

Disclaimer: This document is an English translation of the original document in Japanese and has been prepared solely for reference purposes. In the event of any discrepancy between this English translation and the original in Japanese, the original shall prevail in all respects.

Consolidated Financial Results for the Fiscal Year Ended May 31, 2023 [Japanese GAAP]



July 13, 2023

Company name: SATORI ELECTRIC CO., LTD.
 Stock exchange listing: Tokyo Stock Exchange
 Code number: 7420
 URL: <https://www.satori.co.jp/english/>
 Representative: Hiroyuki Satori, Representative Director, President & CEO
 Contact: Kouji Suwahara, Director, Managing Executive Officer
 Phone: +81-3-3451-1040
 Scheduled date of annual general meeting of shareholders: August 23, 2023
 Scheduled date of filing annual securities report: August 23, 2023
 Scheduled date of commencing dividend payments: August 4, 2023
 Availability of supplementary briefing materials on annual financial results: Available
 Schedule of annual 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 Fiscal Year Ended May 31, 2023 (June 1, 2022 to May 31, 2023)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
May 31, 2023	146,336	16.3	3,791	45.7	2,867	10.2	2,257	18.3
May 31, 2022	125,850	18.9	2,602	189.3	2,601	128.3	1,908	266.6

(Note) Comprehensive income: Fiscal year ended May 31, 2023: ¥2,960 million [9.2%]

Fiscal year ended May 31, 2022: ¥2,711 million [82.1%]

	Basic earnings per share	Diluted earnings per share	Return on equity	Ordinary profit to total assets	Operating profit to net sales
Fiscal year ended	Yen	Yen	%	%	%
May 31, 2023	137.22	-	6.8	3.7	2.6
May 31, 2022	115.96	-	6.1	3.8	2.1

(Reference) Equity in earnings (losses) of affiliated companies: Fiscal year ended May 31, 2023: ¥(6) million

Fiscal year ended May 31, 2022: -

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of May 31, 2023	81,556	34,945	41.4	2,052.73
As of May 31, 2022	74,492	32,457	43.3	1,959.38

(Reference) Equity: As of May 31, 2023: ¥33,776 million

As of May 31, 2022: ¥32,240 million

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Million yen	Million yen	Million yen	Million yen
May 31, 2023	(4,889)	(13)	6,629	10,023
May 31, 2022	(1,413)	502	(855)	7,996

2. Dividends

	Annual dividends					Total dividends	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
May 31, 2022	-	18.00	-	44.00	62.00	1,020	53.5	3.3
May 31, 2023	-	26.00	-	44.00	70.00	1,187	51.0	3.5
Fiscal year ending May 31, 2024 (Forecast)	-	30.00	-	40.00	70.00		50.7	

3. Consolidated Financial Results Forecast for the Fiscal Year Ending May 31, 2024 (June 1, 2023 to May 31, 2024)

(% 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
First six months	71,000	(5.7)	1,500	(42.1)	1,200	(42.7)	500	(68.6)	34.18
Full year	147,000	0.5	3,400	(10.3)	2,900	1.1	2,000	(11.4)	138.04

* Notes:

- (1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in changes in scope of consolidation): Yes

Newly included: 1 company (Company name: SM Electronic Technologies Pvt. Ltd.)

Excluded: — (Company name)

- (2) 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

- (3) Total number of issued shares (common shares)

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

May 31, 2023: 17,946,826 shares

May 31, 2022: 17,946,826 shares

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

May 31, 2023: 1,492,415 shares

May 31, 2022: 1,492,158 shares

- 3) Average number of shares during the period:

Fiscal year ended May 31, 2023: 16,454,541 shares

Fiscal year ended May 31, 2022: 16,454,791 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 May 31, 2023). The Company's shares held by the trust have been included in the treasury shares deducted in the calculation of the average number of shares during the period (505,100 shares for the fiscal year ended May 31, 2023).

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended May 31, 2023 (June 1, 2022 to May 31, 2023)

(1) Non-consolidated Operating Results (% indicates changes from the corresponding period)

	Net sales		Operating profit		Ordinary profit		Profit	
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
May 31, 2023	50,700	13.7	212	-	1,425	(2.5)	1,727	362.5
May 31, 2022	44,593	2.1	(1)	-	1,461	(42.2)	373	(82.4)

	Basic earnings per share		Diluted earnings per share	
Fiscal year ended	Yen		Yen	
May 31, 2023	104.96		-	
May 31, 2022	22.69		-	

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of May 31, 2023	47,004	24,596	52.3	1,494.84
As of May 31, 2022	41,760	24,312	58.2	1,477.53

(Reference) Equity: As of May 31, 2023: ¥24,596 million

As of May 31, 2022: ¥24,312 million

* These consolidated financial results are 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 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 "(4) Future Outlook" in "1. Overview of Business Results, etc." on page 5 of the Attachments.

