



新光商事株式会社
Shinko Shoji Co., Ltd.

Earnings Report for Fiscal 2019 (Ending March 31, 2020)

- Financial Results
- Future measures
- Full-year outlook

Jun 2020

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

Our forward-looking statements in this presentation are based on information that is available at the moment.

These forward-looking statements are based on management's assumptions and beliefs in light of the risks and uncertainties that may cause actual results to differ materially from those expressed or implied.

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 Settlement

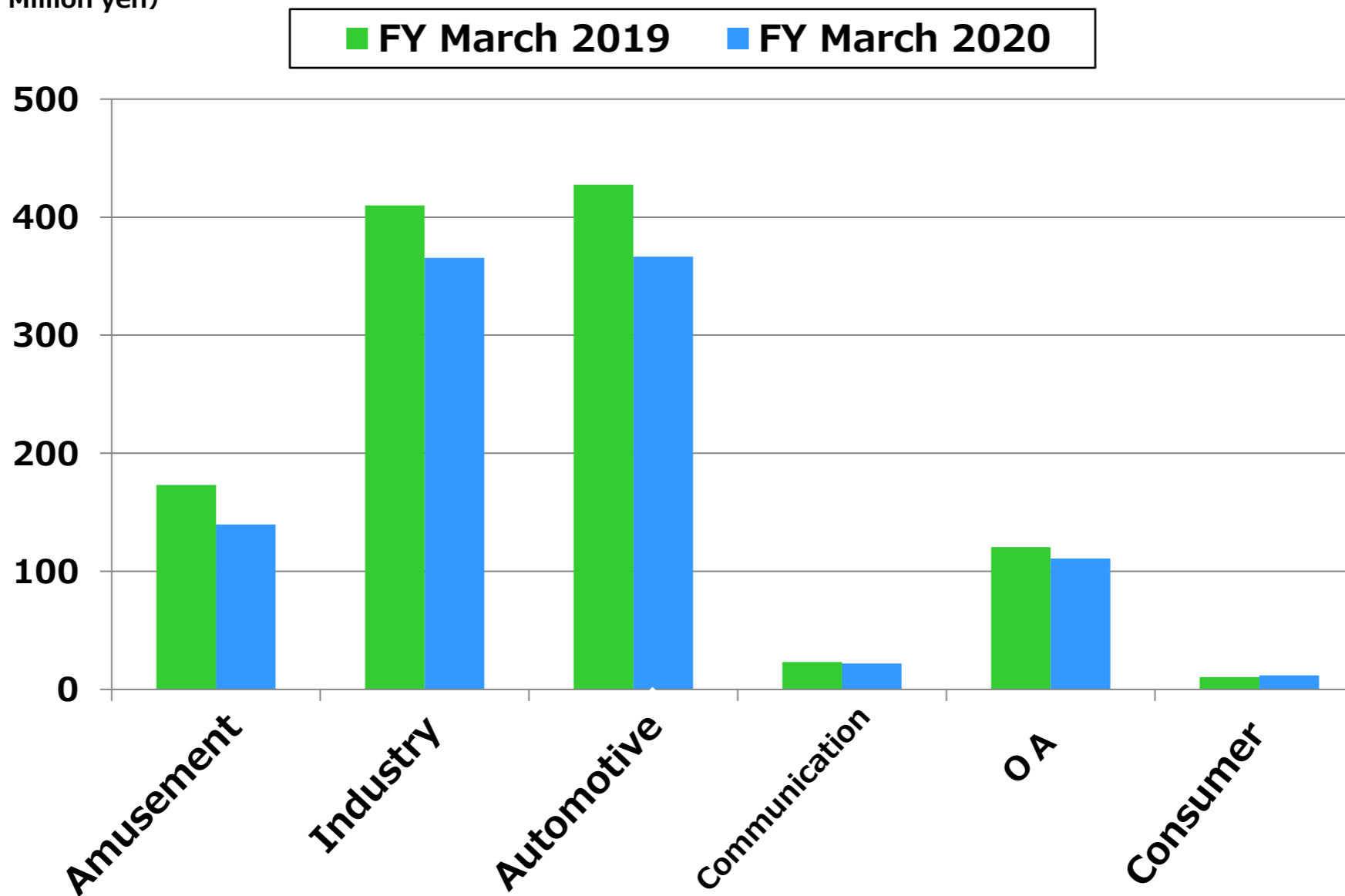
Highlights of Fiscal Year March /2020 Results

All Sales, operating income, ordinary income and net income decreased compared to Fiscal Year March/2019.

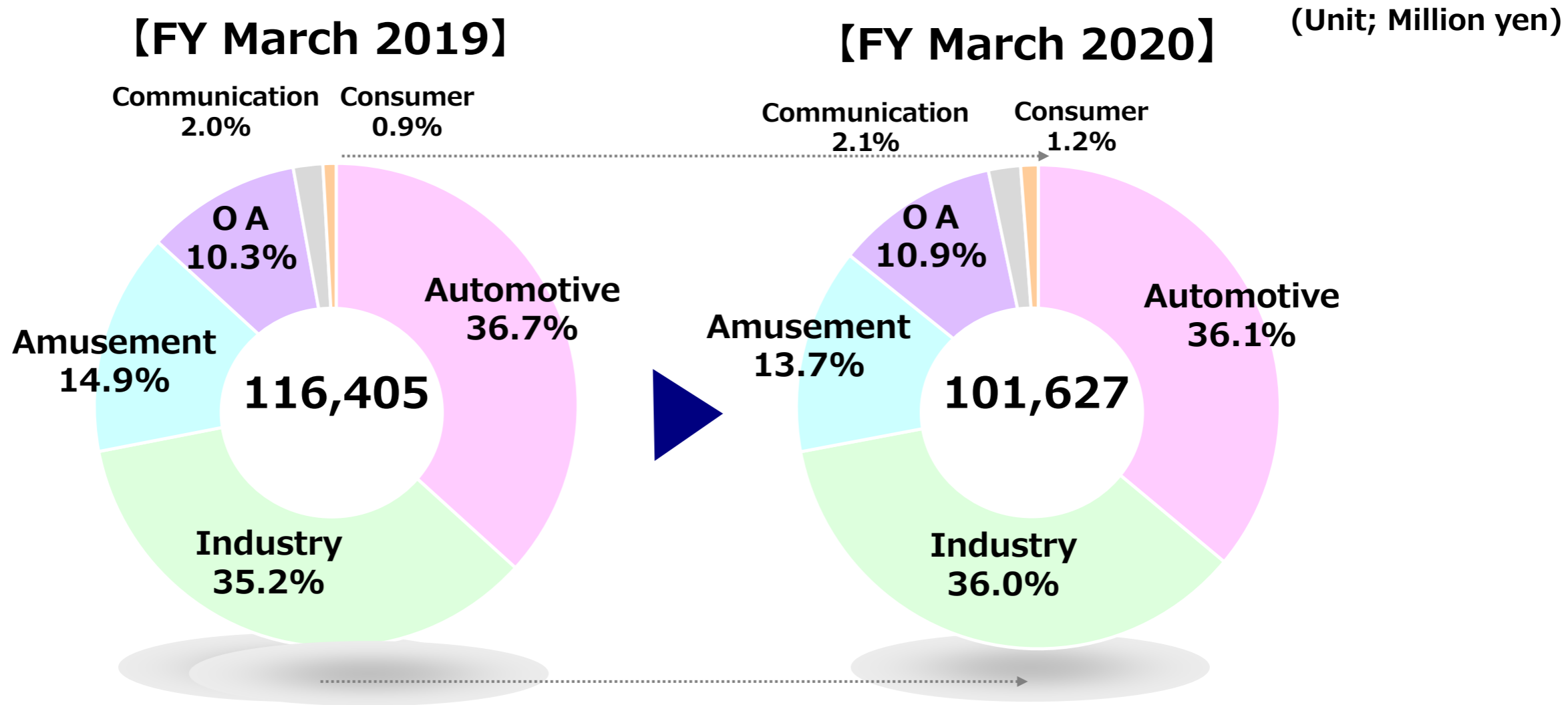
- **In addition to the slowdown in the global economy due to the prolonged US-China trade friction and the downturn in the Chinese economy, global economic activity was severely restrained due to the impact of covid-19 and the market conditions continued to slow down in the electronics industry.**
- **Shinko Group's main fields of industrial equipment area, automobile electronics area and amusement equipment area all decreased compared to previous fiscal year.**

Sales composition by field (amount)

(Unit; 100 Million yen)



Sales composition by field



Overview of Settlement

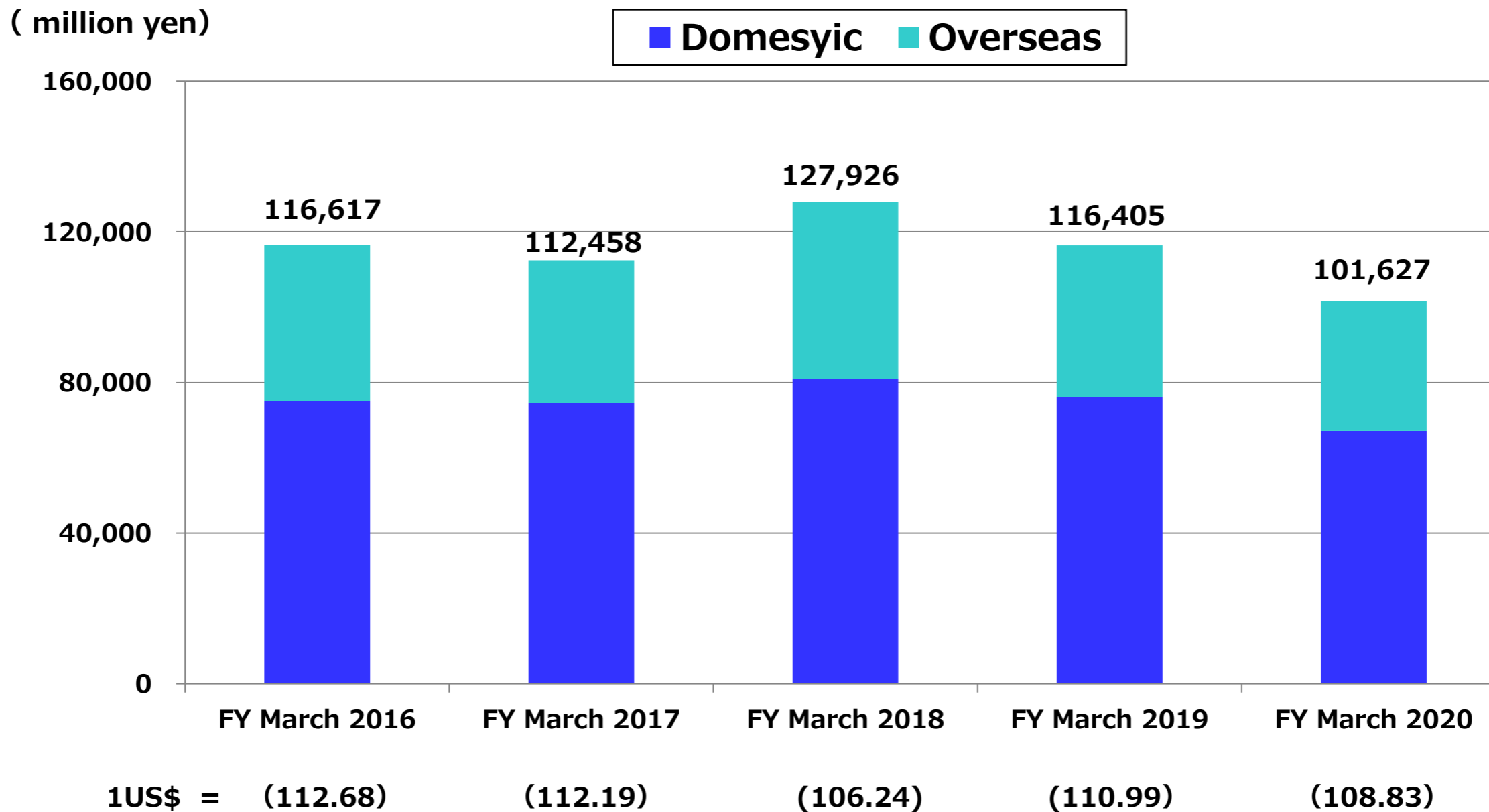
While deterioration of electronics industry's market conditions continues, sales and operating income, ordinary income and net income all decreased compared to previous fiscal year.

