

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 Six Months Ended November 30, 2023 [Japanese GAAP]



January 15, 2024

Company name: SATORI ELECTRIC CO., LTD.
 Stock exchange listing: Tokyo Stock Exchange
 Code number: 7420
 URL: <https://www.satori.co.jp/english/>
 Representative: Hiroyuki Satori, Representative Director, President
 Contact: Koji Suwahara, Director, Managing Executive Officer
 Phone: +81-3-3451-1040

Scheduled date of filing quarterly securities report: January 15, 2024

Scheduled date of commencing dividend payments: February 14, 2024

Availability of supplementary briefing materials on quarterly financial results: Available

Schedule of quarterly financial results briefing session: Scheduled (for securities analysts and institutional investors)

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

1. Consolidated Financial Results for the Six Months Ended November 30, 2023 (June 1, 2023 to November 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	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended								
November 30, 2023	74,148	(1.5)	2,679	3.5	1,947	(7.0)	1,277	(19.8)
November 30, 2022	75,282	20.1	2,589	146.9	2,093	74.4	1,591	78.4

(Note) Comprehensive income: Six months ended November 30, 2023: ¥2,359 million [(23.2)%]

Six months ended November 30, 2022: ¥3,072 million [194.0%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
November 30, 2023	87.32	—
November 30, 2022	96.74	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of November 30, 2023	79,086	33,354	40.6
As of May 31, 2023	81,556	34,945	41.4

(Reference) Equity: As of November 30, 2023: ¥32,095 million

As of May 31, 2023: ¥33,776 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended May 31, 2023	–	26.00	–	44.00	70.00
Fiscal year ending May 31, 2024	–	30.00			
Fiscal year ending May 31, 2024 (Forecast)			–	50.00	80.00

(Note) Revision to the forecast for dividends announced most recently: Yes

3. Consolidated Financial Results Forecast for the Fiscal Year Ending May 31, 2024 (June 1, 2023 to May 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
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	148,500	1.5	4,700	24.0	3,500	22.1	2,400	6.3	165.65

(Note) Revision to the financial results forecast announced most recently: Yes

* Notes:

- (1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in changes in scope of consolidation): No
 Newly included: – (Company name)
 Excluded: – (Company name)
- (2) Accounting methods adopted particularly for the preparation of quarterly consolidated financial statements: No
- (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

(4) Total number of issued shares (common shares)

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

November 30, 2023: 17,946,826 shares

May 31, 2023: 17,946,826 shares

2) Total number of treasury shares at the end of the period:

November 30, 2023: 3,622,555 shares

May 31, 2023: 1,492,415 shares

3) Average number of shares during the period:

Six months ended November 30, 2023: 14,628,588 shares

Six months ended November 30, 2022: 16,454,618 shares

(Note) The total number of treasury shares at the end of the period includes the Company's shares held by a trust in connection with the stock compensation plan (505,100 shares as of November 30, 2023, 505,100 shares as of May 31, 2023). The Company's shares held by the trust have been included in the treasury shares deducted in calculation of the average number of shares during the period (505,100 shares for the six months ended November 30, 2023, 505,100 shares for the six months ended November 30, 2022).

* These quarterly consolidated financial results are outside the scope of quarterly review 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 deems reasonable, and are not intended to guarantee the achievement of the forecasts. Actual results may differ significantly from these forecasts due to a wide range of factors. For the assumptions of financial results forecast and notes on using financial results forecast, please refer to "(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information" in "1. Qualitative Information on Quarterly Financial Results" on page 3 of the Attachments.

The Company plans to hold a financial results briefing session for securities analysts and institutional investors on January 16, 2024. The video of the financial results briefing session and explanatory materials used in the session will be available on the Company's website promptly following the briefing session.