The Company plans to hold a financial results briefing session for securities analysts and institutional investors on July 18, 2023. The video of the financial results briefing session and explanatory materials used in the session will be available on the Company's website promptly following the briefing session.

Table of Contents - Attachments

1. Overview of Business Results, etc.	2
(1) Overview of Business Results for the Period Under Review	2
(2) Overview of Financial Position for the Period Under Review	2
(3) Overview of Cash Flows for the Period Under Review	3
(4) Future Outlook	5
2. Basic Stance Concerning Choice of Accounting Standards	5
3. Consolidated Financial Statements and Primary Notes	6
(1) Consolidated Balance Sheets	6
(2) Consolidated Statements of Operations and Comprehensive Income	8
(3) Consolidated Statements of Changes in Net Assets	10
(4) Consolidated Statements of Cash Flows	12
(5) Notes to the Consolidated Financial Statements	13
(Notes on going concern assumption)	13
(Changes in significant subsidiaries during the period under review)	13
(Changes in accounting policies)	13
(Segment information)	13
(Business combination)	18
(Per share information)	20
(Significant subsequent events)	20

1. Overview of Business Results, etc.

(1) Overview of Business Results for the Period Under Review

The Japanese economy during the fiscal year under review continued to face uncertain factors, such as Russia's prolonged invasion of Ukraine and the tightening of monetary policies in various countries due to global inflation, despite continued global easing of COVID movement restrictions.

Amid this environment, regarding the financial results for the current fiscal year, net sales amounted to ¥146,336 million (an increase of 16.3% year on year), mainly boosted by strong sales of semiconductors for automotive applications and procurement management services, as well as the effects of yen depreciation. Regarding profits, operating profit amounted to ¥3,791 million (an increase of 45.7% year on year), mainly driven by an increase in gross profit associated with higher net sales and other factors, despite an increase in selling, general and administrative expenses. Ordinary profit amounted to ¥2,867 million (an increase of 10.2% year on year) reflecting an increase in operating profit, despite increases in interest expenses and loss on sale of receivables. Profit attributable to owners of parent amounted to ¥2,257 million (an increase of 18.3% year on year).

The financial results of the segments are as follows.

Starting from the current fiscal year ended May 31, 2023, changes were made to the business segments presented as reportable segments. Accordingly, the analysis and comparison of the current fiscal year are based on the segments after the change.

1) Industrial Infrastructure business

Net sales amounted to ¥31,271 million (an increase of 8.1% year on year), and segment profit amounted to ¥1,132 million (an increase of 4.3% year on year), due to increased sales of control devices for semiconductor manufacturing equipment in the Industrial Solutions Division and other factors.

2) Enterprise business

Net sales amounted to ¥56,555 million (an increase of 19.1% year on year), and segment profit amounted to ¥2,099 million (an increase of 74.1% year on year), driven by increased sales in the Procurement Management Division and the effects of yen depreciation.

3) Mobility business

Net sales amounted to ¥19,260 million (an increase of 40.6% year on year) and segment profit amounted to ¥1,306 million (an increase of 65.2% year on year), driven by increased sales in STAR ELECTRONICS CO., LTD., a subsidiary of the Company.

4) Global business

Net sales amounted to ¥47,719 million (an increase of 9.6% year on year), and segment profit amounted to ¥485 million (an increase of 6.2% year on year). This is attributable to the increased sales of unit products for office equipment, despite decreased sales of electronic components due to a decline in demand for personal computers.

(2) Overview of Financial Position for the Period Under Review

(Assets)

Total assets at the end of the current fiscal year were ¥81,556 million, an increase of ¥7,063 million compared with ¥74,492 million at the end of the previous fiscal year. This is mainly attributable to an increase of ¥2,055 million in cash and deposits and an increase of ¥3,298 million in notes and accounts receivable - trade, despite a decrease of ¥985 million in investment securities.

(Liabilities)

Liabilities at the end of the current fiscal year were ¥46,611 million, an increase of ¥4,575 million compared with ¥42,035 million at the end of the previous fiscal year. This is mainly attributable to an increase of ¥8,711 million in short-term borrowings, despite a decrease of ¥5,809 million notes and accounts payable - trade.

