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Consolidated Financial Results for the Six Months Ended September 30, 2023 [Japanese GAAP]



October 31, 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
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 Phone: +81-3-6361-8111
 Scheduled date of filing quarterly securities report: November 14, 2023
 Scheduled date of commencing dividend payments: December 11, 2023
 Availability of supplementary briefing material on quarterly financial results: Available
 Schedule of quarterly financial results briefing session: Scheduled (for institutional investors and analysts)

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

1. Consolidated Financial Results for the Six Months Ended September 30, 2023 (April 1, 2023 to September 30, 2023)

(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 | % |
| Six months ended September 30, 2023 | 93,629 | 4.7 | 3,388 | 6.7 | 3,387 | (0.6) | 2,267 | 0.1 |
| September 30, 2022 | 89,449 | 52.7 | 3,174 | 180.2 | 3,408 | 197.5 | 2,266 | 183.2 |

(Note) Comprehensive income: Six months ended September 30, 2023: 4,303 million yen [(4.7%)]

Six months ended September 30, 2022: 4,516 million yen [491.2%]

| | Basic earnings per share | Diluted earnings per share |
|-------------------------------------|--------------------------|----------------------------|
| | Yen | Yen |
| Six months ended September 30, 2023 | 68.53 | — |
| September 30, 2022 | 64.93 | — |

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 510,300 shares for the six months ended September 30, 2022 and 477,386 shares for the six months ended September 30, 2023 and treasury shares held by the employee benefit trust of 344,900 shares for the six months ended September 30, 2022 and 320,929 shares for the six months ended September 30, 2023.

(2) Consolidated Financial Position

| | Total assets | Net assets | Equity ratio |
|--------------------------|-----------------|-----------------|--------------|
| | Millions of yen | Millions of yen | % |
| As of September 30, 2023 | 109,243 | 55,527 | 50.1 |
| As of March 31, 2023 | 98,827 | 52,560 | 52.5 |

(Reference) Equity: As of September 30, 2023: 54,768 million yen

As of March 31, 2023: 51,860 million yen

2. Cash dividends

| | Annual dividends per share | | | | |
|--|----------------------------|-----------------|-----------------|-----------------|-------|
| | 1st quarter-end | 2nd quarter-end | 3rd quarter-end | Fiscal year-end | Total |
| | Yen | Yen | Yen | Yen | Yen |
| Fiscal year ended March 31, 2023 | - | 29.00 | - | 40.00 | 69.00 |
| Fiscal year ending March 31, 2024 | - | 26.50 | | | |
| Fiscal year ending March 31, 2024 (Forecast) | | | - | 26.50 | 53.00 |

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2024 (April 1, 2023 to March 31, 2024)

(% indicates changes from the previous corresponding period.)

| | 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 |
| Full year | 170,000 | (5.1) | 5,000 | (29.9) | 5,600 | (26.9) | 3,500 | (25.6) | | 105.81 |

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

*** Notes:**

- (1) Changes in significant subsidiaries during the six months ended September 30, 2023: 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, (4) Notes to Quarterly Consolidated Financial Statements” on page 10 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, (4) Notes to Quarterly Consolidated Financial Statements” on page 10 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):
September 30, 2023: 38,010,566 shares
March 31, 2023: 38,010,566 shares
 - 2) Total number of treasury shares at the end of the period:
September 30, 2023: 4,909,105 shares
March 31, 2023: 4,933,439 shares
 - 3) Average number of shares during the period:
Six months ended September 30, 2023: 33,091,475 shares
Six months ended September 30, 2022: 34,906,813 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 481,800 shares for the fiscal year ended March 31, 2023 and 471,500 shares for the six months ended September 30, 2023 and the Company’s shares held by the employee benefit trust of 330,900 shares for the fiscal year ended March 31, 2023 and 316,800 shares for the six months ended September 30, 2023.
 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 510,300 shares for the six months ended September 30, 2022 and 477,386 shares for the six months ended September 30, 2023 and the Company’s shares held by the employee benefit trust of 344,900 shares for the six months ended September 30, 2022 and 320,929 shares for the six months ended September 30, 2023.

* 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.

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

(1) Explanation of Operating Results

During the six months ended September 30, 2023, the Japanese economy remained highly uncertain due to the prolonged Ukraine war, global inflation, concerns about the outlook for the Chinese economy, and other factors, although it gradually recovered due to the improvement of the employment and income situation.

In the electronics industry, there is a movement for inventory adjustment due to the recoil from the significant increase in demand caused by COVID-19, despite strong demand backed by the shift to EVs and promotion of DX.