(Unit; Million yen)

	FY March 2019	FY March 2020	Growth Rate YoY	Increase/ Decrease (YoY)	Forecast (January 31,2019)	Comparison of performance forecasts	
						ration	amount
Net sales	116,405	101,627	87%	△14,778	110,000	92%	△8,373
Gross Profit	10,535	9,760	93%	△775	-	-	-
Selling, general and administrative expenses	8,093	8,149	101%	56	-	-	-
Operating income	2,442	1,611	66%	△831	1,500	107%	111
Ordinary income	2,299	1,771	77%	△528	1,560	114%	211
net income	1,460	1,236	85%	△224	1,000	124%	236
Net income per share	¥36.14 (Note)	¥32.93	-	△¥3.21	¥25.99	-	¥6.94
Dividend per share (Year)	¥55.00	1H ¥27.00 2H ¥14.00	-	-	-	-	-

(Note) We conducted a 2-for-1 stock split of common stock on October 1, 2019.
Net income per share has been calculated as if this stock split had taken place at the beginning of the previous fiscal year.

Sales Trend

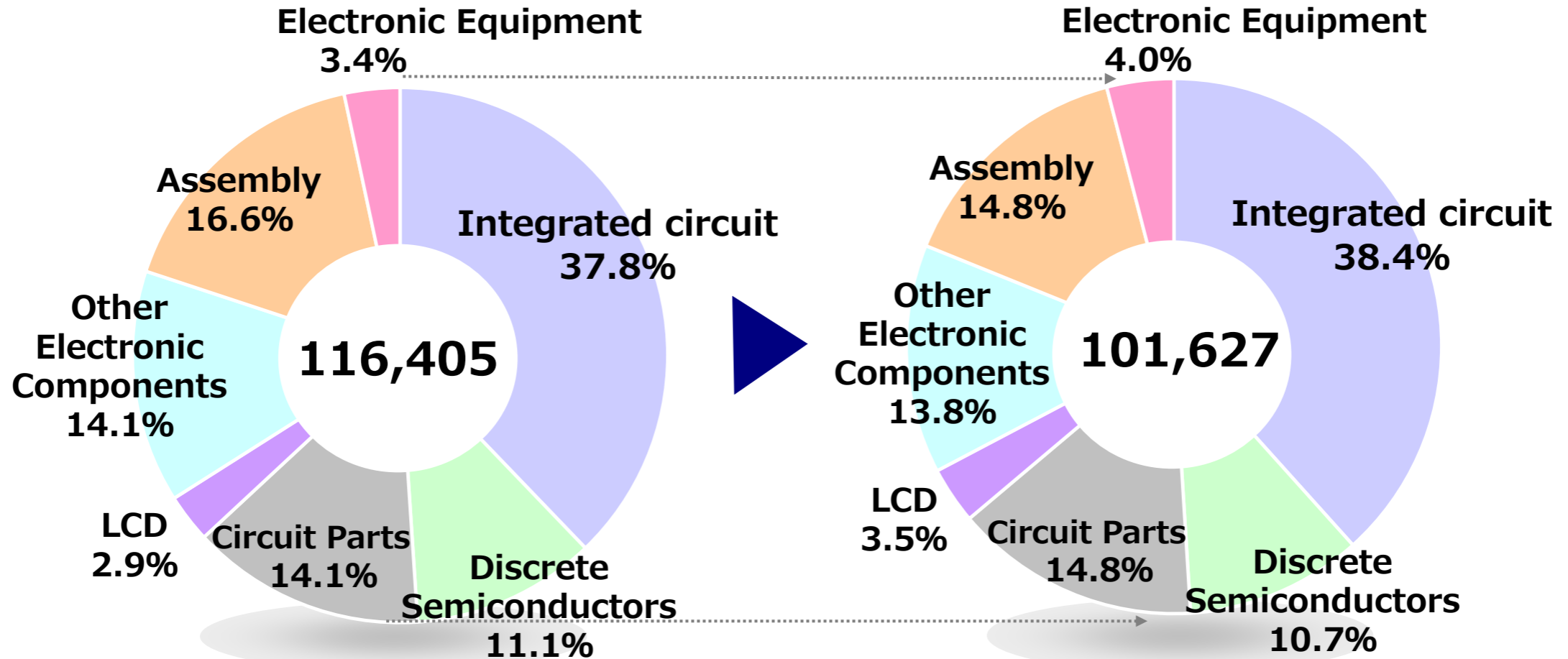


Sales composition ratio by product

【FY March 2019】

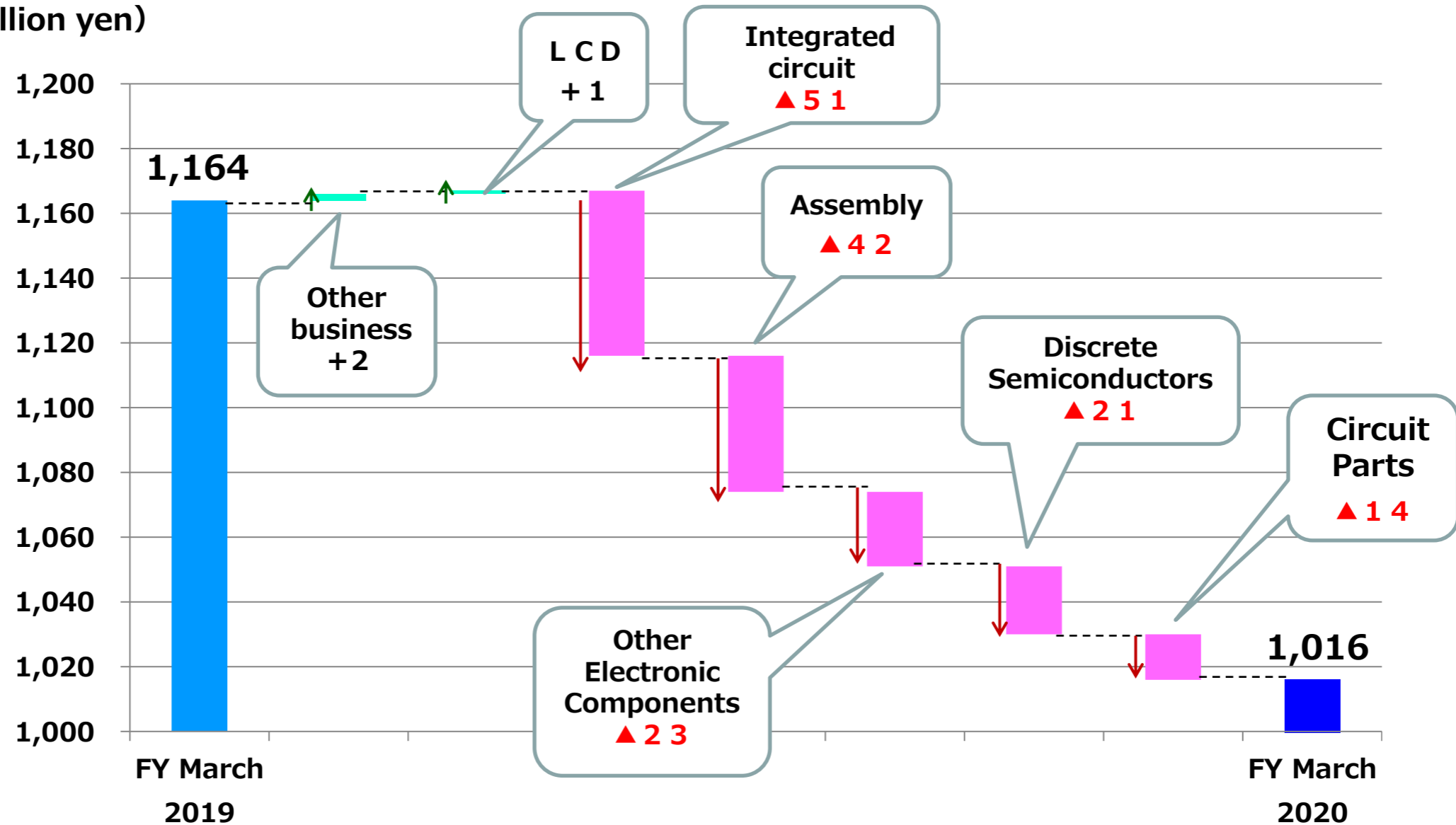
【FY March 2020】

(Unit; Million yen)

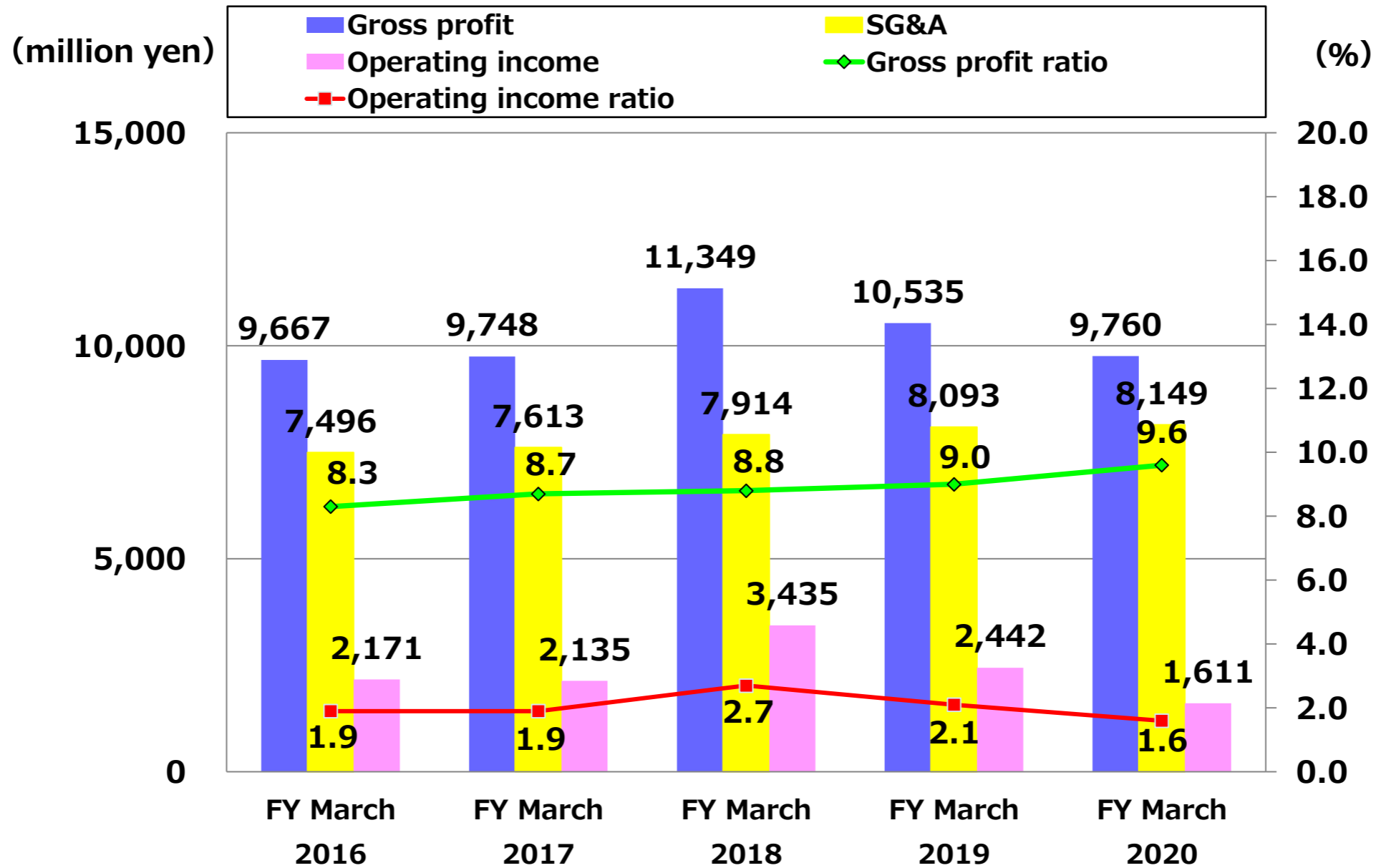


Analysis on factor of increase / decrease in sales Compared with the previous year