(Net assets)

Net assets at the end of the current fiscal year were ¥34,945 million, an increase of ¥2,488 million compared with ¥32,457 million at the end of the previous fiscal year. This is mainly attributable to an increase of ¥1,092 million in retained earnings, an increase of ¥910 million in foreign currency translation adjustment due to yen depreciation, and an increase of ¥952 million in non-controlling interests on account of SM Electronic Technologies Pvt. Ltd. becoming a consolidated subsidiary. Equity ratio changed to 41.4% from 43.3% at the end of the previous fiscal year.

(3) Overview of Cash Flows for the Period Under Review

Cash and cash equivalents (hereinafter referred to as “capital”) for the current fiscal year amounted to ¥10,023 million, an increase of ¥2,027 million compared with ¥7,996 million at the end of the previous fiscal year.

(Cash flows from operating activities)

Capital used in operating activities during the current fiscal year amounted to ¥4,889 million (an increase of 245.9% from the previous fiscal year).

This is mainly attributable to a decrease in capital due to an increase in trade receivables and a decrease in trade payables, despite an increase due to recording profit before income taxes.

(Cash flows from investing activities)

Capital used in investing activities during the current fiscal year amounted to ¥13 million (compared with ¥502 million provided during the previous fiscal year).

This is mainly attributable to a decrease in capital due to the purchase of property, plant and equipment and the purchase of shares of subsidiaries, despite an increase in capital due to the sale of investment securities.

(Cash flows from financing activities)

Capital provided by financing activities during the current fiscal year amounted to ¥6,629 million (compared with ¥855 million used in the previous fiscal year).

This is mainly attributable to an increase in capital due to a net increase in short-term borrowings.

(Reference) Changes in indicators related to cash flows

	77th FY ended May 31, 2019	78th FY ended May 31, 2020	79th FY ended May 31, 2021	80th FY ended May 31, 2022	81st FY ended May 31, 2023
Equity ratio (%)	46.8	48.5	47.8	43.3	41.4
Equity ratio based on fair value (%)	22.5	22.9	20.2	25.1	32.3
Years of debt redemption (Years)	71.8	4.6	2.2	-	-
Interest coverage ratio	1.1	17.8	59.9	-	-

(Notes) Equity ratio:	Shareholders' equity / Total assets
Equity ratio based on fair value:	Market capitalization / Total assets
Years of debt redemption:	Interest-bearing debt / Cash flows
Interest coverage ratio:	Cash flows / Interest paid

* The indicators were calculated using consolidated financial figures.

* The market capitalization was calculated by multiplying the closing price of the closing date by the total number of issued shares (less the treasury shares) on the day.

* Cash flows represent net cash provided by (used in) operating activities recorded in the Consolidated Statements of Cash Flows. Interest-bearing debt includes all debts recorded in the Consolidated Balance Sheets for which interest

is paid. Interest paid is the amount shown in the Consolidated Statements of Cash Flows.

- * The years of debt redemption and the interest coverage ratio appear as a dash (-) when cash flows from operating activities are negative.

(4) Future Outlook

In the electronics industry, where the Company operates, concerns exist with regard to a decrease in sales due to global economic recession and because the industry has entered an inventory adjustment phase after responding to the inventory buildup caused by the shortage of semiconductors up to the previous fiscal year.

Consolidated financial results for the fiscal year ended May 31, 2023 were net sales of ¥146.3 billion (an increase of 16.3% from the previous fiscal year), operating profit of ¥3.7 billion (an increase of 45.7% from the previous fiscal year), ordinary profit of ¥2.8 billion (an increase of 10.2% from the previous fiscal year), and profit attributable to owners of parent of ¥2.2 billion (an increase of 18.3% from the previous fiscal year).

Regarding the consolidated financial results forecast for the fiscal year ending May 31, 2024, projections are net sales of ¥147.0 billion (an increase of 0.5% from the previous fiscal year), operating profit of ¥3.4 billion (a decrease of 10.3% from the previous fiscal year), ordinary profit of ¥2.9 billion (an increase of 1.1% from the previous fiscal year), and profit attributable to owners of parent of ¥2.0 billion (a decrease of 11.4% from the previous fiscal year). Operating profit is expected to decrease because the forecast for the fiscal year ending May 31, 2024 does not incorporate the effects of yen depreciation, which was included for the fiscal year ended May 31, 2023. However, excluding the effect of yen depreciation, the Company projects profit to increase.

