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Consolidated Financial Results for the Six Months Ended September 30, 2022 [Japanese GAAP]



October 31, 2022

Company name: Shinko Shoji Co., Ltd.

Stock exchange listing: Tokyo Stock Exchange

Code number: 8141

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Scheduled date of filing quarterly securities report: November 14, 2022

Scheduled date of commencing dividend payments: December 9, 2022

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, 2022 (April 1, 2022 to September 30, 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	%
Six months ended September 30, 2022	89,449	52.7	3,174	180.2	3,408	197.5	2,266	183.2
September 30, 2021	58,590	33.4	1,132	270.5	1,145	231.2	800	325.6

(Note) Comprehensive income: Six months ended September 30, 2022: 4,516 million yen [491.2%]

Six months ended September 30, 2021: 764 million yen [385.7%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2022	64.93	—
September 30, 2021	21.56	—

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 520,014 shares for the six months ended September 30, 2021 and 510,300 shares for the six months ended September 30, 2022 and treasury shares held by the employee benefit trust of 362,129 shares for the six months ended September 30, 2021 and 344,900 shares for the six months ended September 30, 2022.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2022	99,095	52,536	52.4
As of March 31, 2022	88,951	51,945	57.8

(Reference) Equity: As of September 30, 2022: 51,901 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
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2022	-	23.00	-	36.50	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: Yes

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
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	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: Yes

*** Notes:**

- (1) Changes in significant subsidiaries during the six months ended September 30, 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, (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, 2022: 38,010,566 shares
March 31, 2022: 38,010,566 shares
 - 2) Total number of treasury shares at the end of the period:
September 30, 2022: 4,283,310 shares
March 31, 2022: 1,552,612 shares
 - 3) Average number of shares during the period:
Six months ended September 30, 2022: 34,906,813 shares
Six months ended September 30, 2021: 37,124,265 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 510,300 shares for the six months ended September 30, 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 341,300 shares for the six months ended September 30, 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 520,014 shares for the six months ended September 30, 2021 and 510,300 shares for the six months ended September 30, 2022 and the Company’s shares held by the employee benefit trust of 362,129 shares for the six months ended September 30, 2021 and 344,900 shares for the six months ended September 30, 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.

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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, 2022, the Japanese economy remained highly uncertain due to the prolonged Ukraine war, weakening yen, rising prices, and other factors, while economic activities were recovering with mitigation of the COVID-19 pandemic.

The electronics industry generally remained on a recovery trend, though a slowdown of replacement demand for some products including tablets and smartphones was seen. Tightened supply and demand for semiconductor products and electronic components worldwide still continues and has become prolonged due to strong demand.

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 six months ended September 30, 2022 were: net sales 89,449 million yen (52.7% increase compared with the same period of the previous year); operating profit 3,174 million yen (180.2% increase); ordinary profit 3,408 million yen (197.5% increase); and profit attributable to owners of parent 2,266 million yen (183.2% increase). Business performances per segment are as follows.

Electronic Components Business

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

As a result of the above, net sales were: semiconductor 52,254 million yen (60.6% increase compared with the same period of the previous year), electronic components 27,832 million yen (49.3% increase), and totally 80,087 million yen (56.5% increase).

Assembly Business

The businesses related to industrial equipment remained strong.

As a result of the above, net sales of the assembly products were 7,416 million yen (25.8% 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 the electronic devices and software development for microcomputers were 1,945 million yen (28.5% increase 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 10,144 million yen from the end of the previous period to 99,095 million yen. This is mainly attributable to increases in notes and accounts receivable - trade, and contract assets and merchandise and finished goods by 6,610 million yen and 3,872 million yen, respectively.

(Liabilities)

Total liabilities at the end of the second quarter of the fiscal year under review increased by 9,553 million yen from the end of the previous period to 46,559 million yen. This is mainly attributable to increases in short-term borrowings and accounts payable - other by 7,226 million yen and 1,896 million yen, respectively.

(Net assets)

Total net assets at the end of the second quarter of the fiscal year under review increased by 591 million yen from the end of the previous period to 52,536 million yen. This is mainly attributable to an increase in treasury shares by 2,563 million yen, despite increases in foreign currency translation adjustment and retained earnings by 2,149 million yen and 915 million yen, respectively.

This resulted in an equity ratio of 52.4% (57.8% at the end of the previous period).

