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Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2023 [Under Japanese GAAP]

May 12, 2023

Company name: SINKO INDUSTRIES LTD.
 Listing: Tokyo Stock Exchange
 Securities code: 6458
 URL: <https://www.sinko.co.jp/>
 Representative: Satoshi Suenaga Chief Executive Officer
 Inquiries: Tokuji Aota Executive Vice President, Chief Financial Officer
 Telephone: +81-6-6367-1811
 Scheduled date of annual general meeting of shareholders: June 23, 2023
 Scheduled date to commence dividend payments: June 26, 2023
 Scheduled date to file annual securities report: June 23, 2023
 Preparation of supplementary material on financial results: Yes
 Holding of financial results briefing: Yes (for institutional investors)

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2023	44,805	6.8	5,998	5.0	6,540	8.1	4,514	10.2
March 31, 2022	41,964	7.1	5,712	(13.0)	6,048	(13.6)	4,097	(18.4)

Fiscal year ended	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
	Yen	Yen	%	%	%
March 31, 2023	178.62	-	8.5	8.7	13.4
March 31, 2022	159.12	-	8.1	8.6	13.6

(2) Consolidated financial position

As of	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
March 31, 2023	77,526	57,683	71.1	2,187.08
March 31, 2022	72,046	53,982	71.6	2,015.13

(3) Consolidated cash flows

Fiscal year ended	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2023	4,090	(1,653)	(2,293)	14,332
March 31, 2022	3,638	(1,217)	(2,299)	14,125

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
March 31, 2022	-	20.00	-	30.00	50.00	1,290	31.4	2.6
March 31, 2023	-	20.00	-	37.00	57.00	1,451	31.9	2.7
Fiscal year ending								
March 31, 2024 (Forecast)	-	25.00	-	35.00	60.00		32.9	

3. Consolidated financial results forecast for the fiscal year ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2023	19,000	6.1	1,650	13.1	1,900	3.9	1,300	2.3	51.55
Full year	46,500	3.8	6,300	5.0	6,700	2.4	4,600	1.9	182.40

* Notes:

(1) Changes in significant subsidiaries during the period

(changes in specified subsidiaries resulting in the change in scope of consolidation): None

(2) Changes in accounting policies, changes in accounting estimates, and restatement

1) Changes in accounting policies due to revisions to accounting standards and other regulations: None

2) Changes in accounting policies due to other reasons: None

3) Changes in accounting estimates: None

4) Restatement: None

(3) Number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares)

Aa of March 31, 2023: 27,212,263 shares

As of March 31, 2022: 27,212,263 shares

2) Number of treasury shares at the end of the period

As of March 31, 2023: 1,992,311 shares

As of March 31, 2022: 1,612,639 shares

3) Average number of shares outstanding during the period

Fiscal year ended March 31, 2023: 25,276,046 shares

Fiscal year ended March 31, 2022: 25,749,015 shares

[Reference] Overview of non-consolidated financial results

1. Non-consolidated financial results for the fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(1) Non-consolidated operating results

(Percentages indicate year-on-year changes..)

	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended								
March 31, 2023	25,189	10.0	3,929	11.3	5,454	10.7	4,307	13.2
March 31, 2022	22,909	8.1	3,529	(26.2)	4,926	(18.9)	3,803	(45.0)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Fiscal year ended		
March 31, 2023	170.42	-
March 31, 2022	147.72	-

(2) Non-consolidated financial position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of				
March 31, 2023	64,970	48,815	75.1	1,935.60
March 31, 2022	61,507	45,811	74.5	1,789.55

