



新光商事 株式
会社
Shinko Shoji Co., Ltd.

Earnings Report for Fiscal 2024 (Ending March 31, 2024)

- Overview of the Settlement
- Business Status
- Growth Strategy
- Future Prospects

May. 2024
Tatsuya Ogawa, President

Disclaimer

This English translation is only for reference purpose. When there are any discrepancies between original Japanese version and English translation version, the original Japanese version always prevails.

Notes on handling materials

The prospect in this presentation is based on the information that is available at the present moment.

Because it includes uncertainties and risks, there is a possibility that actual performance will differ significantly from those expressed or implied in this prospect.

Major risks and uncertainties are as follows:

- Economic conditions and consumption trends in major markets (Japan, Asia, etc.)
- Changes in the electronics industry and technological trends
- Sharp fluctuations in supply and demand in our major product markets
- Substantial fluctuations in the exchange rates of the U.S. dollar and other foreign currencies against the yen

Overview of the Settlement

Points of settlement of accounts for the fiscal year ending March 2024

The settlement of our group (our Company and consolidated subsidiaries) was decreased sales and profits due to sluggish OA products business although amusement products business remained strong.

- In the amusement related products, performed well due to increased sales of smart amusement machines.
- In the automotive electronic products, remained mostly unchanged.
- In the industrial products, remained mostly unchanged.
- In the office automation related products remained sluggish due to customers' production and inventory adjustments.

Overview of the Settlement (Comparison with the previous year)

All consolidated net sales, operating income, ordinary income, and net income decreased from the previous year.

(Millions of yen)

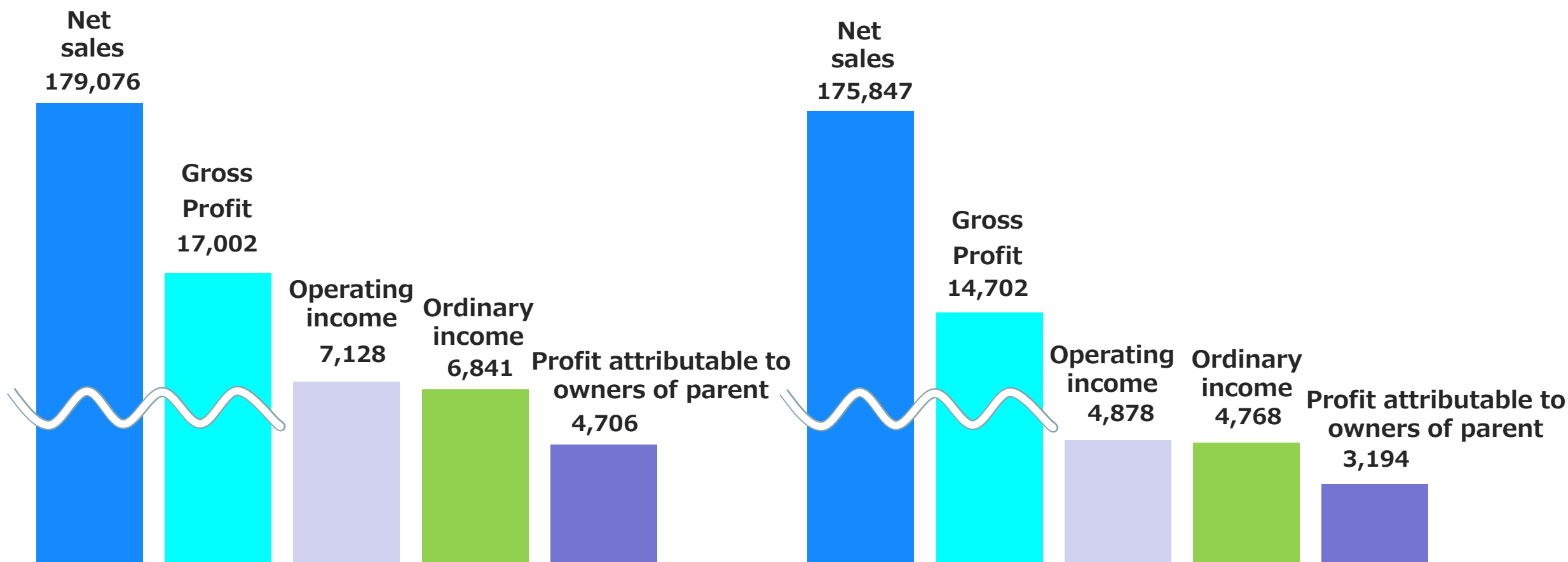
	FY March 2023	FY March 2024	Growth Rate YoY	Increase/Decrease (YoY)
Net sales	179,076	175,847	(1.8%)	(3,229)
Gross Profit	17,002	14,702	(13.5%)	(2,300)
Selling, general and administrative Expenses	9,873	9,823	(0.5%)	(50)
Operating income	7,128	4,878	(31.6%)	(2,250)
Ordinary income	6,841	4,768	(30.3%)	(2,073)
Profit attributable to owners of parent	4,706	3,194	(32.1%)	(1,512)
Basic earnings Per Share	137.77 yen	96.53 yen	-	(41.24 yen)
Annual dividends per share	interim 29.00 yen Year-end 40.00 yen	interim 26.50 yen year-end 22.00 yen	-	-

Consolidated income statement

(Millions of yen)

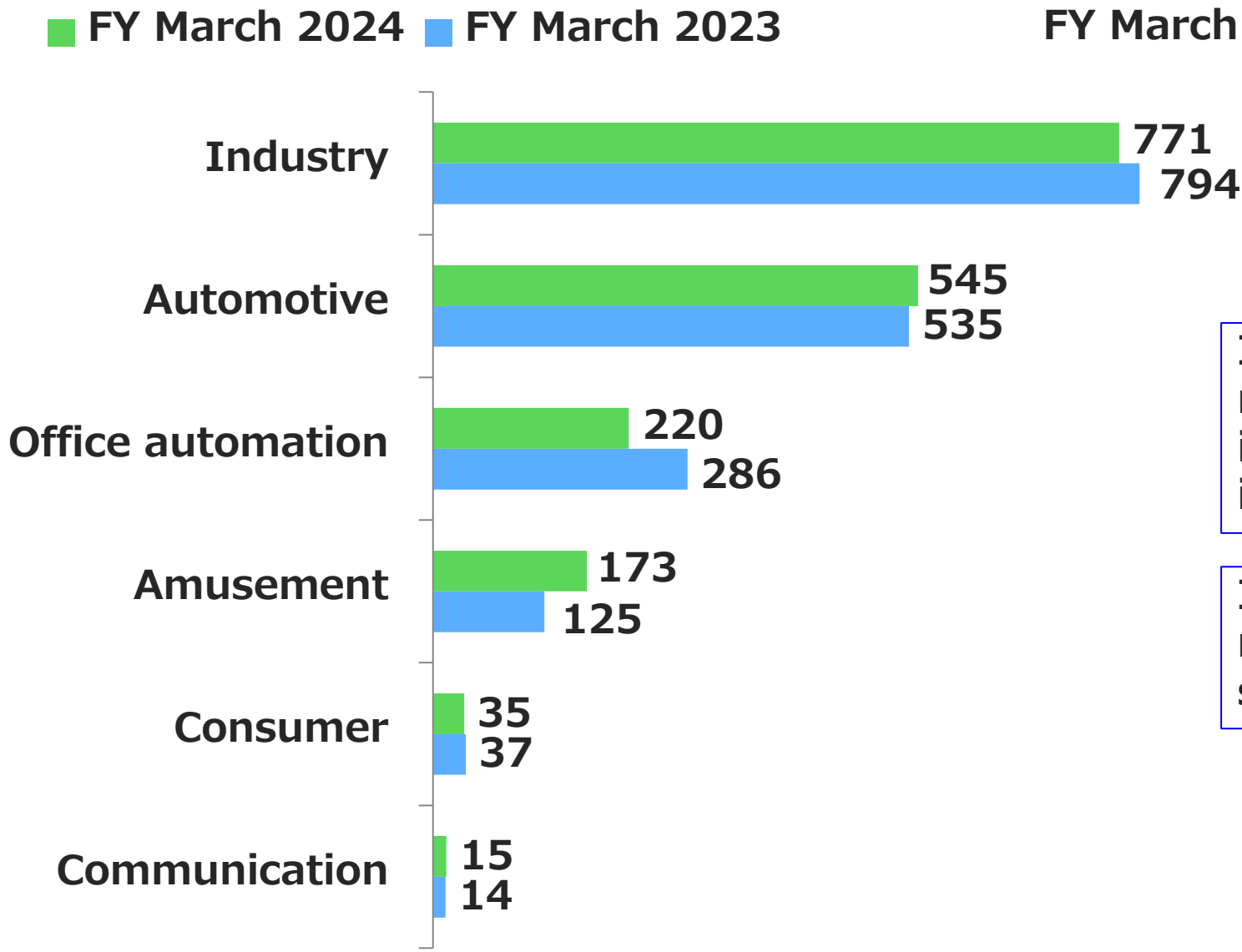
FY March 2023
(April 1, 2022-March 31, 2023)

FY March 2024
(April 1, 2023-March 31, 2024)



Sales composition ratio by market (amount)

Net sales : FY March 2024 1,758 (▼33 : Year-on-year change)
FY March 2023 1,791
(100 Million yen)

