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Consolidated Financial Results for the Three Months Ended August 31, 2023 [Japanese GAAP]



October 12, 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: October 12, 2023
 Scheduled date of commencing dividend payments: –
 Availability of supplementary briefing materials on quarterly financial results: Not available
 Schedule of quarterly financial results briefing session: Not scheduled

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

1. Consolidated Financial Results for the Three Months Ended August 31, 2023 (June 1, 2023 to August 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	
Three months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
August 31, 2023	35,299	(0.4)	1,116	6.1	741	(2.2)	399	(30.6)
August 31, 2022	35,453	13.9	1,052	106.0	758	23.1	575	37.2

(Note) Comprehensive income: Three months ended August 31, 2023: ¥1,167 million [(21.6)%]
 Three months ended August 31, 2022: ¥1,489 million [260.9%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
August 31, 2023	26.86	—
August 31, 2022	34.97	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of August 31, 2023	82,487	32,189	37.5
As of May 31, 2023	81,556	34,945	41.4

(Reference) Equity: As of August 31, 2023: ¥30,948 million
 As of May 31, 2023: ¥33,776 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended May 31, 2023	Yen —	Yen 26.00	Yen —	Yen 44.00	Yen 70.00
Fiscal year ending May 31, 2024	—				
Fiscal year ending May 31, 2024 (Forecast)		30.00	—	40.00	70.00

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

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	73,000	(3.0)	2,500	(3.5)	1,800	(14.0)	1,000	67.31
Full year	147,000	0.5	3,400	(10.3)	2,900	1.1	2,000	138.04

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

For details, please refer to the “Notice on the Revision of the Consolidated Financial Results Forecast for the First Six Months of the Fiscal Year Ending May 31, 2024,” announced today.

* 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: No
 - 2) Changes in accounting policies other than 1) above: No
 - 3) Changes in accounting estimates: No
 - 4) Retrospective restatement: No

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

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

August 31, 2023: 17,946,826 shares

May 31, 2023: 17,946,826 shares

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

August 31, 2023: 3,622,529 shares

May 31, 2023: 1,492,415 shares

3) Average number of shares during the period:

Three months ended August 31, 2023: 14,856,825 shares

Three months ended August 31, 2022: 16,454,655 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 August 31, 2023, 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 calculation of the average number of shares during the period (505,100 shares for the three months ended August 31, 2023).

* 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.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

The Japanese economy during the three months ended August 31, 2023 continued to face uncertain factors, such as prolonged geopolitical risk and the tightening of monetary policies in various countries due to global inflation, despite on-going normalization of social and economic activities after the COVID-19 pandemic.

Amid this environment, regarding the financial results for the three months ended August 31, 2023, net sales amounted to ¥35,299 million (a decrease of 0.4% year on year), mainly attributed to the decreased sales of electronic components due to a decline in demand for personal computers and in the Procurement Management Division, despite the positive factors including the acquisition of SM Electronic Technologies Pvt. Ltd. (hereinafter, “SM Electronic”) as a subsidiary as well as the effects of yen depreciation. Regarding profits, operating profit amounted to ¥1,116 million (an increase of 6.1% year on year) mainly driven by an increase in gross profit due to factors including the acquisition of SM Electronic as a subsidiary. Ordinary profit amounted to ¥741 million (a decrease of 2.2% year on year). Profit attributable to owners of parent amounted to ¥399 million (a decrease of 30.6% year on year), mainly due to an increase in income taxes.

The financial results of the segments are as follows.

In addition, in the three months ended August 31, 2023, the Company made a change to its business management categories to recategorize the storage division, which was previously categorized as the “Mobility business,” as the “Enterprise business.” The following year-on-year comparisons use the figures for the previous fiscal year based on the business management categories after the recategorization.

1) Industrial Infrastructure business

Net sales amounted to ¥6,593 million (a decrease of 2.1% year on year) while segment profit amounted to ¥246 million (an increase of 15.0% year on year) due to improved profits of the Applied Products Division.

2) Enterprise business

Net sales amounted to ¥12,614 million (a decrease of 22.6% year on year), and segment profit amounted to ¥593 million (a decrease of 33.2% year on year), driven by decreased sales in the Procurement Management Division and other factors.

