

BUSINESS REPORT 2021

(from April 1, 2020 to March 31, 2021)



To Our Shareholders

It is my pleasure to report on the business results of SHINKO ELECTRIC INDUSTRIES CO., LTD. (the Company) for fiscal year 2020 (April 1, 2020 to March 31, 2021), which marks our 86th business period.

I would like to express my sincerest sympathy to those affected by COVID-19. I would also like to express my deep gratitude to everyone who is working to prevent the spread of the virus.

Expanding use of big data, artificial intelligence (AI), and other advanced technologies, supported by the practical implementation of the fifth-generation mobile communications systems (5G), is changing the structure of the economy and society. They have the potential to create innovation on a different order of magnitude than ever before. It is expected that the progress of semiconductors will continue as a key technology for achieving this potential. Moreover, the markets for semiconductors are expected to continue expanding in the future, including in the automotive market, in which technological development such as autonomous driving is accelerating; the market for applications related to the Internet of Things (IoT), which is anticipated to expand rapidly; and the medical field that supports people's health; as well as in other areas.

The Shinko Group is committed to developing highly competitive products, based on our interconnection technology that brings the marvelous features and benefits of semiconductor devices into people's lives. We will strive to provide products and services with high value for customers and to support their success. Through these initiatives, we will pursue our own development and growth. In addition, we will focus on cash flow and on building a solid management foundation able to continually generate profits.

Furthermore, we are committed to the practice of the SHINKO Way, which embodies the Shinko Group corporate philosophy and policies. Through the SHINKO Way, we pursue harmony with stakeholders while developing business that we contribute to the creation of a prosperous society, based on the Company's philosophy of seeking harmony between the global environment and corporate activities by placing environmental conservation as a top management priority.

As we move forward, I ask for the continued support and encouragement of all our shareholders.

June 2021



S. Kurashima

Susumu Kurashima
Representative Director of Board, President

Review of Operations and Outlook

■ Business Results for the Fiscal Year Ended March 31, 2021

The semiconductor industry was impacted by the spread of COVID-19 in the first half of the fiscal year under review. Despite this, there was a clear growth trend in demand for semiconductors, including an increase in demand for servers, buoyed by the increase in remote working and online learning and the practical implementation of 5G, as well as favorable PC sales.

In this environment, the Shinko Group strove to keep business activities going by continually implementing measures to prevent the spread of COVID-19. We also focused on allocating management resources in growth areas with a view toward further development in the future, and strengthened initiatives for productivity and quality improvement. To respond to the growing demand for high-performance semiconductors, we continued to focus on reinforcing our production system. This included starting mass production of our main flip-chip type packages, for which we have been making large capital investments to date, in the fiscal year under review. These efforts resulted in a significant increase in orders for flip-chip type packages, thanks in part to the expanded production capacity provided by the new line. Demand for ceramic electrostatic chucks

for semiconductor manufacturing equipment increased greatly, and sales of plastic BGA substrates for advanced memory increased. As a result of these factors, consolidated net sales for the fiscal year under review increased significantly to 188,059 million yen (up 26.8% year on year). The increase in high value-added products, improved profitability, and other factors resulted in consolidated ordinary profit of 26,507 million yen (up 450.7% year on year) and profit attributable to owners of the parent of 18,018 million yen (up 569.7% year on year). Thus, sales and revenue both increased significantly.

For non-consolidated financial results, we recorded net sales of 180,412 million yen (up 26.3% year on year), ordinary profit of 26,115 million yen (up 370.7%), and profit of 17,905 million yen (up 408.8%). By adding a special dividend of 2.5 yen to the regular dividend of 15 yen, the Company paid a year-end dividend of 17.5 yen per share and an interim dividend of 12.5 yen, for a total dividend of 30 yen for the fiscal year under review.

■ Outlook

Regarding the future of the semiconductor industry, demand for semiconductors is expected to increase significantly over the medium to long term. Drivers for this demand will include the practical implementation of 5G and more use of IoT and AI as well as the acceleration of development of automotive technology, such as electric vehicles (EVs) and autonomous driving. In addition, as the digital transformation of society, such as remote working and online learning, accelerates and advances in the future, the applications for semiconductors are anticipated to expand in a wide range of fields, further enlarging the market. On the other hand, competition on a global scale is expected to intensify further, driven in part by the need to build development and production systems that can respond quickly and flexibly to increasingly sophisticated market needs, such as the need for higher performance and higher speed, and for a greater contribution to energy savings.

