

# Fiscal Year 2023 Financial Results

## **SHINSHO CORPORATION**

Code: 8075

*Note: This document is a translation of a part of the original Japanese version and provided for reference purposes only. In the event of any discrepancy between the Japanese original and this English translation, the Japanese original shall prevail.*

May 9, 2024

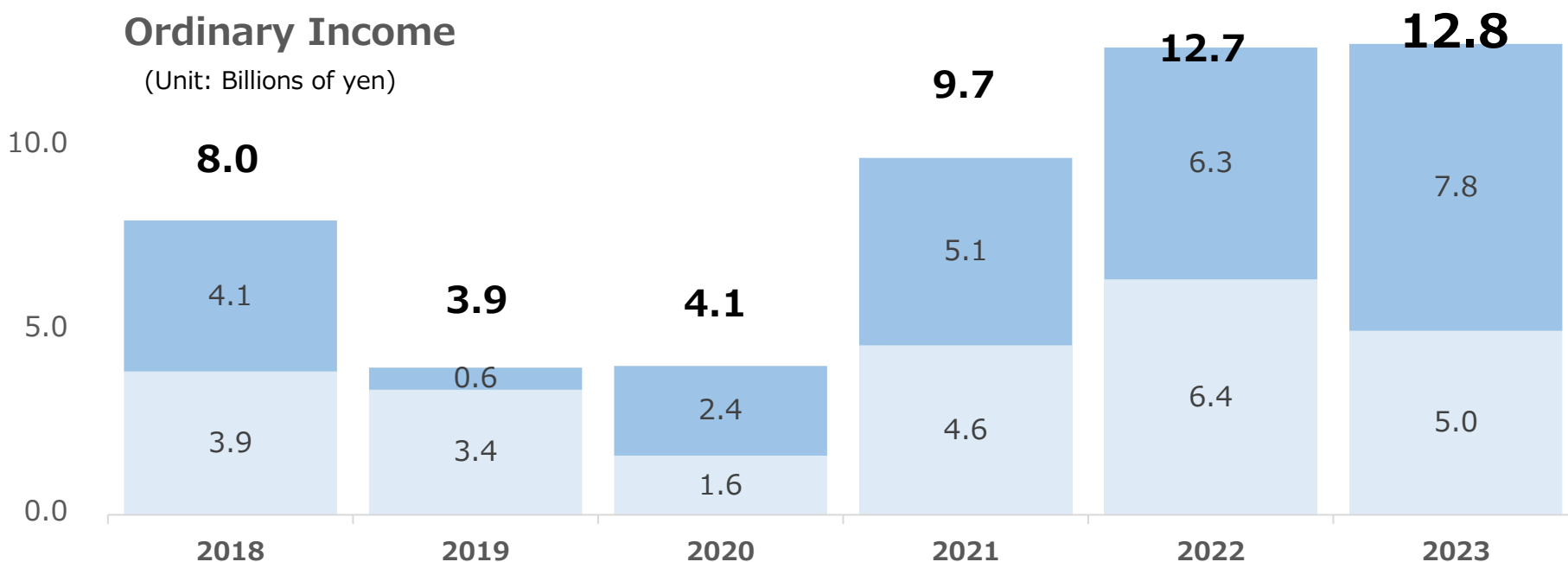
# Summary of this document

## Financial Summary

- Ordinary income for FY2023 is 12.8 billion yen, a record high.
- Although, general and administrative expenses increased and the volume of aluminum handled for automobiles in China decreased, a whole increase due to recovery of demand in the domestic automotive sector, etc.
- The year-end dividend will be 190 yen, bringing the annual dividend to 315 yen (previous forecast: 300 yen).

## Ordinary Income

(Unit: Billions of yen)



1. Summary of Business Results for FY2023
2. Forecast for FY2024
3. Medium-term management plan, Dividend forecast

# Profit and Loss for FY2023

1. Results of 2023

- Net sales increased 6.6 billion yen Year on Year due to higher steel prices.
- Ordinary income was 12.8 billion yen, an increase of 0.1 billion yen Year on Year. Increase mainly due to recovery of demand in the domestic automobile sector.