Consolidated financial results forecast for the fiscal year ending May 31, 2024

Net sales	¥147.0 billion (up 0.5% from the previous fiscal year)
Operating profit	¥3.4 billion (down 10.3% from the previous fiscal year)
Ordinary profit	¥2.9 billion (up 1.1% from the previous fiscal year)
Profit attributable to owners of parent	¥2.0 billion (down 11.4% from the previous fiscal year)

2. Basic Stance Concerning Choice of Accounting Standards

Taking into consideration the comparability of consolidated financial statements across periods and among companies, the Group prepares its consolidated financial statements using Japanese GAAP for the time being.

Regarding the application of International Financial Reporting Standards (IFRS), the Group's policy is to respond appropriately based on consideration of the situation in Japan and overseas.

3. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

(Million yen)

	As of May 31, 2022	As of May 31, 2023
Assets		
Current assets		
Cash and deposits	7,996	10,051
Notes and accounts receivable - trade	28,185	31,483
Electronically recorded monetary claims - operating	4,534	5,587
Merchandise and finished goods	18,646	20,628
Work in process	240	446
Raw materials and supplies	854	526
Other	4,897	4,255
Allowance for doubtful accounts	(7)	(7)
Total current assets	65,347	72,972
Non-current assets		
Property, plant and equipment		
Buildings and structures	3,611	3,338
Accumulated depreciation	(2,418)	(2,263)
Buildings and structures, net	1,193	1,074
Land	984	850
Other	1,970	2,395
Accumulated depreciation	(1,025)	(1,315)
Other, net	945	1,080
Total property, plant and equipment	3,123	3,004
Intangible assets		
Goodwill	—	492
Other	1,170	687
Total intangible assets	1,170	1,180
Investments and other assets		
Investment securities	4,407	3,421
Deferred tax assets	132	633
Other	841	920
Allowance for doubtful accounts	(530)	(576)
Total investments and other assets	4,851	4,399
Total non-current assets	9,145	8,584
Total assets	74,492	81,556

(Million yen)

	As of May 31, 2022	As of May 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	22,922	17,112
Short-term borrowings	5,567	14,279
Deposits received	5,168	6,413
Accrued expenses	937	1,018
Income taxes payable	438	713
Other	936	1,013
Total current liabilities	35,971	40,550
Non-current liabilities		
Bonds payable	1,400	1,400
Long-term borrowings	2,800	2,822
Deferred tax liabilities	16	20
Deferred tax liabilities for land revaluation	9	9
Retirement benefit liability	1,389	1,431
Other	448	376
Total non-current liabilities	6,063	6,060
Total liabilities	42,035	46,611
Net assets		
Shareholders' equity		
Share capital	2,611	2,611
Capital surplus	3,558	3,447
Retained earnings	25,229	26,322
Treasury shares	(1,725)	(1,761)
Total shareholders' equity	29,674	30,620
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,433	1,157
Deferred gains or losses on hedges	(0)	(44)
Revaluation reserve for land	22	22
Foreign currency translation adjustment	1,110	2,021
Total accumulated other comprehensive income	2,566	3,156
Non-controlling interests	216	1,169
Total net assets	32,457	34,945
Total liabilities and net assets	74,492	81,556

(2) Consolidated Statements of Operations and Comprehensive Income
Consolidated Statements of Operations

(Million yen)

	For the fiscal year ended May 31, 2022	For the fiscal year ended May 31, 2023
Net sales	125,850	146,336
Cost of sales	114,161	132,775
Gross profit	11,688	13,560
Selling, general and administrative expenses		
Packing and transportation costs	888	923
Travel and transportation expenses	215	341
Provision of allowance for doubtful accounts	6	(5)
Salaries and allowance	4,974	5,131
Retirement benefit expenses	239	248
Rent expenses	343	326
Commission expenses	989	1,236
Depreciation	481	491
Other	946	1,076
Total selling, general and administrative expenses	9,085	9,769
Operating profit	2,602	3,791
Non-operating income		
Interest income	4	20
Dividend income	64	90
Purchase discounts	55	50
Compensation income	416	223
Other	50	77
Total non-operating income	591	462
Non-operating expenses		
Interest expenses	83	303
Foreign exchange losses	385	432
Loss on sale of receivables	53	542
Other	71	108
Total non-operating expenses	592	1,386
Ordinary profit	2,601	2,867
Extraordinary income		
Gain on sale of non-current assets	1,090	7
Gain on sale of investment securities	27	703
Other	9	—
Total extraordinary income	1,127	711
Extraordinary losses		
Impairment losses	1,585	692
Other	13	128
Total extraordinary losses	1,598	821
Profit before income taxes	2,130	2,757
Income taxes - current	526	730
Income taxes - deferred	(317)	(338)
Total income taxes	209	391
Profit	1,920	2,365
Profit attributable to non-controlling interests	12	107
Profit attributable to owners of parent	1,908	2,257

