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Consolidated Financial Results for the Nine Months Ended December 31, 2022 [Japanese GAAP]



February 13, 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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 Scheduled date of filing quarterly securities report: February 13, 2023
 Scheduled date of commencing dividend payments: –
 Availability of supplementary briefing material 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 December 31, 2022 (April 1, 2022 to December 31, 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 | % |
| Nine months ended December 31, 2022 | 133,174 | 44.7 | 5,280 | 162.1 | 5,211 | 150.2 | 3,493 | 145.2 |
| December 31, 2021 | 92,033 | 29.7 | 2,014 | 157.3 | 2,082 | 167.0 | 1,424 | 201.5 |

(Note) Comprehensive income: Nine months ended December 31, 2022: 5,085 million yen [162.5%]
 Nine months ended December 31, 2021: 1,936 million yen [311.1%]

| | Basic earnings per share | Diluted earnings per share |
|-------------------------------------|--------------------------|----------------------------|
| | Yen | Yen |
| Nine months ended December 31, 2022 | 101.31 | – |
| December 31, 2021 | 38.37 | – |

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 517,100 shares for the nine months ended December 31, 2021 and 501,750 shares for the nine months ended December 31, 2022 and treasury shares held by the employee benefit trust of 359,210 shares for the nine months ended December 31, 2021 and 342,390 shares for the nine months ended December 31, 2022.

(2) Consolidated Financial Position

| | Total assets | Net assets | Equity ratio |
|-------------------------|-----------------|-----------------|--------------|
| | Millions of yen | Millions of yen | % |
| As of December 31, 2022 | 99,380 | 51,615 | 51.3 |
| As of March 31, 2022 | 88,951 | 51,945 | 57.8 |

(Reference) Equity: As of December 31, 2022: 50,946 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 |
| Fiscal year ended March 31, 2022 | Yen - | Yen 23.00 | Yen - | Yen 36.50 | Yen 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: No

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 |
|-----------|-----------------|------|------------------|------|-----------------|------|---|------|-----------------------------|
| Full year | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % | Yen |
| | 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: No

*** Notes:**

- (1) Changes in significant subsidiaries during the nine months ended December 31, 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, (3) Notes to Quarterly Consolidated Financial Statements” on page 8 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, (3) Notes to Quarterly Consolidated Financial Statements” on page 8 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):
December 31, 2022: 38,010,566 shares
March 31, 2022: 38,010,566 shares
 - 2) Total number of treasury shares at the end of the period:
December 31, 2022: 4,718,942 shares
March 31, 2022: 1,552,612 shares
 - 3) Average number of shares during the period:
Nine months ended December 31, 2022: 34,478,286 shares
Nine months ended December 31, 2021: 37,131,764 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 481,800 shares for the nine months ended December 31, 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 336,000 shares for the nine months ended December 31, 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 517,100 shares for the nine months ended December 31, 2021 and 501,750 shares for the nine months ended December 31, 2022 and the Company’s shares held by the employee benefit trust of 359,210 shares for the nine months ended December 31, 2021 and 342,390 shares for the nine months ended December 31, 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 nine months ended December 31, 2022, the Japanese economy remained highly uncertain due to the prolonged Ukraine war, the tightening of monetary policy in various countries due to global inflation, changes to China's zero-COVID policy, and other factors, although economic activities were picking up with mitigation of the COVID-19 pandemic.

The electronics industry generally remained robust due to recovery in automobile production and strong demand backed by the shift to EVs and promotion of DX, despite a lull in replacement demand for tablets, smartphones, and other devices. Tightened supply and demand for semiconductor products and electronic components has led to the perception of persistent and prolonged shortages despite the trend for that to slightly dissipate with regard to certain products.

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 nine months ended December 31, 2022 were: net sales 133,174 million yen (44.7% increase compared with the same period of the previous year); operating profit 5,280 million yen (162.1% increase); ordinary profit 5,211 million yen (150.2% increase); and profit attributable to owners of parent 3,493 million yen (145.2% increase). Business performances per segment are as follows.