(Unit: Billions of yen)

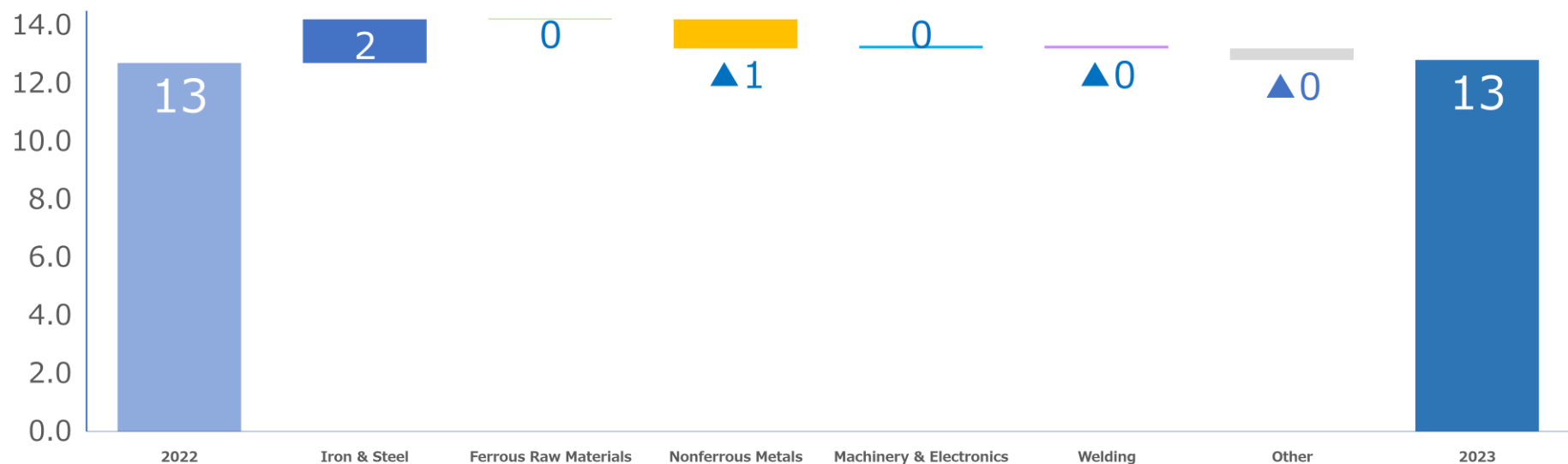
	Fiscal Year 2022	Fiscal Year 2023	Increase /Decrease	Percentage change (%)
Net sales	<b>584.9</b>	<b>591.4</b>	+6.6	+1.1%
Gross profit	<b>38.5</b>	<b>39.1</b>	+0.6	+1.6%
SG&A expenses	<b>(25.1)</b>	<b>(25.8)</b>	(0.8)	-
Operating income	<b>13.5</b>	<b>13.3</b>	(0.2)	(1.2)%
Ordinary income	<b>12.7</b>	<b>12.8</b>	+0.1	+1.1%
Attributable to: Shareholders of the parent company Net income	<b>9.2</b>	<b>9.1</b>	(0.1)	(0.9)%
		<div style="border: 1px solid gray; border-radius: 5px; padding: 2px; display: inline-block;">                     Previous Forecast 300 yen                 </div>		
<b>Dividends (yen)</b>	<b>315.0 yen</b>	<b>315.0 yen</b>	-	-

# FY2023 Ordinary Income Increase/Decrease by Segment

1. Results of 2023

(Unit: Billions of yen)

