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Consolidated Financial Results for the Three Months Ended June 30, 2024 [Japanese GAAP]

July 31, 2024

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 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 Three Months Ended June 30, 2024 (April 1, 2024 to June 30, 2024)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Three months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2024	32,574	(28.3)	747	(56.8)	953	(44.0)	321	(70.3)
June 30, 2023	45,432	9.8	1,730	11.6	1,700	5.3	1,083	2.8

(Note) Comprehensive income: Three months ended June 30, 2024: 1,786 million yen [(27.3)%]
Three months ended June 30, 2023: 2,455 million yen [3.8%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2024	9.73	–
June 30, 2023	32.76	–

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 481,800 shares for the three months ended June 30, 2023 and 471,500 shares for the three months ended June 30, 2024 and treasury shares held by the employee benefit trust of 324,025 shares for the three months ended June 30, 2023 and 512,300 shares for the three months ended June 30, 2024.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2024	95,373	57,159	59.1
As of March 31, 2024	99,813	56,119	55.4

(Reference) Equity: As of June 30, 2024: 56,356 million yen
As of March 31, 2024: 55,328 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, 2024	-	26.50	-	22.00	48.50
Fiscal year ending March 31, 2025	-				
Fiscal year ending March 31, 2025 (Forecast)		7.50	-	8.00	15.50

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2025 (April 1, 2024 to March 31, 2025)

(% 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	112,000 (36.3)	1,000 (79.5)	1,000 (79.0)	1,000 (68.7)	30.21

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

*** Notes:**

(1) Significant changes in the scope of consolidation during the period: No

(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: Yes
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):
June 30, 2024: 38,010,566 shares
March 31, 2024: 38,010,566 shares

2) Total number of treasury shares at the end of the period:
June 30, 2024: 4,904,723 shares
March 31, 2024: 4,904,651 shares

3) Average number of shares during the period:
Three months ended June 30, 2024: 33,105,888 shares
Three months ended June 30, 2023: 33,083,985 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 471,500 shares for the fiscal year ended March 31, 2024 and 471,500 shares for the three months ended June 30, 2024 and the Company's shares held by the employee benefit trust of 312,300 shares for the fiscal year ended March 31, 2024 and 712,300 shares for the three months ended June 30, 2024.
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 481,800 shares for the three months ended June 30, 2023 and 471,500 shares for the three months ended June 30, 2024 and the Company's shares held by the employee benefit trust of 324,025 shares for the three months ended June 30, 2023 and 512,300 shares for the three months ended June 30, 2024.

* Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or an audit firm: No

* 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. Overview of Business Results, (3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information" on page 3 of the attached document.

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1. Overview of Business Results

(1) Overview of Operating Results

During the first quarter of the consolidated accounting period, despite a gradual recovery trend, the outlook for the Japanese economy remained uncertain due mainly to prolonged geopolitical risks, political trends in various countries, and changes in monetary policies.

In the electronics industry, the movement for inventory adjustment, which became more apparent from the second half of the previous year, has continued despite strong demand backed by the shift to EVs and promotion of DX.

Under these situations, our group (our Company and consolidated subsidiaries) posted overall results at a decreased level compared with the same period of the previous year, as the businesses related to amusement products, industrial products, OA products, and automotive electronic products, which are our core businesses, have all been performing sluggishly.

As a result, the business performances during the first quarter of the consolidated accounting period were: net sales 32,574 million yen (28.3% decrease compared with the same period of the previous year); operating profit 747 million yen (56.8% decrease); ordinary profit 953 million yen (44.0% decrease); and profit attributable to owners of parent 321 million yen (70.3% decrease). Business performances per segment are as follows.

A portion of net sales of electronic devices previously reported in the Electronic Device Business has been reported in the Other Businesses starting from this first quarter of the consolidated accounting period. The net sales for the same period of the previous year were reclassified in accordance with the changed segment for the financial results comparison and analysis.

Electronic Device Business

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

As a result of the above, net sales were: semiconductors 15,706 million yen (41.5% decrease compared with the same period of the previous year), electronic devices 10,126 million yen (6.0% decrease), and overall 25,832 million yen (31.3% decrease).

Assembly Business

The businesses related to amusement products remained sluggish.

As a result of the above, net sales of assembly products were 4,330 million yen (23.8% decrease compared with the same period of the previous year).

