

BUSINESS REPORT 2022

(from April 1, 2021 to March 31, 2022)



To Our Shareholders

It is my pleasure to report on the business results of SHINKO ELECTRIC INDUSTRIES CO., LTD. (the Company) for fiscal year 2021 (April 1, 2021 to March 31, 2022), which marks our 87th business period.

The structure of the economy and society is being changed by the increasing use of big data, artificial intelligence (AI), and other advanced technologies, supported by the spread of fifth-generation mobile communications systems (5G). These technologies 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, where technological developments, such as autonomous driving, which is accelerating; the market for applications related to the Internet of things (IoT), which is anticipated to grow rapidly; as well as in other areas. In addition, to speed up the realization of a decarbonized society, semiconductors are expected to become more sophisticated and diverse as key devices that support the evolution of technologies that bring about energy conservation and low power consumption.

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's corporate philosophy and policies. Through the SHINKO Way, we pursue harmony with stakeholders while developing business that helps realize a sustainable society and create a brighter future by addressing various sustainability issues, including climate change, the most pressing global environmental challenge.

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

June 2022



S. Kurashima

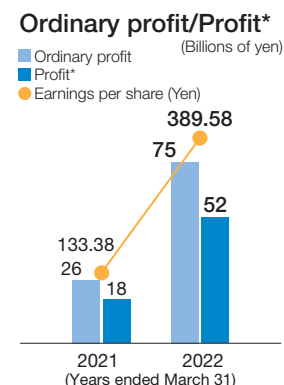
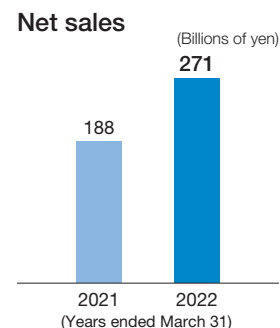
Susumu Kurashima
Representative Director of Board, President

Review of Operations and Outlook

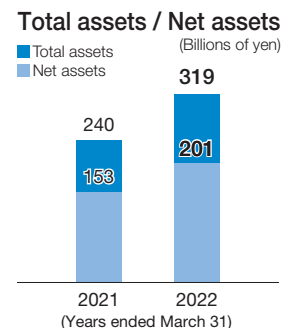
■ Business Results for the Fiscal Year Ended March 31, 2022

The semiconductor industry continued to enjoy strong demand in the fiscal year under review. There was a significant increase in demand from a wide range of fields, including PCs and servers. This demand was driven by the rapid digitalization of society and the economy, due to the global spread of COVID-19. In addition, the tight supply and demand for semiconductors continued in the automotive and other markets.

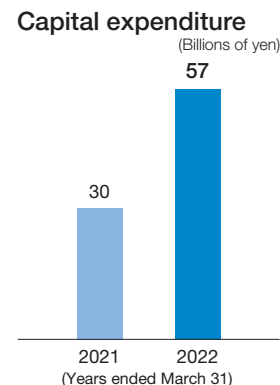
In this environment, the Shinko Group was able to achieve significant growth in business performance during the fiscal year under review, due in part to our hard work to increase production capacity for each of our product categories through capital investments for growth markets. We continued to allocate management resources in growth areas. In our mainstay flip-chip type packages business, we reinforced our production system through large capital investments initiated in fiscal year 2018 at the Takaoka Plant (Nakano City, Nagano Prefecture) and other facilities in the face of robust demand for high-performance semiconductors. At the same time, we also focused on increasing production for semiconductor manufacturing equipment and advanced memory applications. These initiatives resulted in a significant increase in sales of flip-chip type packages for PCs and servers as well as substantially higher sales of leadframes, especially for automotive applications. Orders for ceramic electrostatic chucks for semiconductor manufacturing equipment increased sharply on the back of the strong semiconductor market. As a result of these factors, net sales for the consolidated fiscal year under review grew significantly to 271,949 million yen (up 44.6% year on year). Ordinary profit was 75,820 million yen (up 186.0% year on year) and profit attributable to owners of the parent was 52,628 million yen (up 192.1% year on year). These increases in profit were attributable to, among other factors, higher sales of each product backed by strong demand and the continued depreciation of the yen in the foreign exchange market. Therefore, with both sharply higher sales and higher revenue year on year, sales and profits both reached record levels.



*Profit attributable to owners of parent



The Company increased the year-end dividend by 10 yen from the previous fiscal year to 27.50 yen per share, which, together with the interim dividend of 17.50 yen, brought the total dividend to 45 yen per share for the fiscal year under review.