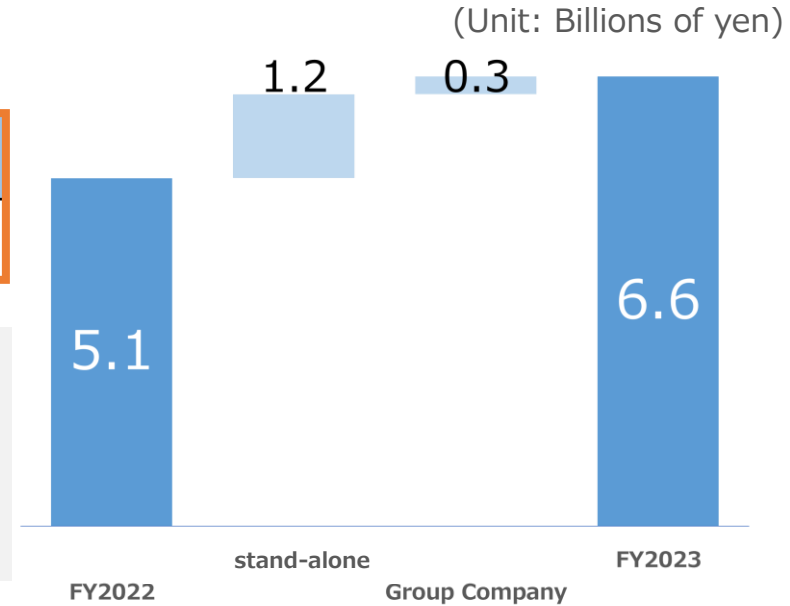
	Fiscal Year 2022	Fiscal Year 2023	Increase /Decrease	Percentage change (%)
Iron & Steel	5.1	6.6	+1.5	+29.1%
Ferrous Raw Materials	1.5	1.5	+0.0	+1.1%
Nonferrous Metals	2.7	1.6	(1.0)	(38.9)%
Machinery & Electronics	2.2	2.3	+0.1	+6.6%
Welding	0.8	0.7	(0.1)	(7.5)%
Other	0.4	(0)	(0.4)	-
Total amount	12.7	12.8	+0.1	+1.1%



## Iron & Steel

fiscal year (April 1 to March 31)	Fiscal Year 2022	Fiscal Year 2023	fluctuation
Ordinary income	<b>5.1</b>	<b>6.6</b>	<b>+1.5</b>

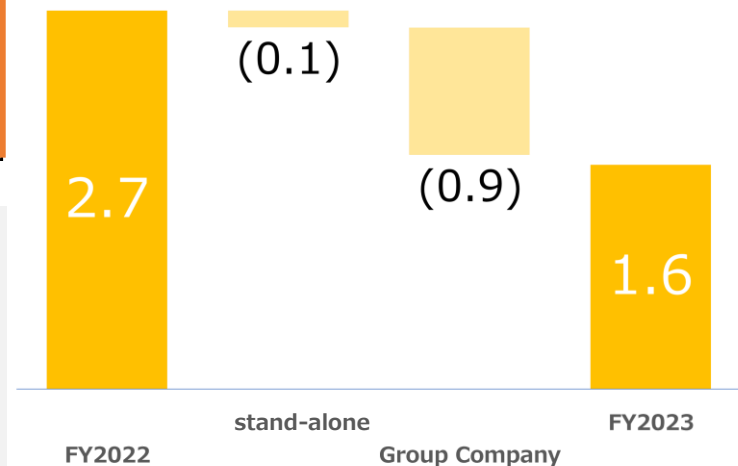
- The stand-alone segment benefited from a gradual recovery in domestic automobile demand and **Increase** due to higher steel prices
- In the U.S., the company has a provision for doubtful accounts that was recorded in prior years in the U.S. **Increase** due to reversal of allowance for doubtful accounts, etc.



## Non-Ferrous Metals

fiscal year (April 1 to March 31)	Fiscal Year 2022	Fiscal Year 2023	fluctuation
Ordinary income	<b>2.7</b>	<b>1.6</b>	<b>(1.0)</b>

- In the Group company, we are mainly involved in the business of an aluminum sheet processing company in China **Decrease in profit** due to decline in volume handled for the automotive sector, etc.
- Due to sluggish demand related to semiconductor equipment, domestic and overseas group company **Decrease in income**
- Inagaki Shoten, a newly acquired subsidiary in FY2023, will contribute to profits.



