¥ 183	¥ 2,380	¥ 382	¥ 3	¥ 2	¥ 2,953

For the year ended March 31, 2021, impairment losses were recognized for the following assets.

Asset group	Location	Use	Millions of yen							Total
			Land	Buildings	Machinery and vehicles	Tooling and office furniture	Leased assets	Right of use assets	Intangible assets	
Research & Development Center	Japan	Wireless module production facilities	¥ —	¥ —	¥ —	¥ 2	¥ —	¥ —	¥ —	¥ 2
Other parts business	Japan	Other parts production facilities	—	—	—	0	—	—	—	0
SMK Electronics (Europe) Ltd.	Ireland	Business assets	—	0	0	0	—	13	0	15
SMK Hungary Kft.	Hungary	Assets to be sold	15	44	2	2	—	—	—	64
SMK Electronics Technology Development (Shenzhen) Co., Ltd.	China	Business assets	—	2	—	3	—	—	5	11
Showa Enterprize, Haibara	Japan	Real estate for rent	27	0	4	0	1	—	—	34
Total			¥ 42	¥ 48	¥ 7	¥ 10	¥ 1	¥ 13	¥ 5	¥ 130

Thousands of U.S. dollars

Asset group	Location	Use	2021							Total
			Land	Buildings	Machinery and vehicles	Tooling and office furniture	Leased assets	Right of use assets	Intangible assets	
Research & Development Center	Japan	Wireless module production facilities	\$ —	\$ —	\$ —	\$ 18	\$ —	\$ —	\$ —	\$ 18
Other parts business	Japan	Other parts production facilities	—	—	—	0	—	—	—	0
SMK Electronics (Europe) Ltd.	Ireland	Business assets	—	0	0	0	—	117	0	135
SMK Hungary Kft.	Hungary	Assets to be sold	135	397	18	18	—	—	—	578
SMK Electronics Technology Development (Shenzhen) Co., Ltd.	China	Business assets	—	18	—	27	—	—	45	99
Showa Enterprize, Haibara	Japan	Real estate for rent	244	0	36	0	9	—	—	307
Total			\$ 379	\$ 434	\$ 63	\$ 90	\$ 9	\$ 117	\$ 45	\$ 1,174

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

Of the above asset groups, Research & Development Center, Other parts business, SMK Electronics (Europe) Ltd. and SMK Electronics Technology Development (Shenzhen) Co., Ltd. suffered declining trends in net sales and income due to intense price competition in the market. The future cash flows from their asset groups were estimated and it was found that they could not generate sufficient profitability to recover the carrying value of the asset groups, and therefore their book value was reduced to the recoverable amounts. As for SMK Hungary Kft., because its assets are to be sold for the year ended March 31, 2022, its book value was reduced to the recoverable amount. As for Showa Enterprize, Haibara, because it suffered declining trends in rent income, its book value was reduced to the recoverable amount.

The recoverable amount of the asset group of the Research & Development Center, Other parts business, SMK Electronics (Europe) Ltd. and SMK Electronics Technology Development (Shenzhen) Co., Ltd. were measured at value in use, and since no future cash flows are expected, the full amount of the book value of the fixed assets regarding this business is recorded as impairment loss. The recoverable amount of the asset group of SMK Hungary Kft. was measured at net realizable value, which was calculated by deducting the estimated disposal cost from the future selling price. The recoverable amount of the asset group of Showa Enterprize, Haibara was measured at net realizable value, which was calculated based on valuations by external independent real estate appraisers.

## Note 12. Income taxes

Income taxes applicable to the Company and its domestic subsidiaries comprised corporation, inhabitants' and enterprise taxes which, in the aggregate, resulted in statutory tax rates of approximately 30.5% for the year ended March 31, 2021.

A reconciliation between the statutory tax rate and the effective tax rate for the years ended March 31, 2021 was as follows. For the year ended March 31, 2020, note is omitted because it became loss before income taxes.

