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



January 13, 2023

Company name: SATORI ELECTRIC CO., LTD.  
 Stock exchange listing: Tokyo Stock Exchange  
 Code number: 7420  
 URL: <https://www.satori.co.jp/english/>  
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 Scheduled date of filing quarterly securities report: January 13, 2023  
 Scheduled date of commencing dividend payments: February 14, 2023  
 Availability of supplementary briefing materials on quarterly financial results: Available  
 Schedule of quarterly financial results briefing session: Scheduled (for securities analysts and institutional investors)

(Amounts of less than one million yen are rounded down.)

### 1. Consolidated Financial Results for the Six Months Ended November 30, 2022 (June 1, 2022 to November 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	
Six months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
November 30, 2022	75,282	20.1	2,589	146.9	2,093	74.4	1,591	78.4
November 30, 2021	62,677	21.2	1,048	270.6	1,200	281.4	892	—

(Note) Comprehensive income: Six months ended November 30, 2022: ¥3,072 million [194.0%]  
 Six months ended November 30, 2021: ¥1,044 million [—%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
November 30, 2022	96.74	—
November 30, 2021	54.22	—

### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of November 30, 2022	76,885	34,809	44.9
As of May 31, 2022	74,492	32,457	43.3

(Reference) Equity: As of November 30, 2022: ¥34,527 million  
 As of May 31, 2022: ¥32,240 million

## 2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended May 31, 2022	—	18.00	—	44.00	62.00
Fiscal year ending May 31, 2023	—	26.00			
Fiscal year ending May 31, 2023 (Forecast)			—	36.00	62.00

(Note) Revision to the forecast for dividends announced most recently: No

## 3. Consolidated Financial Results Forecast for the Fiscal Year Ending May 31, 2023 (June 1, 2022 to May 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
	Million yen	%	Million yen	%	Million yen	%	Million yen	Yen
Full year	147,000	16.8	3,700	42.2	3,000	15.3	2,300	20.5
								139.78

(Note) Revision to the financial results forecast announced most recently: Yes

### \* Notes:

- (1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in changes in scope of consolidation): No

Newly included: – (Company name)

Excluded: – (Company name)

- (2) Accounting methods adopted particularly for the preparation of quarterly consolidated financial statements: No

- (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 “(4) Notes to Quarterly Consolidated Financial Statements (Changes in accounting policies)” in “2. Quarterly Consolidated Financial Statements and Primary Notes” on page 9 of the Attachments.

(4) Total number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

November 30, 2022: 17,946,826 shares

May 31, 2022: 17,946,826 shares

2) Total number of treasury shares at the end of the period:

November 30, 2022: 1,492,311 shares

May 31, 2022: 1,492,158 shares

3) Average number of shares during the period:

Six months ended November 30, 2022: 16,454,618 shares

Six months ended November 30, 2021: 16,454,871 shares

(Note) The total number of treasury shares at the end of the period includes the Company's shares held by a trust in connection with the stock compensation plan (505,100 shares as of November 30, 2022). The Company's shares held by the trust have been included in the treasury shares deducted in calculation of the average number of shares during the period (505,100 shares for the six months ended November 30, 2022).

\* These quarterly consolidated financial results are outside the scope of quarterly review 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 deems reasonable, and are not intended to guarantee the achievement of the forecasts. Actual results may differ significantly from these forecasts due to a wide range of factors. For the assumptions of financial results forecast and notes on using financial results forecast, please refer to "(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information" in "1. Qualitative Information on Quarterly Financial Results" on page 3 of the Attachments.

The Company plans to hold a financial results briefing session for institutional investors and analysts by streaming a live video online. The video of the financial results briefing session and explanatory materials used in the session will be available on the Company's website.

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## 1. Qualitative Information on Quarterly Financial Results

### (1) Explanation of Operating Results

The Japanese economy during the six months ended November 30, 2022 faced uncertain factors such as global inflation, China's continued zero-COVID policy, Russia's prolonged invasion of Ukraine, and a drastically weakening yen.