Consolidated Financial Statements

Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	14,125	14,332
Notes and accounts receivable - trade, and contract assets	15,503	17,077
Electronically recorded monetary claims - operating	5,398	6,475
Securities	5,000	5,000
Merchandise and finished goods	633	717
Work in process	630	714
Raw materials	1,507	1,953
Other	566	710
Allowance for doubtful accounts	(1,229)	(1,128)
Total current assets	42,134	45,853
Non-current assets		
Property, plant and equipment		
Buildings and structures	16,546	17,179
Accumulated depreciation	(10,673)	(10,883)
Buildings and structures, net	5,872	6,296
Machinery, equipment and vehicles	5,723	5,928
Accumulated depreciation	(4,649)	(4,942)
Machinery, equipment and vehicles, net	1,073	985
Tools, furniture and fixtures	3,662	4,145
Accumulated depreciation	(3,078)	(3,381)
Tools, furniture and fixtures, net	583	763
Land	8,932	8,932
Construction in progress	156	251
Total property, plant and equipment	16,618	17,229
Intangible assets		
Software	277	255
Other	597	704
Total intangible assets	874	959
Investments and other assets		
Investment securities	10,993	12,022
Deferred tax assets	106	93
Other	1,344	1,392
Allowance for doubtful accounts	(24)	(24)
Total investments and other assets	12,419	13,484
Total non-current assets	29,912	31,673
Total assets	72,046	77,526

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,899	4,605
Electronically recorded obligations - operating	3,908	3,980
Short-term borrowings	640	640
Current portion of long-term borrowings	490	497
Income taxes payable	619	1,248
Accrued consumption taxes	222	447
Provision for bonuses	689	702
Provision for shareholder benefit program	49	56
Other	2,162	2,477
Total current liabilities	12,682	14,656
Non-current liabilities		
Long-term borrowings	2,462	1,995
Deferred tax liabilities	931	1,170
Deferred tax liabilities for land revaluation	838	838
Provision for retirement benefits for directors (and other officers)	13	16
Provision for share awards	190	201
Retirement benefit liability	799	823
Long-term accounts payable - other	55	50
Other	89	91
Total non-current liabilities	5,381	5,187
Total liabilities	18,064	19,843
Net assets		
Shareholders' equity		
Share capital	5,822	5,822
Capital surplus	6,085	6,086
Retained earnings	38,961	42,195
Treasury shares	(2,292)	(2,824)
Total shareholders' equity	48,577	51,280
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,317	3,969
Revaluation reserve for land	(725)	(725)
Foreign currency translation adjustment	417	632
Total accumulated other comprehensive income	3,009	3,877
Non-controlling interests	2,395	2,525
Total net assets	53,982	57,683
Total liabilities and net assets	72,046	77,526

Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Net sales	41,964	44,805
Cost of sales	27,112	29,541
Gross profit	14,852	15,263
Selling, general and administrative expenses	9,139	9,265
Operating profit	5,712	5,998
Non-operating income		
Interest income	11	17
Dividend income	199	236
Gain on sale of investment securities	21	-
Share of profit of entities accounted for using equity method	-	75
Rental income	160	156
Miscellaneous income	162	165
Total non-operating income	555	651
Non-operating expenses		
Interest expenses	29	26
Share of loss of entities accounted for using equity method	82	-
Rental expenses	47	46
Miscellaneous expenses	60	36
Total non-operating expenses	219	109
Ordinary profit	6,048	6,540
Extraordinary income		
Gain on sale of investment securities	-	162
Total extraordinary income	-	162
Extraordinary losses		
Loss on retirement of non-current assets	-	81
Total extraordinary losses	-	81
Profit before income taxes	6,048	6,622
Income taxes - current	1,709	2,139
Income taxes - deferred	138	(48)
Total income taxes	1,847	2,091
Profit	4,200	4,531
Profit attributable to non-controlling interests	103	16
Profit attributable to owners of parent	4,097	4,514

Consolidated Statements of Comprehensive Income

(Millions of yen)

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Profit	4,200	4,531
Other comprehensive income		
Valuation difference on available-for-sale securities	(70)	652
Foreign currency translation adjustment	494	229
Share of other comprehensive income of entities accounted for using equity method	79	100
Total other comprehensive income	503	983
Comprehensive income	4,704	5,514
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,353	5,383
Comprehensive income attributable to non-controlling interests	350	131

Consolidated Statements of Changes in Equity
For the fiscal year ended March 31, 2022