	2020	2021
Statutory tax rate	—%	30.5%
Items such as entertainment expenses permanently non-deductible for tax purposes	—	1.3
Items such as dividend income permanently non-taxable	—	(6.6)
Change in valuation allowance	—	(4.0)
Tax credit for R&D expenses	—	(3.7)
Foreign withholding taxes	—	1.6
Inhabitant tax on per capita basis	—	0.9
Statutory tax rate differences in subsidiaries	—	(9.0)
Elimination of dividend income	—	8.0
Accumulated surplus of subsidiaries	—	0.4
Other	—	(2.2)
Effective tax rate	—%	17.2%

The significant components of deferred tax assets and liabilities at March 31, 2020 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
<b>Deferred tax assets:</b>			
Inventory write-down	¥ 358	¥ 93	\$ 840
Accrued bonuses	180	202	1,825
Intercompany profit on inventory	52	45	406
Liability for retirement benefits	8	7	63
Allowance for doubtful accounts	38	858	7,750
Impairment loss	1,248	736	6,648
Operating loss carryforwards for tax purposes	1,790	1,186	10,713
Other	529	825	7,452
<b>Total gross deferred tax assets</b>	<b>4,207</b>	<b>3,955</b>	<b>35,724</b>
Valuation allowance for net operating loss carryforwards	(1,782)	(1,140)	(10,297)
Valuation allowance for deductible temporary differences	(1,937)	(2,422)	(21,877)
<b>Total valuation allowance</b>	<b>(3,720)</b>	<b>(3,563)</b>	<b>(32,183)</b>
<b>Total deferred tax assets</b>	<b>487</b>	<b>392</b>	<b>3,541</b>
<b>Deferred tax liabilities:</b>			
Asset for retirement benefits	(340)	(628)	(5,672)
Deferred gain on land	(36)	(36)	(325)
Advanced depreciation on buildings	(6)	(5)	(45)
Reserve for special depreciation	(8)	(4)	(36)
Net unrealized gains on other securities	(37)	(114)	(1,030)
Accumulated surplus of foreign subsidiaries	(107)	(116)	(1,048)
Valuation difference on subsidiaries	(309)	(308)	(2,782)
Other	(32)	(38)	(343)
<b>Deferred tax liabilities</b>	<b>(878)</b>	<b>(1,254)</b>	<b>(11,327)</b>
<b>Net deferred tax assets</b>	<b>¥ (391)</b>	<b>¥ (861)</b>	<b>\$ (7,777)</b>

- Valuation allowance has decreased by ¥156 million (\$1,409 thousand). This decrease is due to the additional recognition of valuation allowance for allowance for doubtful accounts in SMK Corporation ¥818 million (\$7,388 thousand) with the exclusion of SMK-LOGOMOTION from scope of consolidation due to the filing of petition for bankruptcy, and due to the reversal of valuation allowance for net operating loss carryforwards in SMK-LOGOMOTION ¥590 million (\$5,329 thousand), valuation allowance for inventory write-down in SMK-LOGOMOTION ¥270 million (\$2,438 thousand) and valuation allowance for impairment loss in SMK-LOGOMOTION ¥264 million (\$2,384 thousand).
- A breakdown of net operating loss carryforwards and valuation allowance by expiry date as of March 31, 2020 and 2021 is as follows:

	Millions of yen						
	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years	Total
<b>2020</b>							
Net operating loss carryforwards (a)	¥ 8	¥ 13	¥ 1	¥ 4	¥ 189	¥ 1,573	¥ 1,790
Valuation allowance	(8)	(13)	(1)	(4)	(189)	(1,566)	(1,782)
Deferred tax assets	¥ —	¥ —	¥ —	¥ —	¥ —	¥ 7	¥ 7

	Millions of yen						
	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years	Total
<b>2021</b>							
Net operating loss carryforwards (a)	¥ 14	¥ 1	¥ 4	¥ 149	¥ 31	¥ 983	¥ 1,186
Valuation allowance	(14)	(1)	(4)	(149)	(31)	(938)	(1,140)
Deferred tax assets	¥ —	¥ —	¥ —	¥ —	¥ —	¥ 45	¥ 45

	Thousands of U.S. dollars						
	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years	Total
<b>2021</b>							
Net operating loss carryforwards (a)	\$ 126	\$ 9	\$ 36	\$ 1,346	\$ 280	\$ 8,879	\$ 10,713
Valuation allowance	(126)	(9)	(36)	(1,346)	(280)	(8,473)	(10,297)
Deferred tax assets	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 406	\$ 406

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

### Note 13. Other comprehensive income

The following table presents reclassification adjustments and tax effects allocated to each component of other comprehensive income for the years ended March 31, 2020 and 2021.