Under these situations, our group (our Company and consolidated subsidiaries) has achieved results exceeding those of the same period of the previous year in the businesses related to amusement products, automotive electronic products, and industrial products.

As a result, the business performances in the six months ended September 30, 2023 were: net sales 93,629 million yen (4.7% increase compared with the same period of the previous year); operating profit 3,388 million yen (6.7% increase); ordinary profit 3,387 million yen (0.6% decrease); and profit attributable to owners of parent 2,267 million yen (0.1% increase). Business performances per segment are as follows.

Electronic Device Business

The businesses related to automotive electronic products, amusement products, and industrial products remained robust.

As a result of the above, net sales were: semiconductor 57,291 million yen (9.6% increase compared with the same period of the previous year), electronic devices 24,406 million yen (12.3% decrease), and overall 81,698 million yen (2.0% increase).

Assembly Business

The businesses related to amusement products remained strong.

As a result of the above, net sales of assembly products were 9,997 million yen (34.8% increase compared with the same period of the previous year).

Other Businesses

Other businesses as a whole remained mostly unchanged.

As a result of the above, net sales of electronic products and contract development of microcomputer software were 1,933 million yen (0.7% decrease compared with the same period of the previous year).

(2) Explanation of Financial Position

(i) Status of assets, liabilities and net assets

(Assets)

Total assets at the end of the second quarter of the fiscal year under review increased by 10,416 million yen from the end of the previous period to 109,243 million yen. This is mainly attributable to increases in merchandise and finished goods, accounts receivable - other, and notes and accounts receivable - trade, and contract assets of 6,689 million yen, 1,795 million yen, and 1,790 million yen, respectively.

(Liabilities)

Total liabilities at the end of the second quarter of the fiscal year under review increased by 7,449 million yen from the end of the previous period to 53,716 million yen. This is mainly attributable to increases in short-term borrowings and notes and accounts payable - trade of 4,580 million yen and 2,200 million yen, respectively.

(Net assets)

Total net assets at the end of the second quarter of the fiscal year under review increased by 2,966 million yen from the end of the previous period to 55,527 million yen. This is mainly attributable to increases in foreign currency translation adjustment and retained earnings of 1,601 million yen and 912 million yen, respectively.

This resulted in an equity ratio of 50.1% (52.5% at the end of the previous year).

(ii) Status of cash flows

Cash and cash equivalents (hereinafter referred to as “Net Cash”) at the end of the second quarter of the fiscal year under review decreased by 184 million yen from the end of the previous year to 10,561 million yen, mainly due to an increase in inventories, an increase in accounts receivable – other, an increase in trade receivables, and dividends paid, despite proceeds from short-term borrowings, an increase in trade payables, and other factors, as profit before income taxes was 3,531 million yen (2.5% increase from the previous fiscal year).

Status of cash flows and factors behind them for the six months ended September 30, 2023 are as follows.

(Cash flows from operating activities)

Net Cash used in operating activities was 3,968 million yen (3,808 million yen used in the previous period). This is mainly attributable to an increase in inventories of 5,706 million yen, an increase in accounts receivable - other of 1,843 million yen, an increase in trade receivables of 647 million yen, and income taxes paid of 1,433 million yen, despite 3,500 million yen in profit before income taxes, an increase in trade payables of 2,876 million yen, and other factors.

(Cash flows from investing activities)

Net Cash provided by investing activities was 292 million yen (76 million yen provided in the previous period). This is mainly attributable to 285 million yen in proceeds from sale of investment securities.

(Cash flows from financing activities)

Net Cash provided by financing activities was 3,110 million yen (3,175 million yen provided in the previous period). This is mainly attributable to 4,499 million yen in proceeds from short-term borrowings, despite 1,351 million yen in dividends paid and other factors.

(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, 2024 of consolidated net sales of 170,000 million yen, operating profit of 5,000 million yen, ordinary profit of 5,000 million yen, and profit attributable to owners of parent of 3,500 million yen, as announced on May 15, 2023.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