■ Outlook

Regarding the future of the semiconductor industry, as the digitalization of society and the economy evolve, applications for semiconductors are expected to keep growing in a wide range of fields, further increasing the market over the medium to long term. On the other hand, the need for higher performance and higher speed is also expected to continue to grow. In addition, as global initiatives to realize a decarbonized society accelerate, semiconductors are becoming more and more important as key devices supporting the evolution of technologies that combine digitalization with energy conservation and low power consumption. Given this situation, global competition is projected to intensify, requiring development and production systems that can respond quickly and flexibly to increasingly sophisticated and diverse market requirements and higher demand.

Given this environment, the Shinko Group will continue to focus on allocating management resources to markets with high growth potential, with our sights set on the Group's future development. Demand for flip-chip type packages that support higher functionality and speed of semiconductors as well as power saving remains strong and we will boost production through large capital investments in new production lines at our Takaoka Plant in Nakano City, Nagano Prefecture, and other plants. We will also steadily implement our largest-ever capital investments, determined last year, to further build up our production system. These investments include opening a new plant in Chikuma City, Nagano Prefecture, and enlarging our Kohoku and Wakaho Plants, both located in Nagano City. We will also expand our mass production system for ceramic electrostatic chucks for semiconductor manufacturing equipment, for which demand is anticipated to grow

over the medium to long term. This expansion will be achieved by boosting production at our existing plants and by adding a new building at our Takaoka Plant, where construction began last year and the start of operations is scheduled for fiscal year 2023. In these and other ways, we will continue to pursue more sales of our products that contribute to the higher performance of semiconductors, while accurately understanding future market trends.

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 requirements for function, performance, cost, and quality.



Kohoku Plant in Nagano City,
Nagano Prefecture



Wakaho Plant in Nagano City,
Nagano Prefecture



Takaoka Plant in Nakano City,
Nagano Prefecture



Arai Plant in Myoko City,
Niigata Prefecture



Kyogase Plant in Agano City,
Niigata Prefecture



New Plant in Chikuma City, Nagano Prefecture

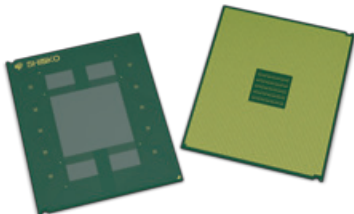
We will establish a new plant in Chikuma City, Nagano Prefecture, as a production site for flip-chip type packages, a flagship product.

Overview of New Plant

- | | |
|-----------------------------|---|
| 1) Name | Chikuma Plant |
| 2) Location | 2789-1 Amenomiya, Chikuma City, Nagano Prefecture, Japan |
| 3) Products | Flip-chip type packages for high-performance semiconductors |
| 4) Schedule of construction | Start: June 2022
Completion: November 2023
Start of operations from second half of FY 2024 (Sequentially) |

About Flip-Chip Type Packages

Our flip-chip type packages are used for high-performance semiconductors, such as CPUs in PCs and servers. Semiconductor packages are becoming increasingly important for the further evolution of semiconductors. Our flip-chip type packages meet the requirements of our customers; using the most advanced packaging technologies to achieve fine line and space patterning, multilayer structure, and excellent electrical characteristics.



Perspective image of Chikuma Plant

Purpose of Construction

Strong demand is expected to continue for flip-chip type packages as semiconductor packages that support higher performance, higher speed, and more energy savings for semiconductors. The Company has been working to reinforce the production system for flip-chip type packages at the Kohoku and Wakaho Plants, both in Nagano City, as well as the Takaoka Plant in Nakano City, Nagano Prefecture. The new plant will be established to strengthen our production system even more.

The new plant will use 100% renewable energy for all electricity requirements and will reduce our environmental impact through a range of other activities.



Initiatives for Sustainability Issues

In recent years, the emergence of serious social issues, such as climate change, has made corporate initiatives to address sustainability issues ever more important. To fulfill our social responsibility as a member of the international community, as well as local communities, the Shinko Group is helping to resolve an array of sustainability issues, with the goal of contributing to the global environment and a more abundant society.

The Shinko Group has made environmental protection a top management priority for a company engaged in manufacturing. Under a promotion system based on the SHINKO Way, the basic philosophy of the Group, we are engaged in environmental protection programs in the areas of climate change, resource circulation, and living in harmony with nature. In particular, to contribute to creating a decarbonized society, we established medium- to long-term targets last year—based on international guidelines such as the Paris Agreement—to achieve carbon neutrality in response to the urgent issue of climate change. In April this year, we established a new division dedicated to promoting climate change countermeasures, and we are bolstering our initiatives to achieve our medium- to long-term targets ahead of schedule.