	Millions of Yen		Thousands of U.S. dollars
	2020	2021	2021
<b>Net unrealized gains (losses) on other securities:</b>			
Amount arising during the year	¥ (275)	¥ 259	\$ 2,339
Reclassification adjustments for gains and losses included in profit attributable to owners of parent	2	(0)	(0)
Amount before tax effect	(272)	259	2,339
Tax effect	81	(77)	(696)
<b>Net unrealized gains (losses) on other securities</b>	<b>(191)</b>	<b>181</b>	<b>1,635</b>
<b>Net unrealized gains (losses) from hedging instruments:</b>			
Amount arising during the year	(18)	(7)	(63)
Reclassification adjustments for gains and losses included in profit attributable to owners of parent	7	18	163
Amount before tax effect	(10)	10	90
Tax effect	—	—	—
<b>Net unrealized gains (losses) from hedging instruments</b>	<b>(10)</b>	<b>10</b>	<b>90</b>
<b>Foreign currency translation adjustments:</b>			
Amount arising during the year	(272)	325	2,936
Reclassification adjustments for gains and losses included in profit attributable to owners of parent	—	(22)	(199)
Amount before tax effect	(272)	302	2,728
Tax effect	3	(4)	(36)
<b>Foreign currency translation adjustments</b>	<b>(268)</b>	<b>297</b>	<b>2,683</b>
<b>Retirement benefits asset and liability adjustments:</b>			
Amount arising during the year	(124)	896	8,093
Reclassification adjustments for gains and losses included in profit attributable to owners of parent	(63)	93	840
Amount before tax effect	(188)	990	8,942
Tax effect	55	(300)	(2,710)
<b>Retirement benefits asset and liability adjustments</b>	<b>(132)</b>	<b>690</b>	<b>6,232</b>
<b>Total other comprehensive income</b>	<b>¥ (603)</b>	<b>¥ 1,180</b>	<b>\$ 10,658</b>

### Note 14. Amounts per share

- In the calculation of net assets and profit (loss) per share, the Company's shares remaining in the Board Benefit Trust (BBT), which are recorded as treasury stock under shareholders' equity, are included in the treasury stocks that are deducted in the calculation of the number of shares as of March 31, 2020 and 2021 and the average number of shares for the year ended March 31, 2020 and 2021. In the calculation of total net assets per share, the said treasury stock deducted as of March 31, 2020 and 2021 is 43,800 and 43,800, respectively. In the calculation of profit (loss) per share, the said treasury stock deducted for the year ended March 31, 2020 and 2021 is 43,800 and 43,800, respectively.
- Profit (loss) attributable to owners of parent per share of common stock is based on the following information:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
<b>Basic Profit (loss) attributable to owners of parent per share:</b>			
Profit (loss) attributable to owners of parent	¥(2,651)	¥1,917	\$17,316
Profit (loss) attributable to owners of parent not attributable to common stockholders	—	—	—
<b>Profit (loss) attributable to owners of parent attributable to common stock</b>	<b>(2,651)</b>	<b>1,917</b>	<b>17,316</b>
<b>Average number of shares of common stock outstanding during the year</b>			
	Thousands of shares		
	2020	2021	
	6,452	6,436	

### Note 15. Financial instruments

- Policy for financial instruments

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

The Company and consolidated subsidiaries raise funds through bank borrowings.

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

(2) Types of financial instruments and related risk

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

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

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

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

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

(3) Additional information regarding fair value of financial instruments

Fair value of financial instruments includes the value based on the market price. In addition, if such information is absent, reasonable assessments of their value are included. Furthermore, the contract amounts, etc. relating to derivatives transactions are described in Note 17. Derivatives themselves do not serve as indicators of market risk involved in derivatives transactions.

Information regarding fair value of financial instruments at March 31, 2020 and 2021 was summarized as follows:

	Millions of yen						Thousands of U.S. dollars		
	2020			2021			2021		
	Book value	Fair value	Difference	Book value	Fair value	Difference	Book value	Fair value	Difference
Cash and cash equivalents	¥ 10,437	¥ 10,437	¥ –	¥ 8,742	¥ 8,742	¥ –	\$ 78,963	\$ 78,963	\$ –
Time deposits	77	77	–	57	57	–	515	515	–
Notes and accounts receivable, trade	10,899	10,899	–	11,242	11,242	–	101,545	101,545	–
Electronically recorded monetary claims	1,432	1,432	–	1,325	1,325	–	11,968	11,968	–
Investment securities	1,651	1,651	–	1,904	1,904	–	17,198	17,198	–
Notes and accounts payable, trade	5,101	5,101	–	5,029	5,029	–	45,425	45,425	–
Short-term loans payable	6,551	6,551	–	4,454	4,454	–	40,231	40,231	–
Accounts payable, non-trade	1,468	1,468	–	1,775	1,775	–	16,033	16,033	–
Long-term debt	8,601	8,569	(32)	6,848	6,776	(71)	61,855	61,205	(641)
Derivatives	(21)	(21)	–	(47)	(47)	–	(425)	(425)	–

Long-term debt includes current portion of long-term debt recorded as short-term loans payable in the consolidated balance sheets.