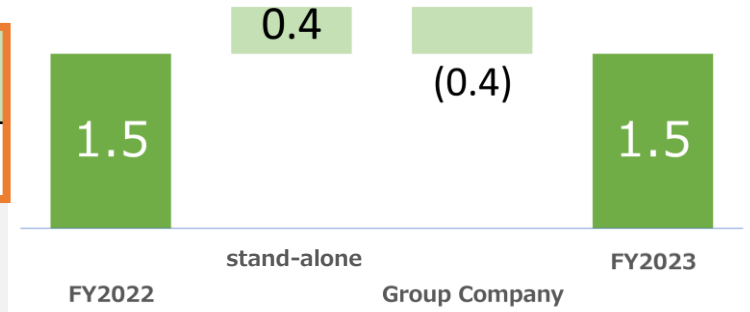
## FY2023 Ordinary Income Increase/Decrease by Segment (Details)

## Ferrous Raw Materials

(Unit: Billions of yen)

fiscal year (usu. April 1 to March 31)	Fiscal Year 2022	Fiscal Year 2023	fluctuation
Ordinary income	<b>1.5</b>	<b>1.5</b>	<b>+0.0</b>

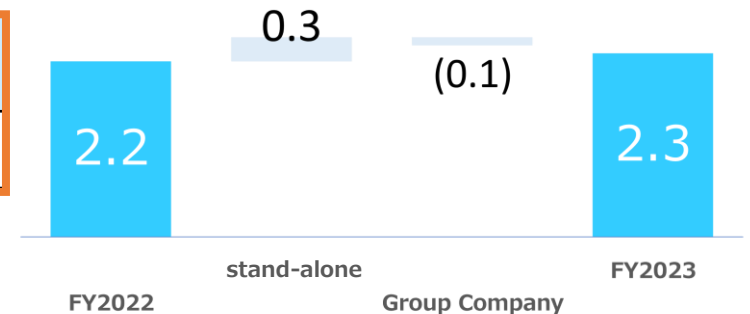
- **Increase** in biomass fuel transaction volume contributed to profit **increase**, despite decline in performance of overseas subsidiaries



## Machinery & Electronics

fiscal year (usu. April 1 to March 31)	Fiscal Year 2022	Fiscal Year 2023	fluctuation
Ordinary income	<b>2.2</b>	<b>2.3</b>	<b>+0.1</b>

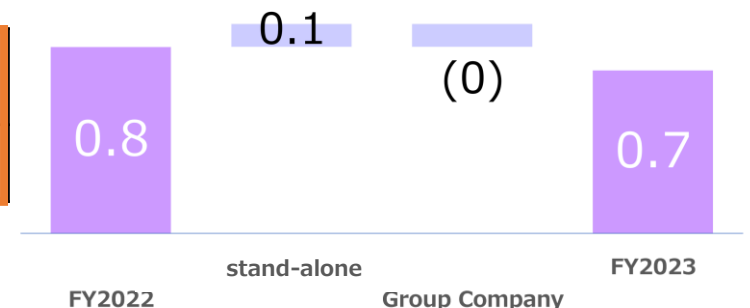
- **Increased income** due to increase in KOBELCO Group's decarbonization-related products and maintenance business product.



## Welding

fiscal year (usu. April 1 to March 31)	Fiscal Year 2022	Fiscal Year 2023	fluctuation
Ordinary income	<b>0.8</b>	<b>0.7</b>	<b>(0.1)</b>

- **Decrease** due to lower transaction volume in shipbuilding, automobile, construction machinery, and production materials, despite profit contribution from higher selling prices



# Balance Sheet Situation

(Unit: Billions of yen)