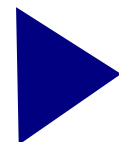
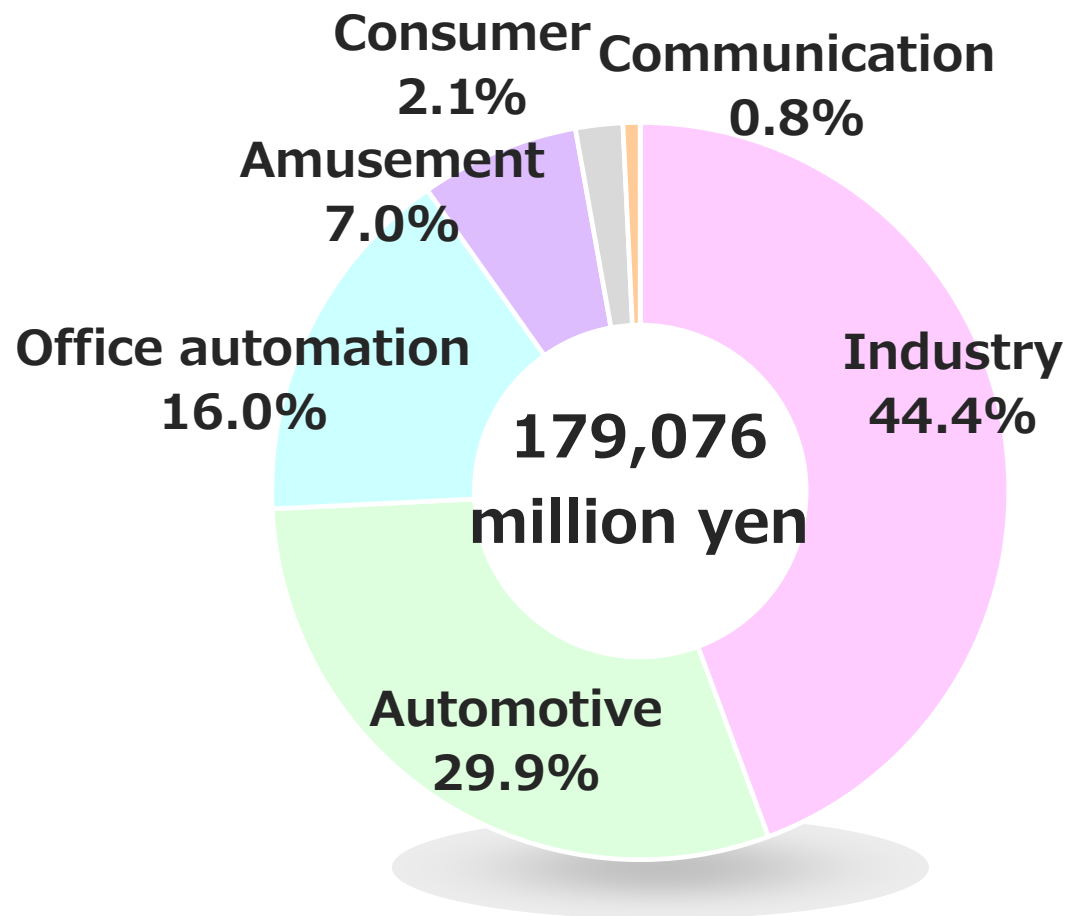


In the office automation products main reasons for increase/decrease : Decrease in sales due to customers' production and inventory adjustments.

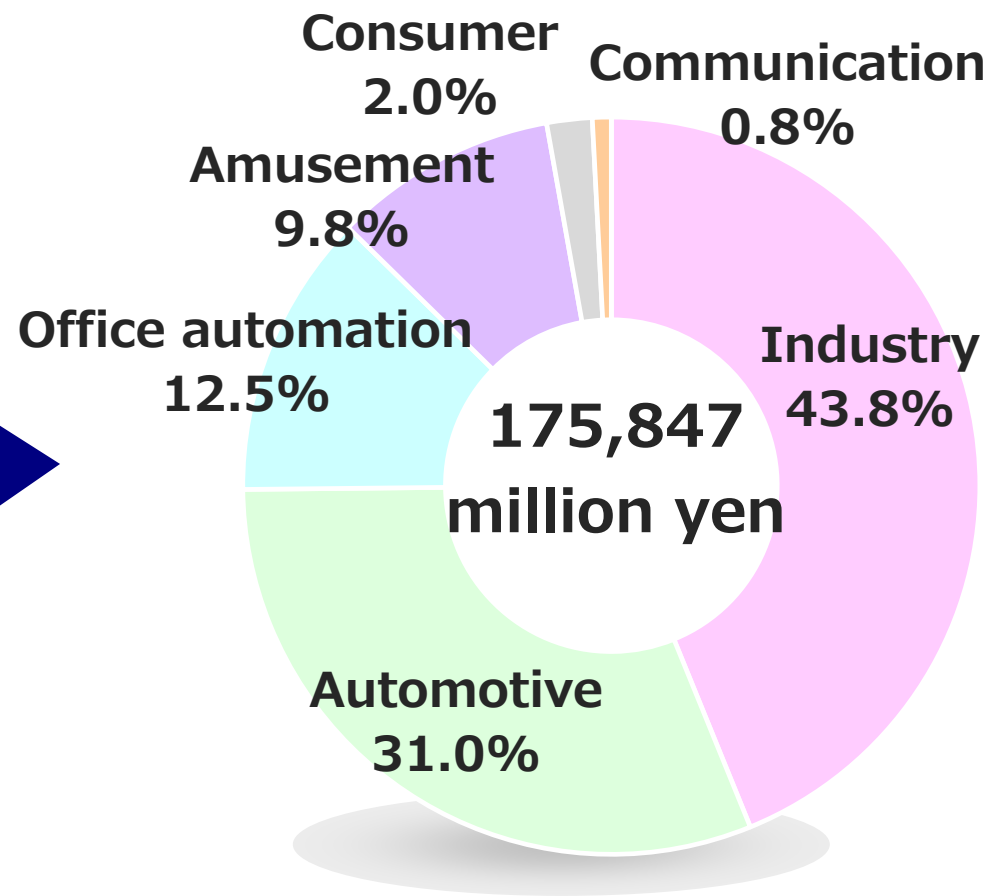
In the entertainment products main reasons for increase/decrease : Increased sales for smart amusement machines.