(100 million yen)



Gross profit / Gross profit ratio / SG & A Transition



Consolidated income statement

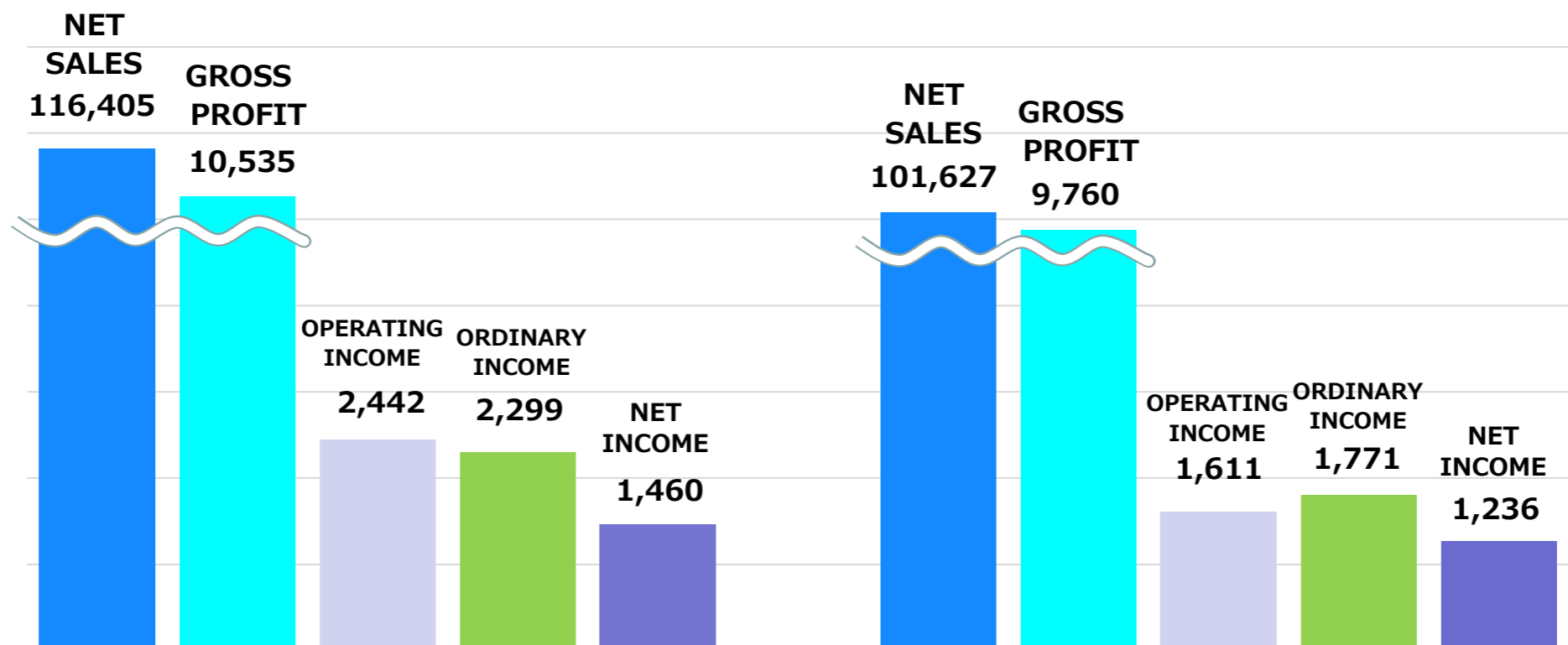
(Unit; Million yen)

FY March 2019

(April 1,2018~March 31,2019)

FY March 2020

(April 1,2019~March 31,2020)



The main increase and decrease such as non-operating profit and loss, the special profit and loss

(Unit; Million yen)

	FY March 2019	FY March 2020	Increase / decrease
Operating income	2,442	1,611	△831
non-operating profit and loss	△143	161	304
Ordinary income	2,299	1,771	△528
Special profit	2	372	370
Special loss	3	269	266
Income before income taxes and minority interests	2,297	1,874	△423
Corporation tax, etc.	810	615	△195
profit (loss) attributable to non- controlling interests	27	22	△5
profit (loss) attributable to owners of parent	1,460	1,236	△224

Summary Balance Sheet 1

(Unit; Million yen)

	FY March 2019	FY March 2020	Increase / decrease
Total assets	75,295	71,993	△3,302
Current assets	69,404	66,363	△3,041
Cash and deposits	20,179	24,002	3,823
Notes and accounts receivable	24,016	20,525	△3,491
Products	16,447	14,892	△1,555
Raw materials	832	—	△832
Accounts receivable	7,759	6,706	△1,053
Fixed assets	5,890	5,630	△260
Tangible fixed assets	799	855	56
Investment securities	2,714	2,277	△437

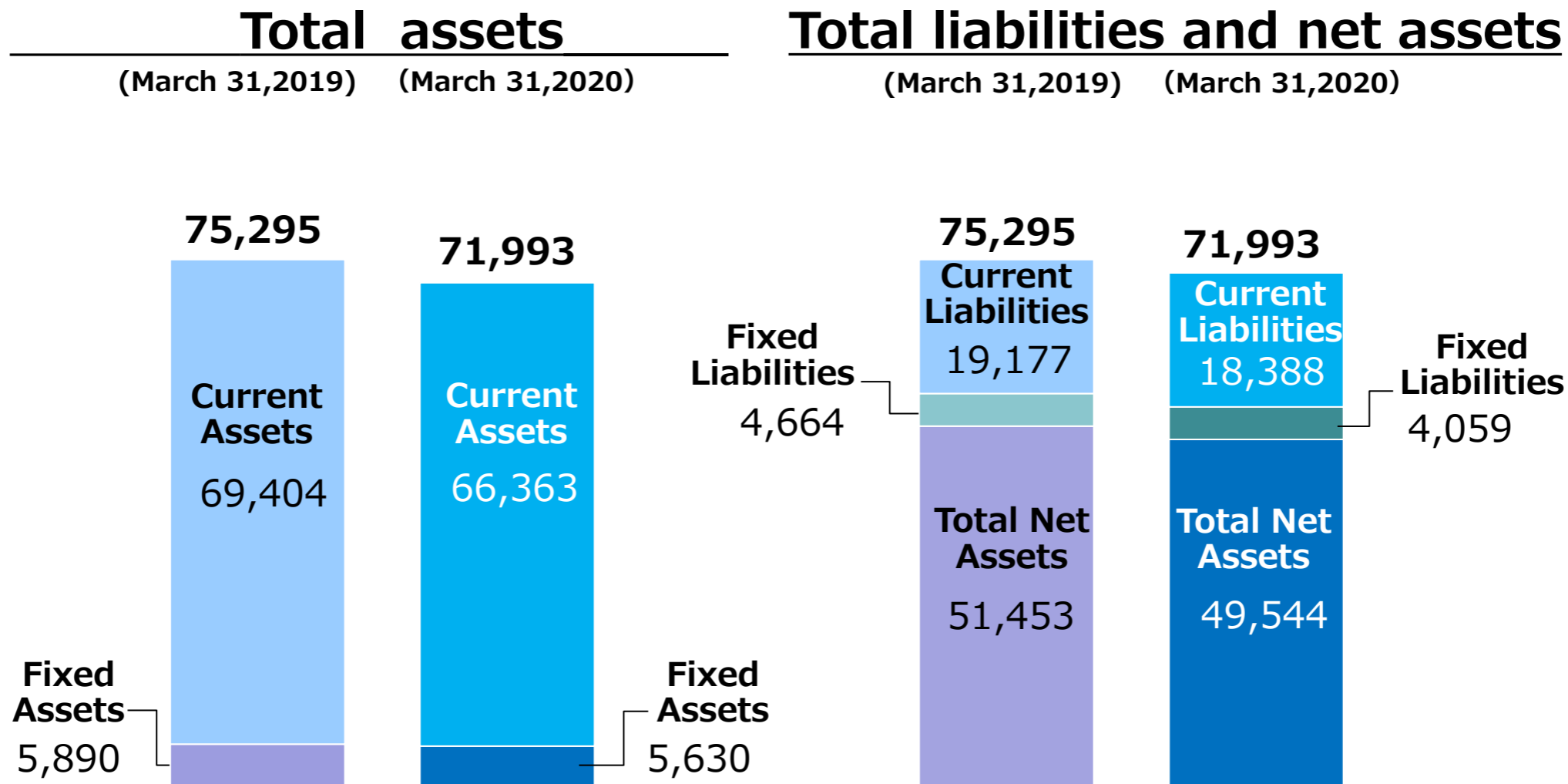
Summary Balance Sheet 2

(Unit; Million yen)

	FY March 2019	FY March 2020	Increase / decrease
Total liabilities	23,841	22,448	△1,393
Current Liabilities	19,177	18,388	△789
Trade notes and accounts payable	11,403	11,232	△171
Electronically recorded debt	3,441	2,289	△1,152
Short-term debt	1,464	1,466	2
Current portion of long-term debt	-	600	600
Fixed liabilities	4,664	4,059	△605
Long-term debt	3,100	2,500	△600
Total net assets	51,453	49,544	△1,909
Capital and capital surplus	19,289	19,289	0
Retained earnings	38,939	39,064	125
Treasury stock	△8,548	△10,122	△1,574
Foreign currency translation adjustment	570	330	△240
Capital adequacy ratio	67.6%	68.0%	-

Consolidated Balance Sheet

(Unit; Million yen)