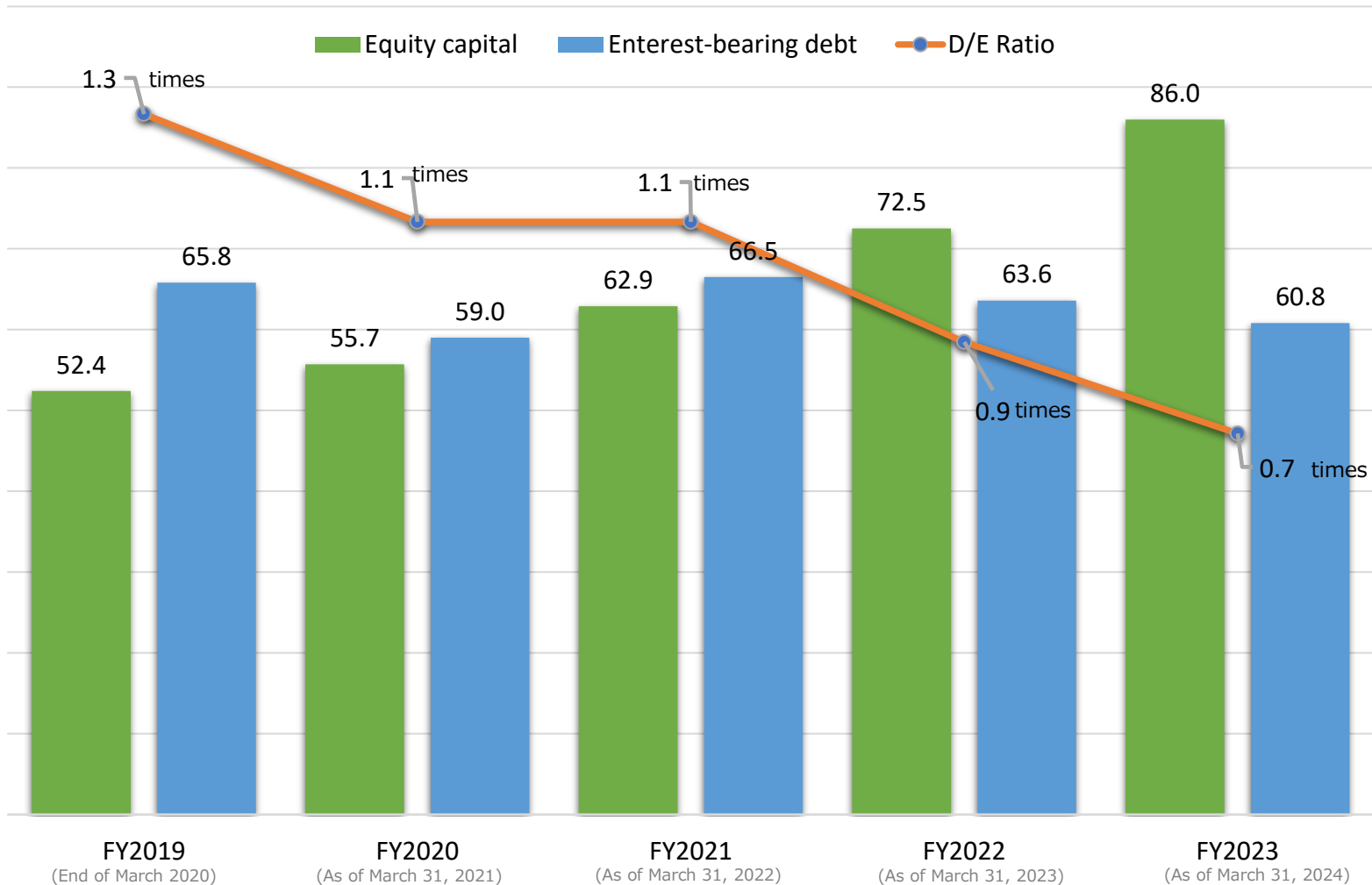
	March 31, 2022 (March 2023)	March 31, 2023 (March 2024)	Increase Decrease
current assets	343.5	337.6	(5.9)
fixed assets	51.6	58.8	+7.2
(Breakdown Tangible and intangible fixed assets)	( 10.1 )	( 11.0 )	( +0.9 )
(Investments and other assets)	( 41.5 )	( 47.8 )	( +6.3 )
<b>total assets</b>	<b>395.1</b>	<b>396.4</b>	<b>+1.3</b>
current liabilities	297.9	2,81.0	(16.9)
fixed liabilities	23.3	28.0	+4.7
<b>total liabilities</b>	<b>321.2</b>	<b>308.9</b>	<b>(12.3)</b>
net worth	72.5	86.0	+13.5
Noncontrolling interest	1.4	1.5	+0.1
<b>net assets</b>	<b>73.9</b>	<b>87.5</b>	<b>+13.6</b>