Sales composition ratio by market

FY March 2023

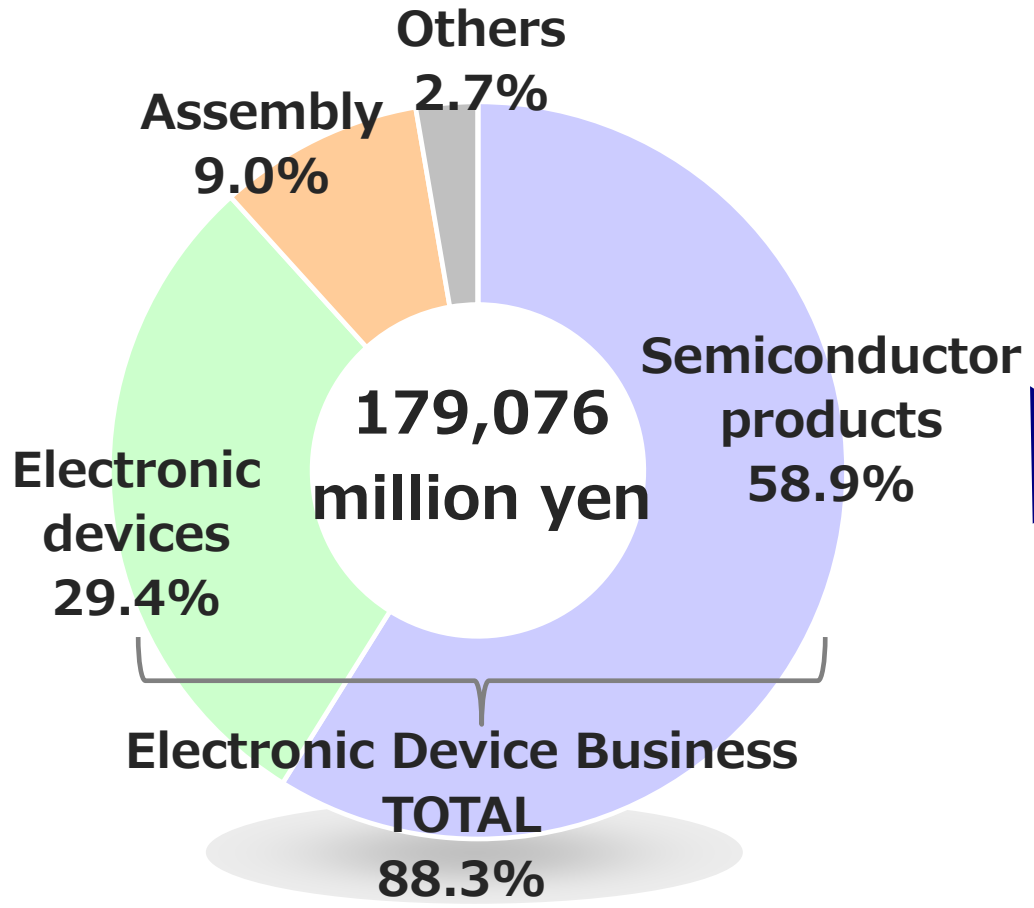


FY March 2024

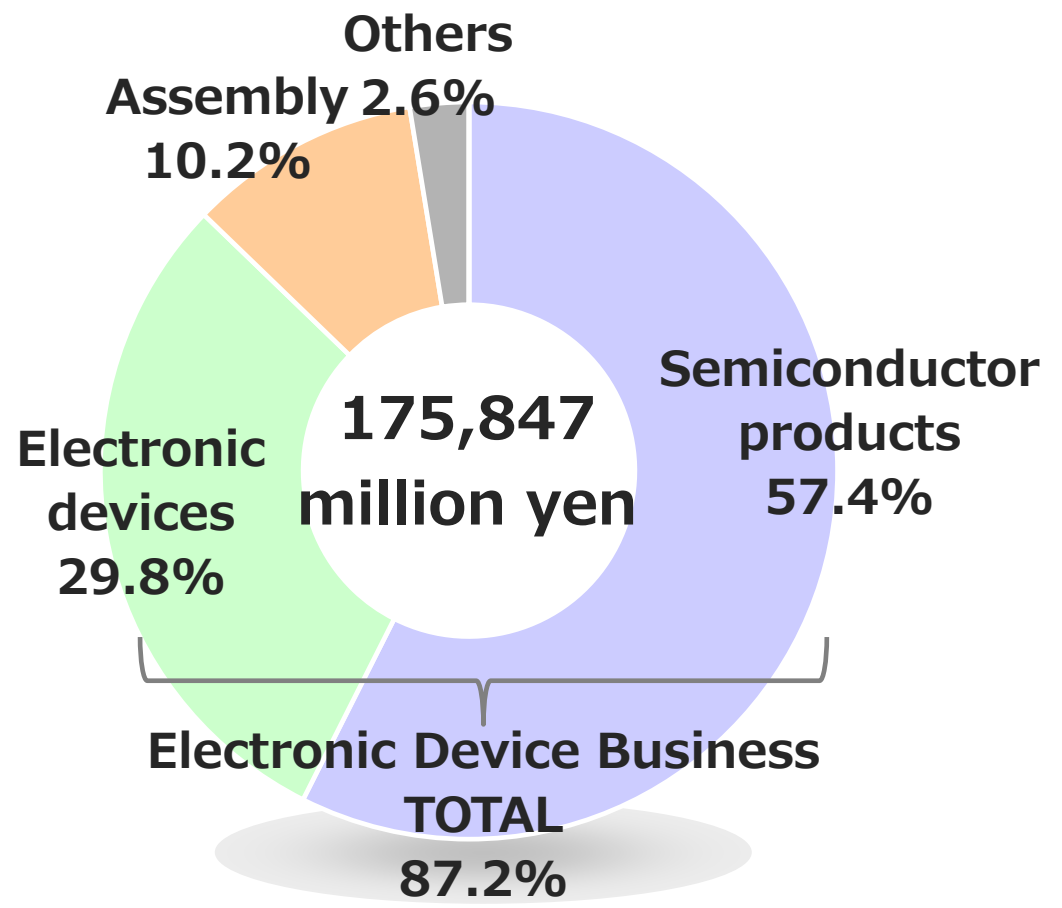


Sales composition ratio by product

FY March 2023

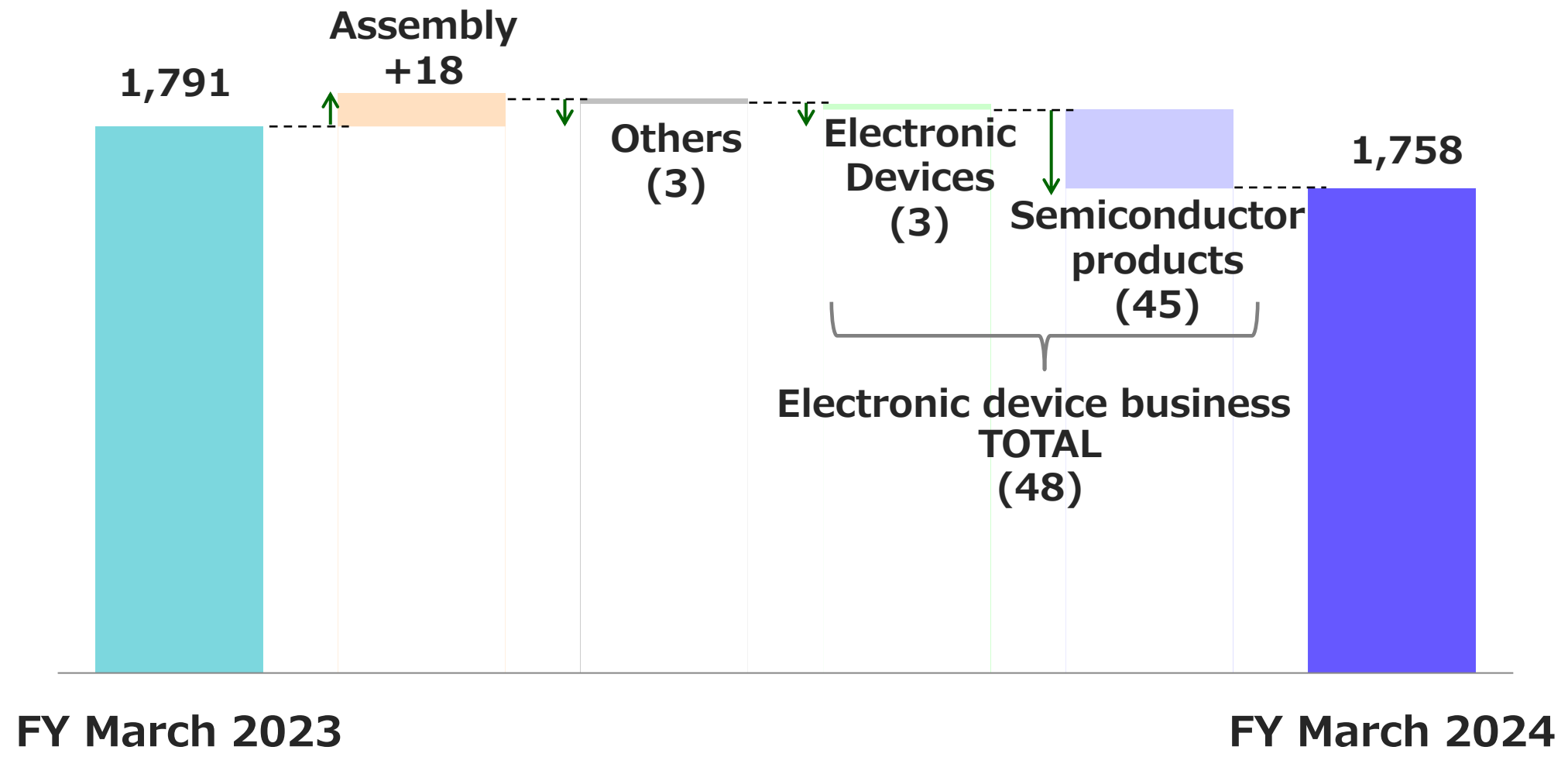


FY March 2024

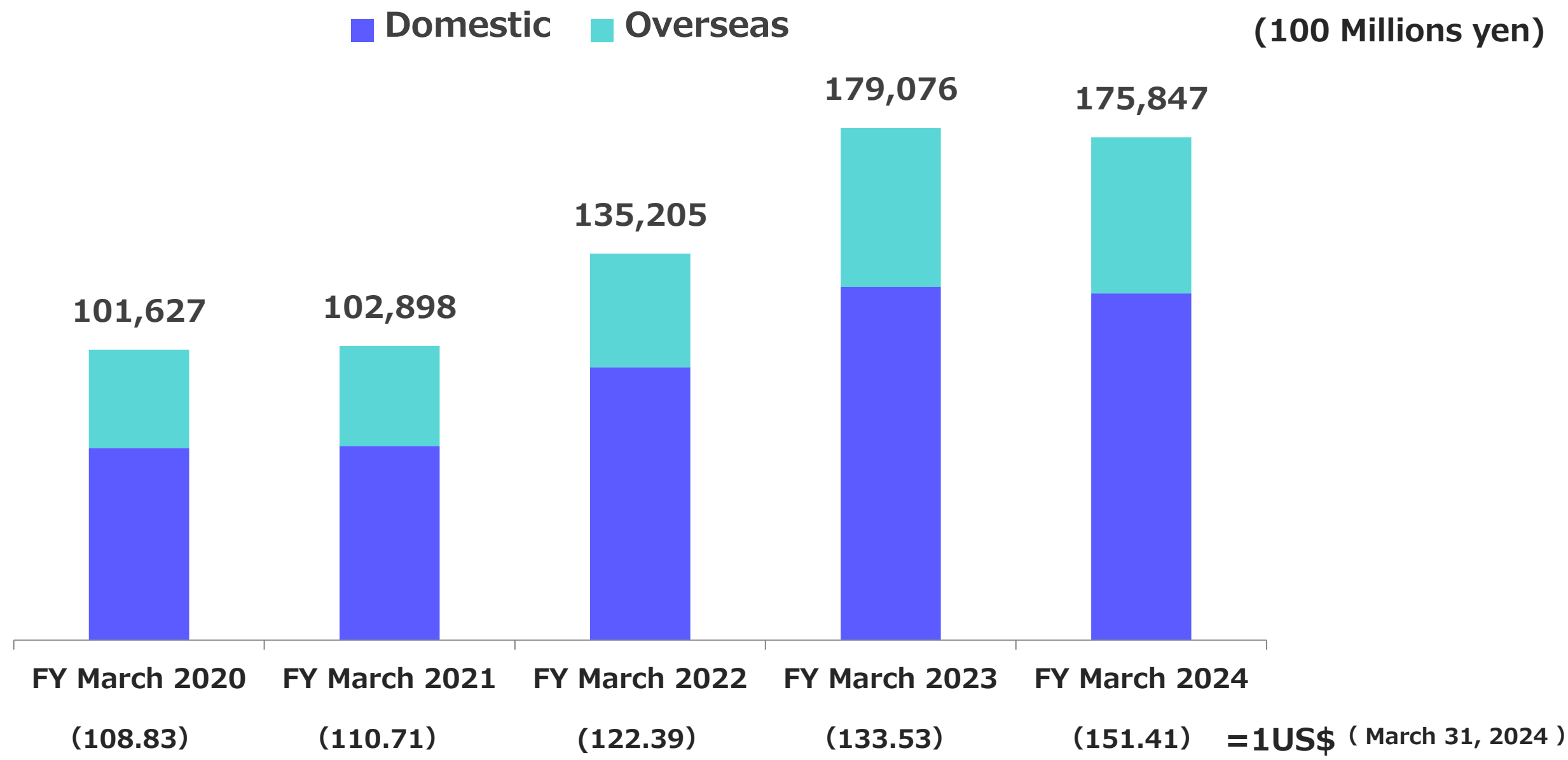


Analysis on factor of increase / decrease in sales Compared with the previous year