| | As of March 31, 2023 | As of September 30, 2023 |
|--|----------------------|--------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 10,929 | 10,776 |
| Notes and accounts receivable - trade, and contract assets | 38,531 | 40,321 |
| Merchandise and finished goods | 31,384 | 38,074 |
| Work in process | 48 | 30 |
| Accounts receivable - other | 11,679 | 13,474 |
| Other | 188 | 244 |
| Allowance for doubtful accounts | (41) | (43) |
| Total current assets | 92,720 | 102,879 |
| Non-current assets | | |
| Property, plant and equipment | 771 | 751 |
| Intangible assets | 386 | 342 |
| Investments and other assets | | |
| Investment securities | 3,458 | 3,740 |
| Deferred tax assets | 228 | 234 |
| Other | 1,262 | 1,295 |
| Allowance for doubtful accounts | (0) | (0) |
| Total investments and other assets | 4,949 | 5,270 |
| Total non-current assets | 6,107 | 6,364 |
| Total assets | 98,827 | 109,243 |
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 16,061 | 18,261 |
| Electronically recorded obligations - operating | 2,350 | 3,786 |
| Short-term borrowings | 9,025 | 13,606 |
| Current portion of long-term borrowings | 1,600 | 600 |
| Income taxes payable | 1,477 | 1,158 |
| Accounts payable - other | 3,621 | 2,560 |
| Provision for bonuses | 785 | 782 |
| Provision for bonuses for directors | 129 | 51 |
| Other | 1,901 | 2,235 |
| Total current liabilities | 36,952 | 43,042 |
| Non-current liabilities | | |
| Long-term borrowings | 7,200 | 8,200 |
| Deferred tax liabilities | 398 | 699 |
| Provision for share based awards for directors | 108 | 115 |
| Provision for share based awards for employees | 322 | 400 |
| Retirement benefit liability | 815 | 805 |
| Other | 469 | 453 |
| Total non-current liabilities | 9,314 | 10,674 |
| Total liabilities | 46,266 | 53,716 |

(Millions of yen)

| | As of March 31, 2023 | As of September 30, 2023 |
|---|----------------------|--------------------------|
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 9,501 | 9,501 |
| Capital surplus | 9,599 | 9,599 |
| Retained earnings | 33,577 | 34,489 |
| Treasury shares | (4,608) | (4,589) |
| Total shareholders' equity | 48,070 | 49,001 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 1,063 | 1,439 |
| Deferred gains or losses on hedges | (0) | 2 |
| Revaluation reserve for land | (61) | (61) |
| Foreign currency translation adjustment | 2,762 | 4,364 |
| Remeasurements of defined benefit plans | 25 | 22 |
| Total accumulated other comprehensive income | 3,789 | 5,767 |
| Non-controlling interests | 700 | 758 |
| Total net assets | 52,560 | 55,527 |
| Total liabilities and net assets | 98,827 | 109,243 |

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

Six months ended September 30

(Millions of yen)

| | For the six months ended September 30, 2022 | For the six months ended September 30, 2023 |
|--|--|--|
| Net sales | 89,449 | 93,629 |
| Cost of sales | 81,468 | 85,214 |
| Gross profit | 7,981 | 8,415 |
| Selling, general and administrative expenses | 4,806 | 5,027 |
| Operating profit | 3,174 | 3,388 |
| Non-operating income | | |
| Interest income | 5 | 23 |
| Dividend income | 54 | 64 |
| Purchase discounts | 4 | 0 |
| Foreign exchange gains | 191 | – |
| Miscellaneous income | 57 | 32 |
| Total non-operating income | 312 | 121 |
| Non-operating expenses | | |
| Interest expenses | 66 | 91 |
| Foreign exchange losses | – | 21 |
| Commission for purchase of treasury shares | 10 | – |
| Miscellaneous expenses | 1 | 9 |
| Total non-operating expenses | 78 | 122 |
| Ordinary profit | 3,408 | 3,387 |
| Extraordinary income | | |
| Gain on sale of non-current assets | 39 | – |
| Gain on sale of investment securities | – | 83 |
| Gain on liquidation of subsidiaries and associates | – | 69 |
| Total extraordinary income | 39 | 152 |
| Extraordinary losses | | |
| Loss on sale and retirement of non-current assets | 1 | 8 |
| Total extraordinary losses | 1 | 8 |
| Profit before income taxes | 3,446 | 3,531 |
| Income taxes | 1,130 | 1,213 |
| Profit | 2,315 | 2,318 |
| Profit attributable to non-controlling interests | 49 | 50 |
| Profit attributable to owners of parent | 2,266 | 2,267 |

Quarterly Consolidated Statements of Comprehensive Income

Six months ended September 30

(Millions of yen)

| | For the six months ended September 30, 2022 | For the six months ended September 30, 2023 |
|--|--|--|
| Profit | 2,315 | 2,318 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 40 | 375 |
| Deferred gains or losses on hedges | (1) | 3 |
| Foreign currency translation adjustment | 2,159 | 1,609 |
| Remeasurements of defined benefit plans, net of tax | 3 | (3) |
| Total other comprehensive income | 2,201 | 1,984 |
| Comprehensive income | 4,516 | 4,303 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 4,457 | 4,244 |
| Comprehensive income attributable to non-controlling interests | 59 | 58 |