Given this environment, the Shinko Group will continue to focus on the allocation of management resources in markets with high growth potential, with a view to the Group's future development. Further demand growth is expected for flip-chip

type packages for high-performance semiconductors, such as those used in servers and PCs, we will steadily build up our production capacity to meet vigorous demand with large capital investments at our Takaoka Plant in Nakano City, Nagano Prefecture, etc. Additionally, based on an accurate grasp of future market expansion, we will aim to grow sales of our products that contribute to the higher performance of semiconductors. This will include efforts to increase production capacity for ceramic electrostatic chucks for semiconductor manufacturing equipment, for which we expect orders to increase over the medium to long term, driven by increasing demand for semiconductors, and efforts to boost sales of plastic BGA substrates that can respond to higher and larger-capacity semiconductor memory.

To achieve “Progress without Limits,” the Shinko Group will provide customers in semiconductor markets where continued growth is expected with high-value products and services offering solid value and rooted in customer needs for function, performance, cost, and quality.

Topics

Focused Investments in Growth Areas

Social and economic digitalization will continue to advance in the future, and it is expected that this will drive expansion of demand in the semiconductor industry, with growth over the medium to long term. Anticipating increased demand for high-performance semiconductors, we started making large capital investments in flip-chip type packages in fiscal year 2018. In October 2020, a state-of-the-art production line began mass production at our Takaoka Plant in Nakano City, Nagano Prefecture. In addition, we have been focusing on the allocation of management resources in markets where high growth is expected. These markets are for ceramic electrostatic chucks, which are seeing increasing demand, with the semiconductor manufacturing equipment market expanding on the back of increasing demand for semiconductors, and plastic BGA substrates for advanced memory used in high-end smartphones. This strengthening of our production structure through capital investments enabled significant growth in business performance in fiscal year 2020 under favorable business conditions.

Going forward, we will continue to pursue further development by identifying market trends and investing heavily in growth markets.



Takaoka Plant

Opening of the SHINKO Techno Academy

In February 2021, we opened the SHINKO Techno Academy as an in-house educational institution.

To respond to the increasingly sophisticated needs of the semiconductor market, we are working to enhance our employee training system, focusing on developing excellent human resources. As part of this effort, we established the Academy at our Kohoku Plant in Nagano City with the aim of increasing the knowledge and skills of employees working at manufacturing sites.

In addition to on-the-job training in the workplace, we will use systematic training at the Academy to develop human resources who will become the core of the manufacturing sites that are the foundation of our business. In this way, we will bolster our manufacturing sites in an ongoing effort to build up a manufacturing system underpinned by high technological capabilities.



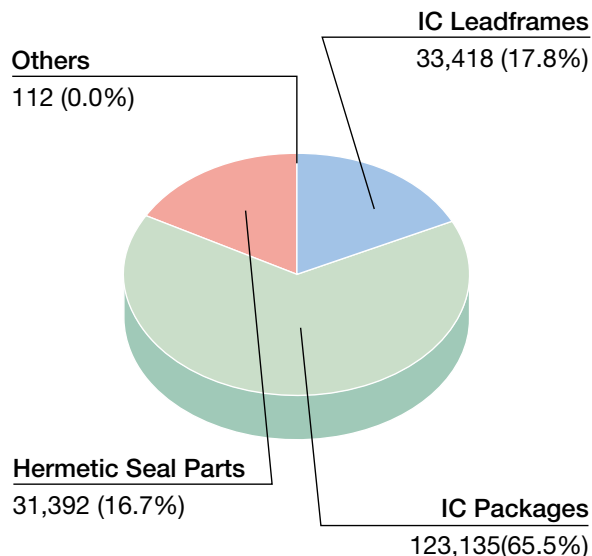
Technical training



Group work

Summary of Operations by Product Category

Net sales by product category
(Millions of yen)

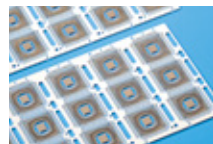


* Figures in () represent % of net sales

IC Leadframes



QFN-Type Leadframes



Stamped Leadframes



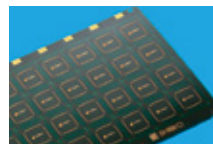
Riveting Leadframes

Applications: Smartphones, automobiles, PCs, home appliances, industrial equipment, etc.