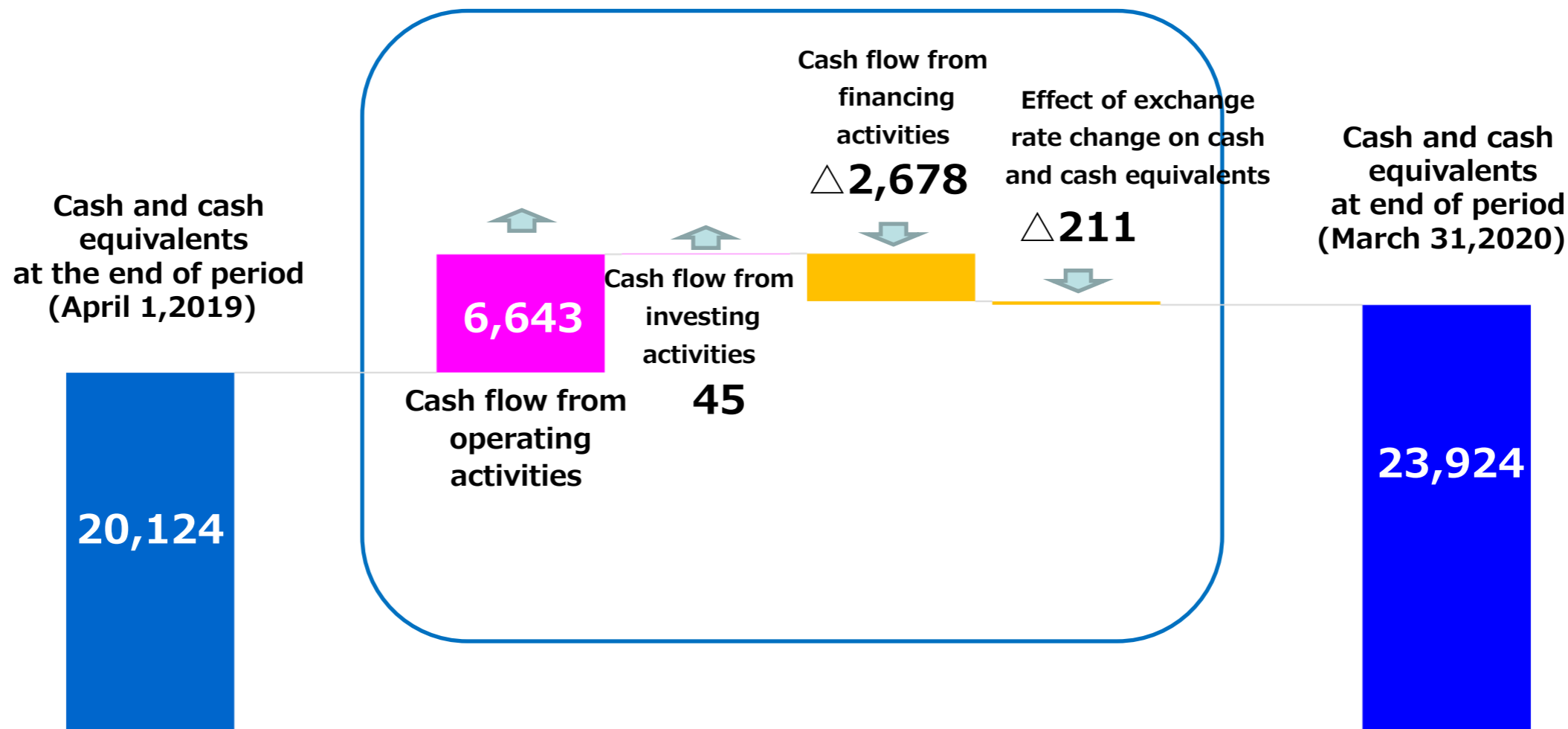
Cash Flows

(Unit; Million yen)

	FY March 2019	FY March 2020	Transition
Cash flow from operating activities	6,768	6,643	△125
Cash flow from investing activities	△102	45	147
Cash flow from financing activities	△3,071	△2,678	393
Cash and cash equivalents at end of period	20,124	23,924	3,800

Consolidated Statements of Cash Flows

FY 2019(April 1,2019~March 31,2020)



Dividends

Payout Ratio	
Dividends	¥1,048,667,254
Consolidated net income	¥1,236,811,438
Payout ratio	83.5%

Total shareholder return ratio	
Dividends	¥1,048,667,254
Share buyback	¥1,583,244,200
Total	¥2,631,911,454
Consolidated net income	¥1,236,811,438
Shareholder return rate	212.8%

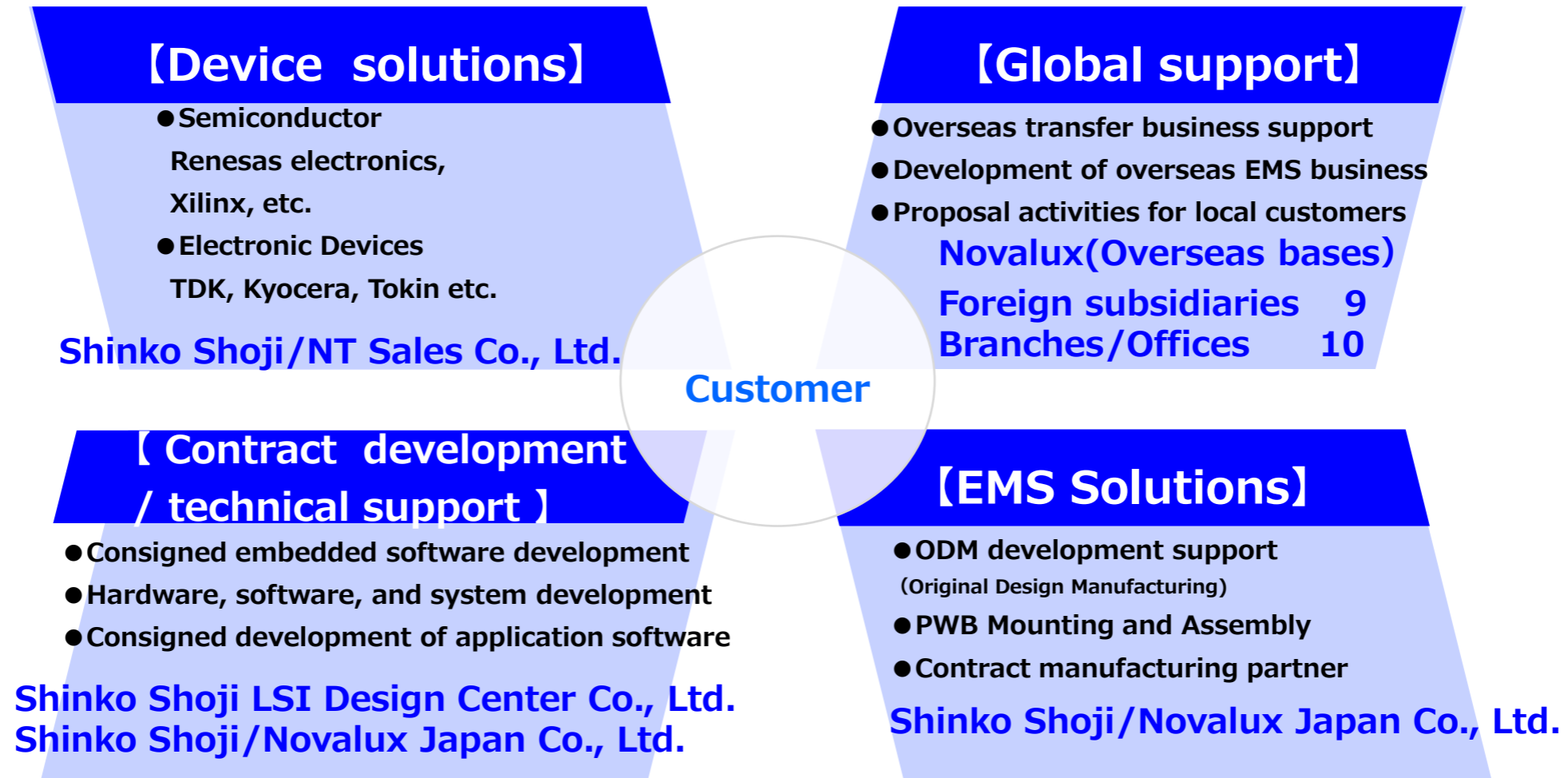
Future Policy

Future Policy

- **Renesas Electronics Business**
- **Status of each market by business**
- **To become a proposal planning based provider
(Business Proposals that contribute to society)**

Our business domains

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.



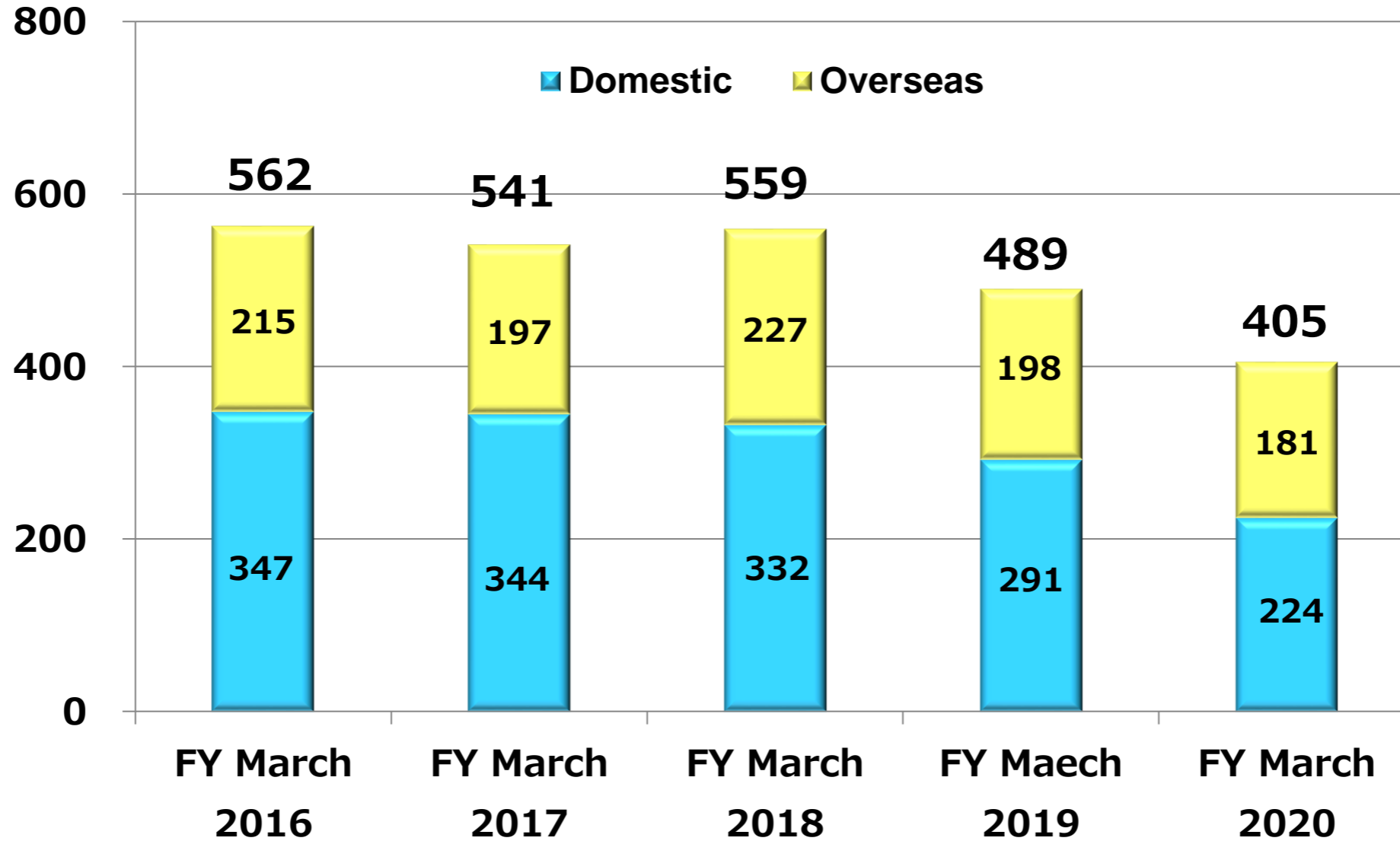
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Renesas Electronics Business

(100 million yen)