Other Businesses

The businesses related to industrial products remained strong.

As a result of the above, net sales of electronic products and contract development of microcomputer software were 2,411 million yen (13.6% increase compared with the same period of the previous year).

(2) Overview of Financial Position

(Assets)

Total assets at the end of the first quarter of the fiscal year under review decreased by 4,439 million yen from the end of the previous period to 95,373 million yen. This is mainly attributable to decreases in Notes and accounts receivable – trade, and contract assets and Merchandise and finished goods 7,250 million yen and 1,198 million yen, respectively, despite increases in Cash and deposits, accounts receivable - other of 2,241 million yen and 1,366 million yen, respectively.

(Liabilities)

Total liabilities at the end of the first quarter of the fiscal year under review decreased by 5,479 million yen from the end of the previous period to 38,213 million yen. This is mainly attributable to decreases in Notes and accounts payable - trade and Short-term borrowings of 3,354 million yen and 2,297 million yen, respectively, despite an increase in Electronically recorded obligations - operating 524 million yen.

(Net assets)

Total net assets at the end of the first quarter of the fiscal year under review increased by 1,040 million yen from the end of the previous period to 57,159 million yen. This is mainly attributable to increases in Valuation difference on available-for-sale securities and Foreign currency translation adjustment of 267 million yen and 1,185 million yen, respectively, despite a decrease in Retained earnings of 423 million yen.

This resulted in an equity ratio of 59.1% (55.4% at the end of the previous year).

(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, 2025 of consolidated net sales of 112,000 million yen, operating profit of 1,000 million yen, ordinary profit of 1,000 million yen, and profit attributable to owners of parent of 1,000 million yen..

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	13,389	15,631
Notes and accounts receivable - trade, and contract assets	36,410	29,159
Merchandise and finished goods	31,683	30,484
Work in process	52	124
Accounts receivable - other	11,128	12,494
Other	206	211
Allowance for doubtful accounts	(41)	(44)
Total current assets	92,829	88,062
Non-current assets		
Property, plant and equipment	693	685
Intangible assets	218	179
Investments and other assets		
Investment securities	4,465	4,851
Deferred tax assets	307	287
Other	1,298	1,307
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	6,071	6,446
Total non-current assets	6,983	7,311
Total assets	99,813	95,373
Liabilities		
Current liabilities		
Notes and accounts payable - trade	16,354	12,999
Electronically recorded obligations - operating	2,400	2,924
Short-term borrowings	8,982	6,684
Current portion of long-term borrowings	700	700
Income taxes payable	607	362
Accounts payable - other	1,359	1,572
Provision for bonuses	590	287
Provision for bonuses for directors	98	15
Other	2,309	2,215
Total current liabilities	33,401	27,762
Non-current liabilities		
Long-term borrowings	7,800	7,800
Deferred tax liabilities	677	832
Provision for share awards for directors	124	148
Provision for share awards for employees	435	435
Retirement benefit liability	802	769
Other	451	464
Total non-current liabilities	10,291	10,451
Total liabilities	43,693	38,213

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024
Net assets		
Shareholders' equity		
Share capital	9,501	9,501
Capital surplus	9,599	9,616
Retained earnings	34,518	34,094
Treasury shares	(4,585)	(4,602)
Total shareholders' equity	49,034	48,610
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,850	2,118
Deferred gains or losses on hedges	0	1
Revaluation reserve for land	(61)	(61)
Foreign currency translation adjustment	4,484	5,669
Remeasurements of defined benefit plans	18	16
Total accumulated other comprehensive income	6,293	7,745
Non-controlling interests	791	803
Total net assets	56,119	57,159
Total liabilities and net assets	99,813	95,373

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

(Quarterly Consolidated Statements of Income)

(Three months ended June 30)

(Millions of yen)