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	5,822	6,078	36,108	(1,829)	46,180
Cumulative effects of changes in accounting policies			53		53
Restated balance	5,822	6,078	36,162	(1,829)	46,234
Changes during period					
Dividends of surplus			(1,297)		(1,297)
Profit attributable to owners of parent			4,097		4,097
Purchase of treasury shares				(483)	(483)
Disposal of treasury shares		6		20	27
Net changes in items other than shareholders' equity					
Total changes during period	-	6	2,799	(462)	2,343
Balance at end of period	5,822	6,085	38,961	(2,292)	48,577

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of period	3,387	(725)	90	2,752	2,048	50,981
Cumulative effects of changes in accounting policies						53
Restated balance	3,387	(725)	90	2,752	2,048	51,034
Changes during period						
Dividends of surplus						(1,297)
Profit attributable to owners of parent						4,097
Purchase of treasury shares						(483)
Disposal of treasury shares						27
Net changes in items other than shareholders' equity	(70)		326	256	347	604
Total changes during period	(70)	-	326	256	347	2,947
Balance at end of period	3,317	(725)	417	3,009	2,395	53,982

For the fiscal year ended March 31, 2023

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	5,822	6,085	38,961	(2,292)	48,577
Changes during period					
Dividends of surplus			(1,280)		(1,280)
Profit attributable to owners of parent			4,514		4,514
Purchase of treasury shares				(551)	(551)
Disposal of treasury shares		1		19	20
Net changes in items other than shareholders' equity					
Total changes during period	-	1	3,234	(532)	2,703
Balance at end of period	5,822	6,086	42,195	(2,824)	51,280

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of period	3,317	(725)	417	3,009	2,395	53,982
Changes during period						
Dividends of surplus						(1,280)
Profit attributable to owners of parent						4,514
Purchase of treasury shares						(551)
Disposal of treasury shares						20
Net changes in items other than shareholders' equity	652		215	868	129	997
Total changes during period	652	-	215	868	129	3,700
Balance at end of period	3,969	(725)	632	3,877	2,525	57,683

Consolidated Statements of Cash Flows

(Millions of yen)

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Cash flows from operating activities		
Profit before income taxes	6,048	6,622
Depreciation	958	1,036
Amortization of goodwill	158	158
Increase (decrease) in provisions	146	(130)
Increase (decrease) in retirement benefit liability	37	24
Interest and dividend income	(210)	(254)
Interest expenses	29	26
Foreign exchange losses (gains)	29	(46)
Loss (gain) on sale of investment securities	(21)	(162)
Decrease (increase) in trade receivables	(1,322)	(2,378)
Decrease (increase) in inventories	(770)	(575)
Increase (decrease) in trade payables	677	659
Increase (decrease) in accrued consumption taxes	(215)	219
Other, net	(305)	211
Subtotal	5,238	5,410
Interest and dividends received	195	234
Interest paid	(28)	(25)
Income taxes refund (paid)	(1,767)	(1,528)
Net cash provided by (used in) operating activities	3,638	4,090
Cash flows from investing activities		
Purchase of investment securities	(22)	(22)
Proceeds from sale of investment securities	56	215
Purchase of property, plant and equipment	(1,049)	(1,498)
Proceeds from sale of property, plant and equipment	2	18
Purchase of intangible assets	(217)	(366)
Proceeds from collection of loans receivable	14	-
Net cash provided by (used in) investing activities	(1,217)	(1,653)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(360)	-
Proceeds from long-term borrowings	300	30
Repayments of long-term borrowings	(456)	(490)
Purchase of treasury shares	(483)	(551)
Dividends paid	(1,296)	(1,279)
Dividends paid to non-controlling interests	(3)	(2)
Net cash provided by (used in) financing activities	(2,299)	(2,293)
Effect of exchange rate change on cash and cash equivalents	18	62
Net increase (decrease) in cash and cash equivalents	140	206
Cash and cash equivalents at beginning of period	13,985	14,125
Cash and cash equivalents at end of period	14,125	14,332