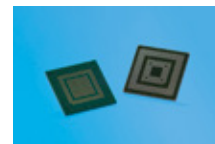
IC Packages



Flip-Chip Type Package



Plastic BGA Substrates



IC Assemblies

Applications: PCs, servers, smartphones, consumer products, etc.

Hermetic Seal Parts



Ceramic Electrostatic Chuck



Glass-to-Metal Seals for Optical Devices



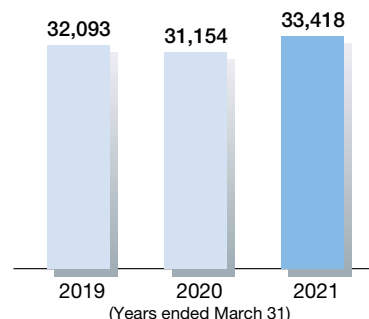
Glass-to-Metal Seals for Optical Communications Equipment

Applications: Semiconductor manufacturing equipment, automobiles, consumer products, communications equipment, etc.

Net sales **33,418 million yen** (↑ 7.3% year on year)

In the first half of the fiscal year, the spread of COVID-19 caused a decline in demand for automobiles. Despite the impact this had, revenue from etched leadframes increased thanks to robust sales of QFN-type leadframes for a wide range of applications, for which we had increased production capacity, and because demand for automobiles recovered in the second half of the fiscal year. Sales of stamped leadframes for automobiles bottomed out in the third quarter and then made an even greater recovery. As a result, consolidated net sales in this segment were 33,418 million yen (up 7.3% year on year).

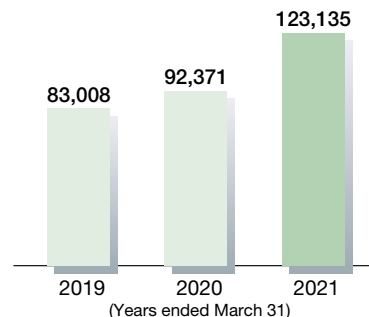
Net sales by product category (Millions of yen)



Net sales **123,135 million yen** (↑ 33.3% year on year)

Demand for flip-chip type packages for PCs and servers expanded greatly, mass production on the new line at the Takaoka Plant contributed to an increase in sales of flip-chip type packages, and orders for plastic BGA substrates for advanced memory increased significantly thanks to the start of operations on the new line for plastic BGA. Revenue from IC assemblies increased with greater demand for high-end smartphones, while revenue from heat spreaders for CPUs decreased due a decline in demand for PCs, despite firm sales for servers. As a result, consolidated net sales in this segment were 123,135 million yen (up 33.3% year on year).

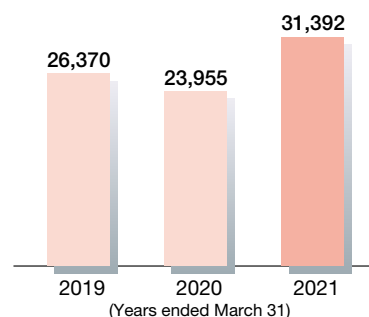
Net sales by product category (Millions of yen)



Net sales **31,392 million yen** (↑ 31.0% year on year)

Sales of ceramic electrostatic chucks increased significantly on the back of buoyant demand in the semiconductor manufacturing equipment market. On the other hand, revenue from glass-to-metal seals decreased due to sluggish sales for optical devices in the first half of the fiscal year, although orders for glass-to-metal seals showed signs of recovery toward the second half of the fiscal year. As a result, consolidated net sales in this segment were 31,392 million yen (up 31.0% year on year).