	For the three months ended June 30, 2023	For the three months ended June 30, 2024
Net sales	45,432	32,574
Cost of sales	41,260	29,527
Gross profit	4,171	3,046
Selling, general and administrative expenses	2,441	2,299
Operating profit	1,730	747
Non-operating income		
Interest income	11	51
Dividend income	58	66
Purchase discounts	0	7
Foreign exchange gains	–	113
Miscellaneous income	18	12
Total non-operating income	87	251
Non-operating expenses		
Interest expenses	43	35
Foreign exchange losses	67	–
Miscellaneous expenses	5	8
Total non-operating expenses	117	44
Ordinary profit	1,700	953
Extraordinary income		
Gain on sale of investment securities	0	–
Total extraordinary income	0	–
Extraordinary losses		
Loss on sale and retirement of non-current assets	5	–
Extra retirement payments	–	352
Total extraordinary losses	5	352
Profit before income taxes	1,695	600
Income taxes	586	270
Profit	1,109	330
Profit attributable to non-controlling interests	25	8
Profit attributable to owners of parent	1,083	321

(Quarterly Consolidated Statements of Comprehensive Income)

(Three months ended June 30)

(Millions of yen)

	For the three months ended June 30, 2023	For the three months ended June 30, 2024
Profit	1,109	330
Other comprehensive income		
Valuation difference on available-for-sale securities	332	267
Deferred gains or losses on hedges	4	1
Foreign currency translation adjustment	1,011	1,189
Remeasurements of defined benefit plans, net of tax	(1)	(1)
Total other comprehensive income	1,346	1,455
Comprehensive income	2,455	1,786
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,424	1,773
Comprehensive income attributable to non-controlling interests	30	12

(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.

(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 first 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)

(Application of the Accounting Standard for Current Income Taxes)

The Accounting Standard for Current Income Taxes (ASBJ Statement No.27, October 28, 2022; hereinafter referred to as the "Revised Accounting Standard 2022"), etc. have been adopted from the beginning of the first quarter ended June 30, 2024.

The amendment to categories in which current income taxes should be recorded (taxes on other comprehensive income) follows the transitional treatment prescribed in the proviso of paragraph 20-3 of the Revised Accounting Standard 2022 and the transitional treatment prescribed in the proviso (2) of paragraph 65-2 of the Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No.28, October 28, 2022; hereinafter referred to as the "Revised Implementation Guidance 2022"). This change in accounting policies has no impact on the quarterly consolidated financial statements.

For the amendment related to the revised accounting treatment for consolidated financial statements when gains or losses on sale of shares in subsidiaries resulting from transactions between consolidated companies were deferred for tax purposes, the Revised Implementation Guidance 2022 has been adopted from the beginning of the first quarter ended June 30, 2024. This change in accounting policies was applied retrospectively.

Hence, the quarterly consolidated financial statements for the same quarter of the prior fiscal year and the consolidated financial statements for the prior fiscal year have been modified retrospectively. This change in accounting policies has no impact on the quarterly consolidated financial statements for the same quarter of the prior fiscal year and the consolidated financial statements for the prior fiscal year.

(Changes in accounting estimates)

Not applicable.

(Segment information)

I. For the three months ended June 30, 2023 (April 1, 2023 to June 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	37,622	5,686	2,123	45,432	–	45,432
Inter-segment sales and transfers	–	–	–	–	–	–
Total	37,622	5,686	2,123	45,432	–	45,432
Segment profit	2,041	114	129	2,285	(554)	1,730

(Notes) 1. The adjustment amount for segment profit of (554) million yen includes corporate expenses of (554) 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 three months ended June 30, 2024 (April 1, 2024 to June 30, 2024)

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	25,832	4,330	2,411	32,574	–	32,574
Inter-segment sales and transfers	–	–	–	–	–	–
Total	25,832	4,330	2,411	32,574	–	32,574
Segment profit	975	158	130	1,264	(517)	747

(Notes) 1. The adjustment amount for segment profit of (517) million yen includes corporate expenses of (517) 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.

3. Changes in reportable segments

As a result of the review of the performance segment classification, some transactions related to industrial products, which were classified in the Electronic Device Business in the previous first quarter of the consolidated accounting period, were included in the Other Businesses starting in this first quarter of the consolidated accounting period.

The segment information for the same period of the previous year was prepared in accordance with the changed classification method.

(Notes to Statements of Cash Flows)

Quarterly Consolidated Statements of Cash Flows for the three months ended June 30, 2024 was not prepared. Depreciation (including amortization of intangible assets but excluding goodwill) and amortization of goodwill are as follows.

(Millions of yen)

	For the three months ended June 30, 2023	For the three months ended June 30, 2024
Depreciation	79	88
Amortization of goodwill	3	4

(Significant subsequent events)

Not applicable.