【Renesas products Sales】

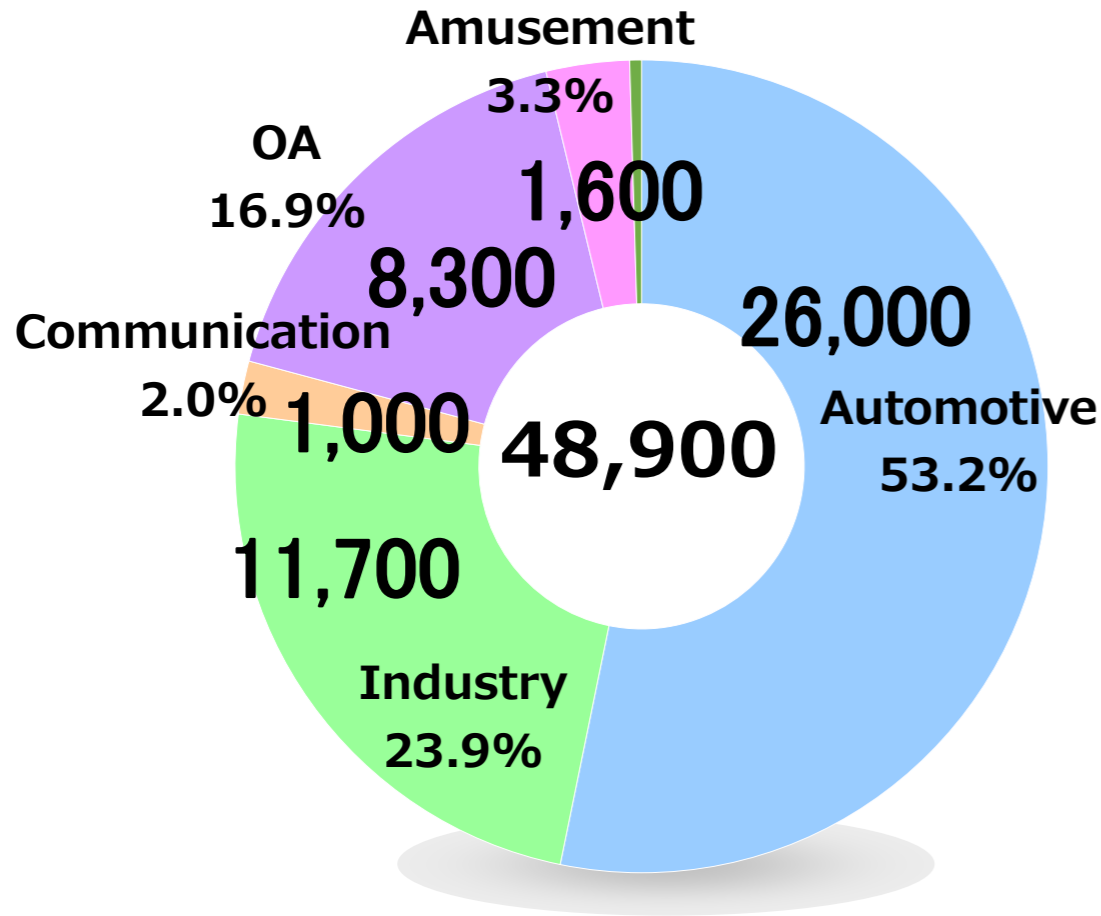


Renesas Electronics Business

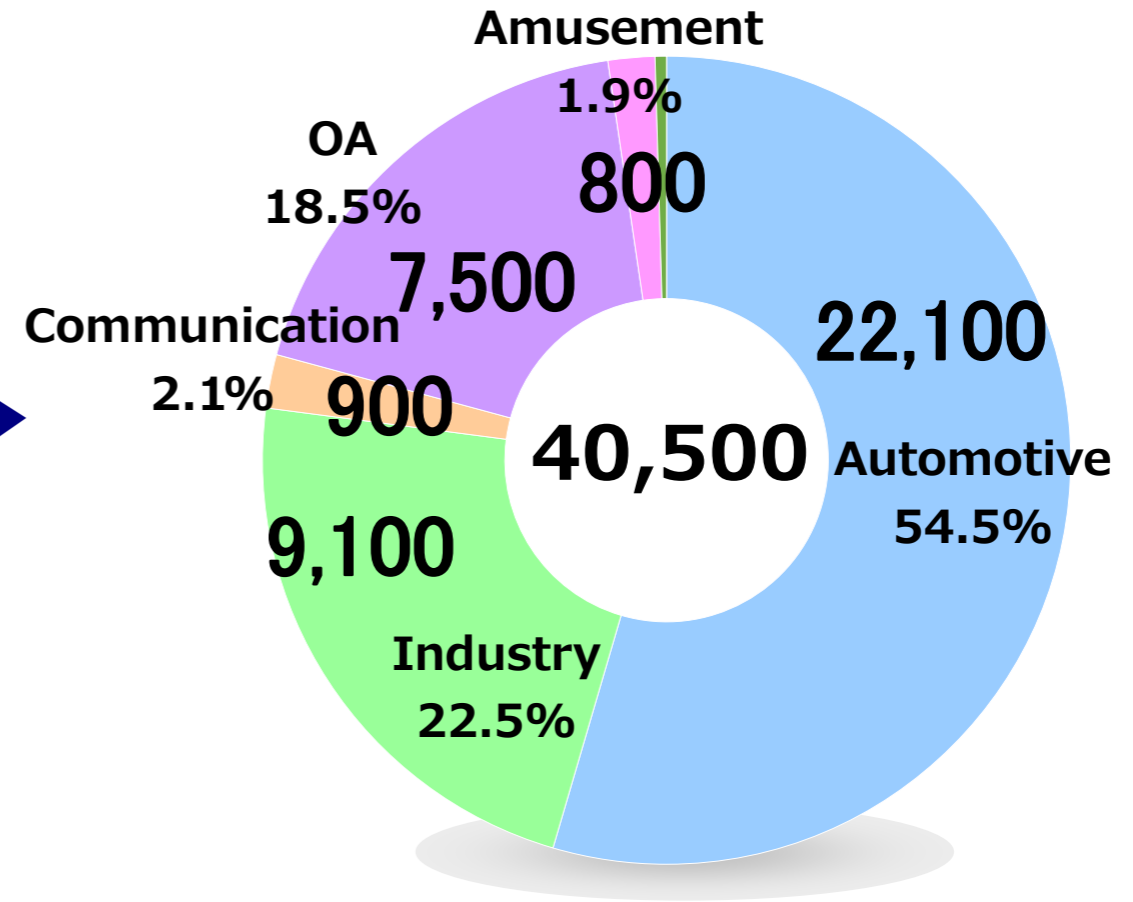
【Sales composition ratio by field】

(Unit; Million yen)

【FY March 2019】



【FY March 2020】



Collaboration with Renesas Electronics①

GAS (Air quality) Sensing Solution

New GAS Sensing Solution, that is currently under developing can be installed in equipment for volatilization which enables to utilize accurate GAS/Air quality condition to (accurate) system control to meet an increasing need

Volatile/Air quality sensing solution utilizing Renesas GAS sensor

~ Application examples ~

GAS Sensor Solution Building

*Image



[Customer benefits]
Dev. can be started immediately after mounting on equipment

Application expansion linked with wireless(LoRa)

Industry

Target : Printing equipment/Machine
Use : Ink control / Print quality control
Organic gas detection



Home appliances

Target : Air-conditioner/Heater
Use : Air-quality/Odor detection



Environment

Target : Gas Detector
Use : Outdoor air quality detection

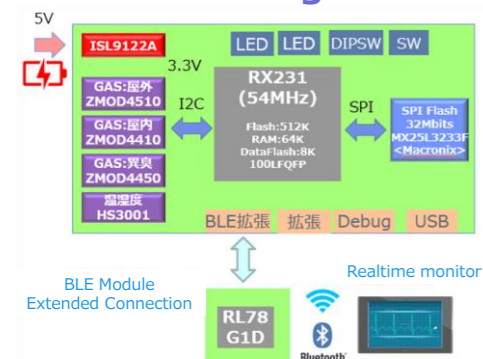


Agriculture

Target : Agriculture / Dairy farming
Use : Outdoor air quality detection



Board configuration



Renesas products implemented

- MCU
- GAS sensor
- Power supply (DC/DC)

◎ Features of GAS Sensing Solution

- Nox, O3, TVOC (*printing field) : detection
- Can be installed in the device (Battery powered)
- Measurement monitoring can be performed at a remote location using BLE
- Sensing at multiple points is possible in cooperation with LoRa etc.

Collaboration with Renesas Electronics②

Build solutions for growth fields (EV)

Battery evaluation environment solution, that is currently under developing enables to immediately evaluate EV lithium-ion battery monitoring system (BMS)

Battery evaluation environment solution that uses Renesas development kit

Shinko Battery Management Solution

Prepare total solution for HW, Basic SW and Development mounted on vehicle



- AutoSar Automotive SPICE Level3 acquired
- Provide SW development management and development consulting by functional safety (ISO26262) assessor

Providing on-board application SW development

- SW development / entrustment
- 3rd party verification / evaluation contract
- SW functional safety development entrustment

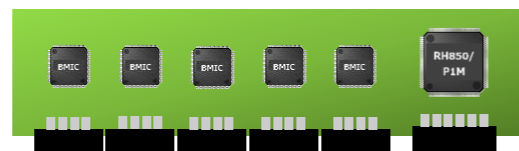
PUES EV

Rich experience in developing automotive electronics for EV

BSW/System evaluation

- SW driver
- BMS system evaluation (Entrustment)
- *Verification using customers battery pack

Renesas Solution Development Kit
RH850/P1M+ISL78714(BMIC)



Providing a “total development environment” for battery monitoring system development



Customers can focus on application development by utilizing our solution



Also considering developing solutions that will contribute to the battery reuse era.

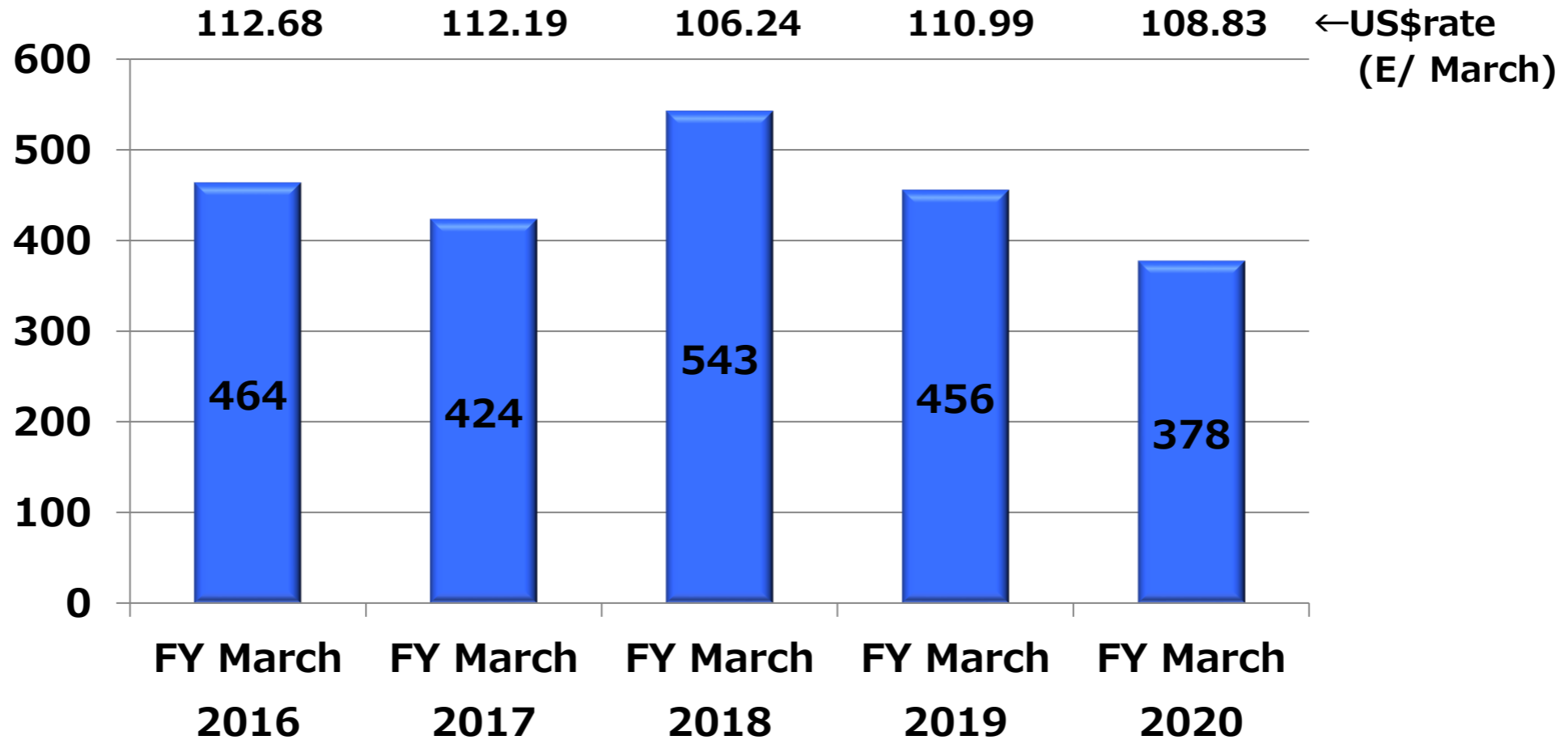
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Situation of overseas business