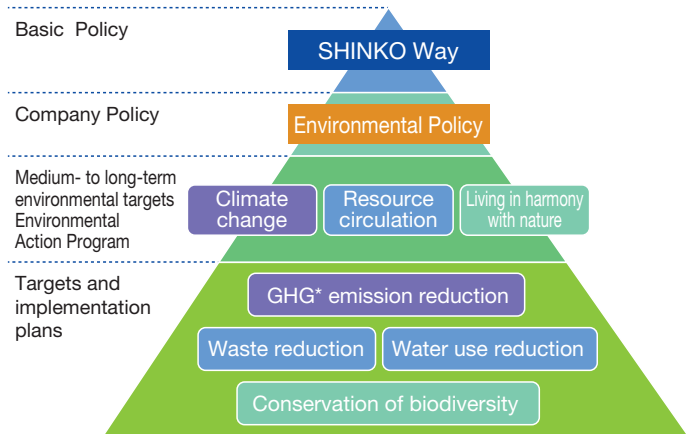
Going forward, we will continue contributing to the realization of a sustainable society by establishing manufacturing processes that reduce our environmental impact and by supplying the market with products that help to save energy.

For our Group's specific initiatives on sustainability issues, please refer to our corporate website.

<https://www.shinko.co.jp/english/sustainability/>



Environmental Activity Promotion System



*GHG: Greenhouse Gas



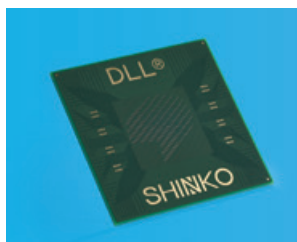
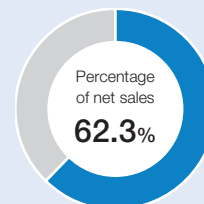
Environmental protection and social contribution activities in local communities:

We participate in Nagano Prefecture's adopt-a-forest program, helping to maintain forests by planting saplings, removing underbrush, and maintaining forest trails.

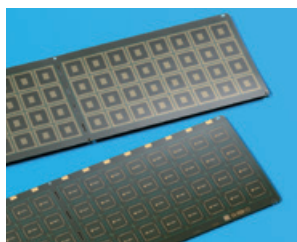
Summary of Operations by Product Segment

Plastic Packages

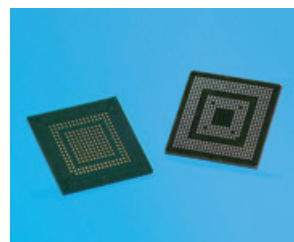
Net sales	169,430 million yen	Up 49.5% year on year	↑
Ordinary profit	50,854 million yen	Up 199.1% year on year	↑



Flip-Chip Type Package



Plastic BGA Substrates

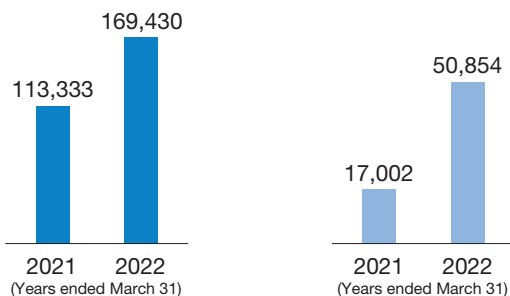


IC Assemblies

Sales of flip-chip type packages increased sharply due largely to the contribution of higher production capacity along with growing demand for PCs and servers. Orders for IC assemblies also rose sharply for high-end smartphones, while orders for plastic BGA substrates increased for advanced memory and automobile applications, producing higher revenue. As a result, consolidated net sales in this segment were 169,430 million yen (up 49.5% year on year).

Ordinary profit was 50,854 million yen (up 199.1% year on year). Profitability improved due to a significant rise in sales of flip-chip type packages, including high value-added products, as well as the continued depreciation of the yen in the foreign exchange market.

Net sales (Millions of yen) **Ordinary profits** (Millions of yen)



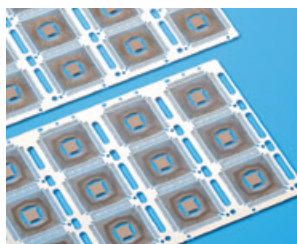
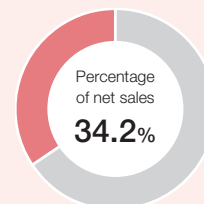
Main applications

PCs, servers, smartphones, automobiles, consumer products, etc.