In such an environment, regarding the financial results for the six months ended November 30, 2022, net sales amounted to ¥75,282 million (an increase of 20.1% year on year), due to such factors as the strong sales of semiconductors for automotive applications manufactured by foreign companies and the procurement management services, as well as the effects of the depreciation of yen. Regarding profits, operating profit amounted to ¥2,589 million (an increase of 146.9% year on year), mainly driven by an increase in gross profit in conjunction with the increased net sales and other factors, despite an increase in selling, general and administrative expenses. Ordinary profit amounted to ¥2,093 million (an increase of 74.4% year on year) reflecting an increase in operating profit, despite an increase in foreign exchange losses. Profit attributable to owners of parent amounted to ¥1,591 million (an increase of 78.4% year on year).

The financial results of the segments are as follows.

Starting from the first quarter of the fiscal year ending May 31, 2023, changes were made to the business segments presented as reportable segments. Accordingly, the analysis and comparison of the six months ended November 30, 2022 are based on the segments after the change.

#### 1) Industrial Infrastructure business

Net sales amounted to ¥14,499 million (an increase of 3.1% year on year), and segment profit amounted to ¥584 million (an increase of 51.1% year on year), due to the increased sales of control devices for semiconductor manufacturing equipment in the Industrial Solutions Division.

#### 2) Enterprise business

Net sales amounted to ¥27,805 million (an increase of 31.6% year on year), and segment profit amounted to ¥1,660 million (an increase of 203.6% year on year), driven by the increased sales in the Procurement Management Division and the effects of the depreciation of yen.

#### 3) Mobility business

Net sales amounted to ¥6,463 million (an increase of 25.1% year on year), and segment profit amounted to ¥648 million (an increase of 124.7% year on year), driven by the increased sales in STAR ELECTRONICS CO., LTD., a subsidiary of the Company.

#### 4) Global business

Net sales amounted to ¥26,514 million (an increase of 18.8% year on year), and segment profit amounted to ¥281 million (an increase of 3.7% year on year). This is attributable to the increased sales of unit products for office equipment, despite the decreased sales of electronic components due to a decline in demand for personal computers.

### (2) Explanation of Financial Position

#### 1) Assets, liabilities, and net assets

##### (Assets)

Total assets at the end of the second quarter of the current fiscal year were ¥76,885 million, an increase of ¥2,392 million compared with ¥74,492 million at the end of the previous fiscal year. This is mainly attributable to an increase of ¥1,138 million in notes and accounts receivable - trade and an increase of ¥2,574 million in merchandise and finished goods.

(Liabilities)

Liabilities at the end of the second quarter of the current fiscal year were ¥42,076 million, an increase of ¥40 million compared with ¥42,035 million at the end of the previous fiscal year. This is mainly attributable to an increase of ¥5,387 million in short-term borrowings, despite a decrease of ¥6,343 million in notes and accounts payable - trade.

(Net assets)

Net assets at the end of the second quarter of the current fiscal year were ¥34,809 million, an increase of ¥2,351 million compared with ¥32,457 million at the end of the previous fiscal year. This is mainly attributable to an increase of ¥867 million in retained earnings and an increase of ¥1,190 million in foreign currency translation adjustment. Equity ratio changed to 44.9% from 43.3% at the end of the previous fiscal year.

2) Cash flows

Cash and cash equivalents (hereinafter referred to as “capital”) at the end of the second quarter of the current fiscal year decreased by ¥219 million compared with the end of the previous fiscal year to ¥7,776 million.

(Cash flows from operating activities)

Capital used in operating activities during the six months ended November 30, 2022 amounted to ¥4,596 million (an increase of 49.4% year on year).

This is mainly attributable to a decrease in capital due to a decrease in trade payables and an increase in inventories.

(Cash flows from investing activities)

Capital used in investing activities during the six months ended November 30, 2022 amounted to ¥150 million (an increase of 23.5% year on year).

This is mainly attributable to a decrease in capital due to purchase of property, plant and equipment.

(Cash flows from financing activities)

Capital provided by financing activities during the six months ended November 30, 2022 amounted to ¥4,293 million (compared with ¥54 million used during the same period of the previous fiscal year).

This is mainly attributable to an increase in capital due to a net increase in short-term borrowings, despite a decrease in capital due to dividends paid.

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

The consolidated financial results forecast for the fiscal year ending May 31, 2023 stated in the “Consolidated Financial Results for the Fiscal Year Ended May 31, 2022,” announced on July 14, 2022, has been revised.