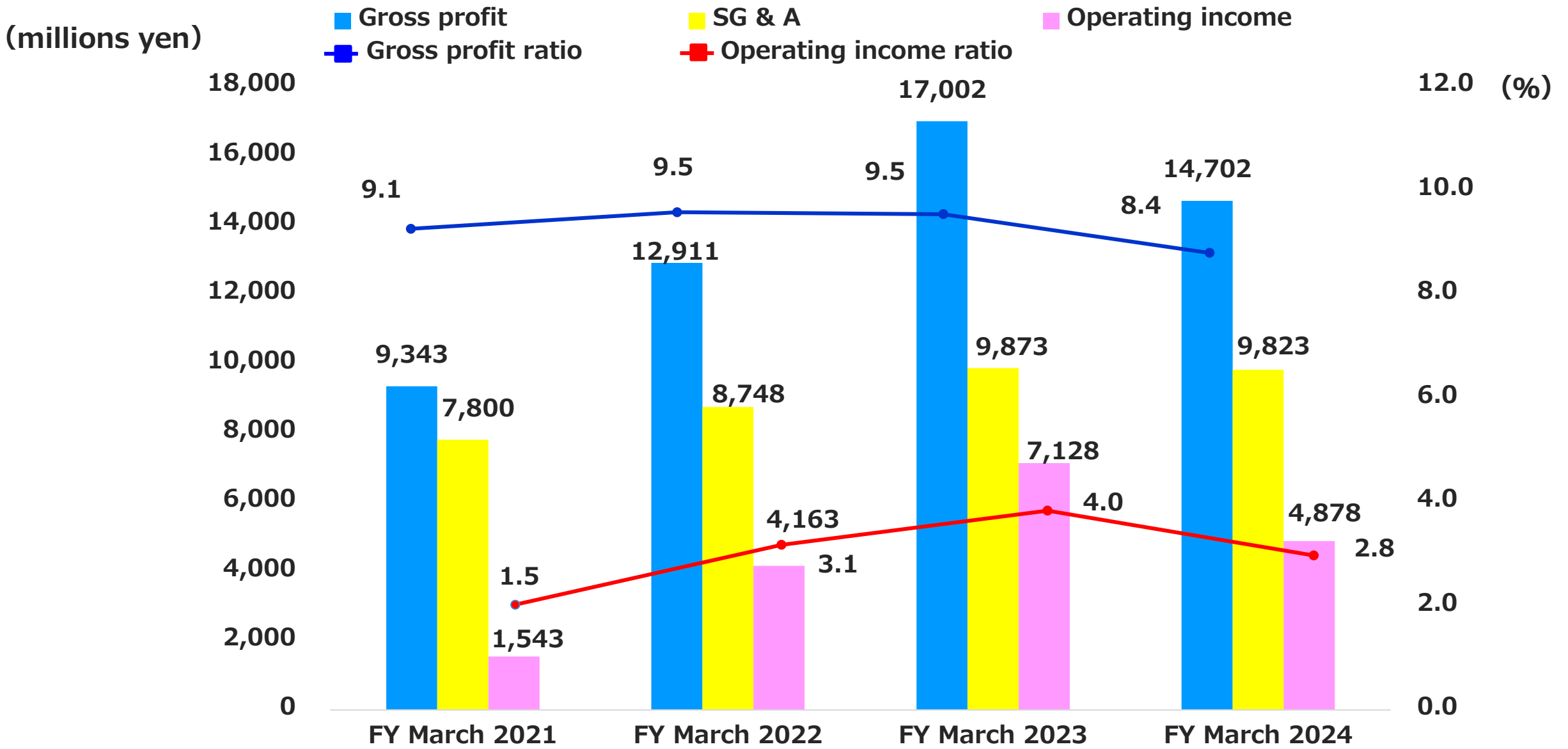
(100 Millions yen)



Trend of Net sales



Gross profit / Gross profit ratio / SG & A Transition



Summary Balance Sheet 1 (Assets)

(Millions yen)

	FY March 2023	FY March 2024	Increase / decrease
Total assets	98,827	99,813	986
Current assets	92,720	92,829	109
Cash and deposits	10,929	13,389	2,460
Notes receivable, accounts receivable and contract assets	38,531	36,410	(2,121)
Products	31,384	31,683	299
Accounts receivable	11,679	11,128	(551)
Fixes assets	6,107	6,983	876
Tangible fixed assets	771	693	(78)
Investment securities	3,458	4,465	1,007

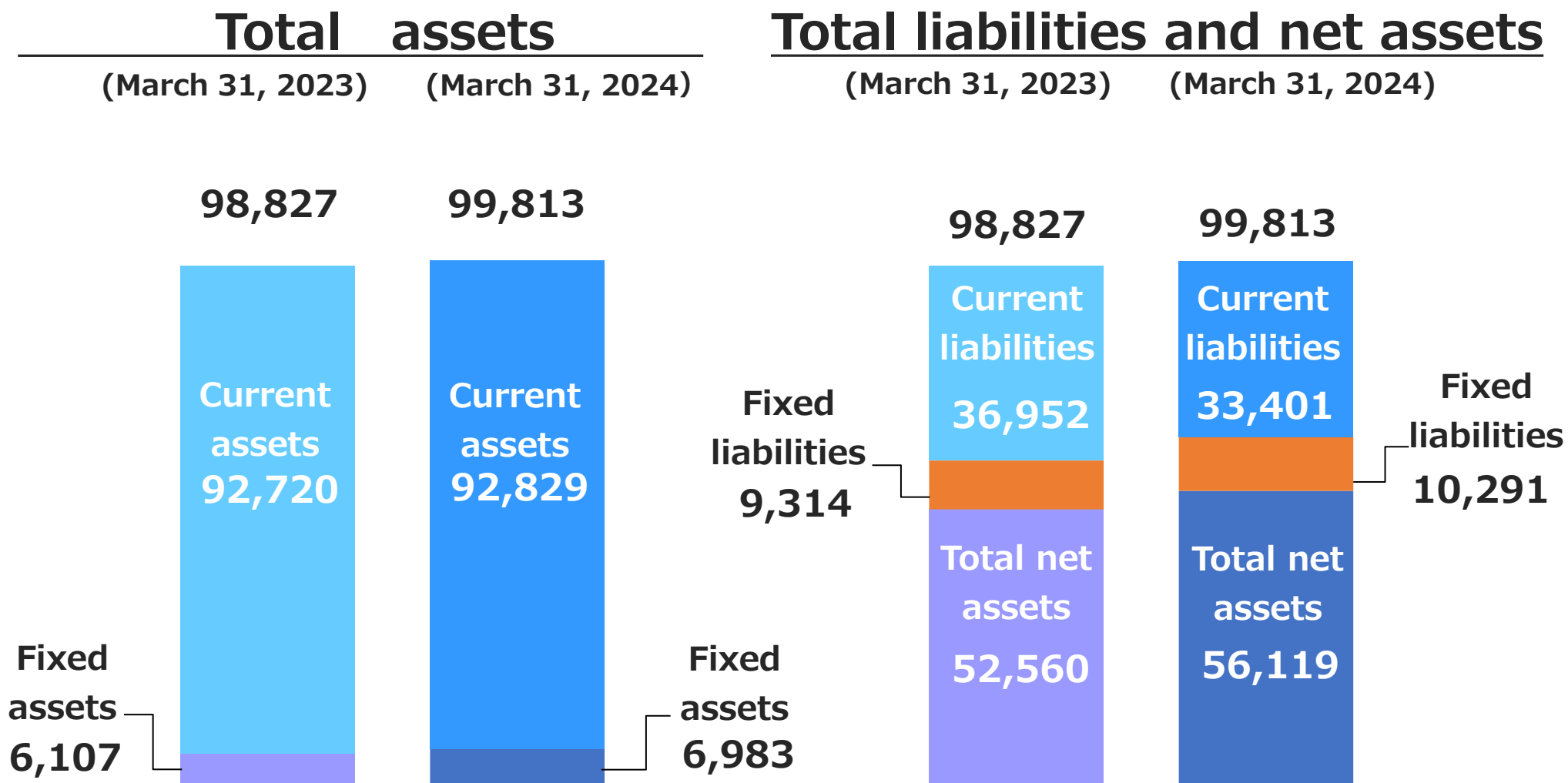
Summary Balance Sheet 2 (Liabilities and Net assets)

(Millions yen)