Metal Packages

Net sales 92,870 million yen Up 39.9% year on year ↑

Ordinary profit 23,523 million yen Up 158.1% year on year ↑



Stamped Leadframes



Ceramic Electrostatic Chuck



Glass-to-Metal Seals



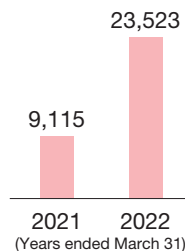
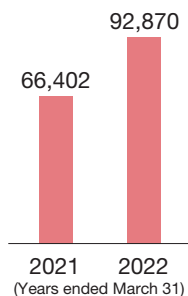
Heat Spreaders

Revenue from leadframes increased significantly on the back of favorable sales for the automotive market and higher demand for a wide range of applications. Sales of ceramic electrostatic chucks rose considerably, buoyed by continued robust demand from the market for semiconductor manufacturing equipment. Orders for glass-to-metal seals for optical devices were up, while revenue from heat spreaders for CPUs also rose. As a result, consolidated net sales in this segment were 92,870 million yen (up 39.9% year on year).

Ordinary profit was 23,523 million yen (up 158.1% year on year). This was mainly due to higher revenue from leadframes and ceramic electrostatic chucks as well as the continued depreciation of the yen in the foreign exchange market.

Net sales (Millions of yen)

Ordinary profits (Millions of yen)



Main applications

Automobiles, smartphones, PCs, consumer products, semiconductor manufacturing equipment, communications equipment, etc.

Financial Statements (Consolidated)

Balance sheets

As of March 31

	(Millions of yen)		(Thousands of U.S. dollars)
	2022	2021	2022
Assets	319,461	240,977	2,609,549
Current assets	192,828	124,534	1,575,139
Non-current assets	126,632	116,443	1,034,410
Property, plant and equipment	119,999	110,551	980,228
Intangible assets	861	1,130	7,033
Investments and other assets	5,771	4,761	47,148
Total assets	319,461	240,977	2,609,549
Liabilities	117,463	87,584	959,515
Current liabilities	114,826	84,471	937,974
Non-current liabilities	2,636	3,112	21,540
Net assets	201,997	153,393	1,650,034
Shareholders' equity	204,746	157,213	1,672,493
Share capital	24,223	24,223	197,868
Capital surplus	24,129	24,129	197,104
Retained earnings	156,486	108,953	1,278,277
Treasury shares	(92)	(92)	(756)
Accumulated other comprehensive income	(2,749)	(3,820)	(22,459)
Total liabilities and net assets	319,461	240,977	2,609,549

Statements of income

Years ended March 31

	(Millions of yen)		(Thousands of U.S. dollars)
	2022	2021	2022
Net sales	271,949	188,059	2,221,446
Cost of sales	185,891	152,059	1,518,473
Gross profit	86,057	36,000	702,973
Selling, general and administrative expenses	14,663	12,671	119,776
Operating profit	71,394	23,328	583,196
Non-operating income	4,496	3,251	36,732
Non-operating expenses	71	72	585
Ordinary profit	75,820	26,507	619,343
Extraordinary losses	1,076	875	8,790
Profit before income taxes	74,743	25,631	610,552
Income taxes—current	22,739	7,570	185,751
Income taxes—deferred	(624)	42	(5,098)
Profit attributable to owners of parent	52,628	18,018	429,898

Statements of cash flows

Years ended March 31

	(Millions of yen)		(Thousands of U.S. dollars)
	2022	2021	2022
Cash flows from operating activities	67,173	33,801	548,710
Cash flows from investing activities	(42,162)	(32,148)	(344,408)
Cash flows from financing activities	177	538	1,453
Effect of exchange rate changes on cash and cash equivalents	1,061	271	8,670
Net increase (decrease) in cash and cash equivalents	26,249	2,462	214,425
Cash and cash equivalents at beginning of period	42,508	40,046	347,235
Cash and cash equivalents at end of period	68,758	42,508	561,661

