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Consolidated Financial Results for the Nine Months Ended February 29, 2024 [Japanese GAAP]



April 11, 2024

Company name: SATORI ELECTRIC CO., LTD.
 Stock exchange listing: Tokyo Stock Exchange
 Code number: 7420
 URL: <https://www.satori.co.jp/english/>
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 Scheduled date of filing quarterly securities report: April 11, 2024
 Scheduled date of commencing dividend payments: –
 Availability of supplementary briefing materials 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 February 29, 2024 (June 1, 2023 to February 29, 2024)

(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	%
Nine months ended February 29, 2024	107,357	(0.1)	3,512	10.0	2,556	1.2	1,659	(7.2)
February 28, 2023	107,492	15.1	3,193	67.4	2,525	18.9	1,787	16.2

(Note) Comprehensive income: Nine months ended February 29, 2024: ¥3,187 million [23.1%]
 Nine months ended February 28, 2023: ¥2,589 million [64.4%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
February 29, 2024	114.15	–
February 28, 2023	108.62	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of February 29, 2024	78,293	33,736	41.4
As of May 31, 2023	81,556	34,945	41.4

(Reference) Equity: As of February 29, 2024: ¥32,436 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: No

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: No

* 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):

February 29, 2024: 17,946,826 shares
May 31, 2023: 17,946,826 shares

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

February 29, 2024: 3,622,775 shares
May 31, 2023: 1,492,415 shares

3) Average number of shares during the period:

Nine months ended February 29, 2024: 14,537,239 shares
Nine months ended February 28, 2023: 16,454,574 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 February 29, 2024, 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 nine months ended February 29, 2024, 505,100 shares for the nine months ended February 28, 2023).

* 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.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

The Japanese economy during the nine months ended February 29, 2024 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 nine months ended February 29, 2024, net sales amounted to ¥107,357 million (a decrease of 0.1% 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 ¥3,512 million (an increase of 10.0% year on year) mainly attributed to the increased gross profit associated with the acquisition of SM Electronic as a subsidiary and other factors as well as the effects of yen depreciation. Ordinary profit amounted to ¥2,556 million (an increase of 1.2% year on year). Profit attributable to owners of parent amounted to ¥1,659 million (a decrease of 7.2% 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 ¥21,743 million (a decrease of 3.4% year on year) while segment profit amounted to ¥1,096 million (an increase of 10.2% year on year) due to improved profits of the Applied Products Division.

2) Enterprise business

Net sales amounted to ¥37,283 million (a decrease of 22.1% year on year), and segment profit amounted to ¥1,727 million (a decrease of 19.0% year on year), driven by decreased sales in the Procurement Management Division and other factors.

3) Mobility business

Net sales amounted to ¥22,280 million (an increase of 214.7% year on year) and segment profit amounted to ¥1,287 million (an increase of 99.5% 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 ¥31,439 million (a decrease of 14.6% year on year), and segment profit amounted to ¥339 million (an increase of 14.3% 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

Total assets at the end of the third quarter of the current fiscal year were ¥78,293 million, a decrease of ¥3,263 million compared with ¥81,556 million at the end of the previous fiscal year. This is mainly attributable to a decrease of ¥1,140 million in notes and accounts receivable - trade, and a decrease of ¥1,859 million in merchandise and finished goods.

Liabilities at the end of the third quarter of the current fiscal year were ¥44,556 million, a decrease of ¥2,054 million compared with ¥46,611 million at the end of the previous fiscal year. This is mainly attributable to a decrease of ¥2,526 million in other under current liabilities.

Net assets at the end of the third quarter of the current fiscal year were ¥33,736 million, a decrease of ¥1,208 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 ¥918 million in foreign currency translation adjustment. Equity ratio was 41.4%, the same rate as at the end of the previous fiscal year.