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

| | For the six months ended September 30, 2022 | For the six months ended September 30, 2023 |
|---|--|--|
| Cash flows from operating activities | | |
| Profit before income taxes | 3,446 | 3,531 |
| Depreciation | 162 | 167 |
| Amortization of goodwill | 6 | 6 |
| Increase (decrease) in allowance for doubtful accounts | (1) | (2) |
| Increase (decrease) in provision for bonuses for directors | (19) | (77) |
| Increase (decrease) in provision for share awards for directors | 17 | 7 |
| Increase (decrease) in provision for share awards for employees | 62 | 77 |
| Increase (decrease) in provision for bonuses | 120 | (4) |
| Increase (decrease) in retirement benefit liability | (10) | (10) |
| Interest and dividend income | (59) | (88) |
| Interest expenses | 66 | 91 |
| Loss (gain) on sale and retirement of property, plant and equipment | (37) | 8 |
| Loss (gain) on sale of investment securities | – | (83) |
| Loss (gain) on liquidation of subsidiaries and associates | – | (69) |
| Decrease (increase) in trade receivables | (5,219) | (647) |
| Decrease (increase) in accounts receivable - other | (1,135) | (1,843) |
| Decrease (increase) in inventories | (2,305) | (5,706) |
| Increase (decrease) in trade payables | (1,106) | 2,876 |
| Increase (decrease) in accrued consumption taxes | 830 | (381) |
| Increase/decrease in other assets/liabilities | 2,681 | (482) |
| Non cash flow transaction | (224) | 75 |
| Subtotal | (2,725) | (2,554) |
| Interest and dividends received | 59 | 88 |
| Interest paid | (54) | (68) |
| Income taxes refund (paid) | (1,088) | (1,433) |
| Net cash provided by (used in) operating activities | (3,808) | (3,968) |
| Cash flows from investing activities | | |
| Purchase of investment securities | (6) | (2) |
| Proceeds from sale of investment securities | – | 285 |
| Purchase of property, plant and equipment | (66) | (76) |
| Proceeds from sale of property, plant and equipment | 190 | – |
| Purchase of intangible assets | (15) | (33) |
| Proceeds from liquidation of subsidiaries and associates | – | 131 |
| Purchase of other investments | (33) | (15) |
| Proceeds from sales and cancelation of other investments | 9 | 4 |
| Net cash provided by (used in) investing activities | 76 | 292 |

(Millions of yen)

| | For the six months ended September 30, 2022 | For the six months ended September 30, 2023 |
|---|--|--|
| Cash flows from financing activities | | |
| Proceeds from short-term borrowings | 14,985 | 4,499 |
| Repayments of short-term borrowings | (7,854) | – |
| Purchase of treasury shares | (2,563) | (0) |
| Repayments of lease liabilities | (38) | (37) |
| Dividends paid | (1,353) | (1,351) |
| Net cash provided by (used in) financing activities | 3,175 | 3,110 |
| Effect of exchange rate change on cash and cash equivalents | 679 | 381 |
| Net increase (decrease) in cash and cash equivalents | 123 | (184) |
| Cash and cash equivalents at beginning of period | 10,579 | 10,746 |
| Cash and cash equivalents at end of period | 10,702 | 10,561 |

(4) 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.

(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 second 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 six months ended September 30, 2022 (April 1, 2022 to September 30, 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 device business | Assembly business | Other businesses | Total | | |
| Net sales: | | | | | | |
| Sales to external customers | 80,087 | 7,416 | 1,945 | 89,449 | – | 89,449 |
| Inter-segment sales and transfers | – | – | – | – | – | – |
| Total | 80,087 | 7,416 | 1,945 | 89,449 | – | 89,449 |
| Segment profit | 4,138 | 27 | 83 | 4,249 | (1,075) | 3,174 |

(Notes) 1. The adjustment amount for segment profit of (1,075) million yen includes corporate expenses of (1,075) 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 six months ended September 30, 2023 (April 1, 2023 to September 30, 2023)

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 device business | Assembly business | Other businesses | Total | | |
| Net sales: | | | | | | |
| Sales to external customers | 81,698 | 9,997 | 1,933 | 93,629 | – | 93,629 |
| Inter-segment sales and transfers | – | – | – | – | – | – |
| Total | 81,698 | 9,997 | 1,933 | 93,629 | – | 93,629 |
| Segment profit | 3,925 | 409 | 192 | 4,527 | (1,139) | 3,388 |

(Notes) 1. The adjustment amount for segment profit of (1,139) million yen includes corporate expenses of (1,139) 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.