

Disclaimer: This document is an English translation of the original document in Japanese and has been prepared solely for reference purposes. In the event of any discrepancy between this English translation and the original in Japanese, the original shall prevail in all respects.

Consolidated Financial Results for the Nine Months Ended December 31, 2022 [Japanese GAAP]



February 13, 2023

Company name: Shinko Shoji Co., Ltd.
 Stock exchange listing: Tokyo Stock Exchange
 Code number: 8141
 URL: <http://www.shinko-sj.co.jp/>
 Representative: Tatsuya Ogawa, President and Representative Director
 Contact: Shuji Isshiki, Director
 Phone: +81-3-6361-8111
 Scheduled date of filing quarterly securities report: February 13, 2023
 Scheduled date of commencing dividend payments: –
 Availability of supplementary briefing material on quarterly financial results: Not available
 Schedule of quarterly financial results briefing session: Not scheduled

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Nine Months Ended December 31, 2022 (April 1, 2022 to December 31, 2022)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended December 31, 2022	133,174	44.7	5,280	162.1	5,211	150.2	3,493	145.2
December 31, 2021	92,033	29.7	2,014	157.3	2,082	167.0	1,424	201.5

(Note) Comprehensive income: Nine months ended December 31, 2022: 5,085 million yen [162.5%]
 Nine months ended December 31, 2021: 1,936 million yen [311.1%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2022	101.31	–
December 31, 2021	38.37	–

The average number of shares during the period used for calculating basic earnings per share is calculated by excluding the number of shares held in own name as well as treasury shares held by the board benefit trust of 517,100 shares for the nine months ended December 31, 2021 and 501,750 shares for the nine months ended December 31, 2022 and treasury shares held by the employee benefit trust of 359,210 shares for the nine months ended December 31, 2021 and 342,390 shares for the nine months ended December 31, 2022.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2022	99,380	51,615	51.3
As of March 31, 2022	88,951	51,945	57.8

(Reference) Equity: As of December 31, 2022: 50,946 million yen
 As of March 31, 2022: 51,369 million yen

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
Fiscal year ended March 31, 2022	Yen -	Yen 23.00	Yen -	Yen 36.50	Yen 59.50
Fiscal year ending March 31, 2023	-	29.00	-		
Fiscal year ending March 31, 2023 (Forecast)				29.00	58.00

* Revisions to the forecast for dividends announced most recently: No

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2023 (April 1, 2022 to March 31, 2023)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
Full year	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
	170,000	25.7	5,600	34.5	5,600	36.5	3,900	38.2	111.73

* Revisions to the financial results forecast announced most recently: No

*** Notes:**

- (1) Changes in significant subsidiaries during the nine months ended December 31, 2022: No
(Changes in specified subsidiaries resulting in changes in scope of consolidation)
- (2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: Yes
(Note) For details, please refer to “2. Quarterly Consolidated Financial Statements and Primary Notes, (3) Notes to Quarterly Consolidated Financial Statements” on page 8 of the attached document.
- (3) Changes in accounting policies, changes in accounting estimates and retrospective restatement
 - 1) Changes in accounting policies due to the revision of accounting standards: No
 - 2) Changes in accounting policies other than 1) above: No
 - 3) Changes in accounting estimates: No
 - 4) Retrospective restatement: No(Note) For details, please refer to “2. Quarterly Consolidated Financial Statements and Primary Notes, (3) Notes to Quarterly Consolidated Financial Statements” on page 8 of the attached document.
- (4) Total number of issued shares (common shares)
 - 1) Total number of issued shares at the end of the period (including treasury shares):
December 31, 2022: 38,010,566 shares
March 31, 2022: 38,010,566 shares
 - 2) Total number of treasury shares at the end of the period:
December 31, 2022: 4,718,942 shares
March 31, 2022: 1,552,612 shares
 - 3) Average number of shares during the period:
Nine months ended December 31, 2022: 34,478,286 shares
Nine months ended December 31, 2021: 37,131,764 shares
 1. The total number of treasury shares at the end of the period includes the Company’s shares held by the board benefit trust of 510,300 shares for the fiscal year ended March 31, 2022 and 481,800 shares for the nine months ended December 31, 2022 and the Company’s shares held by the employee benefit trust of 347,600 shares for the fiscal year ended March 31, 2022 and 336,000 shares for the nine months ended December 31, 2022.
 2. Treasury shares excluded for calculation of the average number of shares during the period includes the Company’s shares held by the board benefit trust of 517,100 shares for the nine months ended December 31, 2021 and 501,750 shares for the nine months ended December 31, 2022 and the Company’s shares held by the employee benefit trust of 359,210 shares for the nine months ended December 31, 2021 and 342,390 shares for the nine months ended December 31, 2022.