(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 increased by 123 million yen from the end of the previous period to 10,702 million yen, mainly due to proceeds from short-term borrowings, despite an increase in trade receivables, an increase in inventories, an increase in accounts receivable – other, repayments of short-term borrowings, purchase of treasury shares, and other factors, as profit before income taxes was 3,446 million yen (192.4% increase from the previous period).

Status of cash flows and factors behind them for the six months ended September 30, 2022 are as follows.

(Cash flows from operating activities)

Net Cash used in operating activities was 3,808 million yen (288 million yen used in the previous period). This is mainly attributable to an increase in trade receivables of 5,219 million yen, an increase in inventories of 2,305 million yen, an increase in accounts receivable – other of 1,135 million yen, and a decrease in trade payables of 1,106 million yen, despite 3,446 million yen in profit before income taxes and 2,681 million yen in an increase/decrease in other assets/liabilities.

(Cash flows from investing activities)

Net Cash provided by investing activities was 76 million yen (284 million yen used in the previous period). This is mainly attributable to 190 million yen in proceeds from sale of property, plant and equipment, despite 66 million yen in purchase of property, plant and equipment and 15 million yen in purchase of intangible assets.

(Cash flows from financing activities)

Net Cash provided by financing activities was 3,175 million yen (1,766 million yen used in the previous period). This is mainly attributable to 14,985 million yen in proceeds from short-term borrowings, despite 7,854 million yen in repayments of short-term borrowings, 2,563 million yen in purchase of treasury shares, and 1,353 million yen in dividends paid.

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

Based on the business performance during the six months ended September 30, 2022, we have revised the consolidated financial results forecast for the fiscal year ending March 31, 2023 which was announced on May 16, 2022.

For details, please refer to “Notice Concerning Revision to Full-year Consolidated Financial Results Forecasts and Revision to Dividends of Surplus (Interim Dividends) and Year-end Dividend Forecasts” announced on October 31, 2022.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2022	As of September 30, 2022
Assets		
Current assets		
Cash and deposits	10,710	10,864
Notes and accounts receivable - trade, and contract assets	31,307	37,918
Merchandise and finished goods	29,189	33,062
Work in process	28	46
Accounts receivable - other	10,895	11,294
Other	246	221
Allowance for doubtful accounts	(7)	(8)
Total current assets	82,370	93,398
Non-current assets		
Property, plant and equipment	810	708
Intangible assets	513	450
Investments and other assets		
Investment securities	3,106	3,170
Deferred tax assets	193	190
Other	1,958	1,177
Allowance for doubtful accounts	(1)	(0)
Total investments and other assets	5,256	4,538
Total non-current assets	6,580	5,697
Total assets	88,951	99,095
Liabilities		
Current liabilities		
Notes and accounts payable - trade	17,324	17,070
Electronically recorded obligations - operating	1,978	2,317
Short-term borrowings	7,444	14,670
Current portion of long-term borrowings	–	1,000
Income taxes payable	1,103	1,000
Accounts payable - other	1,705	3,602
Provision for bonuses	623	745
Provision for bonuses for directors	72	52
Other	1,239	1,326
Total current liabilities	31,492	41,785
Non-current liabilities		
Long-term borrowings	3,800	2,800
Deferred tax liabilities	209	353
Deferred tax liabilities for land revaluation	4	–
Provision for share awards for directors	88	105
Provision for share awards for employees	186	249
Retirement benefit liability	869	855
Other	355	409
Total non-current liabilities	5,513	4,774
Total liabilities	37,005	46,559

(Millions of yen)

	As of March 31, 2022	As of September 30, 2022
Net assets		
Shareholders' equity		
Share capital	9,501	9,501
Capital surplus	9,599	9,599
Retained earnings	31,225	32,140
Treasury shares	(1,286)	(3,850)
Total shareholders' equity	49,039	47,390
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	826	866
Deferred gains or losses on hedges	4	2
Revaluation reserve for land	(50)	(61)
Foreign currency translation adjustment	1,547	3,696
Remeasurements of defined benefit plans	2	5
Total accumulated other comprehensive income	2,329	4,510
Non-controlling interests	575	634
Total net assets	51,945	52,536
Total liabilities and net assets	88,951	99,095