The assets and liabilities arising from derivatives are shown on a net basis with the amount in parentheses representing a net liability position.

1. Methods to determine the estimated fair value of financial instruments and other matters related to securities and derivative transactions

Cash and cash equivalents, time deposits, notes and accounts receivable, trade and electronically recorded monetary claims Since these items are settled in a short period of time, their carrying value approximates fair value.

Investment securities

The fair value of stocks is based on quoted market prices.

Short-term loans payable, notes and accounts payable, trade and accounts payable, non-trade

Since these items are settled in a short period of time, their carrying value approximates fair value.

Long-term debt

The fair value of long-term debt is based on the present value of the total of principal and interest discounted by the interest rate to be applied if similar new loans were entered into.

Derivatives

Please refer to Note 17. Derivatives of the notes to the consolidated financial statements.

2. Financial instruments whose fair value is extremely difficult to determine

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Unlisted securities	¥ 841	¥ 1,209	\$ 10,920

Unlisted securities are not included in the investment securities because there were no quoted market prices available and the fair value is extremely difficult to determine.

3. The schedules for redemption of monetary assets and securities with maturities

	Millions of yen						Thousands of U.S. dollars		
	2020			2021			2021		
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due in one year or less	Due after one year through five years	Due after five years through ten years
Cash equivalents and time deposits	¥ 10,506	¥ –	¥ –	¥ 8,790	¥ –	¥ –	\$ 79,397	\$ –	\$ –
Notes and accounts receivable, trade	10,899	–	–	11,242	–	–	101,545	–	–
Electronically recorded monetary claims	1,432	–	–	1,325	–	–	11,968	–	–
Total	¥ 22,839	¥ –	¥ –	¥ 21,358	¥ –	¥ –	\$ 192,918	\$ –	\$ –

Note 16. Securities

Information regarding securities classified as other securities at March 31, 2020 and 2021 was summarized as follows:

	Millions of yen						Thousands of U.S. dollars		
	2020			2021			2021		
	Book value	Acquisition	Unrealized gain (loss)	Book value	Acquisition	Unrealized gain (loss)	Book value	Acquisition	Unrealized gain (loss)
Securities whose book value exceeds their acquisition									
Stocks	¥ 1,288	¥ 960	¥ 327	¥ 1,896	¥ 1,498	¥ 398	\$ 17,126	\$ 13,531	\$ 3,595
Subtotal	1,288	960	327	1,896	1,498	398	17,126	13,531	3,595
Securities whose acquisition exceeds their book value									
Stocks	363	546	(182)	7	8	(1)	63	72	(9)
Subtotal	363	546	(182)	7	8	(1)	63	72	(9)
Total	¥ 1,651	¥ 1,506	¥ 144	¥ 1,904	¥ 1,506	¥ 397	\$ 17,198	\$ 13,603	\$ 3,586

Unlisted stocks of ¥532 million at March 31, 2020 and ¥853 million (\$7,704 thousand) at March 31, 2021 are not included in the above table because there were no quoted market prices available and the fair value is extremely difficult to determine.

Investment securities in unconsolidated subsidiaries and affiliates are as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Investment securities	¥ 308	¥ 355	\$ 3,207

Information regarding sales of securities classified as other securities for the years ended March 31, 2020 and 2021 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Proceeds from sales of securities	¥ –	¥ 0	\$ 0
Stocks	–	0	0
Gains on sales	–	0	0
Stocks	–	0	0
Losses on sales	–	0	0
Stocks	–	0	0

Impairment of investment securities classified as other securities for the years ended March 31, 2020 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Stocks	¥ 23	¥ 112	\$ 1,012

Note 17. Derivatives

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

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

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

(Currency related)

	Millions of yen						Thousands of U.S. dollars		
	Contract amount		Fair value		Unrealized gain (loss)		Contract amount	Fair value	Unrealized gain (loss)
	2020	2021	2020	2021	2020	2021	2021	2021	2021
Forward foreign exchange contracts:									
Sell: US\$ / Buy: Yen	¥ 744	¥ 722	¥ (1)	¥ (39)	¥ (1)	¥ (39)	\$ 6,522	\$ (352)	\$ (352)
Sell: US\$ / Buy: EUR	59	–	(0)	–	(0)	–	–	–	–
Sell: US\$ / Buy: GBP	30	–	(0)	–	(0)	–	–	–	–
Total	¥ 834	¥ 722	¥ (1)	¥ (39)	¥ (1)	¥ (39)	\$ 6,522	\$ (352)	\$ (352)

(1) Calculation of fair value

The fair value is calculated by the price offered by financial institution.