* This quarterly financial report is outside the scope of audit by certified public accountants or audit firms

*** Explanation of the proper use of financial results forecast and other notes**

The earnings forecasts and other forward-looking statements herein are based on information currently available to the Company and certain assumptions that the Company has deemed reasonable. These statements are not intended as the Company’s commitment to achieve them, and actual results may differ significantly from these forecasts due to a wide range of factors. For the assumptions for financial results forecast and precautions for using financial results forecast, please refer to “1. Qualitative Information on Quarterly Financial Results for the Period under Review, (3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information” on page 3 of the attached document.

Table of Contents - Attachments

1. Qualitative Information on Quarterly Financial Results for the Period under Review	2
(1) Explanation of Operating Results	2
(2) Explanation of Financial Position	2
(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information	3
2. Quarterly Consolidated Financial Statements and Primary Notes	4
(1) Quarterly Consolidated Balance Sheets	4
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	6
Quarterly Consolidated Statements of Income	
Nine months ended December 31	6
Quarterly Consolidated Statements of Comprehensive Income	
Nine months ended December 31	7
(3) Notes to Quarterly Consolidated Financial Statements	8
(Notes on going concern assumption)	8
(Notes in the case of significant changes in shareholders' equity)	8
(Changes in significant subsidiaries during the nine months ended December 31, 2022)	8
(Accounting policies adopted specially for the preparation of quarterly consolidated financial statements)	8
(Changes in accounting policies).....	8
(Changes in accounting estimates)	8
(Segment information).....	9
(Significant subsequent events)	10

1. Qualitative Information on Quarterly Financial Results for the Period under Review

(1) Explanation of Operating Results

During the nine months ended December 31, 2022, the Japanese economy remained highly uncertain due to the prolonged Ukraine war, the tightening of monetary policy in various countries due to global inflation, changes to China's zero-COVID policy, and other factors, although economic activities were picking up with mitigation of the COVID-19 pandemic.

The electronics industry generally remained robust due to recovery in automobile production and strong demand backed by the shift to EVs and promotion of DX, despite a lull in replacement demand for tablets, smartphones, and other devices. Tightened supply and demand for semiconductor products and electronic components has led to the perception of persistent and prolonged shortages despite the trend for that to slightly dissipate with regard to certain products.

Under these situations, our group (our Company and consolidated subsidiaries) has achieved results exceeding those of the same period of the previous year in each of the main fields of businesses related to industrial equipment, automotive electronic components, and OA equipment.

As a result, the business performances in the nine months ended December 31, 2022 were: net sales 133,174 million yen (44.7% increase compared with the same period of the previous year); operating profit 5,280 million yen (162.1% increase); ordinary profit 5,211 million yen (150.2% increase); and profit attributable to owners of parent 3,493 million yen (145.2% increase). Business performances per segment are as follows.

Electronic Components Business

The businesses related to industrial equipment, automotive electronic components, and OA equipment remained strong.

As a result of the above, net sales were: semiconductor 79,258 million yen (55.7% increase compared with the same period of the previous year), electronic components 39,465 million yen (32.5% increase), and totally 118,724 million yen (47.2% increase).

Assembly Business

The businesses related to industrial equipment remained strong.

As a result of the above, net sales of assembly products were 11,186 million yen (25.2% increase compared with the same period of the previous year).

Other Businesses

The businesses related to industrial equipment and automotive electronic components remained strong.

As a result of the above, net sales of electronic devices and software development for microcomputers were 3,262 million yen (34.3% increase compared with the same period of the previous year).