External interest-bearing debt	63.6	60.8	(2.8)
Capital adequacy ratio	18.3%	21.7%	+3.4%
D/E Ratio	0.9 times	0.7 times	(0.2) times
Net assets per share	8,235.1yen	9,770.1yen	
Share price at end of term	5,800 yen	7,220 yen	



- D/E ratio : 0.7times (Reference: Net D/E ratio 0.6times)

(Unit: Billions of yen)



# Cash flows from operating activities

(Unit: Billions of yen)

	Fiscal Year 2022	Fiscal Year 2023	Increase/ Decrease
CF from operating activities	7.7	9.1	+1.4
CF from investing activities	(1.5)	(2.8)	(1.3)
Free cash flow	+6.1	+6.3	+0.2
CF from financing activities (Including the effect of exchange rate changes on cash)	(8.7)	(6.8)	(1.9)
Comprehensive Cash Flow	(2.6)	(0.5)	+2.1
Cash and cash equivalents at end of year	12.8	12.3	-

## [Assumption of external environment]

### (1) Assumed production volume of Japanese auto manufacturers (including overseas)

- ✓ In FY2023, production in Japan and other regions remained steady, but was sluggish in China.
- ✓ In FY2024, we forecast a slight increase in Japan. In China, a moderate recovery is expected, but the country is expected to continue to struggle in the future.

	Actual results for FY2022	Actual results for FY2023	Forecast for FY2024
Percentage change from the previous year (including overseas)	+1%	+5%	+1%

### (2) Semiconductor Market Forecast

- ✓ Demand related to semiconductor equipment in Japan was sluggish in 2023, but is expected to be on a recovery track starting in 2024.

## [Prerequisite]

### exchange rate

- ✓ Assume 1USD=135 yen.

# Forecast for FY2024

- Market prices, including steel prices, are expected to remain at FY2023 levels.
- Although sales are expected to increase due to high steel prices and an increase in the volume of steel products handled, selling, general and administrative (SG&A) expenses are expected to increase significantly due to an increase in personnel expenses and marketing activities expenses.

(Unit: Billions of yen)

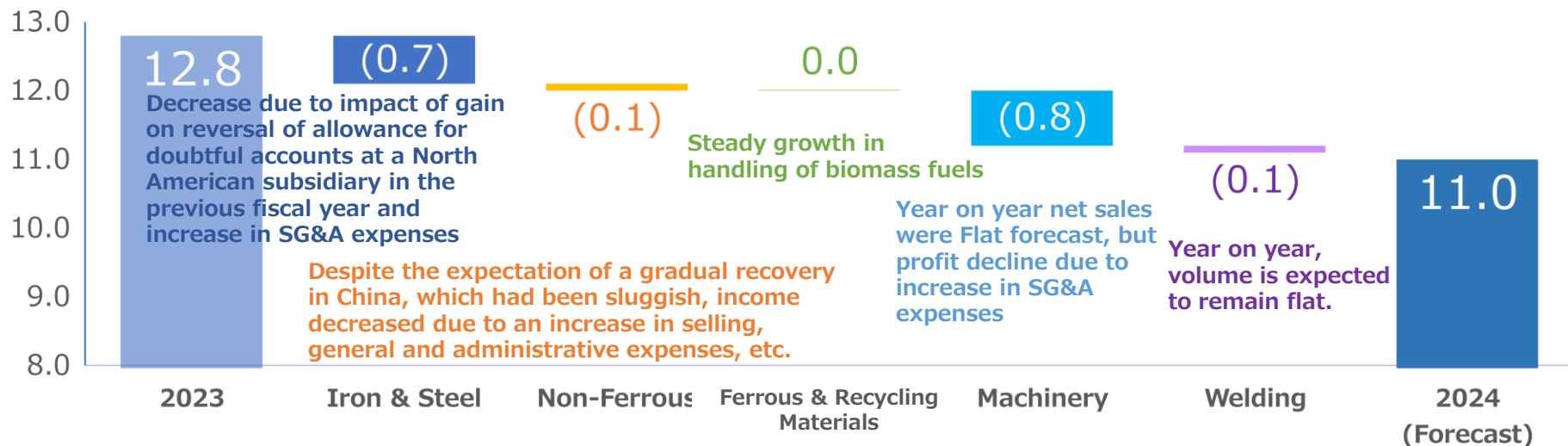
	Fiscal Year 2023	Fiscal Year 2024	Compared to the previous fiscal year Increase/decrease	Compared to the previous fiscal year Percentage change
Net sales	591.4	<b>623.0</b>	+31.6	+5.3%
Operating income	13.3	<b>10.7</b>	(2.6)	(19.5)%
Ordinary income	12.8	<b>11.0</b>	(1.8)	(14.2)%
Attributable to: Shareholders of the parent company Net income	9.1	<b>8.1</b>	(1.0)	(11.1)%
per share Net income	1,035.4 yen	<b>920.0 yen</b>	(115.4) yen	(11.1)%
Dividends (yen)	315.0 yen	<b>300 yen</b>		-

