

Translation

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Summary of Consolidated Financial Results for the Nine Months Ended December 31, 2021 (Based on Japanese GAAP)

February 9, 2022

Company name: Shindengen Electric Manufacturing Co., Ltd.
 Stock exchange listing: Tokyo
 Stock code: 6844 URL <https://www.shindengen.co.jp/>
 Representative: President Yoshinori Suzuki
 Inquiries: Manager of Corporate Planning Group, Yoshiaki Matsumoto TEL 048-483-5311
 Planning Dept.
 Scheduled date to file Quarterly Securities Report: February 10, 2022
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: No
 Holding of quarterly financial results meeting: No

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the nine months ended December 31, 2021 (from April 1, 2021 to December 31, 2021)

(1) Consolidated operating results (cumulative)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended December 31, 2021	68,144	18.9	4,197	–	4,294	–	4,146	–
Nine months ended December 31, 2020	57,333	(17.0)	(1,291)	–	(1,320)	–	(4,088)	–

Note: Comprehensive income
 Nine months ended December 31, 2021 ¥4,230 million [–%]
 Nine months ended December 31, 2020 ¥(4,111) million [–%]

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Nine months ended December 31, 2021	402.35		–	
Nine months ended December 31, 2020	(396.80)		–	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2021	130,581	53,651	41.1
As of March 31, 2021	127,806	49,413	38.7

Reference: Equity
 As of December 31, 2021 ¥53,651 million
 As of March 31, 2021 ¥49,413 million

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2021	–	0.00	–	0.00	0.00
Year ending March 31, 2022	–	0.00	–		
Year ending March 31, 2022 (Forecast)				100.00	100.00

Note: Revision of cash dividend forecast most recently announced: No

3. Forecast of consolidated financial results for the year ending March 31, 2022 (from April 1, 2021 to March 31, 2022)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	94,600	17.6	5,900	–	5,800	–	5,800	–	562.81

Note: Revision of consolidated financial results forecast most recently announced: No

4. Notes

- (1) Changes in significant subsidiaries during the nine months ended December 31, 2021
(changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (2) Application of special accounting methods for preparing quarterly consolidated financial statements: No
- (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements
- Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
- Changes in accounting policies due to other reasons: No
- Changes in accounting estimates: No
- Restatement of prior period financial statements: No

(4) Number of issued shares (common shares)

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

As of December 31, 2021	10,338,884 shares	As of March 31, 2021	10,338,884 shares
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Number of treasury shares at the end of the period

As of December 31, 2021	31,791 shares	As of March 31, 2021	33,380 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Nine months ended December 31, 2021	10,306,606 shares	Nine months ended December 31, 2020	10,304,437 shares
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* Quarterly financial results reports are exempt from quarterly reviews conducted by certified public accountants or an audit corporation.

* Explanation of proper use of financial results forecast, and other special matters

(Caution concerning forward-looking statements)

The forward-looking statements, including the financial results forecast shown in this document, are based on information currently available to the Company and on certain assumptions deemed to be reasonable by the Company. As such, they do not constitute guarantees by the Company of future performance. Actual performance and other results may differ materially due to various factors.

Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2021	As of December 31, 2021
Assets		
Current assets		
Cash and deposits	26,646	30,346
Notes and accounts receivable - trade	18,589	17,485
Merchandise and finished goods	7,593	8,534
Work in process	4,500	5,398
Raw materials and supplies	10,976	13,237
Other	5,989	4,090
Allowance for doubtful accounts	(21)	(22)
Total current assets	74,273	79,069
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,594	17,891
Machinery, equipment and vehicles, net	8,596	8,724
Land	4,535	4,527
Leased assets, net	1,237	1,060
Construction in progress	13,217	1,313
Other, net	1,909	1,948
Total property, plant and equipment	36,090	35,465
Intangible assets		
Software	648	503
Leased assets	13	9
Other	294	281
Total intangible assets	956	793
Investments and other assets		
Investment securities	15,370	14,119
Deferred tax assets	334	353
Other	829	825
Allowance for doubtful accounts	(48)	(46)
Total investments and other assets	16,485	15,251
Total non-current assets	53,532	51,511
Total assets	127,806	130,581