For details, please refer to the “Notice on the Difference between the Consolidated Financial Results Forecast for the First Six Months of the Fiscal Year Ending May 31, 2023 and the Actual Results, and on the Revision of the Full-year Consolidated Financial Results Forecast,” announced today.

## 2. Quarterly Consolidated Financial Statements and Primary Notes

### (1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of May 31, 2022	As of November 30, 2022
<b>Assets</b>		
Current assets		
Cash and deposits	7,996	7,776
Notes and accounts receivable - trade	32,719	33,858
Merchandise and finished goods	18,646	21,221
Work in process	240	398
Raw materials and supplies	854	771
Other	4,897	3,494
Allowance for doubtful accounts	(7)	(0)
Total current assets	65,347	67,519
Non-current assets		
Property, plant and equipment	3,123	3,084
Intangible assets	1,170	1,040
Investments and other assets		
Other	5,381	5,814
Allowance for doubtful accounts	(530)	(572)
Total investments and other assets	4,851	5,241
Total non-current assets	9,145	9,366
Total assets	74,492	76,885
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	22,922	16,579
Short-term borrowings	5,567	10,955
Income taxes payable	438	615
Other	7,042	7,882
Total current liabilities	35,971	36,032
Non-current liabilities		
Bonds payable	1,400	1,400
Long-term borrowings	2,800	2,800
Retirement benefit liability	1,389	1,397
Other	474	447
Total non-current liabilities	6,063	6,044
Total liabilities	42,035	42,076

(Million yen)

	As of May 31, 2022	As of November 30, 2022
Net assets		
Shareholders' equity		
Share capital	2,611	2,611
Capital surplus	3,558	3,594
Retained earnings	25,229	26,097
Treasury shares	(1,725)	(1,761)
Total shareholders' equity	29,674	30,542
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,433	1,641
Deferred gains or losses on hedges	(0)	21
Revaluation reserve for land	22	22
Foreign currency translation adjustment	1,110	2,300
Total accumulated other comprehensive income	2,566	3,984
Non-controlling interests	216	281
Total net assets	32,457	34,809
Total liabilities and net assets	74,492	76,885



(2) Quarterly Consolidated Statements of Operations and Comprehensive Income

Quarterly Consolidated Statements of Operations

Six Months Ended November 30

(Million yen)

	For the six months ended November 30, 2021	For the six months ended November 30, 2022
Net sales	62,677	75,282
Cost of sales	57,224	68,001
Gross profit	5,452	7,280
Selling, general and administrative expenses	4,403	4,691
Operating profit	1,048	2,589
Non-operating income		
Interest income	1	3
Dividend income	36	54
Compensation income	214	133
Other	54	70
Total non-operating income	307	262
Non-operating expenses		
Interest expenses	40	111
Loss on sale of receivables	15	233
Foreign exchange losses	90	360
Other	9	52
Total non-operating expenses	155	757
Ordinary profit	1,200	2,093
Extraordinary losses		
Loss on retirement of non-current assets	4	6
Total extraordinary losses	4	6
Profit before income taxes	1,195	2,086
Income taxes - current	147	527
Income taxes - deferred	134	(94)
Total income taxes	281	433
Profit	913	1,653
Profit attributable to non-controlling interests	21	61
Profit attributable to owners of parent	892	1,591

Quarterly Consolidated Statements of Comprehensive Income

Six Months Ended November 30

(Million yen)

	For the six months ended November 30, 2021	For the six months ended November 30, 2022
Profit	913	1,653
Other comprehensive income		
Valuation difference on available-for-sale securities	(88)	207
Deferred gains or losses on hedges	(0)	21
Foreign currency translation adjustment	219	1,174
Share of other comprehensive income of entities accounted for using equity method	—	15
Total other comprehensive income	131	1,418
Comprehensive income	1,044	3,072
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,024	3,007
Comprehensive income attributable to non-controlling interests	20	65

## (3) Quarterly Consolidated Statements of Cash Flows

(Million yen)