Consolidated Statements of Comprehensive Income

(Million yen)

	For the fiscal year ended May 31, 2022	For the fiscal year ended May 31, 2023
Profit	1,920	2,365
Other comprehensive income		
Valuation difference on available-for-sale securities	(325)	(276)
Deferred gains or losses on hedges	(0)	(52)
Revaluation reserve for land	(36)	—
Foreign currency translation adjustment	1,152	923
Share of other comprehensive income of entities accounted for using equity method	—	(0)
Total other comprehensive income	790	595
Comprehensive income	2,711	2,960
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,699	2,847
Comprehensive income attributable to non-controlling interests	11	112

(3) Consolidated Statements of Changes in Net Assets
For the fiscal year ended May 31, 2022

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,611	3,615	23,947	(1,724)	28,449
Cumulative effects of changes in accounting policies			(69)		(69)
Restated balance	2,611	3,615	23,877	(1,724)	28,380
Changes during period					
Dividends of surplus			(592)		(592)
Profit attributable to owners of parent			1,908		1,908
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares					—
Reversal of revaluation reserve for land			36		36
Change in ownership interest of parent due to transactions with non-controlling interests		(57)			(57)
Net changes in items other than shareholders' equity					
Total changes during period	—	(57)	1,352	(0)	1,294
Balance at end of period	2,611	3,558	25,229	(1,725)	29,674

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of period	1,758	(0)	58	(41)	1,775	147	30,372
Cumulative effects of changes in accounting policies							(69)
Restated balance	1,758	(0)	58	(41)	1,775	147	30,302
Changes during period							
Dividends of surplus							(592)
Profit attributable to owners of parent							1,908
Purchase of treasury shares							(0)
Disposal of treasury shares							—
Reversal of revaluation reserve for land							36
Change in ownership interest of parent due to transactions with non-controlling interests							(57)
Net changes in items other than shareholders' equity	(325)	(0)	(36)	1,152	790	69	859
Total changes during period	(325)	(0)	(36)	1,152	790	69	2,154
Balance at end of period	1,433	(0)	22	1,110	2,566	216	32,457

For the fiscal year ended May 31, 2023

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,611	3,558	25,229	(1,725)	29,674
Cumulative effects of changes in accounting policies					—
Restated balance	2,611	3,558	25,229	(1,725)	29,674
Changes during period					
Dividends of surplus			(1,164)		(1,164)
Profit attributable to owners of parent			2,257		2,257
Purchase of treasury shares				(620)	(620)
Disposal of treasury shares		36		583	619
Reversal of revaluation reserve for land					—
Change in ownership interest of parent due to transactions with non-controlling interests		(147)			(147)
Net changes in items other than shareholders' equity					
Total changes during period	—	(110)	1,092	(36)	945
Balance at end of period	2,611	3,447	26,322	(1,761)	30,620

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of period	1,433	(0)	22	1,110	2,566	216	32,457
Cumulative effects of changes in accounting policies							—
Restated balance	1,433	(0)	22	1,110	2,566	216	32,457
Changes during period							
Dividends of surplus							(1,164)
Profit attributable to owners of parent							2,257
Purchase of treasury shares							(620)
Disposal of treasury shares							619
Reversal of revaluation reserve for land							—
Change in ownership interest of parent due to transactions with non-controlling interests							(147)
Net changes in items other than shareholders' equity	(276)	(44)	—	910	590	952	1,542
Total changes during period	(276)	(44)	—	910	590	952	2,488
Balance at end of period	1,157	(44)	22	2,021	3,156	1,169	34,945

(4) Consolidated Statements of Cash Flows

(Million yen)