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

There is no revision to the consolidated financial results forecast for the fiscal year ending May 31, 2024 as announced in 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” dated January 15, 2024.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of May 31, 2023	As of February 29, 2024
Assets		
Current assets		
Cash and deposits	10,051	9,282
Notes and accounts receivable - trade	37,070	35,929
Merchandise and finished goods	20,628	18,769
Work in process	446	519
Raw materials and supplies	526	371
Other	4,255	4,359
Allowance for doubtful accounts	(7)	(10)
Total current assets	72,972	69,223
Non-current assets		
Property, plant and equipment	3,004	3,216
Intangible assets		
Goodwill	492	447
Other	687	639
Total intangible assets	1,180	1,086
Investments and other assets		
Other	4,975	5,382
Allowance for doubtful accounts	(576)	(615)
Total investments and other assets	4,399	4,767
Total non-current assets	8,584	9,070
Total assets	81,556	78,293
Liabilities		
Current liabilities		
Notes and accounts payable - trade	17,112	17,139
Short-term borrowings	14,279	14,600
Income taxes payable	713	360
Provision for bonuses	-	443
Other	8,444	5,918
Total current liabilities	40,550	38,462
Non-current liabilities		
Bonds payable	1,400	1,400
Long-term borrowings	2,822	2,826
Retirement benefit liability	1,431	1,490
Other	406	376
Total non-current liabilities	6,060	6,093
Total liabilities	46,611	44,556

(Million yen)

	As of May 31, 2023	As of February 29, 2024
Net assets		
Shareholders' equity		
Share capital	2,611	2,611
Capital surplus	3,447	3,447
Retained earnings	26,322	26,791
Treasury shares	(1,761)	(4,940)
Total shareholders' equity	30,620	27,909
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,157	1,618
Deferred gains or losses on hedges	(44)	(53)
Revaluation reserve for land	22	22
Foreign currency translation adjustment	2,021	2,939
Total accumulated other comprehensive income	3,156	4,526
Non-controlling interests	1,169	1,300
Total net assets	34,945	33,736
Total liabilities and net assets	81,556	78,293

(2) Quarterly Consolidated Statements of Operations and Comprehensive Income

Quarterly Consolidated Statements of Operations

Nine Months Ended February 28/29

(Million yen)

	For the nine months ended February 28, 2023	For the nine months ended February 29, 2024
Net sales	107,492	107,357
Cost of sales	97,395	95,955
Gross profit	10,096	11,402
Selling, general and administrative expenses	6,903	7,889
Operating profit	3,193	3,512
Non-operating income		
Interest income	5	65
Dividend income	90	82
Compensation income	174	90
Other	84	53
Total non-operating income	354	291
Non-operating expenses		
Interest expenses	181	387
Loss on sale of receivables	383	458
Foreign exchange losses	373	303
Other	82	98
Total non-operating expenses	1,021	1,247
Ordinary profit	2,525	2,556
Extraordinary income		
Gain on sale of non-current assets	–	1
Total extraordinary income	–	1
Extraordinary losses		
Loss on step acquisitions	77	–
Loss on retirement of non-current assets	13	–
Total extraordinary losses	90	–
Profit before income taxes	2,434	2,557
Income taxes - current	526	672
Income taxes - deferred	43	119
Total income taxes	570	792
Profit	1,864	1,765
Profit attributable to non-controlling interests	77	106
Profit attributable to owners of parent	1,787	1,659

Quarterly Consolidated Statements of Comprehensive Income

Nine Months Ended February 28/29

(Million yen)

	For the nine months ended February 28, 2023	For the nine months ended February 29, 2024
Profit	1,864	1,765
Other comprehensive income		
Valuation difference on available-for-sale securities	164	462
Deferred gains or losses on hedges	(37)	(11)
Foreign currency translation adjustment	597	970
Share of other comprehensive income of entities accounted for using equity method	(0)	–
Total other comprehensive income	725	1,421
Comprehensive income	2,589	3,187
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,518	3,029
Comprehensive income attributable to non-controlling interests	70	157

(3) 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 nine months ended February 29, 2024, including the acquisition of fractional shares, to ¥4,940 million as of February 29, 2024.