	For the six months ended November 30, 2021	For the six months ended November 30, 2022
Cash flows from operating activities		
Profit before income taxes	1,195	2,086
Depreciation	287	300
Increase (decrease) in allowance for doubtful accounts	66	(7)
Increase (decrease) in retirement benefit liability	17	6
Interest and dividend income	(38)	(57)
Interest expenses	40	111
Decrease (increase) in trade receivables	(3,952)	208
Decrease (increase) in inventories	(4,104)	(1,834)
Increase (decrease) in trade payables	3,278	(6,762)
Increase (decrease) in accrued consumption taxes	(215)	1,101
Increase (decrease) in deposits received	923	930
Loss on retirement of non-current assets	4	6
Other, net	(765)	(306)
Subtotal	(3,262)	(4,214)
Interest and dividends received	38	57
Interest paid	(40)	(111)
Income taxes refund (paid)	186	(327)
Net cash provided by (used in) operating activities	(3,077)	(4,596)
Cash flows from investing activities		
Purchase of investment securities	(21)	(27)
Purchase of property, plant and equipment	(84)	(106)
Purchase of intangible assets	(40)	(4)
Other, net	24	(12)
Net cash provided by (used in) investing activities	(122)	(150)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	536	5,106
Proceeds from long-term borrowings	1,700	—
Repayments of long-term borrowings	(900)	—
Redemption of bonds	(1,000)	—
Purchase of treasury shares	—	(619)
Proceeds from disposal of treasury shares	—	619
Dividends paid	(295)	(720)
Other, net	(95)	(91)
Net cash provided by (used in) financing activities	(54)	4,293
Effect of exchange rate change on cash and cash equivalents	60	234
Net increase (decrease) in cash and cash equivalents	(3,194)	(219)
Cash and cash equivalents at beginning of period	9,403	7,996
Cash and cash equivalents at end of period	6,209	7,776

(4) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

There is no relevant information.

(Notes in case of significant changes in shareholders' equity)

There is no relevant information.

(Changes in accounting policies)

The Company has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021; hereinafter referred to as "Fair Value Measurement Accounting Standard Implementation Guidance") from the beginning of the first quarter of the fiscal year ending May 31, 2023. In accordance with the transitional treatment set forth in Paragraph 27-2 of the Fair Value Measurement Accounting Standard Implementation Guidance, the Company decided to prospectively apply the new accounting policy prescribed in the Fair Value Measurement Accounting Standard Implementation Guidance. This change has no impact on the quarterly consolidated financial statements.

(Segment information, etc.)

I. For the six months ended November 30, 2021 (from June 1, 2021 to November 30, 2021)

Information on net sales and profit or loss by reportable segment and information on the disaggregation of revenue

(Million yen)

	Reportable segment					Reconciliation (Note) 1	Amount recorded in Quarterly Consolidated Statements of Operations (Note) 2
	Industrial Infra- structure business	Enterprise business	Mobility business	Global business	Total		
Net sales							
Revenue from contracts with customers	14,062	21,123	5,165	22,325	62,677	—	62,677
Net sales to outside customers	14,062	21,123	5,165	22,325	62,677	—	62,677
Inter-segment net sales or transfers	125	2,442	1,416	124	4,108	(4,108)	—
Total	14,188	23,566	6,581	22,449	66,785	(4,108)	62,677
Segment profit	386	546	288	271	1,494	(445)	1,048

(Notes) 1. The reconciliation of segment profit in an amount of ¥(445) million includes the elimination of inter-segment transactions.

2. Segment profit is reconciled with operating profit in the Quarterly Consolidated Statements of Operations.

II. For the six months ended November 30, 2022 (from June 1, 2022 to November 30, 2022)

1. Information on net sales and profit or loss by reportable segment and information on the disaggregation of revenue

(Million yen)

	Reportable segment					Reconciliation (Note) 1	Amount recorded in Quarterly Consolidated Statements of Operations (Note) 2
	Industrial Infra- structure business	Enterprise business	Mobility business	Global business	Total		
Net sales							
Revenue from contracts with customers	14,499	27,805	6,463	26,514	75,282	—	75,282
Net sales to outside customers	14,499	27,805	6,463	26,514	75,282	—	75,282
Inter-segment net sales or transfers	146	2,894	1,897	59	4,997	(4,997)	—
Total	14,646	30,699	8,360	26,573	80,279	(4,997)	75,282
Segment profit	584	1,660	648	281	3,174	(585)	2,589

(Notes) 1. The reconciliation of segment profit in an amount of ¥(585) million includes the elimination of inter-segment transactions.