Table of Contents - Attachments

1. Qualitative Information on Quarterly Financial Results	2
(1) Explanation of Operating Results	2
(2) Explanation of Financial Position	3
(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 Operations and Comprehensive Income	6
(3) Quarterly Consolidated Statements of Cash Flows	8
(4) Notes to Quarterly Consolidated Financial Statements	9
(Notes on going concern assumption)	9
(Notes in case of significant changes in shareholders' equity)	9
(Segment information, etc.)	10
(Significant subsequent events)	11
3. Others	11
(1) Information by Product and Service Line	11
(2) Net Sales by Region	11

1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

The Japanese economy during the six months ended November 30, 2023 continued to face factors, such as prolonged geopolitical risk and the tightening of monetary policies in various countries to curb global inflation, and the outlook remained unclear.

Amid this environment, regarding the financial results for the six months ended November 30, 2023, net sales amounted to ¥74,148 million (a decrease of 1.5% year on year), mainly attributed to the decreased sales of electronic components due to a decline in demand for personal computers and in the Procurement Management Division, despite the positive factors including the acquisition of SM Electronic Technologies Pvt. Ltd. (hereinafter, “SM Electronic”) as a subsidiary as well as the effects of yen depreciation. Regarding profits, operating profit amounted to ¥2,679 million (an increase of 3.5% year on year) mainly driven by the effects of the acquisition of SM Electronic as a subsidiary and yen depreciation. Ordinary profit amounted to ¥1,947 million (a decrease of 7.0% year on year). Profit attributable to owners of parent amounted to ¥1,277 million (a decrease of 19.8% year on year), mainly due to an increase in income taxes.

The financial results of the segments are as follows.

In addition, in the three months ended August 31, 2023, the Company made a change to its business management categories to recategorize the storage division, which was previously categorized as the “Mobility business,” as the “Enterprise business.” The following year-on-year comparisons use the figures for the previous fiscal year based on the business management categories after the recategorization.

1) Industrial Infrastructure business

Net sales amounted to ¥14,574 million (a decrease of 0.5% year on year) while segment profit amounted to ¥718 million (an increase of 22.9% year on year) due to improved profits of the Applied Products Division.

2) Enterprise business

Net sales amounted to ¥26,090 million (a decrease of 24.0% year on year), and segment profit amounted to ¥1,342 million (a decrease of 28.0% year on year), driven by decreased sales in the Procurement Management Division and other factors.

3) Mobility business

Net sales amounted to ¥14,838 million (an increase of 224.2% year on year) and segment profit amounted to ¥911 million (an increase of 104.6% year on year) driven by the acquisition of SM Electronic as a subsidiary and strong sales of semiconductors for automotive applications.

4) Global business

Net sales amounted to ¥22,140 million (a decrease of 16.7% year on year), and segment profit amounted to ¥277 million (a decrease of 1.6% year on year). This is mainly attributable to decreased sales of electronic components due to a decline in demand for personal computers.

(2) Explanation of Financial Position

1) Assets, liabilities, and net assets

(Assets)

Total assets at the end of the second quarter of the current fiscal year were ¥79,086 million, a decrease of ¥2,470 million compared with ¥81,556 million at the end of the previous fiscal year. This is mainly attributable to a decrease of ¥2,147 million in merchandise and finished goods.

(Liabilities)

Liabilities at the end of the second quarter of the current fiscal year were ¥45,732 million, a decrease of ¥879 million compared with ¥46,611 million at the end of the previous fiscal year. This is mainly attributable to a decrease of ¥2,660 million in other under current liabilities, despite an increase of ¥919 million in short-term borrowings owing to an increase in demand for funds following the purchase of treasury shares.

(Net assets)

Net assets at the end of the second quarter of the current fiscal year were ¥33,354 million, a decrease of ¥1,591 million compared with ¥34,945 million at the end of the previous fiscal year. This is mainly attributable to a decrease of ¥3,178 million due to a purchase of treasury shares, despite an increase of ¥797 million in foreign currency translation adjustment. Equity ratio changed to 40.6% from 41.4% at the end of the previous fiscal year.