	For the fiscal year ended May 31, 2022	For the fiscal year ended May 31, 2023
Cash flows from operating activities		
Profit before income taxes	2,130	2,757
Depreciation	580	604
Increase (decrease) in allowance for doubtful accounts	6	(10)
Increase (decrease) in retirement benefit liability	34	39
Interest and dividend income	(69)	(110)
Interest expenses	83	303
Loss (gain) on sale of investment securities	(27)	(703)
Decrease (increase) in trade receivables	(1,747)	(1,516)
Decrease (increase) in inventories	(7,348)	(450)
Increase (decrease) in trade payables	1,865	(6,468)
Increase (decrease) in accrued consumption taxes	(1,197)	287
Increase (decrease) in deposits received	3,874	1,245
Impairment losses	1,585	692
Loss (gain) on sale of property, plant and equipment	(1,090)	(7)
Other, net	(176)	(856)
Subtotal	(1,496)	(4,195)
Interest and dividends received	69	109
Interest paid	(80)	(301)
Income taxes refund (paid)	93	(502)
Net cash provided by (used in) operating activities	(1,413)	(4,889)
Cash flows from investing activities		
Purchase of investment securities	(580)	(48)
Proceeds from sale of investment securities	48	838
Purchase of property, plant and equipment	(137)	(234)
Proceeds from sale of property, plant and equipment	1,217	60
Purchase of intangible assets	(85)	(169)
Payments for acquisition of businesses	—	(208)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(252)
Other, net	41	1
Net cash provided by (used in) investing activities	502	(13)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(1,376)	7,994
Proceeds from long-term borrowings	1,800	—
Repayments of long-term borrowings	(900)	(14)
Proceeds from issuance of bonds	1,400	—
Redemption of bonds	(1,000)	—
Purchase of treasury shares	—	(620)
Proceeds from disposal of treasury shares	—	619
Dividends paid	(591)	(1,160)
Other, net	(187)	(189)
Net cash provided by (used in) financing activities	(855)	6,629
Effect of exchange rate change on cash and cash equivalents	358	301
Net increase (decrease) in cash and cash equivalents	(1,407)	2,027
Cash and cash equivalents at beginning of period	9,403	7,996
Cash and cash equivalents at end of period	7,996	10,023

(5) Notes to the Consolidated Financial Statements

(Notes on going concern assumption)

There is no relevant information.

(Changes in significant subsidiaries during the period under review)

In the current fiscal year, the Company acquired additional shares of SM Electronic Technologies Pvt. Ltd., an equity method affiliate, thereby including it within the scope of consolidation.

(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 fiscal year ended 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 consolidated financial statements.

(Segment information)

A. Segment information

1. Description of reportable segments

(1) 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 current fiscal year ended May 31, 2023, in conjunction with organizational changes, the Group decided to change its reportable segments to align with their respective markets.

Segment information for the fiscal year ended May 31, 2022 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.

2. Measurement method of net sales, profit or loss, assets and other items for each reportable segment

The methods of accounting in the reportable segments are based on amounts in accordance with the accounting standards that are used for preparing the consolidated financial statements.

Segment profit is based on operating profit.

Inter-segment net sales are based on the arm's length price.

3. Information on net sales, profit or loss, assets and other items by reportable segment and information on the disaggregation of revenue

For the fiscal year ended May 31, 2022

(Million yen)

	Reportable segment					Reconciliation (Note) 1 (Note) 3	Amount recorded in Consolidated Financial Statements (Note) 2
	Industrial Infrastruct ure business	Enterprise business	Mobility business	Global business	Total		
Net sales							
Revenue from contracts with customers	28,678	43,242	10,565	43,363	125,850	—	125,850
Net sales to outside customers	28,678	43,242	10,565	43,363	125,850	—	125,850
Inter-segment net sales or transfers	247	4,260	3,129	189	7,827	(7,827)	—
Total	28,925	47,503	13,695	43,553	133,677	(7,827)	125,850
Segment profit	1,085	1,206	790	457	3,539	(937)	2,602
Segment assets	16,739	27,077	7,158	17,094	68,070	6,422	74,492
Other items:							
Depreciation and amortization	153	191	39	138	522	57	580

- (Notes) 1. The reconciliation of segment profit in an amount of ¥(937) million includes elimination of inter-segment transactions.
2. Segment profit is reconciled with “Operating profit” in the Consolidated Statements of Operations.
3. The ¥6,422 million adjustment to segment assets is mainly corporate assets that do not belong to any reportable segment.

For the fiscal year ended May 31, 2023

(Million yen)

	Reportable segment					Reconciliation (Note) 1 (Note) 3	Amount recorded in Consolidated Financial Statements (Note) 2
	Industrial Infrastruct ure business	Enterprise business	Mobility business	Global business	Total		
Net sales							
Revenue from contracts with customers	31,011	51,163	16,544	47,616	146,336	—	146,336
Net sales to outside customers	31,011	51,163	16,544	47,616	146,336	—	146,336
Inter-segment net sales or transfers	260	5,391	2,715	102	8,469	(8,469)	—
Total	31,271	56,555	19,260	47,719	154,806	(8,469)	146,336
Segment profit	1,132	2,099	1,306	485	5,024	(1,232)	3,791
Segment assets	18,089	24,023	13,948	20,215	76,277	5,279	81,556
Other items:							
Depreciation and amortization	213	133	28	197	573	30	604

- (Notes) 1. The reconciliation of segment profit in an amount of ¥(1,232) million includes elimination of inter-segment transactions.
2. Segment profit is reconciled with “Operating profit” in the Consolidated Statements of Operations.
3. The ¥5,279 million adjustment to segment assets is mainly corporate assets that do not belong to any reportable segment.