(Millions of yen)

	As of March 31, 2021	As of December 31, 2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	14,443	15,111
Short-term borrowings	5,125	5,325
Current portion of bonds payable	1,525	1,475
Lease obligations	464	424
Income taxes payable	48	121
Provision for bonuses	763	–
Other	9,301	5,312
Total current liabilities	31,670	27,769
Non-current liabilities		
Bonds payable	5,300	4,200
Long-term borrowings	25,075	28,350
Lease obligations	1,065	934
Deferred tax liabilities	406	277
Retirement benefit liability	12,760	12,877
Provision for product warranties	1,897	1,667
Asset retirement obligations	170	793
Other	47	60
Total non-current liabilities	46,722	49,160
Total liabilities	78,393	76,929
Net assets		
Shareholders' equity		
Share capital	17,823	17,823
Capital surplus	7,731	7,733
Retained earnings	24,046	28,193
Treasury shares	(122)	(117)
Total shareholders' equity	49,478	53,633
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,897	2,006
Foreign currency translation adjustment	(2,678)	(1,787)
Remeasurements of defined benefit plans	(284)	(200)
Total accumulated other comprehensive income	(65)	18
Total net assets	49,413	53,651
Total liabilities and net assets	127,806	130,581

Consolidated statements of income (cumulative) and consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Net sales	57,333	68,144
Cost of sales	49,958	54,200
Gross profit	7,375	13,943
Selling, general and administrative expenses	8,666	9,746
Operating profit (loss)	(1,291)	4,197
Non-operating income		
Interest income	58	44
Dividend income	263	359
Share of profit of entities accounted for using equity method	38	143
Royalty income	15	3
Other	220	110
Total non-operating income	596	662
Non-operating expenses		
Interest expenses	159	182
Foreign exchange losses	315	100
Other	150	282
Total non-operating expenses	625	565
Ordinary profit (loss)	(1,320)	4,294
Extraordinary income		
Gain on sale of investment securities	333	1,033
Gain on sale of non-current assets	–	64
Total extraordinary income	333	1,098
Extraordinary losses		
Loss on valuation of investment securities	–	36
Loss on sale of investment securities	–	0
Impairment losses	1,357	–
Loss related to COVID-19	147	–
Total extraordinary losses	1,504	37
Profit (loss) before income taxes	(2,492)	5,354
Income taxes - current	346	1,015
Income taxes - deferred	1,250	192
Total income taxes	1,596	1,208
Profit (loss)	(4,088)	4,146
Profit attributable to		
Profit (loss) attributable to owners of parent	(4,088)	4,146
Profit attributable to non-controlling interests	–	–
Other comprehensive income		
Valuation difference on available-for-sale securities	1,388	(891)
Foreign currency translation adjustment	(1,535)	851
Remeasurements of defined benefit plans, net of tax	176	83
Share of other comprehensive income of entities accounted for using equity method	(51)	39
Total other comprehensive income	(22)	83
Comprehensive income	(4,111)	4,230
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(4,111)	4,230
Comprehensive income attributable to non-controlling interests	–	–

Notes Pertaining to Going Concern Assumption

None

Notes on Significant Changes in the Amount of Shareholders' Equity

None

Changes to accounting policy

Application of Accounting Standards on Revenue Recognition, etc.