2) Cash flows

Cash and cash equivalents (hereinafter referred to as “capital”) at the end of the second quarter of the current fiscal year decreased by ¥1,718 million compared with the end of the previous fiscal year to ¥8,305 million.

(Cash flows from operating activities)

Capital provided by operating activities during the six months ended November 30, 2023 amounted to ¥1,739 million (compared with ¥4,596 million used during the same period of the previous fiscal year).

This is mainly attributable to an increase in capital due to a decrease in inventories.

(Cash flows from investing activities)

Capital used in investing activities during the six months ended November 30, 2023 amounted to ¥103 million (a decrease of 31.0% year on year).

This is mainly attributable to a decrease in capital due to the purchase of property, plant and equipment.

(Cash flows from financing activities)

Capital used in financing activities during the six months ended November 30, 2023 amounted to ¥3,652 million (compared with ¥4,293 million provided during the same period of the previous fiscal year).

This is mainly attributable to a decrease in capital due to the purchase of treasury shares.

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

The full-year consolidated financial results forecast for the fiscal year ending May 31, 2024 stated in the “Consolidated Financial Results for the Fiscal Year Ended May 31, 2023,” announced on July 13, 2023, has been revised.

The dividend forecast announced on July 13, 2023 has also been revised based on the revision of the financial results forecast and the dividend policy of the Company.

For details, please refer to the “Notice on the Revision of the Full-year Consolidated Financial Results Forecast and the Dividend Forecast for the Fiscal Year Ending May 31, 2024,” announced today.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of May 31, 2023	As of November 30, 2023
Assets		
Current assets		
Cash and deposits	10,051	8,334
Notes and accounts receivable - trade	37,070	38,224
Merchandise and finished goods	20,628	18,481
Work in process	446	444
Raw materials and supplies	526	444
Other	4,255	4,547
Allowance for doubtful accounts	(7)	(7)
Total current assets	72,972	70,470
Non-current assets		
Property, plant and equipment	3,004	3,064
Intangible assets		
Goodwill	492	463
Other	687	668
Total intangible assets	1,180	1,132
Investments and other assets		
Other	4,975	5,021
Allowance for doubtful accounts	(576)	(601)
Total investments and other assets	4,399	4,419
Total non-current assets	8,584	8,615
Total assets	81,556	79,086
Liabilities		
Current liabilities		
Notes and accounts payable - trade	17,112	17,436
Short-term borrowings	14,279	15,198
Income taxes payable	713	612
Provision for bonuses	-	592
Other	8,444	5,784
Total current liabilities	40,550	39,624
Non-current liabilities		
Bonds payable	1,400	1,400
Long-term borrowings	2,822	2,828
Retirement benefit liability	1,431	1,466
Other	406	411
Total non-current liabilities	6,060	6,107
Total liabilities	46,611	45,732

(Million yen)

	As of May 31, 2023	As of November 30, 2023
Net assets		
Shareholders' equity		
Share capital	2,611	2,611
Capital surplus	3,447	3,447
Retained earnings	26,322	26,854
Treasury shares	(1,761)	(4,939)
Total shareholders' equity	30,620	27,973
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,157	1,274
Deferred gains or losses on hedges	(44)	6
Revaluation reserve for land	22	22
Foreign currency translation adjustment	2,021	2,818
Total accumulated other comprehensive income	3,156	4,122
Non-controlling interests	1,169	1,258
Total net assets	34,945	33,354
Total liabilities and net assets	81,556	79,086

(2) Quarterly Consolidated Statements of Operations and Comprehensive Income

Quarterly Consolidated Statements of Operations

Six Months Ended November 30

(Million yen)