2. Segment profit is reconciled with operating profit in the Quarterly Consolidated Statements of Operations.

## 2. Matters related to changes in reportable segments

The Group had previously promoted its business operations based on the double pillars of the Device Solution and System Solution businesses. However, starting from the first quarter of the fiscal year ending May 31, 2023, in conjunction with organizational changes, the Group has decided to change its reportable segments to align with their respective markets.

Segment information for the six months ended November 30, 2021 has been prepared based on the segment classifications after the change.

The details of each reportable segment are as follows.

### (1) Industrial Infrastructure business

The Industrial Infrastructure business is mainly engaged in the development and sales of system solutions, and the sales of communications components and electronic equipment, for industrial and social infrastructures.

### (2) Enterprise business

The Enterprise business is mainly engaged in the sales of semiconductors and electronic components, procurement management services, the development and sales of switching devices, and the provision of solutions, for domestic customers.

### (3) Mobility business

The Mobility business is mainly engaged in the sales of semiconductors and electronic equipment and the provision of solutions, for automotive applications.

### (4) Global business

The Global business is mainly engaged in the sales of semiconductors and electronic components, and the provision of solutions, for overseas customers.

### (5) Corporate Items and Eliminations

Corporate Items and Eliminations segment mainly involves business development and corporate staff functions.

## (Significant subsequent events)

(Company's acquisition of additional shares in SM Electronic and SG Satori's acquisition of part of the business of GST)

At the Board of Directors meeting held on December 22, 2022, the Company resolved to enter into a Memorandum of Understanding ("MOU") with its affiliate company in India, SM Electronic Technologies Pvt. Ltd. ("SM Electronic"). The MOU states the Company's intention to acquire additional shares in SM Electronic to make it the Company's consolidated subsidiary. A partial payment for the acquisition will be made through an in-kind contribution of shares of its consolidated subsidiary, SINGAPORE SATORI PTE., LTD. ("SG Satori").

Today, the Company entered into share acquisition and transfer agreements pursuant to the above mentioned MOU.

In addition, at the Board of Directors meeting held today, the Company decided that SG Satori acquires part of the business of GS Technology Pte. Ltd. and the business transfer agreement has been executed.

For details, please refer to the "Notice regarding signing of an MOU between SM Electronic Technologies Pvt. Ltd., for acquisition of additional shares to make it a subsidiary," announced on December 22, 2022, and the "Notice regarding acquisition of shares in SM Electronic Technologies Pvt. Ltd. to make it a subsidiary and of part of the business of GS Technology Pte. Ltd., and changing company name of SINGAPORE SATORI PTE., LTD.," announced today.

### 3. Others

#### (1) Information by Product and Service Line

For the six months ended November 30, 2021 (from June 1, 2021 to November 30, 2021)

(Million yen)

	Semiconductors	General electronic components	Electric equipment	Products	Total
Net sales to outside customers	22,413	26,654	10,489	3,120	62,677

For the six months ended November 30, 2022 (from June 1, 2022 to November 30, 2022)

(Million yen)

	Semiconductors	General electronic components	Electric equipment	Products	Total
Net sales to outside customers	29,982	28,369	13,937	2,991	75,282

#### (2) Net Sales by Region

For the six months ended November 30, 2021 (from June 1, 2021 to November 30, 2021)

(Million yen)

Japan	Overseas						Total
	China	Taiwan	Thailand	Other Asia	Other	Subtotal	
28,742	21,651	1,869	3,834	3,551	3,028	33,934	62,677

(Notes) 1. Net sales are distributed to each country or region based on the actual destinations of the products.

2. In the table above, the region “China” includes Hong Kong.

For the six months ended November 30, 2022 (from June 1, 2022 to November 30, 2022)

(Million yen)

Japan	Overseas						Total
	China	Taiwan	Thailand	Other Asia	Other	Subtotal	
34,485	25,292	879	5,729	4,957	3,937	40,796	75,282

(Notes) 1. Net sales are distributed to each country or region based on the actual destinations of the products.

2. In the table above, the region “China” includes Hong Kong.