(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, 2021	For the six months ended September 30, 2022
Net sales	58,590	89,449
Cost of sales	53,376	81,468
Gross profit	5,214	7,981
Selling, general and administrative expenses	4,081	4,806
Operating profit	1,132	3,174
Non-operating income		
Interest income	14	5
Dividend income	42	54
Purchase discounts	3	4
Foreign exchange gains	–	191
Miscellaneous income	23	57
Total non-operating income	84	312
Non-operating expenses		
Interest expenses	22	66
Foreign exchange losses	46	–
Commission for purchase of treasury shares	–	10
Miscellaneous expenses	2	1
Total non-operating expenses	70	78
Ordinary profit	1,145	3,408
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	0	1
Total extraordinary losses	0	1
Profit before income taxes	1,178	3,446
Income taxes	358	1,130
Profit	820	2,315
Profit attributable to non-controlling interests	19	49
Profit attributable to owners of parent	800	2,266

(Quarterly Consolidated Statements of Comprehensive Income)

(Six months ended September 30)

(Millions of yen)

	For the six months ended September 30, 2021	For the six months ended September 30, 2022
Profit	820	2,315
Other comprehensive income		
Valuation difference on available-for-sale securities	(272)	40
Deferred gains or losses on hedges	0	(1)
Foreign currency translation adjustment	216	2,159
Remeasurements of defined benefit plans, net of tax	(0)	3
Total other comprehensive income	(56)	2,201
Comprehensive income	764	4,516
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	743	4,457
Comprehensive income attributable to non-controlling interests	20	59

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	For the six months ended September 30, 2021	For the six months ended September 30, 2022
Cash flows from operating activities		
Profit before income taxes	1,178	3,446
Depreciation	154	162
Amortization of goodwill	6	6
Increase (decrease) in allowance for doubtful accounts	0	(1)
Increase (decrease) in provision for bonuses for directors	(16)	(19)
Increase (decrease) in provision for share awards for directors	(2)	17
Increase (decrease) in provision for share awards for employees	11	62
Increase (decrease) in provision for bonuses	44	120
Increase (decrease) in retirement benefit liability	(44)	(10)
Interest and dividend income	(56)	(59)
Interest expenses	22	66
Loss (gain) on sale and retirement of property, plant and equipment	0	(37)
Loss (gain) on sale of investment securities	(33)	–
Decrease (increase) in trade receivables	1,069	(5,219)
Decrease (increase) in accounts receivable - other	124	(1,135)
Decrease (increase) in inventories	(5,384)	(2,305)
Increase (decrease) in trade payables	2,409	(1,106)
Increase (decrease) in accrued consumption taxes	284	830
Increase/decrease in other assets/liabilities	(69)	2,681
Non cash flow transaction	(72)	(224)
Subtotal	(370)	(2,725)
Interest and dividends received	54	59
Interest paid	(23)	(54)
Income taxes refund (paid)	52	(1,088)
Net cash provided by (used in) operating activities	(288)	(3,808)
Cash flows from investing activities		
Purchase of investment securities	(205)	(6)
Proceeds from sale of investment securities	199	–
Purchase of property, plant and equipment	(92)	(66)
Proceeds from sale of property, plant and equipment	–	190
Purchase of intangible assets	(67)	(15)
Purchase of other investments	(125)	(33)
Proceeds from sales and cancelation of other investments	7	9
Net cash provided by (used in) investing activities	(284)	76

(Millions of yen)

	For the six months ended September 30, 2021	For the six months ended September 30, 2022
Cash flows from financing activities		
Proceeds from short-term borrowings	277	14,985
Repayments of short-term borrowings	(1,149)	(7,854)
Proceeds from long-term borrowings	2,500	–
Repayments of long-term borrowings	(2,500)	–
Purchase of treasury shares	–	(2,563)
Repayments of lease liabilities	(38)	(38)
Dividends paid	(756)	(1,353)
Dividends paid to non-controlling interests	(100)	–
Net cash provided by (used in) financing activities	(1,766)	3,175
Effect of exchange rate change on cash and cash equivalents	135	679
Net increase (decrease) in cash and cash equivalents	(2,203)	123
Cash and cash equivalents at beginning of period	17,596	10,579
Cash and cash equivalents at end of period	15,393	10,702

(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.

(Changes in significant subsidiaries during the six months ended September 30, 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 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, 2021 (April 1, 2021 to September 30, 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	51,182	5,894	1,514	58,590	–	58,590
Inter-segment sales and transfers	–	–	–	–	–	–
Total	51,182	5,894	1,514	58,590	–	58,590
Segment profit	2,024	77	42	2,144	(1,011)	1,132

(Notes) 1. The adjustment amount for segment profit of (1,011) million yen includes corporate expenses of (1,011) 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, 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 components 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.

(Significant subsequent events)

Not applicable.