Electronic Components Business

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

As a result of the above, net sales were: semiconductor 79,258 million yen (55.7% increase compared with the same period of the previous year), electronic components 39,465 million yen (32.5% increase), and totally 118,724 million yen (47.2% increase).

Assembly Business

The businesses related to industrial equipment remained strong.

As a result of the above, net sales of assembly products were 11,186 million yen (25.2% 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 electronic devices and software development for microcomputers were 3,262 million yen (34.3% increase compared with the same period of the previous year).

(2) Explanation of Financial Position

(Assets)

Total assets at the end of the third quarter of the fiscal year under review increased by 10,429 million yen from the end of the previous period to 99,380 million yen. This is mainly attributable to increases in notes and accounts receivable - trade, and contract assets, merchandise and finished goods, and accounts receivable - other by 4,721 million yen, 3,102 million yen, and 3,398 million yen, respectively.

(Liabilities)

Total liabilities at the end of the third quarter of the fiscal year under review increased by 10,759 million yen from the end of the previous period to 47,765 million yen. This is mainly attributable to increases in short-term borrowings and electronically recorded obligations - operating by 9,305 million yen and 1,233 million yen,

respectively.

(Net assets)

Total net assets at the end of the third quarter of the fiscal year under review decreased by 330 million yen from the end of the previous period to 51,615 million yen. This is mainly attributable to an increase in treasury shares by 3,050 million yen, despite increases in foreign currency translation adjustment and retained earnings by 1,447 million yen and 1,138 million yen, respectively.

This resulted in an equity ratio of 51.3% (57.8% at the end of the previous period).

(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, 2023 of consolidated net sales of 170,000 million yen, operating profit of 5,600 million yen, ordinary profit of 5,600 million yen, and profit attributable to owners of parent of 3,900 million yen.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

| | As of March 31, 2022 | As of December 31, 2022 |
|--|----------------------|-------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 10,710 | 10,766 |
| Notes and accounts receivable - trade, and contract assets | 31,307 | 36,029 |
| Merchandise and finished goods | 29,189 | 32,292 |
| Work in process | 28 | 74 |
| Accounts receivable - other | 10,895 | 14,294 |
| Other | 246 | 289 |
| Allowance for doubtful accounts | (7) | (9) |
| Total current assets | 82,370 | 93,738 |
| Non-current assets | | |
| Property, plant and equipment | 810 | 680 |
| Intangible assets | 513 | 414 |
| Investments and other assets | | |
| Investment securities | 3,106 | 3,194 |
| Deferred tax assets | 193 | 193 |
| Other | 1,958 | 1,158 |
| Allowance for doubtful accounts | (1) | (0) |
| Total investments and other assets | 5,256 | 4,546 |
| Total non-current assets | 6,580 | 5,641 |
| Total assets | 88,951 | 99,380 |
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 17,324 | 17,816 |
| Electronically recorded obligations - operating | 1,978 | 3,211 |
| Short-term borrowings | 7,444 | 16,750 |
| Current portion of long-term borrowings | - | 1,000 |
| Income taxes payable | 1,103 | 968 |
| Accounts payable - other | 1,705 | 1,241 |
| Provision for bonuses | 623 | 333 |
| Provision for bonuses for directors | 72 | 82 |
| Other | 1,239 | 1,554 |
| Total current liabilities | 31,492 | 42,958 |
| Non-current liabilities | | |
| Long-term borrowings | 3,800 | 2,800 |
| Deferred tax liabilities | 209 | 341 |
| Deferred tax liabilities for land revaluation | 4 | - |
| Provision for share awards for directors | 88 | 95 |
| Provision for share awards for employees | 186 | 277 |
| Retirement benefit liability | 869 | 855 |
| Other | 355 | 437 |
| Total non-current liabilities | 5,513 | 4,806 |
| Total liabilities | 37,005 | 47,765 |