	FY March 2023	FY March 2024	Increase / decrease
Total liabilities	46,266	43,693	(2,573)
Current liabilities	36,952	33,401	(3,551)
Trade notes and accounts payable	16,061	16,354	293
Electronically recorded debt	2,350	2,400	50
Short-term debt	9,025	8,982	(43)
Current portion of long-term debt	1,600	700	(900)
Accounts payable – other	3,621	1,359	(2,262)
Total non-current liabilities	9,314	10,291	977
Long-term debt	7,200	7,800	600
Total net assets	52,560	56,119	3,559
Capital and capital surplus	19,100	19,100	–
Retained earnings	33,577	34,518	941
Treasury stock	(4,608)	(4,585)	23
Total liabilities and net assets	98,827	99,813	986
Capital adequacy ratio	52.5%	55.4%	2.9%

Consolidated Balance Sheet

(Millions yen)



Consolidated Cash Flows

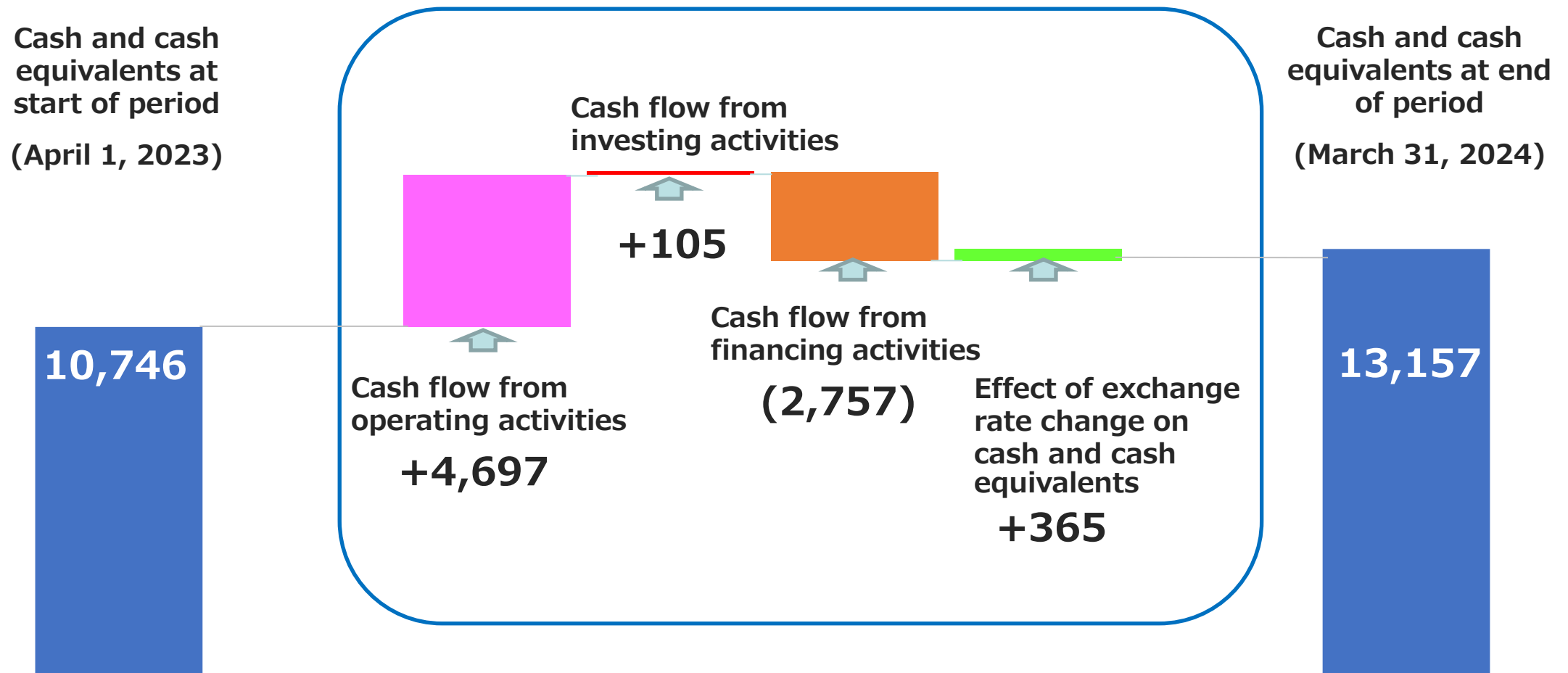
(Millions yen)

	FY March 2023	FY March 2024	Transition
Cash flow from operating activities	(905)	4,697	5,602
Cash flow from investing activities	9	105	96
Cash flow from financing activities	682	(2,757)	(3,439)
Cash and cash equivalents at end of period	10,746	13,157	2,411

Consolidated Statements of Cash Flows

FY March 2024 (April 1, 2023-March 31, 2024)

(Millions yen)



Returning to shareholders

Our basic policy is to pay dividends with a target consolidated payout ratio of 50% in consideration of the balance between stable and continuous distribution of dividends to shareholders and investment in the growth strategy. Consequently, the dividends will be as follows.

Fiscal year ended	Annual dividends per share			Payout ratio (Consolidated)
	2nd quarter-end	Fiscal year-end	Total	
March 31, 2024	26.50 yen	22.00 yen	48.50 yen	50.2%

Fiscal year ended	Annual dividends per share			Payout ratio (Consolidated)
	2nd quarter-end	Fiscal year-end	Total	
March 31, 2023	29.00 yen	40.00 yen	69.00 yen	50.1%

Our business status

Business Status

1. Business status of Renesas Electronics

2. Sales trends of overseas business

3. Business situations surrounding our core markets

Business Status

1. Business status of Renesas Electronics

2. Sales trends of overseas business

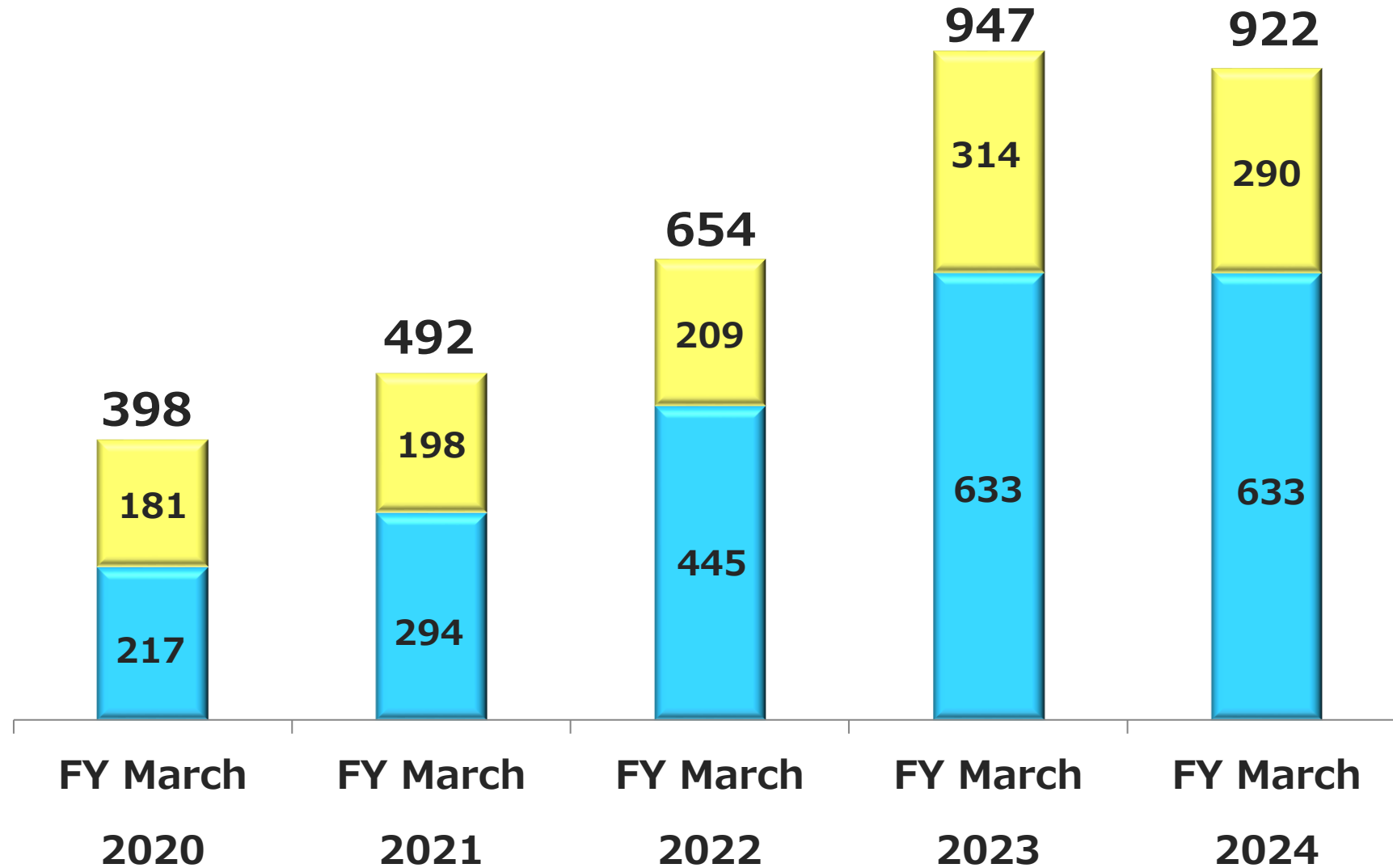
3. Business situations surrounding our core markets

1-1. Renesas Electronics Business

【 Sales Trends 】

■ Domestic ■ Oversea

(100 million yen)