(2) Derivative transactions to which hedge accounting was applied are excluded from the above table.

(Interest related)

	Millions of yen						Thousands of U.S. dollars		
	Contract amount		Due after one year		Fair value		Contract amount	Due after one year	Fair value
	2020	2021	2020	2021	2020	2021	2021	2021	2021
Interest rate swaps (Deferral hedge accounting)	¥ 5,004	¥ 3,072	¥ 3,072	¥ 1,940	¥ (18)	¥ (7)	\$ 27,748	\$ 17,523	\$ (63)
Interest rate swaps (Exceptional treatment)	¥ 600	¥ –	¥ –	¥ –	¥ –	¥ –	\$ –	\$ –	\$ –

(1) Calculation of fair value

The fair value is calculated by the price offered by financial institution.

(2) Regarding interest rate swaps to which the exceptional treatment applied, they are accounted for as if they were an integral part of the hedged long-term debt, and their fair value is included in the fair value of long-term debt in Note 15.

## Note 18. Investment and rental property

The profit of investment and rental property for the year ended March 31, 2020 amounted to ¥491 million, the gain on sales of fixed assets amounted to ¥50 million and the loss on sales of fixed assets amounted to ¥17 million.  
The profit of investment and rental property for the year ended March 31, 2021 amounted to ¥498 million (\$4,498 thousand) and the loss on impairment of fixed assets amounted to ¥28 million (\$253 thousand).

Information on the fair value of investment and rental property at March 31, 2020 and 2021 was summarized as follows:

2020				2021				2021			
Millions of yen								Thousands of U.S. dollars			
Book value beginning of the year	Net change	Book value end of the year	Fair value end of the year	Book value beginning of the year	Net change	Book value end of the year	Fair value end of the year	Book value beginning of the year	Net change	Book value end of the year	Fair value end of the year
¥ 6,402	¥ 534	¥ 6,936	¥ 14,305	¥ 6,936	¥ (154)	¥ 6,782	¥ 14,741	\$ 62,650	\$ (1,391)	\$ 61,259	\$ 133,150

- The fair value represents the acquisition cost less accumulated depreciation.
- The components of net change in book value for the year ended March 31, 2020 included increases mainly due to acquisitions in the amount of ¥578 million and reclassifications from assets for business operation ¥147 million, and decrease mainly due to sales and disposal of fixed assets ¥50 million and depreciation ¥142 million. The components of net change in book value for the year ended March 31, 2021 included increases mainly due to acquisitions in the amount of ¥22 million (\$198 thousand), and decrease mainly due to depreciation ¥148 million (\$1,336 thousand) and impairment of fixed assets ¥28 million (\$253 thousand).
- The fair value is mainly based upon the amount appraised by outside independent real estate appraisers.

## Note 19. Segment information

(Overview)

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

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

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

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

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

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

### 1. Business segment information

2020	Millions of yen								
	Reporting Segments				Subtotal	Other	Total	Adjustment	Consolidated
CS Division	SCI Division	Research & Development Center							
<b>Net sales</b>									
Outside customers	¥ 18,670	¥ 35,137	¥ 281	¥ 54,088	¥ 73	¥ 54,161	¥ —	¥ 54,161	
Intersegment sales	—	—	—	—	—	—	—	—	
Total	18,670	35,137	281	54,088	73	54,161	—	54,161	
<b>Operating income (loss)</b>	141	10	(279)	(127)	(117)	(244)	—	(244)	
<b>Identifiable assets</b>	9,791	16,856	247	26,895	7,272	34,168	16,036	50,204	
<b>Others</b>									
Depreciation	1,704	1,387	23	3,115	176	3,292	—	3,292	
Increase in fixed assets and intangible fixed assets	1,633	722	1	2,357	639	2,996	—	2,996	

2021	Millions of yen								
	Reporting Segments				Subtotal	Other	Total	Adjustment	Consolidated
CS Division	SCI Division	Research & Development Center							
<b>Net sales</b>									
Outside customers	¥ 19,840	¥ 28,431	¥ 252	¥ 48,524	¥ 36	¥ 48,560	¥ —	¥ 48,560	
Intersegment sales	—	—	—	—	—	—	—	—	
Total	19,840	28,431	252	48,524	36	48,560	—	48,560	
<b>Operating income (loss)</b>	1,444	(72)	(277)	1,094	(24)	1,070	—	1,070	
<b>Identifiable assets</b>	11,461	15,661	276	27,400	6,872	34,272	16,059	50,332	
<b>Others</b>									
Depreciation	1,098	947	6	2,051	186	2,237	—	2,237	
Increase in fixed assets and intangible fixed assets	1,574	645	4	2,225	30	2,256	—	2,256	