3) Mobility business

Net sales amounted to ¥6,929 million (an increase of 153.3% year on year) and segment profit amounted to ¥409 million (an increase of 122.7% year on year) driven by the acquisition of SM Electronic as a subsidiary and strong sales of semiconductors for automotive applications.

4) Global business

Net sales amounted to ¥10,849 million (a decrease of 11.0% year on year), and segment profit amounted to ¥123 million (an increase of 431.6% year on year). This is mainly attributable to decreased sales of electronic components due to a decline in demand for personal computers.

(2) Explanation of Financial Position

Total assets at the end of the first quarter of the current fiscal year were ¥82,487 million, an increase of ¥930 million compared with ¥81,556 million at the end of the previous fiscal year. This is mainly attributable to an increase of ¥907 million in merchandise and finished goods.

Liabilities at the end of the first quarter of the current fiscal year were ¥50,298 million, an increase of ¥3,687 million compared with ¥46,611 million at the end of the previous fiscal year. This is mainly attributable to an increase of ¥892 million in notes and accounts payable - trade and an increase of ¥4,101 million in short-term borrowings owing to an increase in demand for funds following the purchase of treasury shares.

Net assets at the end of the first quarter of the current fiscal year were ¥32,189 million, a decrease of ¥2,756 million compared with ¥34,945 million at the end of the previous fiscal year. This is mainly attributable to a decrease of ¥3,178 million due to a purchase of treasury shares, despite an increase of ¥711 million in foreign currency translation adjustment. Equity ratio changed to 37.5% from 41.4% at the end of the previous fiscal year.

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

The consolidated financial results forecast for the first six months of the fiscal year ending May 31, 2024 are expected to exceed our initial forecasts due to the performance of SM Electronic against the backdrop of a strong market in India and increased demand for semiconductors for automotive applications.

As for the full-year consolidated financial results forecast for the fiscal year ending May 31, 2024, given the uncertainty surrounding the effects of foreign exchange and the outlook for the world economy, the financial results forecast announced on July 13, 2023 remains unchanged. The Company shall promptly announce revisions, should they become necessary.

For details, please refer to the “Notice on the Revision of the Consolidated Financial Results Forecast for the First Six Months of the Fiscal Year Ending May 31, 2024,” announced today.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of May 31, 2023	As of August 31, 2023
Assets		
Current assets		
Cash and deposits	10,051	10,373
Notes and accounts receivable - trade	37,070	37,952
Merchandise and finished goods	20,628	21,536
Work in process	446	507
Raw materials and supplies	526	501
Other	4,255	3,138
Allowance for doubtful accounts	(7)	(0)
Total current assets	72,972	74,007
Non-current assets		
Property, plant and equipment	3,004	3,074
Intangible assets		
Goodwill	492	488
Other	687	679
Total intangible assets	1,180	1,168
Investments and other assets		
Other	4,975	4,838
Allowance for doubtful accounts	(576)	(601)
Total investments and other assets	4,399	4,237
Total non-current assets	8,584	8,480
Total assets	81,556	82,487
Liabilities		
Current liabilities		
Notes and accounts payable - trade	17,112	18,005
Short-term borrowings	14,279	18,381
Income taxes payable	713	413
Provision for bonuses	—	259
Other	8,444	7,124
Total current liabilities	40,550	44,184
Non-current liabilities		
Bonds payable	1,400	1,400
Long-term borrowings	2,822	2,830
Retirement benefit liability	1,431	1,457
Other	406	425
Total non-current liabilities	6,060	6,114
Total liabilities	46,611	50,298

(Million yen)

	As of May 31, 2023	As of August 31, 2023
Net assets		
Shareholders' equity		
Share capital	2,611	2,611
Capital surplus	3,447	3,447
Retained earnings	26,322	25,975
Treasury shares	(1,761)	(4,939)
Total shareholders' equity	30,620	27,095
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,157	1,125
Deferred gains or losses on hedges	(44)	(26)
Revaluation reserve for land	22	22
Foreign currency translation adjustment	2,021	2,732
Total accumulated other comprehensive income	3,156	3,853
Non-controlling interests	1,169	1,240
Total net assets	34,945	32,189
Total liabilities and net assets	81,556	82,487

(2) Quarterly Consolidated Statements of Operations and Comprehensive Income

Quarterly Consolidated Statements of Operations

Three Months Ended August 31

(Million yen)