(Additional information)

(Agreement on acquisition of shares)

The Company has resolved, at a meeting of the Board of Directors held on February 19, 2024, to acquire 80.0% of issued shares in MAGnetIC Holding B.V., a Dutch company engaged in semiconductor design business, and make it a consolidated subsidiary, and concluded a share purchase agreement.

For details, please refer to the "Notice regarding acquisition of shares in MAGnetIC Holding B.V. (The Netherlands) to make it a subsidiary" announced on February 19, 2024.

(Segment information, etc.)

I. For the nine months ended February 28, 2023 (from June 1, 2022 to February 28, 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	22,302	41,763	6,694	36,732	107,492	–	107,492
Net sales to outside customers	22,302	41,763	6,694	36,732	107,492	–	107,492
Inter-segment net sales or transfers	202	6,071	386	80	6,741	(6,741)	–
Total	22,504	47,835	7,080	36,813	114,234	(6,741)	107,492
Segment profit	994	2,134	645	296	4,071	(877)	3,193

(Notes) 1. The reconciliation of segment profit in an amount of ¥(877) million includes the elimination of inter-segment transactions.

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

2. Information on impairment losses on non-current assets, or goodwill and other items by reportable segment (Significant changes in amount of goodwill)

In the third quarter of the previous fiscal year, the Company recorded goodwill of ¥270 million in the Mobility business as a result of its acquisition of additional shares in SM Electronic Technologies Pvt. Ltd. (which was an equity method affiliate), converting it into a consolidated subsidiary of the Company.

II. For the nine months ended February 29, 2024 (from June 1, 2023 to February 29, 2024)

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	21,445	32,774	21,734	31,403	107,357	–	107,357
Net sales to outside customers	21,445	32,774	21,734	31,403	107,357	–	107,357
Inter-segment net sales or transfers	297	4,508	546	35	5,388	(5,388)	–
Total	21,743	37,283	22,280	31,439	112,745	(5,388)	107,357
Segment profit	1,096	1,727	1,287	339	4,450	(938)	3,512

(Notes) 1. The reconciliation of segment profit in an amount of ¥(938) million includes the elimination of inter-segment transactions.

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

2. Information on impairment losses on non-current assets, or goodwill and other items by reportable segment
(Significant changes in amount of goodwill)

There are no significant changes.

The balance of goodwill at the end of the third quarter of the current fiscal year was ¥447 million as a result of the acquisition of additional shares in SM Electronic Technologies Pvt. Ltd. and the acquisition of part of the business of a Company's subsidiary carried out during the previous fiscal year.

3. 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 nine months ended February 28, 2023 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 nine months ended February 28, 2023 (from June 1, 2022 to February 28, 2023)

(Million yen)

	Semiconductors	General electronic components	Electric equipment	Products	Total
Net sales to outside customers	42,420	40,342	21,028	3,701	107,492

For the nine months ended February 29, 2024 (from June 1, 2023 to February 29, 2024)

(Million yen)

	Semiconductors	General electronic components	Electric equipment	Products	Total
Net sales to outside customers	40,565	43,782	20,049	2,960	107,357

(2) Net Sales by Region

For the nine months ended February 28, 2023 (from June 1, 2022 to February 28, 2023)

(Million yen)

Japan	Overseas							Total
	China	Taiwan	India	Thailand	Other Asia	Other	Subtotal	
51,269	33,046	1,337	468	8,818	7,153	5,398	56,223	107,492

(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 nine months ended February 29, 2024 (from June 1, 2023 to February 29, 2024)

(Million yen)

Japan	Overseas							Total
	China	Taiwan	India	Thailand	Other Asia	Other	Subtotal	
47,367	25,051	906	11,187	8,974	9,629	4,239	59,990	107,357

(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.