(2) Explanation of Financial Position

(Assets)

Total assets at the end of the third quarter of the fiscal year under review increased by 10,429 million yen from the end of the previous period to 99,380 million yen. This is mainly attributable to increases in notes and accounts receivable - trade, and contract assets, merchandise and finished goods, and accounts receivable - other by 4,721 million yen, 3,102 million yen, and 3,398 million yen, respectively.

(Liabilities)

Total liabilities at the end of the third quarter of the fiscal year under review increased by 10,759 million yen from the end of the previous period to 47,765 million yen. This is mainly attributable to increases in short-term borrowings and electronically recorded obligations - operating by 9,305 million yen and 1,233 million yen,

respectively.

(Net assets)

Total net assets at the end of the third quarter of the fiscal year under review decreased by 330 million yen from the end of the previous period to 51,615 million yen. This is mainly attributable to an increase in treasury shares by 3,050 million yen, despite increases in foreign currency translation adjustment and retained earnings by 1,447 million yen and 1,138 million yen, respectively.

This resulted in an equity ratio of 51.3% (57.8% at the end of the previous period).

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

The Company projects consolidated financial results for the fiscal year ending March 31, 2023 of consolidated net sales of 170,000 million yen, operating profit of 5,600 million yen, ordinary profit of 5,600 million yen, and profit attributable to owners of parent of 3,900 million yen.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2022	As of December 31, 2022
Assets		
Current assets		
Cash and deposits	10,710	10,766
Notes and accounts receivable - trade, and contract assets	31,307	36,029
Merchandise and finished goods	29,189	32,292
Work in process	28	74
Accounts receivable - other	10,895	14,294
Other	246	289
Allowance for doubtful accounts	(7)	(9)
Total current assets	82,370	93,738
Non-current assets		
Property, plant and equipment	810	680
Intangible assets	513	414
Investments and other assets		
Investment securities	3,106	3,194
Deferred tax assets	193	193
Other	1,958	1,158
Allowance for doubtful accounts	(1)	(0)
Total investments and other assets	5,256	4,546
Total non-current assets	6,580	5,641
Total assets	88,951	99,380
Liabilities		
Current liabilities		
Notes and accounts payable - trade	17,324	17,816
Electronically recorded obligations - operating	1,978	3,211
Short-term borrowings	7,444	16,750
Current portion of long-term borrowings	-	1,000
Income taxes payable	1,103	968
Accounts payable - other	1,705	1,241
Provision for bonuses	623	333
Provision for bonuses for directors	72	82
Other	1,239	1,554
Total current liabilities	31,492	42,958
Non-current liabilities		
Long-term borrowings	3,800	2,800
Deferred tax liabilities	209	341
Deferred tax liabilities for land revaluation	4	-
Provision for share awards for directors	88	95
Provision for share awards for employees	186	277
Retirement benefit liability	869	855
Other	355	437
Total non-current liabilities	5,513	4,806
Total liabilities	37,005	47,765

(Millions of yen)

	As of March 31, 2022	As of December 31, 2022
Net assets		
Shareholders' equity		
Share capital	9,501	9,501
Capital surplus	9,599	9,599
Retained earnings	31,225	32,364
Treasury shares	(1,286)	(4,337)
Total shareholders' equity	49,039	47,127
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	826	881
Deferred gains or losses on hedges	4	(0)
Revaluation reserve for land	(50)	(61)
Foreign currency translation adjustment	1,547	2,994
Remeasurements of defined benefit plans	2	5
Total accumulated other comprehensive income	2,329	3,818
Non-controlling interests	575	668
Total net assets	51,945	51,615
Total liabilities and net assets	88,951	99,380

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

(Quarterly Consolidated Statements of Income)

(Nine months ended December 31)

(Millions of yen)