【Overseas Subsidiary Sales】

(100 million yen)



Overseas Business – Solution to the Infection Spread

Promoting activity of Avionics Infrared Camera is in progress to support the high fever screening as the measure for spread of COVID-19

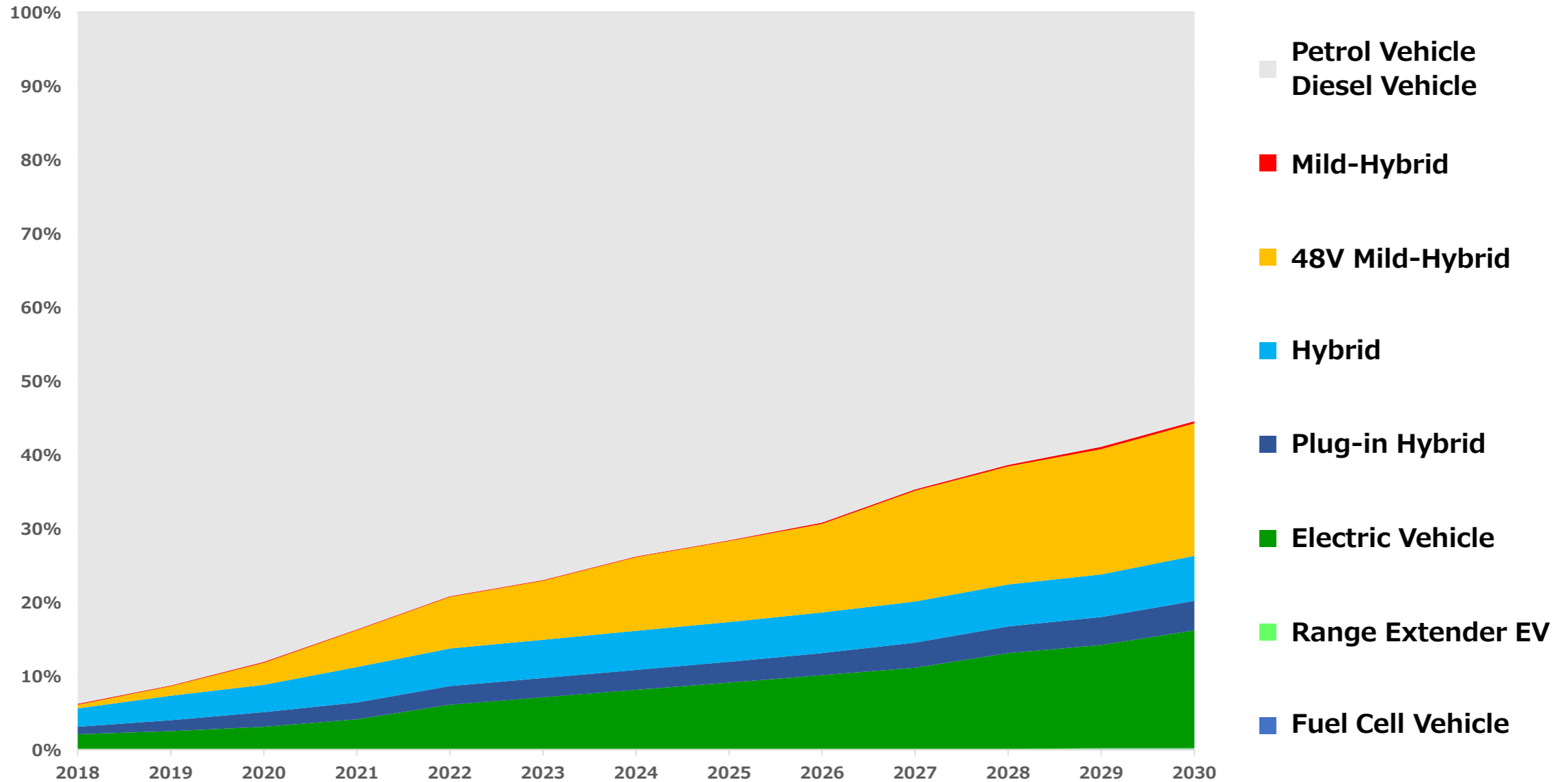
- Customer Government offices, hospitals and others in Europe·America·Asia·Africa
- Product The set of Avionics 's Infrared Thermal Imaging Camera
R550-D / R450-D
- Typical Use Body temperature screening of high fever
- Suppling these cameras has started and the business for many customers is in progress.

◆ Avio camera can instantaneously find people high body surface temperature.



Promoting business for
contribution to society

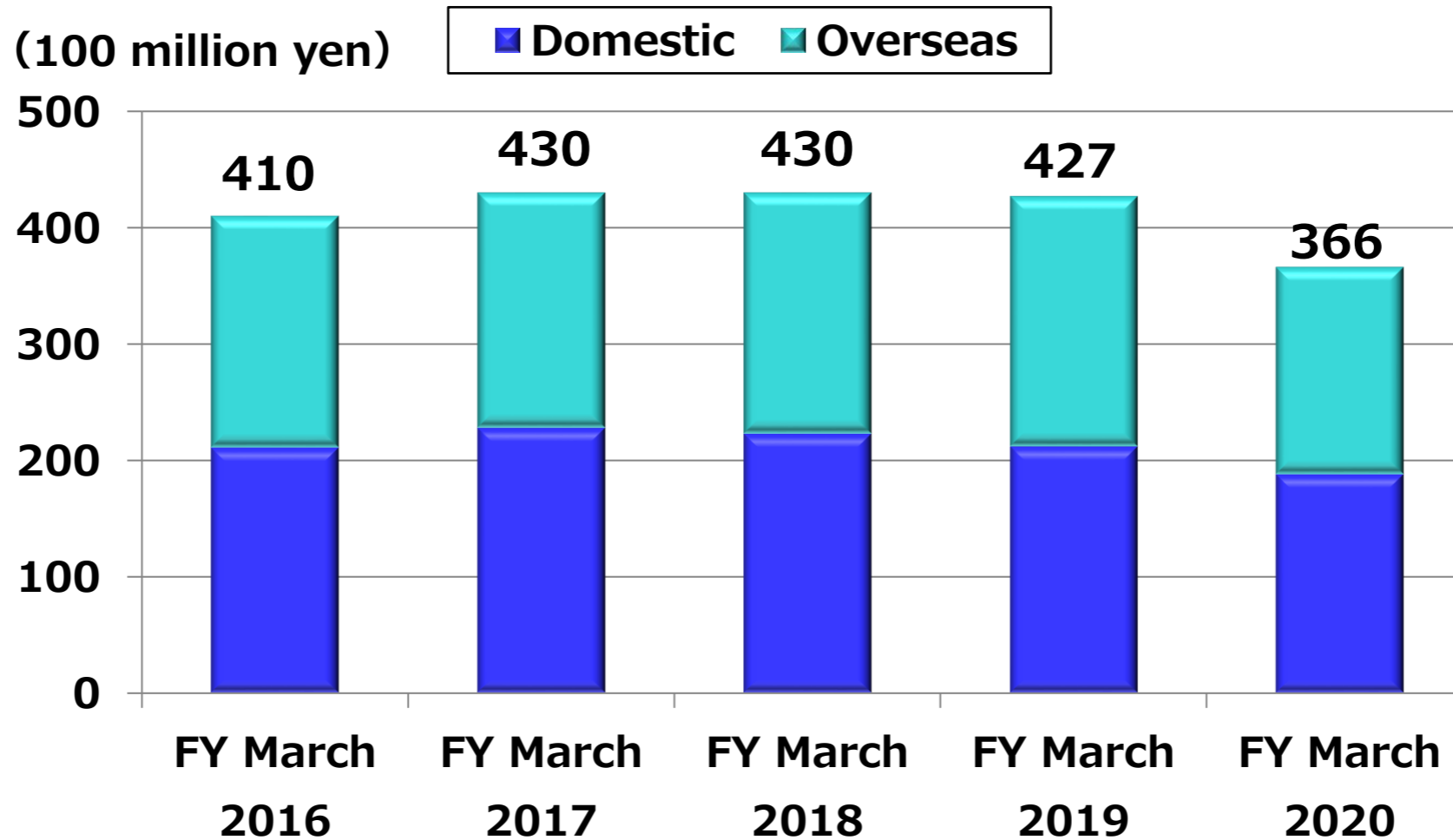
Forecasting the composition ratio of each powertrain in the global passenger car sales



Source : Marklines forecasts as of Feb/2020

Automotive Business Sales Trend

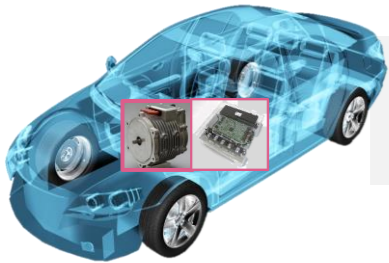
【Sales in the automotive field】



Solution development for automotive growing field (EV drive control)

Inverter development kit that enables to propose short TAT development

Further promote domestic/overseas business development by utilizing Motor Control demo



Secured a business (under negotiation) for 2021 & 2023 model of a customer, who is aiming for EV drive control development

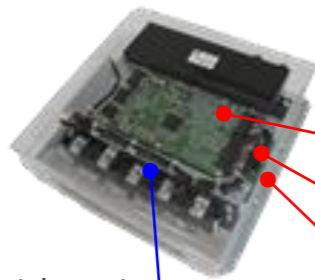
Short TAT dev. possible

Shinko's Original 100kW Inverter Development Kit

Development kit for immediate motor control

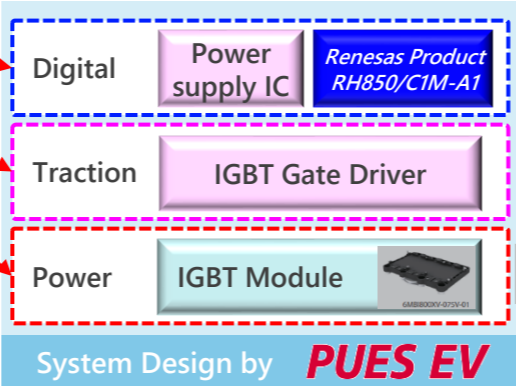
- ✓ SW, circuit design, parts list to be provided
⇒ Possible to reduce development cost
- ✓ Supplier's strategic products implemented

Main Specifications	
Motor	100kW (Peak:150kW)
Power Supply	400V (Digital:12V)
Power	700V/800A



Sensor & other electric parts

- AC/DC electric current sensor
- Electric current detecting resistor, heat radiation resistor
- Connector

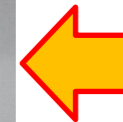


Preparing for motor control demo

Please let us know if you wish to take a look at 100kW class motor control.



Sample image: Motor



Please let us know if you also wish to take a look at the actual evaluation data.