	For the six months ended November 30, 2022	For the six months ended November 30, 2023
Net sales	75,282	74,148
Cost of sales	68,001	66,201
Gross profit	7,280	7,946
Selling, general and administrative expenses	4,691	5,267
Operating profit	2,589	2,679
Non-operating income		
Interest income	3	52
Dividend income	54	56
Compensation income	133	80
Other	70	36
Total non-operating income	262	225
Non-operating expenses		
Interest expenses	111	268
Loss on sale of receivables	233	329
Foreign exchange losses	360	278
Other	52	81
Total non-operating expenses	757	957
Ordinary profit	2,093	1,947
Extraordinary income		
Gain on sale of non-current assets	–	1
Total extraordinary income	–	1
Extraordinary losses		
Loss on retirement of non-current assets	6	–
Total extraordinary losses	6	–
Profit before income taxes	2,086	1,949
Income taxes - current	527	518
Income taxes - deferred	(94)	79
Total income taxes	433	597
Profit	1,653	1,351
Profit attributable to non-controlling interests	61	73
Profit attributable to owners of parent	1,591	1,277

Quarterly Consolidated Statements of Comprehensive Income
Six Months Ended November 30

(Million yen)

	For the six months ended November 30, 2022	For the six months ended November 30, 2023
Profit	1,653	1,351
Other comprehensive income		
Valuation difference on available-for-sale securities	207	117
Deferred gains or losses on hedges	21	60
Foreign currency translation adjustment	1,174	830
Share of other comprehensive income of entities accounted for using equity method	15	–
Total other comprehensive income	1,418	1,008
Comprehensive income	3,072	2,359
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,007	2,243
Comprehensive income attributable to non-controlling interests	65	116

(3) Quarterly Consolidated Statements of Cash Flows

(Million yen)

	For the six months ended November 30, 2022	For the six months ended November 30, 2023
Cash flows from operating activities		
Profit before income taxes	2,086	1,949
Depreciation	300	290
Increase (decrease) in allowance for doubtful accounts	(7)	(3)
Increase (decrease) in retirement benefit liability	6	33
Interest and dividend income	(57)	(109)
Interest expenses	111	268
Decrease (increase) in trade receivables	208	(329)
Decrease (increase) in inventories	(1,834)	2,780
Increase (decrease) in trade payables	(6,762)	(1,608)
Increase (decrease) in accrued consumption taxes	1,101	1,351
Increase (decrease) in deposits received	930	(1,954)
Loss on retirement of non-current assets	6	–
Loss (gain) on sale of property, plant and equipment	–	(1)
Other, net	(306)	(171)
Subtotal	(4,214)	2,496
Interest and dividends received	57	109
Interest paid	(111)	(272)
Income taxes refund (paid)	(327)	(594)
Net cash provided by (used in) operating activities	(4,596)	1,739
Cash flows from investing activities		
Purchase of investment securities	(27)	(26)
Purchase of property, plant and equipment	(106)	(70)
Proceeds from sale of property, plant and equipment	–	22
Purchase of intangible assets	(4)	(81)
Other, net	(12)	51
Net cash provided by (used in) investing activities	(150)	(103)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	5,106	341
Proceeds from long-term borrowings	–	5
Purchase of treasury shares	(619)	(3,178)
Proceeds from disposal of treasury shares	619	–
Dividends paid	(720)	(745)
Other, net	(91)	(75)
Net cash provided by (used in) financing activities	4,293	(3,652)
Effect of exchange rate change on cash and cash equivalents	234	298
Net increase (decrease) in cash and cash equivalents	(219)	(1,718)
Cash and cash equivalents at beginning of period	7,996	10,023
Cash and cash equivalents at end of period	7,776	8,305

(4) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

There is no relevant information.

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

During the three months ended August 31, 2023, in accordance with a resolution passed at a meeting of the Board of Directors held on May 9, 2023, the Company acquired 2,129,900 treasury shares on June 28, 2023. As a result, treasury shares increased by ¥3,178 million during the six months ended November 30, 2023, including the acquisition of fractional shares, to ¥4,939 million as of November 30, 2023.

(Segment information, etc.)