\*For details of our dividend policy from FY2024 onwards, please refer to page 14.

# FY2024 Forecast Ordinary Income Increase/Decrease by Unit

(Unit: Billions of yen)

		FY2023 Actual	FY2024 Forecast	Increase/Decrease	Percentage change (%)
Metals	Iron & Steel	6.6	<b>5.9</b>	(0.7)	(11.1)%
	Non-Ferrous	1.6	<b>1.5</b>	(0.1)	(8.3)%
	Ferrous & Recycling Materials	1.5	<b>1.5</b>	(0.0)	(0.9)%
	subtotal	9.7	<b>8.9</b>	(0.8)	
Machinery & Welding	Machine	2.3	<b>1.5</b>	(0.8)	(35.1)%
	Welding	0.7	<b>0.6</b>	(0.1)	(19.4)%
	subtotal	3.0	<b>2.1</b>	(0.9)	
Other	(0.0)	<b>0.0</b>	0.0	-	
total amount		12.8	<b>11.0</b>	(1.8)	(14.2)%



## Medium-Term Management Plan 2026 Basic Policy

In order to realize our long-term management vision of becoming **“the trading company that supports tomorrow's manufacturing and contributes to society,”** we are in the process of formulating our Medium-Term Management Plan 2026 (hereinafter referred to as the "New Medium-Term Management Plan"). The three pillars of the new medium-term management plan are (1) further expansion and deepening of business as the core trading company of the KOBELCO Group, (2) diversification of the business model by establishing our own supply chain, and (3) promotion of new businesses that contribute to solving social issues and strengthening profitability. We will also strengthen monitoring of business units and improve profitability by introducing a new ROIC indicator and other measures.

Medium-Term Management Plan 2023" Target vs.

	Medium-term target	Fiscal Year 2023 track record
Ordinary income	FY 2023 9.5 billion yen or more	12.8 billion yen
ROE	9% or more	11.5%
ROA	3% or more	3.2%
Capital adequacy ratio	20% or more	21.7%
D/E ratio	Approx. 1.0 times	0.7 times



## Target figures for FY2026

<b>Consolidated ordinary income</b>	<b>ROE (Return on equity)</b>
<b>14.5 billion yen</b>	<b>10.0% or more</b>
<b>ROIC (Return on invested capital)</b>	<b>Capital adequacy ratio</b>
<b>6.5%</b>	<b>21% or more</b>

ROIC = (Ordinary income + Interest expense - Income taxes) / (External interest-bearing debt + Net assets)

We plan to review the results of the previous medium-term management plan and announce details of the new medium-term management plan in the "Medium-Term Management Plan 2026" to be released on May 22 (Wed.).

# Dividend Trends and Forecasts

- Target consolidated dividend payout ratio of 30% was set in the Midterm Corporate Strategy 2023, and the target was achieved in all fiscal years.
- Annual dividend for FY2023 revised upward from 300 yen to 315 yen
- The dividend policy **under the Midterm Corporate Strategy 2026 is to maintain a consolidated dividend payout ratio of 30% or more, or a dividend per share of common stock. The dividend shall be 300 yen, whichever is higher.**
- The annual dividend forecast for FY2024 is 300 yen based on the above policy

(Unit: Yen)