Net sales by product category (Millions of yen)

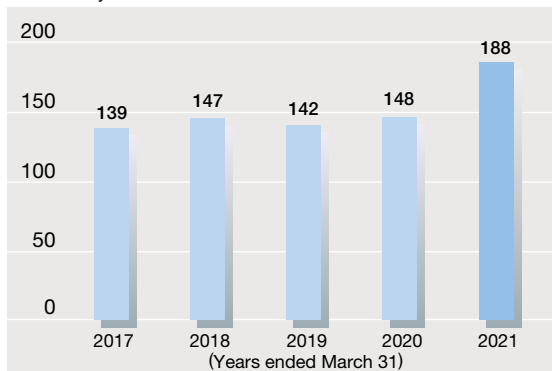


Financial Highlights

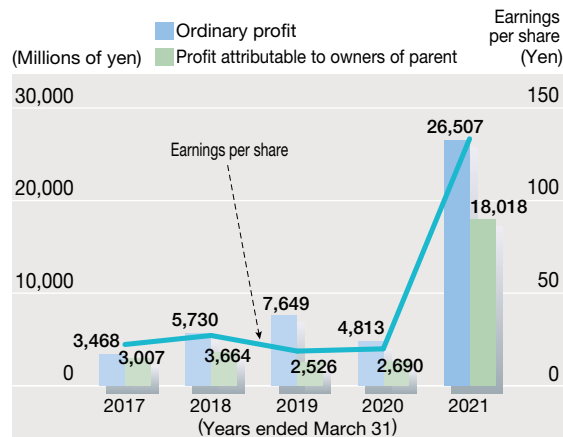
Consolidated

Net sales

(Billions of yen)

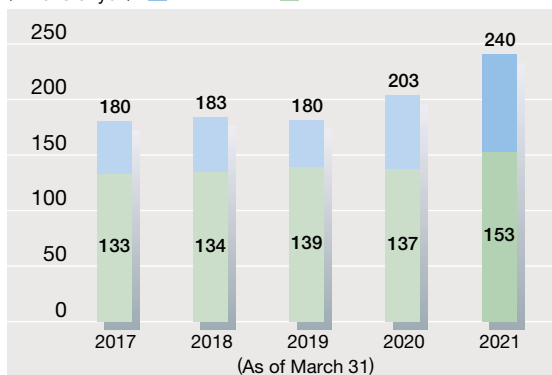


Ordinary profit / Profit attributable to owners of parent



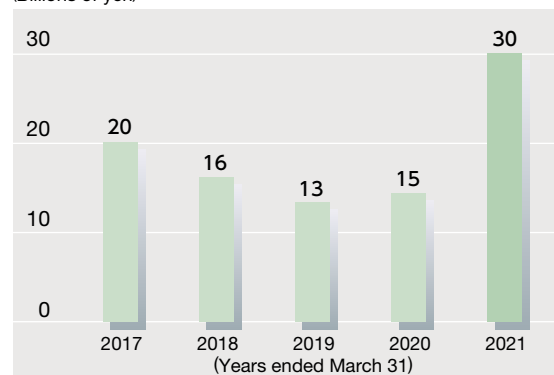
Total assets / Net assets

(Billions of yen) Total assets Net assets



Capital expenditure

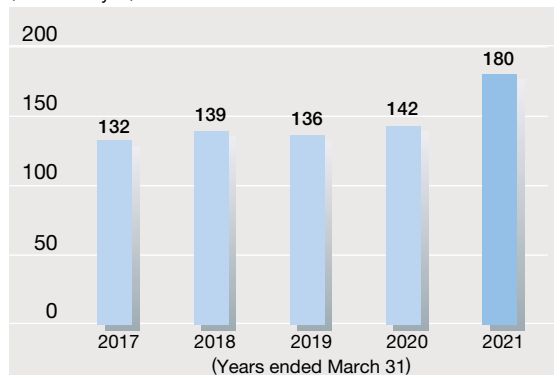
(Billions of yen)



Non-consolidated

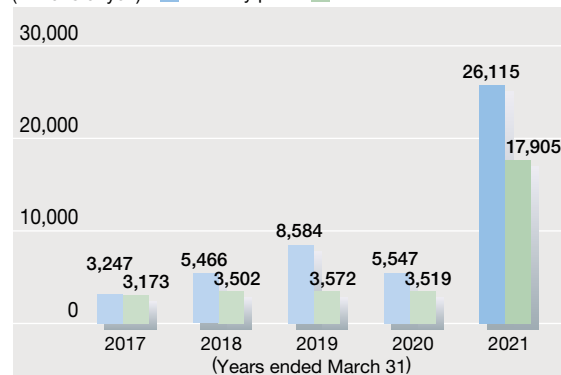
Net sales

(Billions of yen)