B. Related information

For the fiscal year ended May 31, 2022

1. Information about product and service lines

(Million yen)

	Semi-conductors	General electronic components	Electronic equipment	Products	Total
Net sales to outside customers	44,927	52,707	21,913	6,301	125,850

2. Information by region

(1) Net sales

(Million yen)

Japan		Overseas					Total
	China	Taiwan	Thailand	Other Asia	Other	Subtotal	
59,202	42,284	2,958	7,631	7,339	6,433	66,647	125,850

(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.

(2) Property, plant and equipment

(Million yen)

Japan	Other	Total
2,594	528	3,123

3. Information by major customer

Omitted because any customer who constitutes net sales to outside customers does not account for 10% or more of net sales on the Consolidated Statements of Operations.

For the fiscal year ended May 31, 2023

1. Information about product and service lines

(Million yen)

	Semi-conductors	General electronic components	Electronic equipment	Products	Total
Net sales to outside customers	56,613	55,808	29,260	4,653	146,336

2. Information by region

(1) Net sales

(Million yen)

Japan		Overseas					Total
	China	Taiwan	Thailand	Other Asia	Other	Subtotal	
70,773	42,302	1,701	11,748	13,118	6,692	75,562	146,336

(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.

(2) Property, plant and equipment

(Million yen)

Japan	Other	Total
2,183	821	3,004

3. Information by major customer

Omitted because any customer who constitutes net sales to outside customers does not account for 10% or more of net sales on the Consolidated Statements of Operations.

C. Information about impairment losses on non-current assets by reportable segment

For the fiscal year ended May 31, 2022

Regarding corporate assets which are not allocated to each reportable segment, the Company wrote off the carrying amounts of buildings, land, property, plant and equipment (other), and intangible assets to their recoverable amounts and recorded the difference as impairment losses. In addition, for structures and property, plant and equipment (other) that are expected to no longer be used, the Company wrote off their carrying amounts to their memorandum values and recorded the difference as impairment losses. The impairment losses amounted to ¥1,585 million.

For the fiscal year ended May 31, 2023

Regarding corporate assets which are not allocated to each reportable segment, the Company wrote off the carrying amounts of buildings, land, and intangible assets to their recoverable amounts and recorded the difference as impairment losses. The impairment losses amounted to ¥692 million.

D. Information about amortization amount and unamortized balance of goodwill by reportable segment

For the fiscal year ended May 31, 2022

There is no relevant information.

For the fiscal year ended May 31, 2023

(Million yen)

	Reportable segment					Corporate Items and Eliminations	Total
	Industrial Infrastructure business	Enterprise business	Mobility business	Global business	Total		
Amortization amount	—	—	21	—	21	—	21
Unamortized balance	—	—	492	—	492	—	492

E. Information about gain on bargain purchase by reportable segment

There is no relevant information.

(Business combination)

(Business combination due to acquisition)

The Company acquired additional shares in its equity method affiliate, SM Electronic Technologies Pvt. Ltd. (hereinafter referred to as “SM Electronic”) on February 28, 2023, making it a consolidated subsidiary (50.1%) of the Company.

As a result of partial payment for the acquisition of additional shares of SM Electronic through an in-kind contribution of shares of SINGAPORE SATORI PTE. LTD. (now known as SMET SINGAPORE PTE. LTD.) (hereinafter referred to as the “SG Company”), which was a consolidated subsidiary of the Company, the SG Company has become a wholly owned subsidiary of SM Electronic (consolidated sub-subsidiary of the Company).

1. Summary of business combination

(1) Name and business of acquired company

Name	SM Electronic Technologies Pvt. Ltd.
Business description	Wholesale of electronic components

(2) Main reason for undertaking the business combination

On April 13, 2022, the Company acquired shares in SM Electronic (representing 25.1% of the total number of shares issued), and made SM Electronic an equity method affiliate of the Company. The Company has been engaged in business activities regarding semiconductors and related products in India targeting local companies through SM Electronic, while deploying its development know-how and product lines.