From the beginning of the 1st quarter consolidated accounting period, the "Accounting Standards on Revenue Recognition" (Corporate Accounting Standards No. 29, March 31, 2020. Hereinafter referred to as the "Revenue Recognition Accounting Standards".) will be applied, which will recognize the amounts of money expected to be received in exchanges for goods or services as revenue at the point that control of said promised goods or services is transferred to the customer. This will result in a portion of the expenditure paid to suppliers for the purposes of sales promotions, and which was originally accounted for as distribution costs and general administrative costs, being instead accounted for as deductions from sales starting from the beginning of the 1st quarter consolidated accounting period. In addition, regarding transactions where Shindengen acts as distributor in sales of products to customers, originally the entire amount of the counter value received from customers was recognized as revenue, however now the net amount, minus the amount paid to third parties from the total amount of the relevant counter value, will instead be recognized as the revenue. The application of the Revenue Recognition Accounting Standards, etc. is in accordance with the transient handling specified in the provisions of Item 84 of the Revenue Recognition Accounting Standards, and the cumulative amount of financial impact if the new accounting policy is retroactively applied to periods before the start of this 1st quarter consolidated accounting period, will be used to adjust the accumulated earnings at the start of this 1st quarter consolidated accounting period, with the new accounting policy be applied from the relevant opening balance for the period.

As a result, the sales for the relevant 3rd quarter consolidated accounting period will decrease to 733 million yen, while cost of goods sold will decrease to 706 million yen, and both distribution costs and general administrative costs will decrease to 27 million yen, however this will have no impact on the operating income, ordinary income, or pre-tax adjustment net income for the quarter. This will also have no impact on the accumulated earnings balance for the relevant period. In addition, in accordance with the transient handling stipulated in Revenue Recognition Accounting Standards Item 89-2, no reclassification via new indication methods will be carried out for the previous consolidated accounting fiscal year.

Application of Accounting Standards on Fair Value Accounting, etc.

In the future, the Accounting Standards on Fair Value Accounting will be applied, however this will have no impact on the quarter consolidated financial statements.

Additional Information

Method of depreciation of tangible fixed assets

Shindengen uses the fixed amount methods as the method of depreciation of tangible fixed assets.

Impact of COVID-19 infections on accounting estimates

There have been no significant changes during the 3rd quarter consolidated accounting period regarding to the impact of COVID-19 infections on operations noted in the FY2020 Annual Securities Report (Important Accounting Estimates).

Segment Information

Year ended December 31, 2021 (April 1, 2021 to December 31, 2021)

1. Net sales, income (loss), identifiable assets/liabilities and other items by reporting segments

Millions of yen							
Year ended December 31, 2021							
	Electronic Device	Car Electronics	Total	Other (Notes 1)	Total	Adjustments (Notes 2)	Quarterly Consolidated Statements of Income and Comprehensive Income (Notes 3)
Net Sales							
Outside customers	¥27,329	¥34,492	¥61,821	¥ 6,323	¥ 68,144	—	¥68,144
Inter-segment	4,360	2	4,362	—	4,362	(4,362)	—
Total	31,689	34,495	66,184	6,323	72,507	(4,362)	68,144
Segment income							
	¥4,114	¥ 2,588	¥6,703	¥ 426	¥7,129	¥ (2,932)	¥4,197

Notes: 1. The “Other” category includes activities not included in the reporting segments, such as the Energy Systems & Solutions Business and solenoids.

2. ¥ (2,932) million posted under “Adjustments” includes “Corporate expenses” that have not been allocated to each reporting segment. “Corporate expenses” are primarily general and administrative expenses that cannot be attributed to any reporting segment.

3. Segment income is adjusted to the operating income stated on the consolidated statements of income and consolidated statements of comprehensive income.

2. Changes in reporting segments, etc.

As stated in the Changes to accounting policy, from the beginning of the 1st quarter consolidated accounting period, the Revenue Recognition Accounting Standards will be applied.

As a result, net sales for 3rd quarter consolidated accounting period decreased by 23 million yen in the Electronic Device segment, 1 million yen in the Car Electronics segment, and 708 million yen in the Other segment respectively, compared to before the application of the Revenue Recognition Accounting Standards.

There is no impact of this change on segment income.