Ordinary profit / Profit

(Millions of yen) Ordinary profit Profit



Business performance and assets

Years ended March 31	2017	2018	2019	2020	2021
Consolidated					
Net sales (Millions of yen)	139,890	147,113	142,277	148,332	188,059
Ordinary profit (Millions of yen)	3,468	5,730	7,649	4,813	26,507
Profit attributable to owners of parent (Millions of yen)	3,007	3,664	2,526	2,690	18,018
Earnings per share (Yen)	22.26	27.13	18.70	19.92	133.38
Total assets (Millions of yen)	180,339	183,759	180,793	203,979	240,977
Net assets (Millions of yen)	133,435	134,606	139,200	137,658	153,393
Net assets per share (Yen)	987.75	996.42	1,030.43	1,019.01	1,135.49
Capital expenditure (Millions of yen)	20,973	16,813	13,937	15,031	30,133
Research & development (Millions of yen)	3,499	3,440	3,221	2,849	2,981

Non-consolidated

Net sales (Millions of yen)	132,504	139,464	136,003	142,823	180,412
Ordinary profit (Millions of yen)	3,247	5,466	8,584	5,547	26,115
Profit (Millions of yen)	3,173	3,502	3,572	3,519	17,905

Financial Statements (Consolidated)

■ Balance sheets		As of March 31	
	(Millions of yen)		(Thousands of U.S. dollars)
	2021	2020	2021
Assets	240,977	203,979	2,177,248
Current assets	124,534	104,656	1,125,173
Non-current assets	116,443	99,322	1,052,074
Property, plant and equipment	110,551	93,365	998,835
Intangible assets	1,130	1,167	10,215
Investments and other assets	4,761	4,789	43,022
Total assets	240,977	203,979	2,177,248
Liabilities	87,584	66,320	791,330
Current liabilities	84,471	61,774	763,205
Non-current liabilities	3,112	4,546	28,124
Net assets	153,393	137,658	1,385,917
Shareholders' equity	157,213	142,572	1,420,433
Share capital	24,223	24,223	218,856
Capital surplus	24,129	24,129	218,012
Retained earnings	108,953	94,312	984,401
Treasury shares	(92)	(92)	(836)
Accumulated other comprehensive income	(3,820)	(4,914)	(34,515)
Total liabilities and net assets	240,977	203,979	2,177,248

■ Statements of income

Years ended March 31

	(Millions of yen)		(Thousands of U.S. dollars)
	2021	2020	2021
Net sales	188,059	148,332	1,699,127
Cost of sales	152,059	132,771	1,373,861
Gross profit	36,000	15,561	325,265
Selling, general and administrative expenses	12,671	12,333	114,489
Operating profit	23,328	3,227	210,776
Non-operating income	3,251	1,639	29,377
Non-operating expenses	72	54	659
Ordinary profit	26,507	4,813	239,494
Extraordinary losses	875	873	7,913
Profit before income taxes	25,631	3,940	231,580
Income taxes—current	7,570	731	68,398
Income taxes—deferred	42	517	384
Profit attributable to owners of parent	18,018	2,690	162,797

■ Statements of cash flows

Years ended March 31

	(Millions of yen)		(Thousands of U.S. dollars)
	2021	2020	2021
Cash flows from operating activities	33,801	12,696	305,402
Cash flows from investing activities	(32,148)	(35,591)	(290,463)
Cash flows from financing activities	538	16,939	4,861
Effect of exchange rate change on cash and cash equivalents	271	(314)	2,448
Net increase (decrease) in cash and cash equivalents	2,462	(6,269)	22,248
Cash and cash equivalents at beginning of period	40,046	46,315	361,818
Cash and cash equivalents at end of period	42,508	40,046	384,067