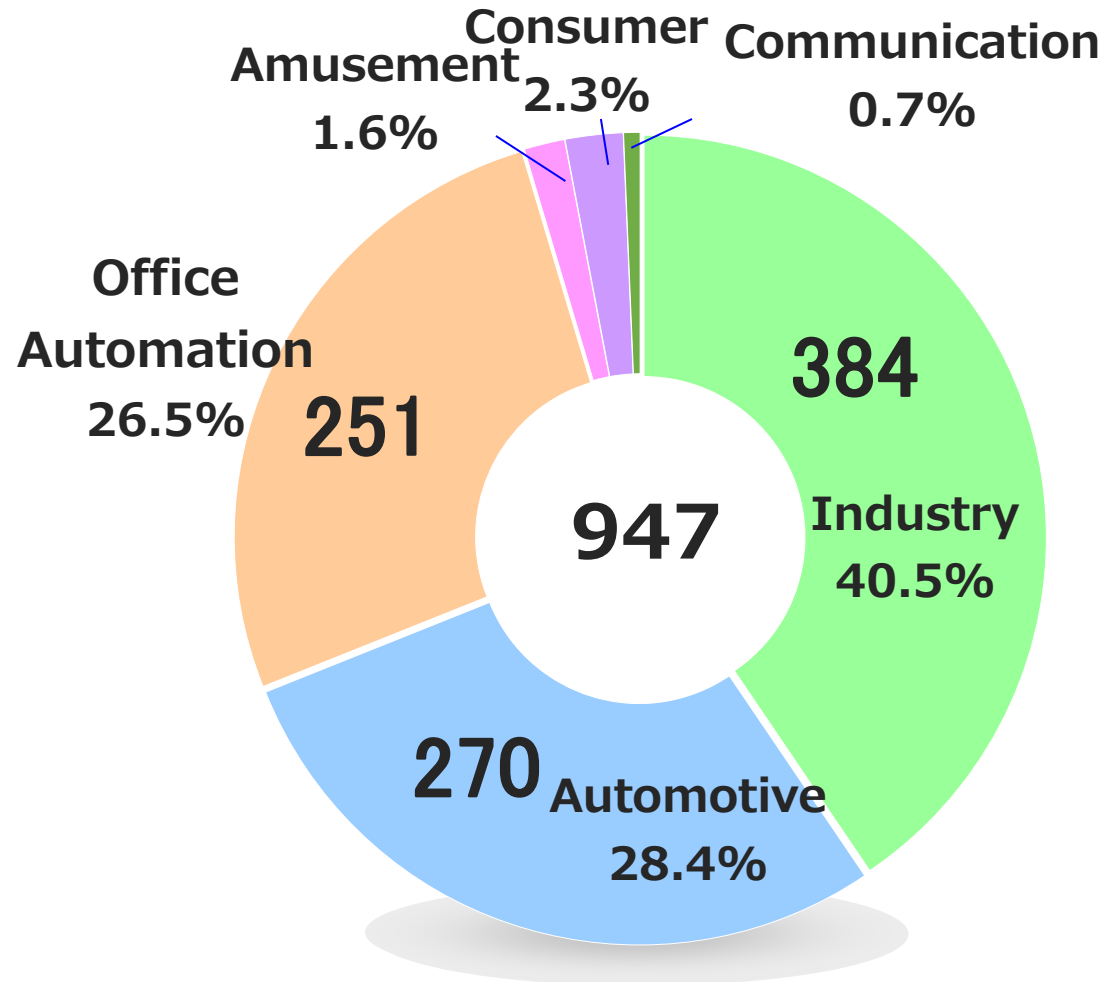


1-2. Renesas Electronics Business

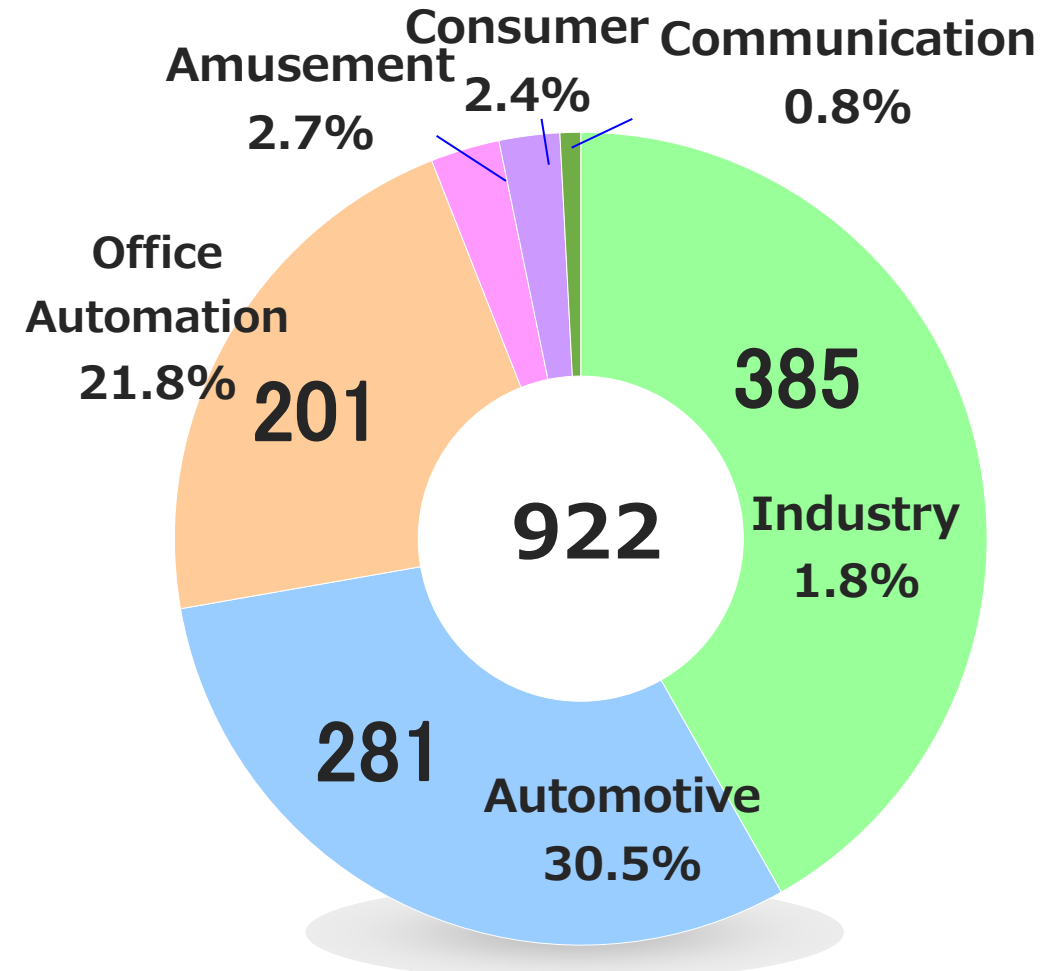
Sales by Segment Year-on-Year Comparison

(100 Million yen)