Solution development for automotive growing field (ADAS·Infotainment)

Automotive SoC system development kit that enabled to secure new business

Providing solutions that enable short TAT development to promote further W/W Biz development



Cockpit

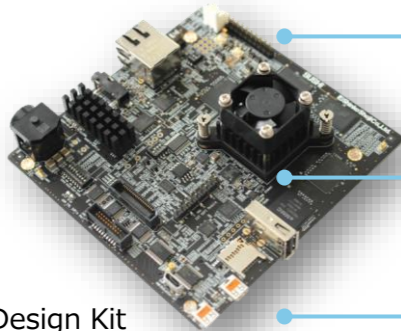


Next-Gen Cabin

ADAS

Have discovered "FY24 model" business of customers aiming at integrated cockpit / IVI development

Short TAT Development possible



Shinko Original
Automotive Application Design Kit
with Renesas "R-Car"
SUSHI Board

High functionality and expandability

Multiple Graphics Control by Hypervisor
Linux / Android can be implemented with LPDDR4 (8GB)

Cost Reduction

8-layer build board reference
To provide sample design data of High-Speed I/F

Extensive Debugging Functions

Rich debugging I/F such as ARM HSSTP
Detailed debugging is possible when Hypervisor is operating

Solution for Cockpit & Cabin

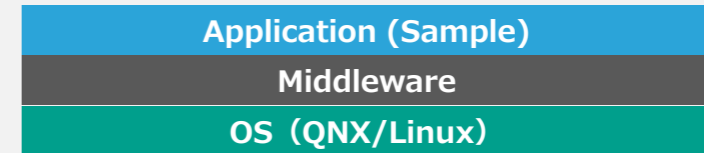
Support customers development by proposals of R-Car + High-speed I/F circuit design and the solution equipped automotive software.

<Application : Cockpit/Cabin>

- Cluster
- Mirror
- HUD
- Navi
- Camera
- Door
- Lighting
- Seat

To provide a working solution which is equipped with automotive software

<Software Environment>



<Hardware Environment>

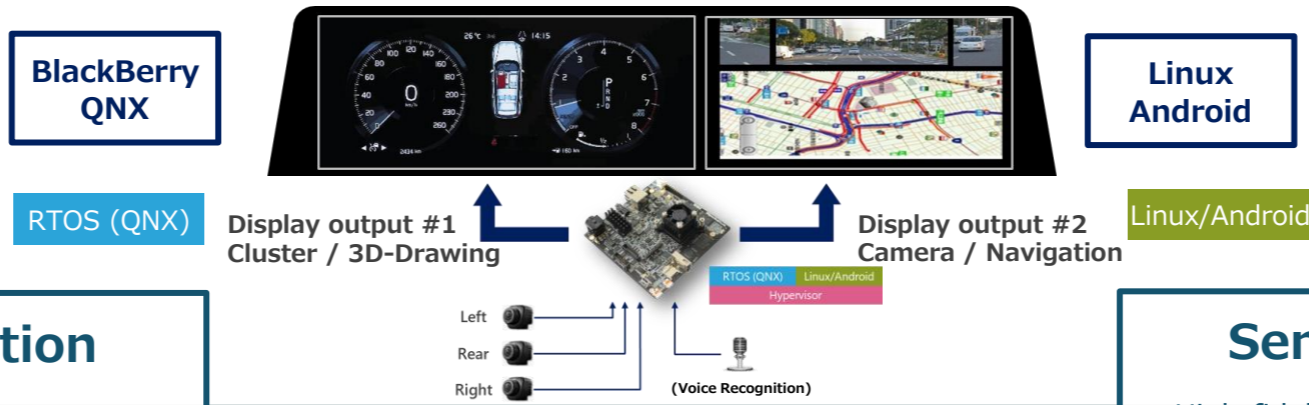


Solution development for automotive growing field (ADAS·Infotainment)

To provide solutions that contribute to the development of next-generation automotive systems along with working demonstrations, and contribute to the innovative development of domestic and overseas customers.

Integrated Cockpit Demonstration (Available)

The integrated cockpit demonstration with Android or Linux will be installed on SUSHI board
Aim to realize cluster and navigation multi-display control with 1 ECU



Development to be completed within a year

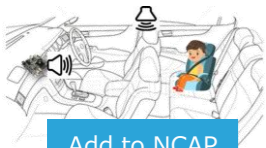
To develop this fiscal year

Automotive HMI Solution

Providing HMI solutions for building mobility services



- Personal authentication by **voice recognition**
- Identify passengers and provide appropriate services
 - Intuitive operation of driving system

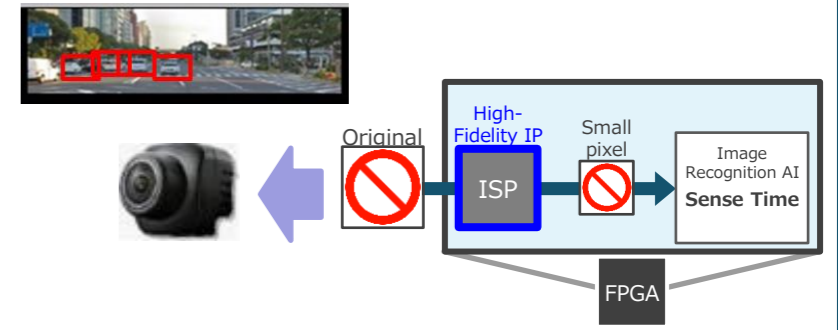


- Object detection by **ultrasonic waves**
- Child Occupant Presence Detection
 - Identify passengers and provide appropriate services

Add to NCAP

Sensing Camera Solution

High-fidelity image IP that **realizes a sensing camera**
Provided as an ISP integrated type that can be **embedded immediately**



Integration

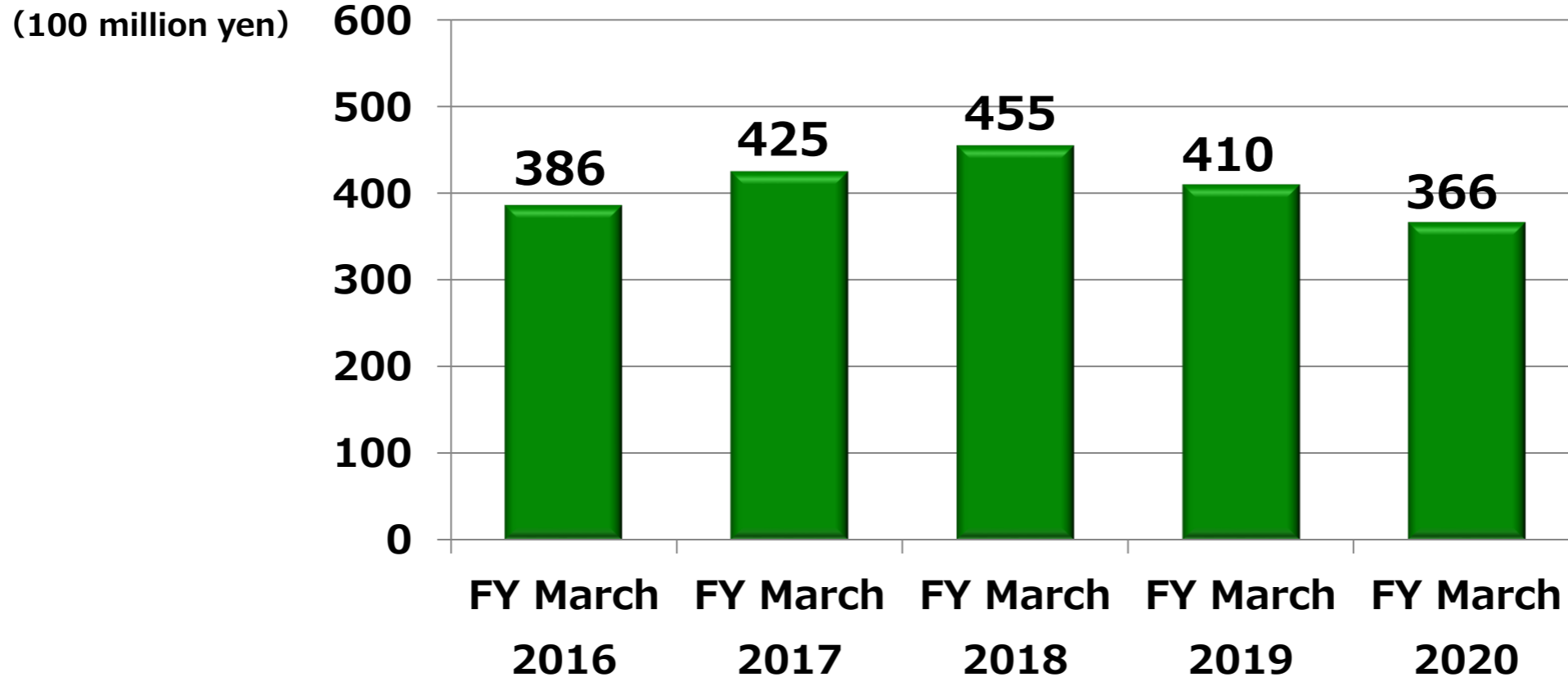
Connection

System Design Kit

Industrial Business Sales Trend

【Sales in the industry field】

It is decreased business of industrial customers by Chinese market downturn.



※Customers included in the industrial field

Machine tools, semiconductor manufacturing, medical, smart meters, etc.

For Industry & Consumer markets: Provision of Voice Recognition Solution

Provision of demo kit that utilizes human machine interface
“voice recognition” to control devices

Enables to generate businesses in “Chinese district smart home appliances market”

Rapid increase in smart home appliances market (China)

Massive expansion in Chinese smart home appliances market



Voice recognition field has become popularized from smart phones/security field to home appliances



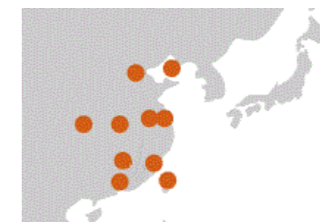
Business generation that utilizes voice recognition demo kit



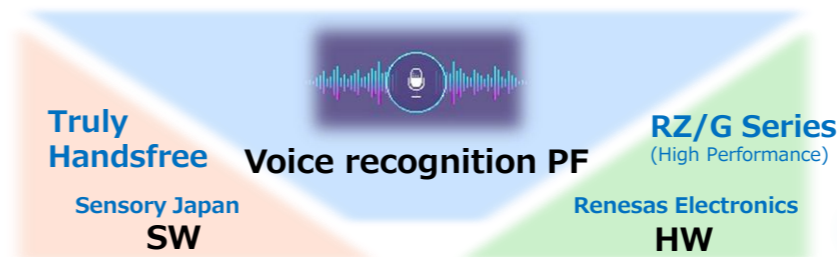
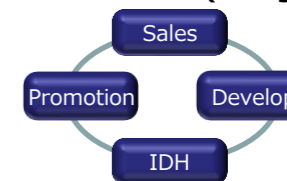
Voice recognition demo kit (RZ/G1E)



HMI operation screen



Collaboration with IDH (Design house)



Provision of immediate demonstration environment

Aims to generate business by voice recognition in Chinese district

Future Policy

- Renesas Electronics Business
- Status of each market by business
- **To become a proposal planning based provider
(Business Proposals that contribute to society)**

Infectious disease measures such as COVID-19

Infectious routes around us



Ticket-vending machine



Order Terminal



SCO



Elevator



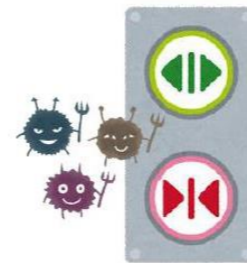
Water server



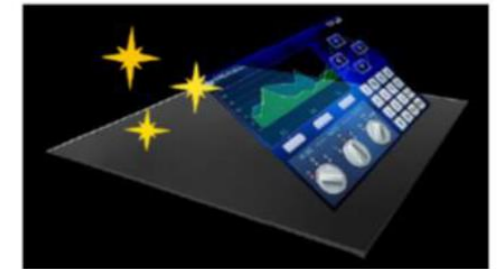
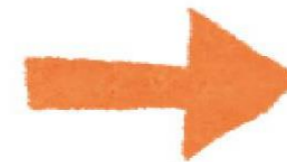
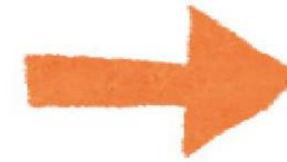
Operating without touching!!