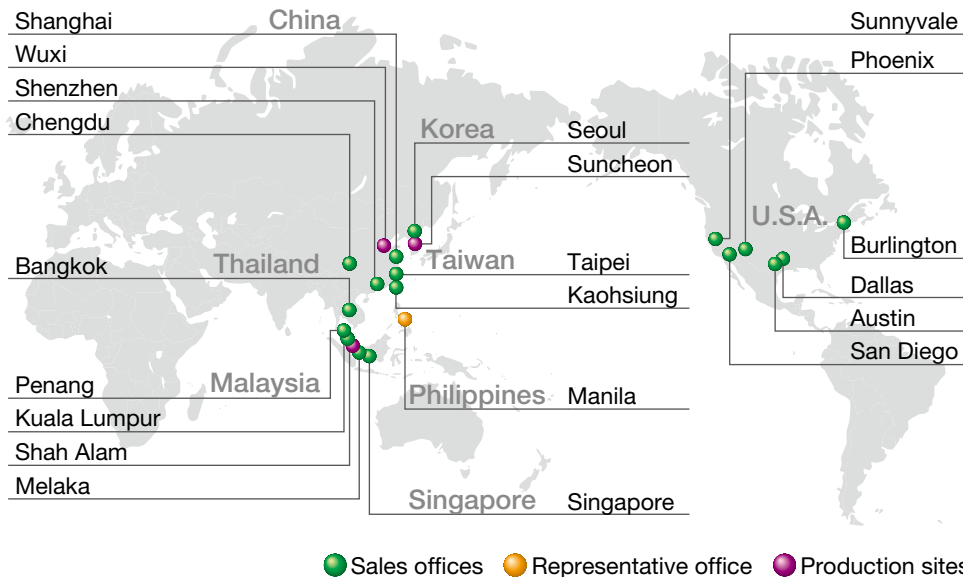
Note: The U.S. dollar amounts represent translation of Japanese yen at the rate of ¥110.68 = U.S. \$1.00 on March 31, 2021.

Corporate Data

(As of March 31, 2021)

■ Corporate name	SHINKO ELECTRIC INDUSTRIES CO., LTD.
■ Established	September 12, 1946
■ Head office	80, Oshimada-machi, Nagano-shi, Nagano 381-2287, Japan Tel: 81 (26) 283-1000
■ Major business lines	Manufacturing and sales of plastic laminated packages (PLPs), leadframes, glass-to-metal seals, heat spreaders, and ceramic electrostatic chucks IC assembly
■ Number of employees	4,265 (Consolidated: 5,060)
■ Plants & facilities	Kohoku Plant Wakaho Plant Takaoka Plant Arai Plant Kyogase Plant SHINKO R&D Center Kurita Sogo Center
■ Sales offices Representative office	Tokyo, Osaka, Sendai, Nagoya, Oita, Fukuoka Manila
■ Subsidiaries	SHINKO PARTS CO., LTD. SHINKO TECHNOSERVE CO., LTD. SHINKO ELECTRONICS (MALAYSIA) SDN. BHD. KOREA SHINKO MICROELECTRONICS CO., LTD. SHINKO ELECTRIC INDUSTRIES (WUXI) CO., LTD. SHINKO ELECTRIC AMERICA, INC. KOREA SHINKO TRADING CO., LTD. TAIWAN SHINKO ELECTRONICS CO., LTD. SHANGHAI SHINKO TRADING LTD. SHINKO ELECTRONICS (SINGAPORE) PTE. LTD.
■ Affiliated company	SHINKO MICROELECTRONICS (THAILAND) CO., LTD.

Global network



Board of Directors

(As of June 25, 2021)

Representative Director of Board, Chairperson	Masami Fujita
Representative Director of Board, President	Susumu Kurashima
Representative Director of Board and Executive Managing Corporate Officer	Yasuhisa Makino
Director of Board and Managing Corporate Officer	Takashi Ozawa
Outside Director of Board	Jun Niimi
Director of Board, Standing Audit and Supervisory Committee Member	Akihiko Ito
Outside Directors of Board, Audit and Supervisory Committee Members	Namiko Araki
	Kunikazu Kobayashi

Shareholders' Data

(As of March 31, 2021)