2021	Thousands of U.S. dollars								
	Reporting Segments				Subtotal	Other	Total	Adjustment	Consolidated
CS Division	SCI Division	Research & Development Center							
<b>Net sales</b>									
Outside customers	\$ 179,207	\$ 256,806	\$ 2,276	\$ 438,298	\$ 325	\$ 438,623	\$ —	\$ 438,623	
Intersegment sales	—	—	—	—	—	—	—	—	
Total	179,207	256,806	2,276	438,298	325	438,623	—	438,623	
<b>Operating income (loss)</b>	13,043	(650)	(2,502)	9,882	(217)	9,665	—	9,665	
<b>Identifiable assets</b>	103,523	141,460	2,493	247,493	62,072	309,566	145,055	454,629	
<b>Others</b>									
Depreciation	9,918	8,554	54	18,526	1,680	20,206	—	20,206	
Increase in fixed assets and intangible fixed assets	14,217	5,826	36	20,098	271	20,378	—	20,378	

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

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

### 2. Geographical information

#### (1) Net sales

2020	Millions of yen						
	Japan	China	Asia Other	North America U.S.A.	Other	Europe	Consolidated
Net sales	¥ 15,688	¥ 10,699	¥ 5,605	¥ 19,002	¥ 857	¥ 2,307	¥ 54,161

2021	Millions of yen						
	Japan	China	Asia Other	North America U.S.A.	Other	Europe	Consolidated
Net sales	¥ 13,657	¥ 10,501	¥ 5,591	¥ 16,941	¥ 660	¥ 1,208	¥ 48,560

2021	Thousands of U.S. dollars						
	Japan	China	Asia Other	North America U.S.A.	Other	Europe	Consolidated
Net sales	\$ 123,358	\$ 94,851	\$ 50,501	\$ 153,021	\$ 5,962	\$ 10,911	\$ 438,623

#### (2) Fixed assets

2020	Millions of yen					
	Japan	China	Asia Other	North America	Europe	Consolidated
Fixed assets	¥ 11,366	¥ 2,875	¥ 862	¥ 6	¥ 281	¥ 15,392

2021	Millions of yen					
	Japan	China	Asia Other	North America	Europe	Consolidated
Fixed assets	¥ 11,412	¥ 2,998	¥ 735	¥ 54	¥ 202	¥ 15,403

2021	Thousands of U.S. dollars					
	Japan	China	Asia Other	North America	Europe	Consolidated
Fixed assets	\$ 103,080	\$ 27,080	\$ 6,639	\$ 488	\$ 1,825	\$ 139,129

### 3. Information about major customers

Sales amount and ratio of the major customers which account for 10% or more of net sales is as follows:

Major Customer	Related Segment	Millions of yen		Thousands of U.S. dollars	
		2020	2021	2020	2021
Company A	CS Division SCI Division	¥ 6,337	¥ —	\$ —	\$ —

(1) Company name is not disclosed because there is a confidentiality clause in the contract with Company A.

(2) For the year ended March 31, 2021, note is omitted because sales amount of Company A is less than 10% of net sales.

### 4. Information about the loss on impairment of fixed assets

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
CS Division	¥ 1,512	¥ 8	\$ 72
SCI Division	1,399	18	163
Research & Development Center	40	2	18
Subtotal	2,952	30	235
Other	0	35	316
Adjustments and eliminations	—	64	578
Consolidated	¥ 2,953	¥ 130	\$ 1,174

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

For the years ended March 31, 2020 and 2021, there was no amortization and balance of goodwill.

## Note 20. Related party transactions

Significant transactions with related parties for the years ended March 31, 2020 and 2021 were as follows:

2020	Millions of yen			
	Transactions		Balances	
	Rent	Other investments	Other current assets	
Terutaka Ikeda (Supreme corporate adviser)	¥ 14	¥ 14	¥ 1	
2021	Millions of yen			
	Transactions		Balances	
	Collection of loan receivable	Interest income	Other current assets	Long-term loans receivable
Paul Evans (Director)	¥ 1	¥ 1	¥ 1	¥ 29
2021	Thousands of U.S. dollars			
	Transactions		Balances	
	Rent	Other investments	Other current assets	
Terutaka Ikeda (Supreme corporate adviser)	\$ 126	\$ 126	\$ 9	
2021	Thousands of U.S. dollars			
	Transactions		Balances	
	Collection of loan receivable	Interest income	Other current assets	Long-term loans receivable
Paul Evans (Director)	\$ 9	\$ 0	\$ 9	\$ 253

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

## Note 21. Subsequent Events

There were no subsequent events for the year ended March 31, 2021.