I. For the six months ended November 30, 2022 (from June 1, 2022 to November 30, 2022)

Information on net sales and profit or loss by reportable segment and information on the disaggregation of revenue

(Million yen)

	Reportable segment					Reconciliation (Note) 1	Amount recorded in Quarterly Consolidated Statements of Operations (Note) 2
	Industrial Infra- structure business	Enterprise business	Mobility business	Global business	Total		
Net sales							
Revenue from contracts with customers	14,499	29,968	4,299	26,514	75,282	–	75,282
Net sales to outside customers	14,499	29,968	4,299	26,514	75,282	–	75,282
Inter-segment net sales or transfers	146	4,382	276	59	4,864	(4,864)	–
Total	14,646	34,350	4,576	26,573	80,146	(4,864)	75,282
Segment profit	584	1,863	445	282	3,175	(585)	2,589

(Notes) 1. The reconciliation of segment profit in an amount of ¥(585) million includes the elimination of inter-segment transactions.

2. Segment profit is reconciled with operating profit in the Quarterly Consolidated Statements of Operations.

II. For the six months ended November 30, 2023 (from June 1, 2023 to November 30, 2023)

1. Information on net sales and profit or loss by reportable segment and information on the disaggregation of revenue

(Million yen)

	Reportable segment					Reconciliation (Note) 1	Amount recorded in Quarterly Consolidated Statements of Operations (Note) 2
	Industrial Infra- structure business	Enterprise business	Mobility business	Global business	Total		
Net sales							
Revenue from contracts with customers	14,365	23,214	14,449	22,119	74,148	–	74,148
Net sales to outside customers	14,365	23,214	14,449	22,119	74,148	–	74,148
Inter-segment net sales or transfers	209	2,876	388	21	3,495	(3,495)	–
Total	14,574	26,090	14,838	22,140	77,644	(3,495)	74,148
Segment profit	718	1,342	911	277	3,249	(569)	2,679

(Notes) 1. The reconciliation of segment profit in an amount of ¥(569) million includes the elimination of inter-segment transactions.

2. Segment profit is reconciled with operating profit in the Quarterly Consolidated Statements of Operations.

2. Matters related to changes in reportable segments

In the three months ended August 31, 2023, the Company made a change to its business management categories to recategorize the storage division, which was previously categorized as the “Mobility business,” as the “Enterprise business.” The segment information for the six months ended November 30, 2022 is based on the business management categories after the recategorization.

(Significant subsequent events)

There is no relevant information.

3. Others

(1) Information by Product and Service Line

For the six months ended November 30, 2022 (from June 1, 2022 to November 30, 2022)

(Million yen)

	Semiconductors	General electronic components	Electric equipment	Products	Total
Net sales to outside customers	29,982	28,369	13,937	2,991	75,282

For the six months ended November 30, 2023 (from June 1, 2023 to November 30, 2023)

(Million yen)

	Semiconductors	General electronic components	Electric equipment	Products	Total
Net sales to outside customers	28,315	30,453	13,499	1,880	74,148

(2) Net Sales by Region

For the six months ended November 30, 2022 (from June 1, 2022 to November 30, 2022)

(Million yen)

Japan	Overseas						Total
	China	Taiwan	Thailand	Other Asia	Other	Subtotal	
34,485	25,292	879	5,729	4,957	3,937	40,796	75,282

(Notes) 1. Net sales are distributed to each country or region based on the actual destinations of the products.

2. In the table above, the region "China" includes Hong Kong.

For the six months ended November 30, 2023 (from June 1, 2023 to November 30, 2023)

(Million yen)

Japan	Overseas						Total
	China	Taiwan	Thailand	Other Asia	Other	Subtotal	
32,837	18,127	552	5,716	13,804	3,109	41,310	74,148

(Notes) 1. Net sales are distributed to each country or region based on the actual destinations of the products.

2. In the table above, the region "China" includes Hong Kong.