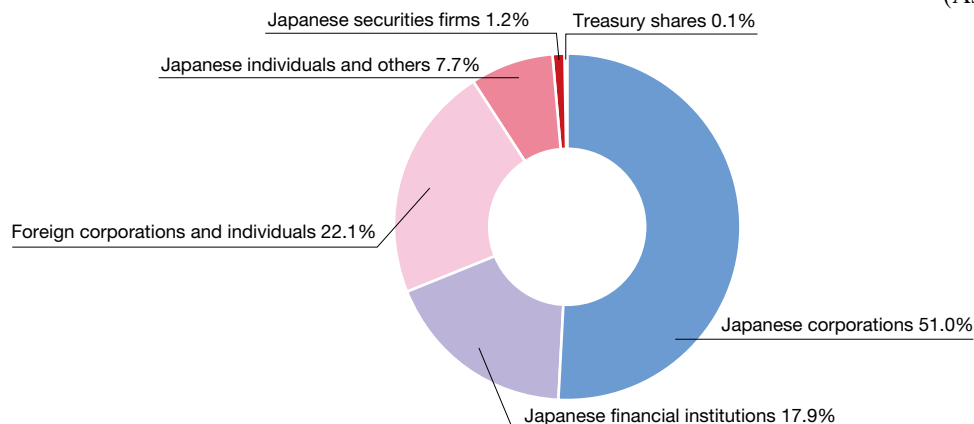
■ Total number of authorized shares	540,000,000 shares
■ Total number of shares issued	135,171,942 shares
■ Paid-in capital	24,223,020,480 yen
■ Number of shareholders	17,958
■ Principal shareholders	

Shareholder's name	Number of shares held (Thousands)	Percentage of shares held (%)
Fujitsu Limited	67,587	50.03
The Master Trust Bank of Japan, Ltd. (Trust Account)	7,521	5.57
Custody Bank of Japan, Ltd. (Trust Account)	6,253	4.63
The Hachijuni Bank, Ltd.	1,836	1.36
RE FUND 116-CLIENT AC	1,821	1.35
CGML PB CLIENT ACCOUNT/COLLATERAL	1,429	1.06
SHINKO ELECTRIC INDUSTRIES Employees Shareholding Association	1,136	0.84
STATE STREET BANK AND TRUST COMPANY 505001	1,125	0.83
THE BANK OF NEW YORK MELLON 140044	1,062	0.79
Custody Bank of Japan, Ltd. (Trust Account 5)	1,029	0.76

Note: The percentage of shares held is calculated after exclusion of treasury shares holdings.

Distribution of shares by type of shareholder

(As of March 31, 2021)



Shareholder information

■ Administrator of shareholders' register and account management institution for special accounts	
(Contact)	Mitsubishi UFJ Trust and Banking Corporation Corporate Agency Division 1-1, Nikko-cho, Fuchu-shi, Tokyo, Japan Tel (toll-free number): 0120-232-711 (Japanese only)
(Mailing address)	Mitsubishi UFJ Trust and Banking Corporation Corporate Agency Division Shin-TOKYO Post Office post office box No. 29, Tokyo 137-8081, Japan
■ Business year	From April 1 each year to March 31 of the following year
■ Record date	
Record date for the ordinary general meeting of shareholders	March 31 each year
Record date for dividends	March 31 each year and September 30 if an interim dividend shall be paid
■ Method of public notice	Electronic public notice Electronic public notice shall be presented on our company website: https://www.shinko.co.jp/ir/kk/ However, in case an accident or any other unavoidable circumstance that precludes electronic notification arises, notices shall be posted in the <i>Nihon Keizai Shimbun</i> .

Notes:

1. To change a shareholder address, place a claim for purchase, or other requests, please contact the account management institution (such as a securities company) with which you have an account.
2. For all matters relating to shares recorded in special accounts, the account management institution is Mitsubishi UFJ Trust and Banking Corporation. Please contact the address above. Any branch of Mitsubishi UFJ Trust and Banking Corporation throughout Japan will also be able to assist you.
3. If you have not yet received your dividend payment, you can receive payment at any branch of Mitsubishi UFJ Trust and Banking Corporation.

Front cover: Mt. Kurohime and Lake Nojiri



SHINKO

SHINKO ELECTRIC INDUSTRIES CO., LTD.

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