FY March 2023



FY March 2024



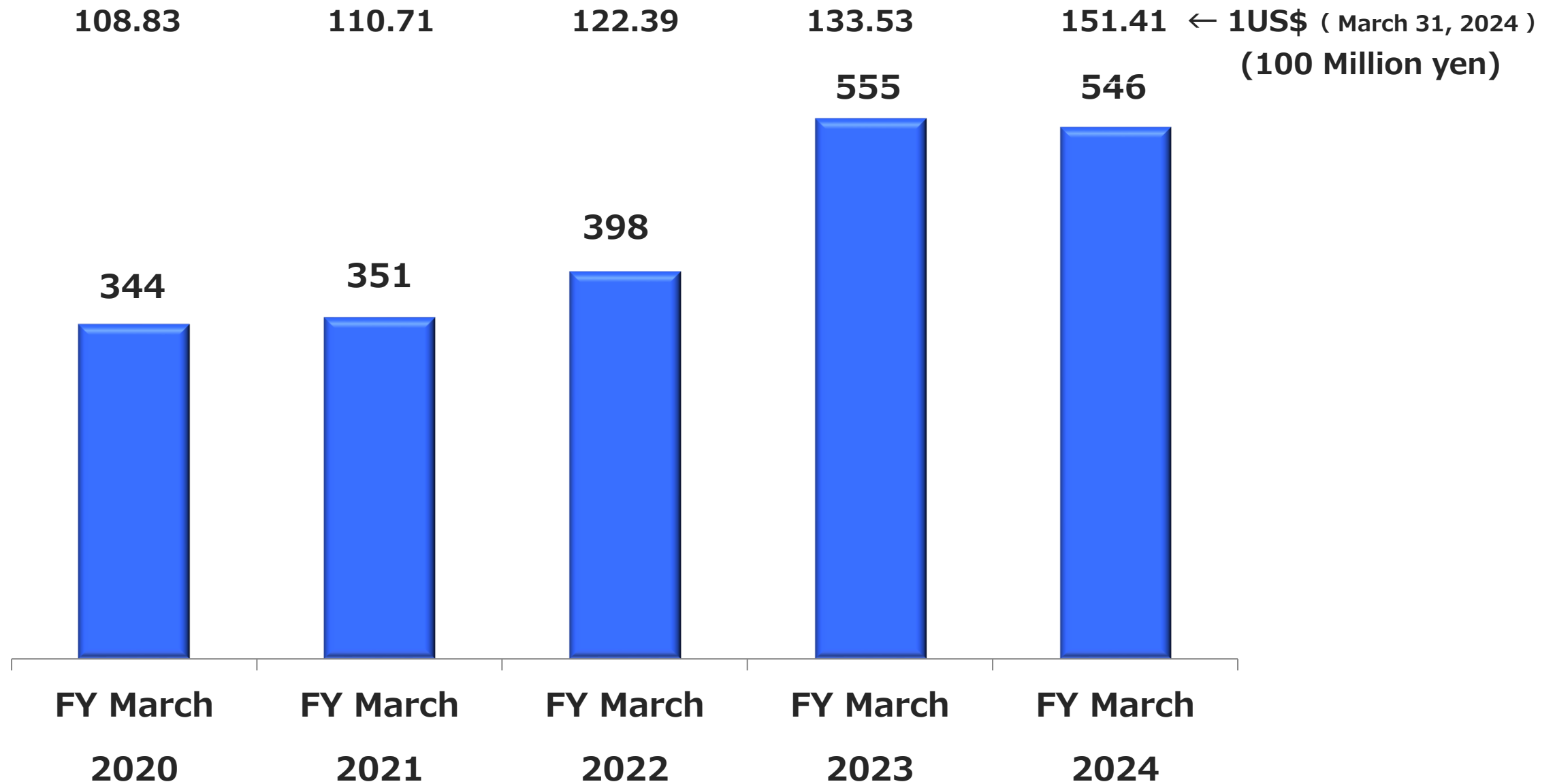
Business Status

1. Business status of Renesas Electronics

2. Sales trends of overseas business

3. Business situations surrounding our core markets

2. Overseas Business Sales Trends



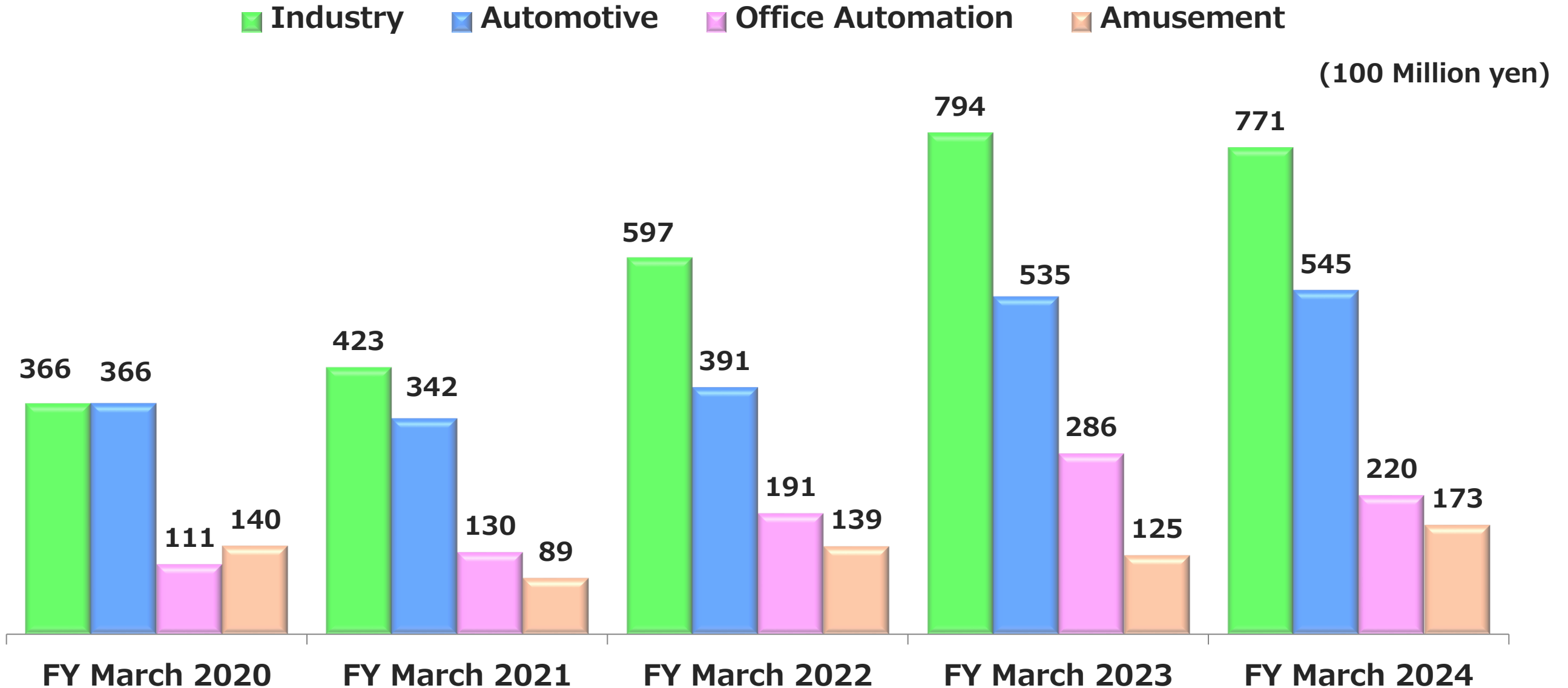
Business Status

1. Business status of Renesas Electronics

2. Sales trends of overseas business

3. Business situations surrounding our core markets

3. Core Market Sales Trends

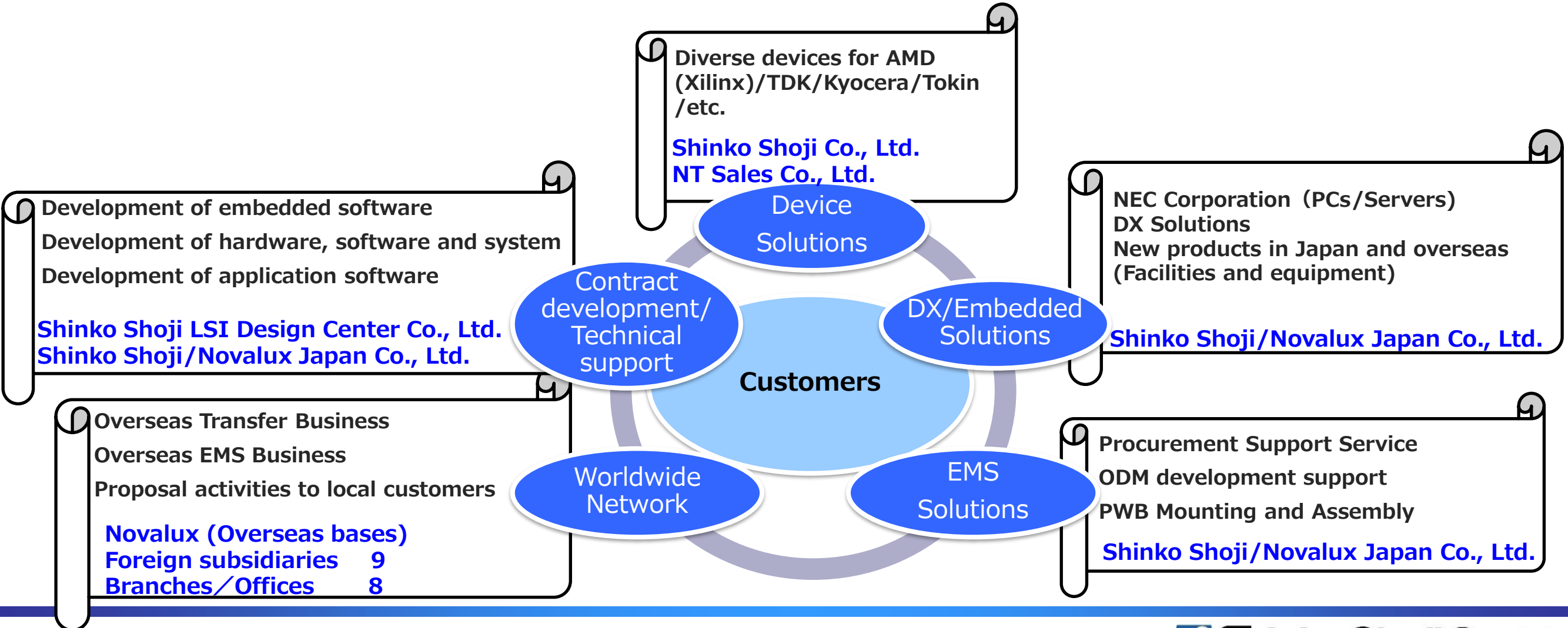


Growth strategy

- **Expansion of solution business**
- **Building a new business model by creating and expanding new core products**

Growth strategy (Our business market)

For our customers' success, Shinko Shoji not only offers products and optimal logistics proposals, but also offers business solutions tailored to their needs, such as technical support, development coordination, EMS business, and overseas expansion. We also contribute to the realization of sustainable society through the provision of our services.



Growth strategy (Product-Market Growth Matrix)

		Lineup	
		existing	new
Market	existing	<p>-Market penetration- Contribute to society through electronics by improving CS/SS! ※CS : Customer Satisfaction SS : Supplier Satisfaction</p>	<p>-New products/New suppliers- Creation and expansion of new core products →Promoting new supplier development</p>
	new	<p>-New market development- Promoting new customer development → · Customer development both domestically and internationally · Sales expansion of existing suppliers</p>	<p>-Diversification- Expansion of solution business →Solution business centered on AI (introducing an example)</p>

Growth strategy (Creation and expansion of new core products)

- We will strongly promote the development of **new suppliers** and for early start-up.