	For the nine months ended December 31, 2021	For the nine months ended December 31, 2022
Net sales	92,033	133,174
Cost of sales	83,850	120,757
Gross profit	8,183	12,416
Selling, general and administrative expenses	6,169	7,135
Operating profit	2,014	5,280
Non-operating income		
Interest income	19	5
Dividend income	72	91
Purchase discounts	6	4
Miscellaneous income	93	58
Total non-operating income	192	159
Non-operating expenses		
Interest expenses	32	109
Foreign exchange losses	85	103
Miscellaneous expenses	6	16
Total non-operating expenses	124	229
Ordinary profit	2,082	5,211
Extraordinary income		
Gain on sale of non-current assets	–	39
Gain on sale of investment securities	33	–
Total extraordinary income	33	39
Extraordinary losses		
Loss on sale and retirement of non-current assets	1	1
Total extraordinary losses	1	1
Profit before income taxes	2,115	5,248
Income taxes	653	1,667
Profit	1,462	3,581
Profit attributable to non-controlling interests	37	88
Profit attributable to owners of parent	1,424	3,493

(Quarterly Consolidated Statements of Comprehensive Income)

(Nine months ended December 31)

(Millions of yen)

	For the nine months ended December 31, 2021	For the nine months ended December 31, 2022
Profit	1,462	3,581
Other comprehensive income		
Valuation difference on available-for-sale securities	(36)	54
Deferred gains or losses on hedges	0	(5)
Foreign currency translation adjustment	511	1,451
Remeasurements of defined benefit plans, net of tax	(0)	2
Total other comprehensive income	474	1,504
Comprehensive income	1,936	5,085
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,897	4,992
Comprehensive income attributable to non-controlling interests	39	92

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Notes in the case of significant changes in shareholders' equity)

Not applicable.

(Changes in significant subsidiaries during the nine months ended December 31, 2022)

Not applicable.

(Accounting policies adopted specially for the preparation of quarterly consolidated financial statements)

Tax expenses were calculated by rationally estimating the effective tax rate after applying tax effect accounting for profit before income taxes for the fiscal year including the third quarter of the fiscal year under review and multiplying the profit before income taxes for the quarter by said estimated effective tax rate.

(Changes in accounting policies)

Not applicable.

(Changes in accounting estimates)

Not applicable.

(Segment information)

I. For the nine months ended December 31, 2021 (April 1, 2021 to December 31, 2021)

1. Information on net sales and profit (loss) by reportable segment

(Millions of yen)

	Reportable segment				Adjustment amount (Note 1)	Consolidated income statement amount (Note 2)
	Electronic components business	Assembly business	Other businesses	Total		
Net sales:						
Sales to external customers	80,672	8,932	2,429	92,033	–	92,033
Inter-segment sales and transfers	–	–	–	–	–	–
Total	80,672	8,932	2,429	92,033	–	92,033
Segment profit	3,226	124	130	3,481	(1,467)	2,014

(Notes) 1. The adjustment amount for segment profit of (1,467) million yen includes corporate expenses of (1,467) million yen not allocated to the reportable segments. The corporate expenses are mainly administrative expenses and common expenses not attributed to the reportable segments.

2. Segment profit is reconciled to operating profit in the quarterly consolidated statements of income.

2. Information about loss on impairment of non-current assets and goodwill by reportable segment

(Significant loss on impairment of non-current assets)

Not applicable.

(Significant changes in goodwill)

Not applicable.

(Significant gain on negative goodwill)

Not applicable.

II. For the nine months ended December 31, 2022 (April 1, 2022 to December 31, 2022)

1. Information on net sales and profit (loss) by reportable segment

(Millions of yen)

	Reportable segment				Adjustment amount (Note 1)	Consolidated income statement amount (Note 2)
	Electronic components business	Assembly business	Other businesses	Total		
Net sales:						
Sales to external customers	118,724	11,186	3,262	133,174	–	133,174
Inter-segment sales and transfers	–	–	–	–	–	–
Total	118,724	11,186	3,262	133,174	–	133,174
Segment profit	6,401	308	170	6,880	(1,600)	5,280

(Notes) 1. The adjustment amount for segment profit of (1,600) million yen includes corporate expenses of (1,600) million yen not allocated to the reportable segments. The corporate expenses are mainly administrative expenses and common expenses not attributed to the reportable segments.

2. Segment profit is reconciled to operating profit in the quarterly consolidated statements of income.

2. Information about loss on impairment of non-current assets and goodwill by reportable segment

(Significant loss on impairment of non-current assets)

Not applicable.

(Significant changes in goodwill)

Not applicable.

(Significant gain on negative goodwill)

Not applicable.

(Significant subsequent events)

Not applicable.