The Company has acquired the shares of SM Electronic (conversion to a subsidiary) for the purpose of increasing the Company’s corporate value through SM Electronic’s conversion to a consolidated subsidiary, taking it into account that the Indian market is an attractive market expected to continue to grow in the future, and based on the potential for the Company to make further strides in the market.

(3) Date of business combination

Deemed acquisition date December 31, 2022

(4) Legal form of business combination

Acquisition of shares in consideration of cash and acquisition of shares by an in-kind contribution (shares of SG Company)

(5) Company name after business combination

There was no change to the company name.

(6) Ratio of voting rights acquired

Ratio of voting rights held immediately before the business combination	25.1%
Ratio of voting rights additionally acquired on the date of the business combination	25.0%
Ratio of voting rights held after the business combination	50.1%

(7) Main basis for determining the acquired company

The basis was that the acquisition of SM Electronic's shares would result in the Company's acquisition of 50.1% of the voting rights in that company.

2. Period of the acquired company's financial results included in the consolidated statements of operations for the current fiscal year

January 1, 2023 to March 31, 2023

3. Acquisition costs of the acquired company and breakdown thereof

Consideration for acquisition	Cash	¥249 million
	Fair value of shares acquired on the date of business combination through contribution in kind	¥300 million
Acquisition price		¥549 million

4. Difference between acquisition costs of the acquired company and the total amount of acquisition costs of each transaction leading to the acquisition

Loss on step acquisitions ¥77 million

5. Breakdown and amount of major acquisition-related expenses

Advisory fees, etc. ¥29 million

6. Amounts of assets acquired and liabilities assumed on the date of business combination and their breakdown

Current assets	¥2,057 million
Non-current assets	¥651 million
Total assets	¥2,709 million
Current liabilities	¥1,239 million
Non-current liabilities	¥82 million
Total liabilities	¥1,321 million

7. The amount of goodwill that occurred, the cause for the occurrence, the amortization method, and the amortization period

(1) The amount of goodwill that occurred

¥270 million

(2) The cause for the occurrence

The excess earnings expected from future business activities.

(3) The amortization method and amortization period

Straight-line method over a period of 5 years

8. Estimated amount and calculation method of the effect of the business combination on the consolidated statements of operations for the current fiscal year as if the business combination had been completed at the beginning of the current fiscal year

Net sales	¥5,188 million
Operating profit	¥246 million

(Calculation method of estimated amount)

The estimated amount of impact is based on the acquired company's sales and profit/loss information through the date of the business combination (June 1, 2022 to February 28, 2023), premised on the business combination being completed at the beginning of the fiscal year. The estimated amount of impact is calculated as if the goodwill, etc. recognized at the time of the business combination had occurred at the beginning of the fiscal year.

(Per share information)

	For the fiscal year ended May 31, 2022	For the fiscal year ended May 31, 2023
Net assets per share	¥1,959.38	¥2,052.73
Basic earnings per share	¥115.96	¥137.22

(Notes) 1. Information about diluted earnings per share is omitted because dilutive shares do not exist.

2. In the calculation of net assets per share, the Company's shares held by the trust in connection to the stock compensation plan are included in treasury shares, and is deducted from the total number of shares issued at the end of the fiscal year (505,100 shares for the current fiscal year). In addition, with the calculation of basic earnings per share, the Company's shares held by the trust in connection with the stock compensation plan are included in the treasury shares as a deduction in the calculation of the average number of shares during the period (505,100 shares for the current fiscal year).

3. The underlying items for calculating basic earnings per share are as follows:

	For the fiscal year ended May 31, 2022	For the fiscal year ended May 31, 2023
Profit attributable to owners of parent (Million yen)	1,908	2,257
Amount not attributable to common shareholders (Million yen)	—	—
Profit attributable to owners of parent relating to common shares (Million yen)	1,908	2,257
Average number of shares during the period (Thousand shares)	16,454	16,454

(Significant subsequent events)

(Acquisition of treasury shares and share buyback by tender offer)

At the Board of Directors meeting held on May 9, 2023, the Company resolved to implement the acquisition of treasury shares and conduct a share buyback by tender offer as the specific method for acquiring the shares, pursuant to the provisions of Article 459, paragraph 1 of the Companies Act and the Company's Articles of Incorporation. The Company acquired the treasury shares on June 28, 2023.

For details, please refer to the "Notice of Acquisition of Treasury Shares and Share Buyback by Tender Offer" announced on May 9, 2023 and the "Notice of Results of Tender Offer for Treasury Shares, Completion of Acquisition of Treasury Shares and Change in Largest Shareholder as a Major Shareholder" announced on June 7, 2023.