Main customers

OA customers

industrial robot customers

Blockchain related customers

Automotive display customers

- Semiconductor manufacturing customers
- Railway signal/traffic signal customers
- Automotive equipment customers
- PLC related customers
- Vending machine related customers
- Smart meter customers
- Amusement equipment customers

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Shinko Shoji

Semiconductor category

new suppliers

SoC

A社

B社

C社

MCU

D社

E社

Analog &
Power

E社

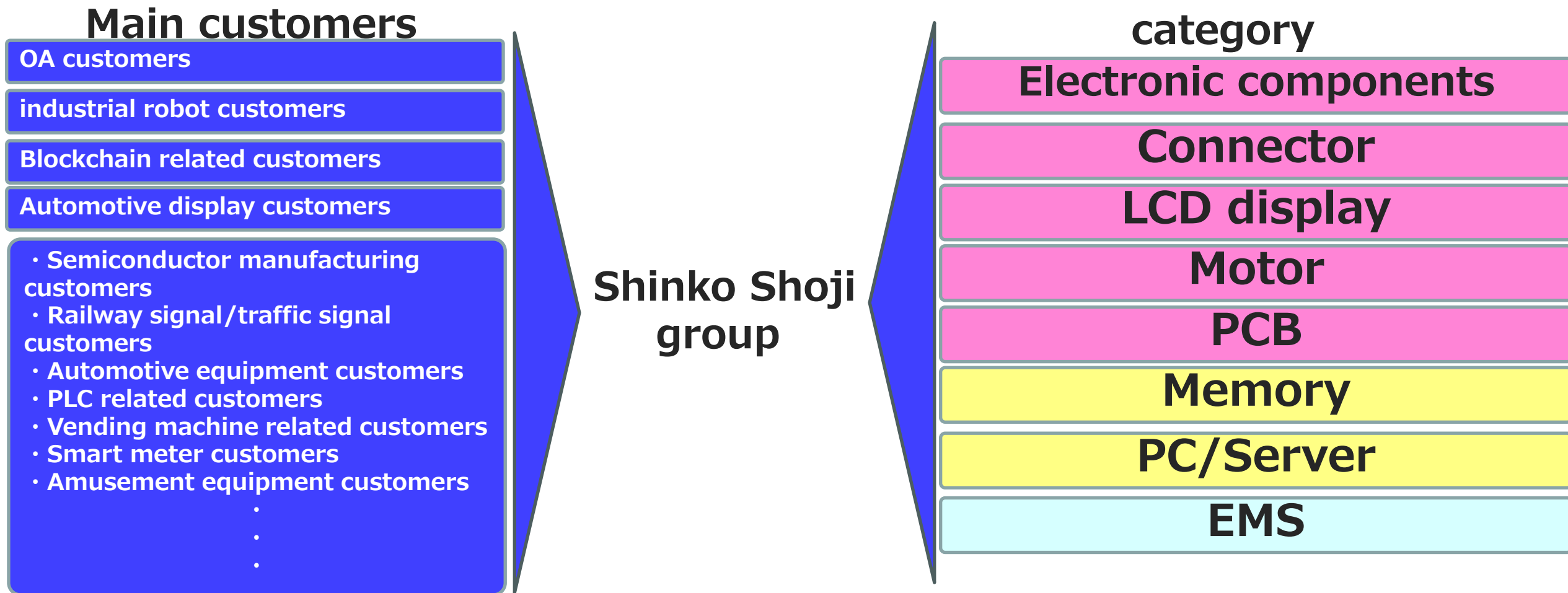
F社

G社

Growth strategy

Contribute to society through electronics by improving CS/SS!

- We will promote sales expansion with **new suppliers**.
- We will reconfirm **existing excellent suppliers** and promote sales expansion both domestically and internationally.

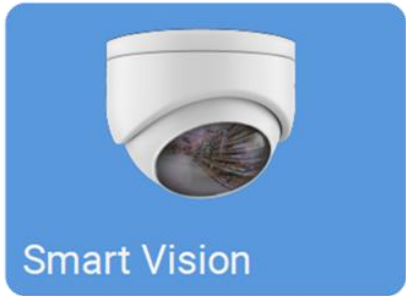


Growth strategy (Expansion of solution business①)

- **Shinko Shoji concludes an exclusive sales contract with US startup company SiMa.ai in Japan!**
- **Compete against N company SoC with high performance & low power image AI device!**

Target application

It is the perfect solution for "mobile products" and "high-performance AI systems."



product (SoC, Board, etc)

SiMa.ai社製AI SoC「ML SoC」

ML Accelerator achieves 50 TOPS with low consumption.
Application control with ARM® CortexA65×4

ML SoC



ML SoC development kit



production board

Elevate Your ML Journey:

HHHL Production Board



Dual M.2 Production Board

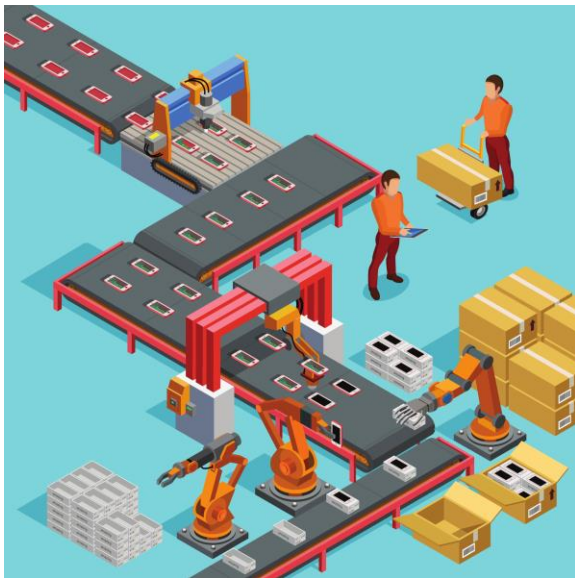


Growth strategy (Expansion of solution business②)

- Shinko Shoji realizes AI solutions for sound sources and vibrations!
- Contribute to customers' production efficiency through preventive maintenance!

Target application

- General factory equipment
- High performance microphone & high sensitivity vibration sensor
- Detecting signs of process trouble from abnormal noises and vibrations in the production process

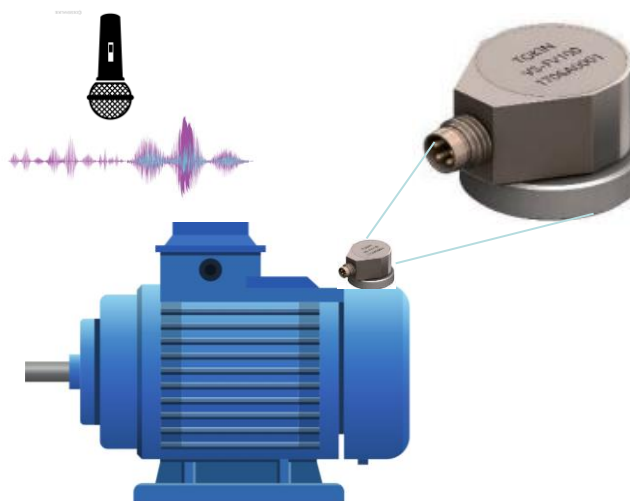


AI-equipped abnormal noise/vibration diagnosis solution

- Detects minute vibrations using a TOKIN vibration sensor.
- A high-performance microphone detects abnormal noise and diagnoses the difference from normal noise.

TOKIN vibration sensor/high performance microphone

- Maximum detected acceleration 10m/S^2 @160Hz
- Can be retrofitted to existing equipment



NEC mini PC+AI Solution

- NEC compact box type controller



- Use of compact embedded PC
- Let AI learn vibration waveforms and sound source waveforms
- Diagnosis is carried out based on slight changes before they become abnormal.

“predictive detection” to
“preventive maintenance”

Future Prospects

Business Outlook for the FY March 2025

(Million yen)

	Results for the fiscal year ending March 2023	Forecast for the fiscal year ending March 2024	YOY	Increase and decrease
Net sales	175,847	112,000	(36.3%)	(63,847)
Operating income	4,878	1,000	(79.5%)	(3,878)
Ordinary income	4,768	1,000	(79.0%)	(3,768)
Profit attributable to owners of parent	3,194	1,000	(68.7%)	(2,194)

Shareholder return for the FY March 2024

The Company plans to pay a dividend of approximately 50% of the consolidated dividend payout ratio based on the full-year earnings forecast as follows.

● Dividend per share

	FY March 2025 forecast
2nd quarter-end	7.50 yen
Fiscal year-end	8.00 yen
Annual	15.50 yen
Consolidated dividend payout ratio	51.3%

Concerning Withdrawal of Medium-term Management Plan

1. Background of withdrawal of the medium-term management plan

Our group (the Company and consolidated subsidiaries; hereinafter referred to as the "Group") has formulated the medium-term management plan for the fiscal year 2025 (ending March 31, 2026) in which "200.0 billion yen for net sales, 5.0 billion yen for profit, and 9.0% or higher for ROE" has been targeted as important management indicators.

However, the distribution agreement with Renesas Electronics Corporation, our major supplier is scheduled to terminate as of September 30, 2024 as announced officially on April 11, 2024.

Therefore, the Company has decided to withdraw the current medium-term management plan due to the drastic change of the presupposed business environment.

2. Future Outlook

The Group is determined to build a new business model for which solution business is expanded utilizing the technical capabilities of the Group, new core merchandises are to be created and enlarged, and to review the cost structure drastically.

Furthermore, a new medium-term management plan is to be announced officially as soon as possible after the Group carefully examines future business environment and takes it into account.

Contact Information

Shinko Shoji Co., Ltd.

Director Shuji Isshiki

Tel: (81)-3-6361-8062

Fax: (81)-3-5437-8481

e-mail: shuji.issiki@st.shinko-sj.co.jp

**Head Office: Art Village Osaki Central Tower 13F,
1-2-2, Osaki Shinagawa-ku, Tokyo 141-8540, Japan**

Website: <https://www.shinko-sj.co.jp/>