## Report of Independent Auditors

SMK Corporation and Consolidated Subsidiaries

### Independent Auditor's Report

The Board of Directors

SMK Corporation

#### Opinion

We have audited the accompanying consolidated financial statements of SMK Corporation and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2021, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

#### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of Property, Plant and Equipment of SMK Electronics (Phils.) Corporation	
Description of Key Audit Matter	Auditor's Response
<p>On March 31, 2021, property, plant and equipment are valued at ¥15,403 million (\$139,129 thousand) in the consolidated balance sheet, which represented 31% of total assets.</p> <p>As described in the Note (Significant Accounting Estimates), the Company determined that there was an indication of impairment for the asset group related to property, plant and equipment of ¥383 million (\$3,459 thousand) of SMK Electronics (Phils.) Corporation during the year ended March 31, 2021 due to the decline in profitability as a result of changes in the business environment. However, the Company did not recognize an impairment loss as the undiscounted estimated future cash flows generated from the asset group exceeded the carrying amount.</p> <p>The estimated future cash flows generated from the continued use of an asset group are determined based on the business plan approved by the Board of Directors and forecasts of sales volume and sales prices for the periods subsequent to the period covered by the business plan.</p> <p>As described in Note (Significant Accounting Estimates 1.), the significant assumptions in estimating future cash flows include forecasts of sales volume and sales prices which serve as the basis of the business plan.</p> <p>Given that the significant assumptions used to estimate the future cash flows are subject to uncertainty and require management's judgement, we determined impairment of property, plant and equipment to be a key audit matter.</p>	<p>The audit procedures we performed to assess the estimated amount of undiscounted future cash flows used in determining the necessity of recognition for impairment loss on property, plant and equipment of SMK Electronics (Phils.) Corporation include the following, among others:</p> <ul style="list-style-type: none"> <li>• We compared the cash flows projection period with the remaining economic lives of the major assets.</li> <li>• We evaluated consistency with the estimated future cash flows and the business plan approved by the Board of Directors.</li> <li>• Regarding the business plan for the second and subsequent terms that reflects future uncertainty, we considered the management's assessment of future uncertainty.</li> <li>• In order to evaluate the effectiveness of management's estimation process in formulating business plan, we compared business plans in previous years to actual results.</li> <li>• With respect to the forecasts of sales volume and sales prices which is the significant assumptions serve as the basis of the business plan, we discussed with the management and obtained the estimated future order documents and the purchase orders prepared by the customers to evaluate consistency with the business plan.</li> </ul>

Recoverability of Deferred Tax Assets	
Description of Key Audit Matter	Auditor's Response
<p>As described in Note (Income taxes), the Company offset deferred tax assets of ¥392 million (\$3,541 thousand), which were determined to be recoverable, with deferred tax liabilities, and recorded deferred tax assets of ¥92 million (\$831 thousand) and deferred tax liabilities of ¥954 million (\$8,617 thousand) in the consolidated financial statements as of March 31, 2021. Of this amount, deferred tax assets determined to be recoverable at SMK Corporation amounted to ¥264 million (\$2,385 thousand).</p> <p>The Company determines the recoverability of deferred tax assets for future deductible temporary differences and operating loss carryforwards for tax purposes by estimating taxable income based on its estimated future profitability.</p> <p>Estimate of taxable income based on its estimated future profitability is calculated based on the future business plan and the significant assumptions including forecasts of sales volume and sales prices. The Company discloses the significant assumptions in Note (Significant Accounting Estimates 2.).</p> <p>Given that the significant assumptions applied in the future business plan involve uncertainties and require management's judgement in assessing the recoverability of deferred tax assets, we determined it to be a key audit matter.</p>	<p>The audit procedures we performed to assess the recoverability of deferred tax assets included the following, among others:</p> <ul style="list-style-type: none"> <li>• We examined the amount of deductible temporary differences and tax loss carryforwards by involving our tax professionals, and we also examined the schedule of the years in which they were expected to be reversed or expired.</li> <li>• We assessed the underlying business plan to evaluate the estimate of future taxable income. We assessed the future business plan, by evaluating its consistency with the business plan approved by the Board of Directors.</li> <li>• In order to evaluate the effectiveness of management's estimation process in formulating business plan, we compared business plans in previous years to actual results.</li> <li>• With respect to the forecasts of sales volume and sales prices which is the significant assumptions serve as the basis of the business plan, we discussed with the management and obtained the estimated future order documents and the purchase orders prepared by the customers to evaluate consistency with the business plan.</li> </ul>

### Responsibilities of Management, the Corporate Auditor and the Board of Corporate Auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Group's financial reporting process.

### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Corporate Auditor and the Board of Corporate Auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Corporate Auditor and the Board of Corporate Auditors with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Corporate Auditor and the Board of Corporate Auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan**

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

#### **Convenience Translation**

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2021 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

Ernst & Young ShinNihon LLC  
Tokyo, Japan

June 23, 2021

/s/ Daisuke Ishida  
Designated Engagement Partner  
Certified Public Accountant

/s/ Takeo Sato  
Designated Engagement Partner  
Certified Public Accountant



# Officer Introduction

(As of June 23, 2021)

## Directors



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



**Yoshiyuki Kaku**  
Director and  
Executive Deputy President,  
Chief Technology Officer



**Paul Evans**  
Director and  
Executive Vice President



**Tetsuo Hara**  
Director and  
Executive Vice President



**Toshio Nakamura**  
Director (Outside)



**Kaoru Ishikawa**  
Director (Outside)

## Auditors



**Morikazu Fukui**  
Full-Time Auditor  
(Outside)



**Naru Nakashima**  
Auditor (Outside)



**Fumio Nishimura**  
Auditor (Outside)

## Corporate Executive Officers



**Kohei Ohgaki**  
Executive Vice President,  
Chief Financial Officer



**Masanobu Ikee**  
Executive Vice President



**Takemi Ishibashi**  
Vice President



**Mitsuhiko Goto**  
Vice President



**Mitsuyuki Masubuchi**  
Vice President



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



**Atsushi Obinata**  
Vice President



**Fumikazu Hata**  
Vice President



**Mikio Otsubo**  
Vice President



# Corporate Information

(As of March 31, 2021)

## Corporate Data

<b>Name</b>	SMK Corporation
<b>Established</b>	April 3, 1925
<b>Registered</b>	January 15, 1929
<b>Primary business</b>	Manufacture and sale of various parts for electro-communication device and electronic equipment
<b>Capital</b>	¥ 7,996,828,021
<b>Stock exchange listing</b>	Tokyo Stock Exchange
<b>Administrator of shareholders register</b>	Mitsubishi UFJ Trust and Banking Corporation
<b>Independent auditors</b>	Ernst & Young ShinNihon LLC Tokyo, Japan
<b>Employees (SMK-Group)</b>	5,407
<b>Global network</b> (As of July 31, 2021)	
<b>Domestic bases</b> (7 Bases)	Tokyo (Head office), Toyama, Hitachi, Osaka, Nagoya, Ibaraki and Fukuoka
<b>Overseas bases</b> (15 Countries/Areas, 32 Bases)	Taiwan, Hong Kong, China, Singapore, Thailand, Malaysia, Philippines, Korea, Ireland, U.K., France, Germany, Belgium, U.S.A. and Mexico



Head Office



Toyama Works



Hitachi Works

## Shares and Shareholders

<b>Authorized shares</b>	19,596,127
<b>Issued shares</b> (including 1,052,489 shares of treasury stock)	7,500,000
<b>Number of shareholders</b>	6,204

Major shareholders (top ten)	Shares owned (1,000 shares)	Percentage of shares (%)
SMK Cooperating Company Share Holding Association	413	6.42
The Master Trust Bank of Japan, Ltd. (Trust Account)	334	5.19
Nippon Life Insurance Company	324	5.03
Mizuho Bank, Ltd.	322	5.00
Dai Nippon Printing Co., Ltd.	320	4.96
MUFG Bank, Ltd.	250	3.89
SMK Employees Share Holding Association	213	3.31
Mitsubishi UFJ Trust and Banking Corporation	180	2.79
Custody Bank of Japan, Ltd. (Trust Account)	163	2.54
The Showa Ikeda Memorial Foundation	150	2.33

Note: The Company holds 1,052 thousand shares of treasury stock, but is excluded from the above list. Figures for percentage of shares are calculated after subtracting the number of treasury stock. The number of treasury stock includes the 43 thousand shares of the Company held by the Officer Stock Benefit Trust.

## Share ownership by shareholder type

Financial institutions	29.53%
Financial instruments dealers	0.77%
Other entities	12.96%
Foreign entities, etc.	6.02%
Individuals and others	50.72%

### Please see our website for detailed IR information.

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

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

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## SMK CORPORATION

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