(Millions of yen)

| | As of March 31, 2022 | As of December 31, 2022 |
|---|----------------------|-------------------------|
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 9,501 | 9,501 |
| Capital surplus | 9,599 | 9,599 |
| Retained earnings | 31,225 | 32,364 |
| Treasury shares | (1,286) | (4,337) |
| Total shareholders' equity | 49,039 | 47,127 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 826 | 881 |
| Deferred gains or losses on hedges | 4 | (0) |
| Revaluation reserve for land | (50) | (61) |
| Foreign currency translation adjustment | 1,547 | 2,994 |
| Remeasurements of defined benefit plans | 2 | 5 |
| Total accumulated other comprehensive income | 2,329 | 3,818 |
| Non-controlling interests | 575 | 668 |
| Total net assets | 51,945 | 51,615 |
| Total liabilities and net assets | 88,951 | 99,380 |

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

(Quarterly Consolidated Statements of Income)

(Nine months ended December 31)

(Millions of yen)

| | For the nine months ended December 31, 2021 | For the nine months ended December 31, 2022 |
|---|--|--|
| Net sales | 92,033 | 133,174 |
| Cost of sales | 83,850 | 120,757 |
| Gross profit | 8,183 | 12,416 |
| Selling, general and administrative expenses | 6,169 | 7,135 |
| Operating profit | 2,014 | 5,280 |
| Non-operating income | | |
| Interest income | 19 | 5 |
| Dividend income | 72 | 91 |
| Purchase discounts | 6 | 4 |
| Miscellaneous income | 93 | 58 |
| Total non-operating income | 192 | 159 |
| Non-operating expenses | | |
| Interest expenses | 32 | 109 |
| Foreign exchange losses | 85 | 103 |
| Miscellaneous expenses | 6 | 16 |
| Total non-operating expenses | 124 | 229 |
| Ordinary profit | 2,082 | 5,211 |
| 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 | 1 | 1 |
| Total extraordinary losses | 1 | 1 |
| Profit before income taxes | 2,115 | 5,248 |
| Income taxes | 653 | 1,667 |
| Profit | 1,462 | 3,581 |
| Profit attributable to non-controlling interests | 37 | 88 |
| Profit attributable to owners of parent | 1,424 | 3,493 |

(Quarterly Consolidated Statements of Comprehensive Income)

(Nine months ended December 31)

(Millions of yen)

| | For the nine months ended December 31, 2021 | For the nine months ended December 31, 2022 |
|--|--|--|
| Profit | 1,462 | 3,581 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (36) | 54 |
| Deferred gains or losses on hedges | 0 | (5) |
| Foreign currency translation adjustment | 511 | 1,451 |
| Remeasurements of defined benefit plans, net of tax | (0) | 2 |
| Total other comprehensive income | 474 | 1,504 |
| Comprehensive income | 1,936 | 5,085 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 1,897 | 4,992 |
| Comprehensive income attributable to non-controlling interests | 39 | 92 |

(3) 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 nine months ended December 31, 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 third 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 nine months ended December 31, 2021 (April 1, 2021 to December 31, 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 | 80,672 | 8,932 | 2,429 | 92,033 | – | 92,033 |
| Inter-segment sales and transfers | – | – | – | – | – | – |
| Total | 80,672 | 8,932 | 2,429 | 92,033 | – | 92,033 |
| Segment profit | 3,226 | 124 | 130 | 3,481 | (1,467) | 2,014 |

(Notes) 1. The adjustment amount for segment profit of (1,467) million yen includes corporate expenses of (1,467) 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 nine months ended December 31, 2022 (April 1, 2022 to December 31, 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 | 118,724 | 11,186 | 3,262 | 133,174 | – | 133,174 |
| Inter-segment sales and transfers | – | – | – | – | – | – |
| Total | 118,724 | 11,186 | 3,262 | 133,174 | – | 133,174 |
| Segment profit | 6,401 | 308 | 170 | 6,880 | (1,600) | 5,280 |

(Notes) 1. The adjustment amount for segment profit of (1,600) million yen includes corporate expenses of (1,600) 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.