	For the three months ended August 31, 2022	For the three months ended August 31, 2023
Net sales	35,453	35,299
Cost of sales	32,166	31,657
Gross profit	3,286	3,642
Selling, general and administrative expenses	2,233	2,525
Operating profit	1,052	1,116
Non-operating income		
Interest income	0	28
Dividend income	53	55
Compensation income	104	50
Other	33	17
Total non-operating income	191	152
Non-operating expenses		
Interest expenses	37	108
Loss on sale of receivables	90	171
Foreign exchange losses	326	190
Other	30	56
Total non-operating expenses	485	527
Ordinary profit	758	741
Profit before income taxes	758	741
Income taxes - current	137	154
Income taxes - deferred	40	152
Total income taxes	178	307
Profit	580	434
Profit attributable to non-controlling interests	4	35
Profit attributable to owners of parent	575	399

Quarterly Consolidated Statements of Comprehensive Income

Three Months Ended August 31

(Million yen)

	For the three months ended August 31, 2022	For the three months ended August 31, 2023
Profit	580	434
Other comprehensive income		
Valuation difference on available-for-sale securities	148	(31)
Deferred gains or losses on hedges	(21)	21
Foreign currency translation adjustment	754	743
Share of other comprehensive income of entities accounted for using equity method	28	—
Total other comprehensive income	908	733
Comprehensive income	1,489	1,167
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,488	1,096
Comprehensive income attributable to non-controlling interests	0	71

(3) 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)

During the three months ended August 31, 2023, in accordance with a resolution passed at a meeting of the Board of Directors held on May 9, 2023, the Company acquired 2,129,900 treasury shares on June 28, 2023. As a result, treasury shares increased by ¥3,178 million during the three months ended August 31, 2023, including the acquisition of fractional shares, to ¥4,939 million as of August 31, 2023.

(Segment information, etc.)

I. For the three months ended August 31, 2022 (from June 1, 2022 to August 31, 2022)

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	6,652	14,031	2,610	12,158	35,453	—	35,453
Net sales to outside customers	6,652	14,031	2,610	12,158	35,453	—	35,453
Inter-segment net sales or transfers	86	2,258	124	33	2,502	(2,502)	—
Total	6,738	16,290	2,735	12,191	37,955	(2,502)	35,453
Segment profit	214	887	184	23	1,309	(256)	1,052

(Notes) 1. The reconciliation of segment profit in an amount of ¥(256) 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 three months ended August 31, 2023 (from June 1, 2023 to August 31, 2023)

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	6,534	11,155	6,770	10,838	35,299	—	35,299
Net sales to outside customers	6,534	11,155	6,770	10,838	35,299	—	35,299
Inter-segment net sales or transfers	58	1,459	158	10	1,687	(1,687)	—
Total	6,593	12,614	6,929	10,849	36,987	(1,687)	35,299
Segment profit	246	593	409	123	1,373	(256)	1,116

(Notes) 1. The reconciliation of segment profit in an amount of ¥(256) 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

In the three months ended August 31, 2023, the Company made a change to its business management categories to recategorize the storage division, which was previously categorized as the “Mobility business,” as the “Enterprise business.” The segment information for the three months ended August 31, 2022 is based on the business management categories after the recategorization.

(Significant subsequent events)

There is no relevant information.

3. Others

(1) Information by Product and Service Line

For the three months ended August 31, 2022 (from June 1, 2022 to August 31, 2022)

(Million yen)

	Semiconductors	General electronic components	Electric equipment	Products	Total
Net sales to outside customers	14,287	13,001	6,558	1,605	35,453

For the three months ended August 31, 2023 (from June 1, 2023 to August 31, 2023)

(Million yen)

	Semiconductors	General electronic components	Electric equipment	Products	Total
Net sales to outside customers	12,891	15,198	6,426	782	35,299

(2) Net Sales by Region

For the three months ended August 31, 2022 (from June 1, 2022 to August 31, 2022)

(Million yen)

Japan	Overseas						Total
	China	Taiwan	Thailand	Other Asia	Other	Subtotal	
16,156	12,099	463	2,618	1,933	2,181	19,296	35,453

(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 three months ended August 31, 2023 (from June 1, 2023 to August 31, 2023)

(Million yen)

Japan	Overseas						Total
	China	Taiwan	Thailand	Other Asia	Other	Subtotal	
15,154	9,152	257	2,737	6,602	1,395	20,145	35,299

(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.