Touch panel



Button



Aerial display
“Alplay”

<Alplay is a registered trademark of Shinko Shoji Co., Ltd.>

We receive many inquiries from all over the world including the following companies.

Eight domestic companies (convenience stores, hotels, POS manufacturers, etc.)

Four overseas companies (e-commerce companies in China, automobile manufacturers, elevator companies, telecommunications service company in Belgium) ..etc.

Non-contact solution for explosion-proof room and clean room

Operation through the glass is now possible

<Ex.>

1. Operate internal equipment from outside the clean room
2. Operate devices that cannot be brought in from the inside

Proposing a demo machine and presenting it to the user.

Proposed cases

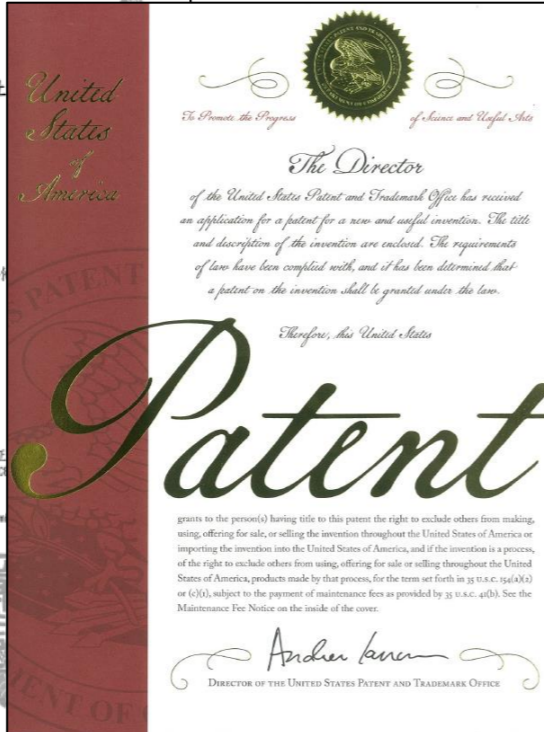
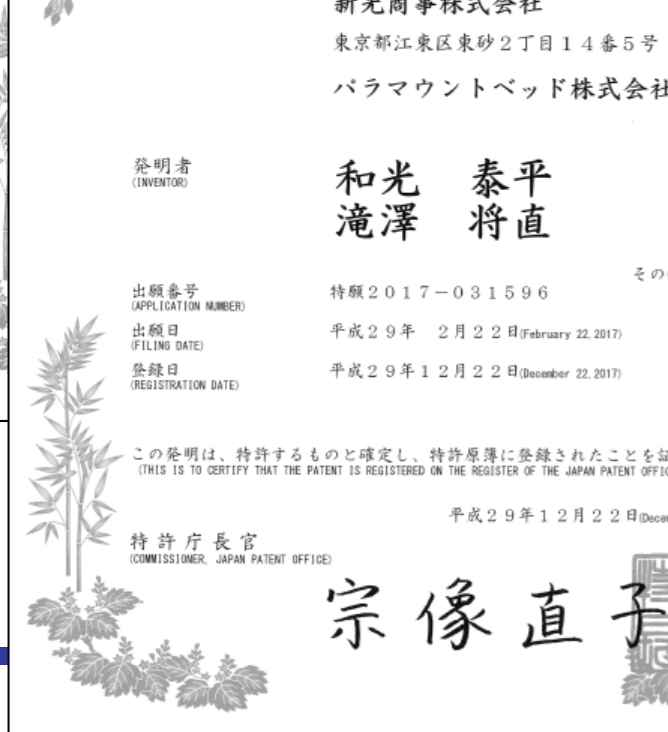
Company	Use	Progress
N	Explosion-proof room	Proposing
M	Clean room	Under viewing
T	POS / Order Terminal	Proposing
M	POS / Order Terminal	Proposing
C	Operation terminal for medical use	Proposing



Monitoring system & PIN sensor: Patent obtained

Co-developed monitoring system, BIO chair, etc with Paramount Bed Co., Ltd. by utilizing joint patented technology. (PIN sensor for load measurement)

Patent obtained in Japan, U.S & China.





許可番号 31品保生薬第2886号

高度管理医療機器等販売業許可証

氏名 新光商事株式会社
(法人にあつては、名称)

営業所の名称 新光商事株式会社

営業所の所在地 東京都品川区大崎一丁目2番2号
アートヴィレッジ大崎セントラルタワー

医薬品、医療機器等の品質、有効性及び安全性の確保等に関する法律第39条第1項の規定により、高度管理医療機器等の販売業の許可を受けた者であることを証明する。

令和2年3月17日

品川区保健所長 福内 恵子



有効期間 令和 2年 3月17日 から
令和 8年 3月16日 まで

Future Policy

Specially controlled medical devices sales business: Certified

By acquiring this certification, we are now able to develop, manufacture and sell medical appliances, which are expected to implement AI and utilize big data.

We will continue product development, provision of services and manufacturing that meet the market demand.



Forecast of results for the fiscal year March 2021

Forecast of results for the fiscal year March 2021

- **Earnings forecast**
- **Medium-term plan**
- **Returning to shareholders**

Forecast of results for the fiscal year March 2021

- **Earnings forecast**
- Medium-term plan
- Returning to shareholders

Earnings forecast

- Shinko Group's main fields of industrial equipment area, automobile electronics area, and amusement equipment area are all expected to be greatly affected by the economic downturn caused by the global pandemic of COVID-19 infectious diseases, which may cause further economic deterioration.
- Shinko Group will respond appropriately and swiftly to changes in the business environment, implement steady management to develop new business channels, and prepare for the post COVID-19 period.

(Unit; Million yen)

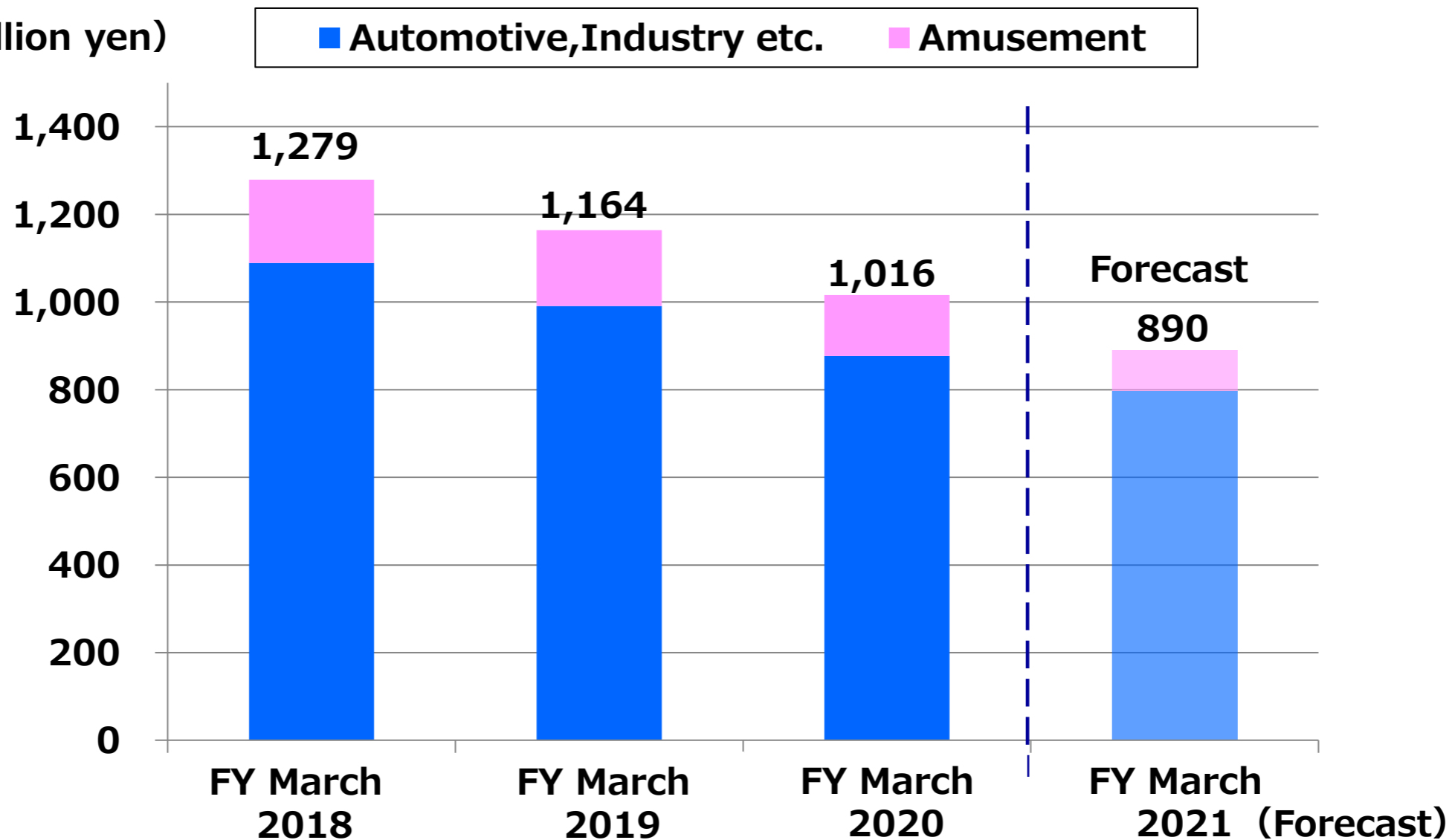
	FY March 2019 Results	FY March 2020 Forecast	Comparison with the previous term	Increase / decrease amount
Net sales	101,627	89,000	88%	△ 12,627
Operating income	1,611	500	31%	△ 1,111
Ordinary income	1,771	500	28%	△ 1,271
Net income	1,236	300	24%	△ 936
Net income per share	¥32.93 (note)	¥8.10	-	△ ¥ 24.83

(Note) We conducted a 2-for-1 stock split of common stock on October 1, 2019.

Net income per share has been calculated as if this stock split had taken place at the beginning of the previous fiscal year.

Earnings forecast (Sales)

(100 million yen)



Earnings forecast

- Earnings forecast
- **Medium-term plan**
- Returning to shareholders

The 69th Medium-Term Business Plan (Numerical Target)

Index	Numerical target of medium-term plan FY March 2022 (the 69th Period)
Sales	140 billion yen
Net income	2.8 billion yen
ROE	5.0%

Forecast of results for the fiscal year March 2021

- Earnings forecast
- Medium-term plan
- **Returning to shareholders**

Dividend policy

◆ Dividend policy (medium-term policy)

In order to meet the dividends expected by our shareholders, we place great importance on returning profits to our shareholders, and at the same time maintain our business foundation and sustainability while paying attention to capital costs.

Therefore, based on the total shareholder return, which is the sum of the dividend amount and the amount of treasury stock purchased, we will set a total return ratio (Note) of 100% or more from the fiscal year ending March 2020 to ending March 2022.

(Note) Total return ratio = (dividend amount + treasury stock acquisition price) / consolidated net income x 100

Returning to shareholders

Although forecast for the business environment is uncertain due to the impact of COVID-19, we plan to pay a dividend of 28 yen, the same as the previous fiscal year, for the fiscal year March 2021 based on our shareholder return policy.

- Dividend per share

	FY March 2021 forecast
1H	¥ 1 4 . 0 0
2H	¥ 1 4 . 0 0
Annual	¥ 2 8 . 0 0

- A dividend payout ratio of 345.5% scheduled for the fiscal year ending March 2021.

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