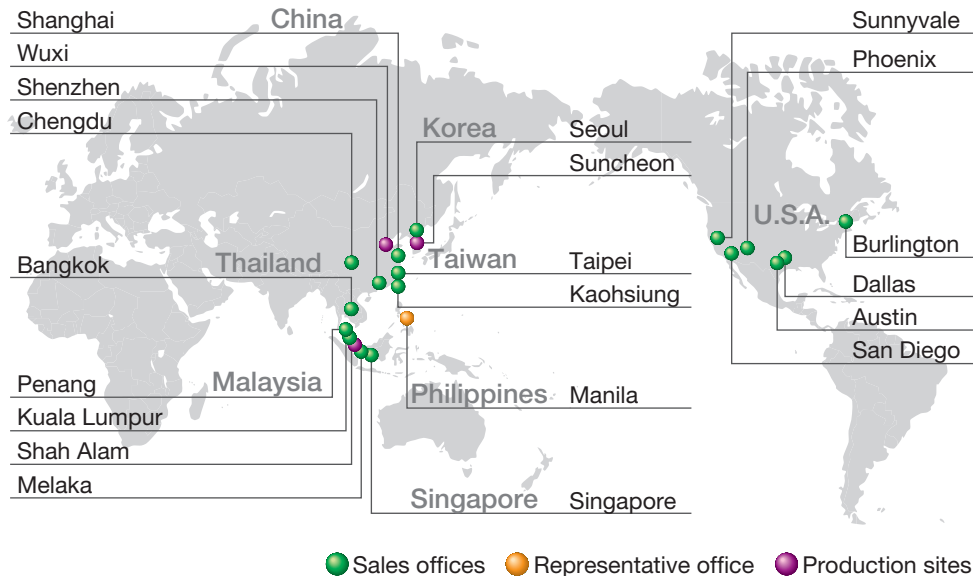
Note: The U.S. dollar amounts represent translation of Japanese yen at the rate of ¥122.42 = U.S. \$1.00 on March 31, 2022.

Corporate Data

(As of March 31, 2022)

■ 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	4,608 (Consolidated: 5,352)
■ Plants & facilities	Kohoku Plant Wakaho Plant Takaoka Plant Arai Plant Kyogase Plant SHINKO R&D Center Kurita Sogo Center
■ Sales offices	Tokyo, Osaka, Nagoya, Fukuoka
■ Representative office	Manila

Global network



Board of Directors

(As of June 28, 2022)

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, 2022)

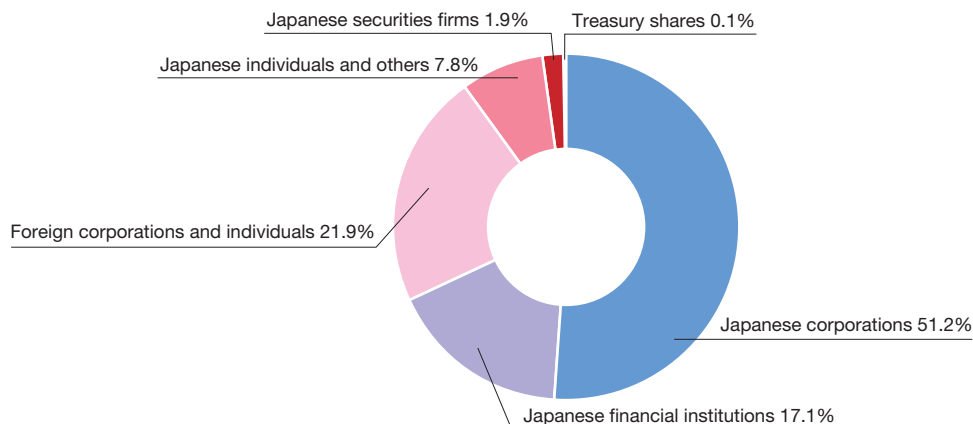
■ Total number of authorized shares	540,000,000 shares
■ Total number of shares issued	135,171,942 shares
■ Paid-in capital	24,223,020,480 yen
■ Number of shareholders	21,646
■ Principal shareholders	

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)	10,913	8.08
Custody Bank of Japan, Ltd. (Trust Account)	6,258	4.63
The Hachijuni Bank, Ltd.	1,836	1.36
GOLDMAN SACHS INTERNATIONAL	1,804	1.34
JP MORGAN CHASE BANK 385632	1,674	1.24
VICTORY TRIVALENT INTERNATIONAL SMALL-CAP FUND	1,086	0.80
RE FUND 116-CLIENT AC	1,033	0.76
SHINKO ELECTRIC INDUSTRIES Employees Shareholding Association	997	0.74
Asahi Mutual Life Insurance Company	991	0.73

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, 2022)



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 Shinbun</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 (excluding those for whom the period of exclusion has expired), you can receive payment at any branch of Mitsubishi UFJ Trust and Banking Corporation.

Front cover: Morning sun over the Chikuma River in Nagano City



SHINKO

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