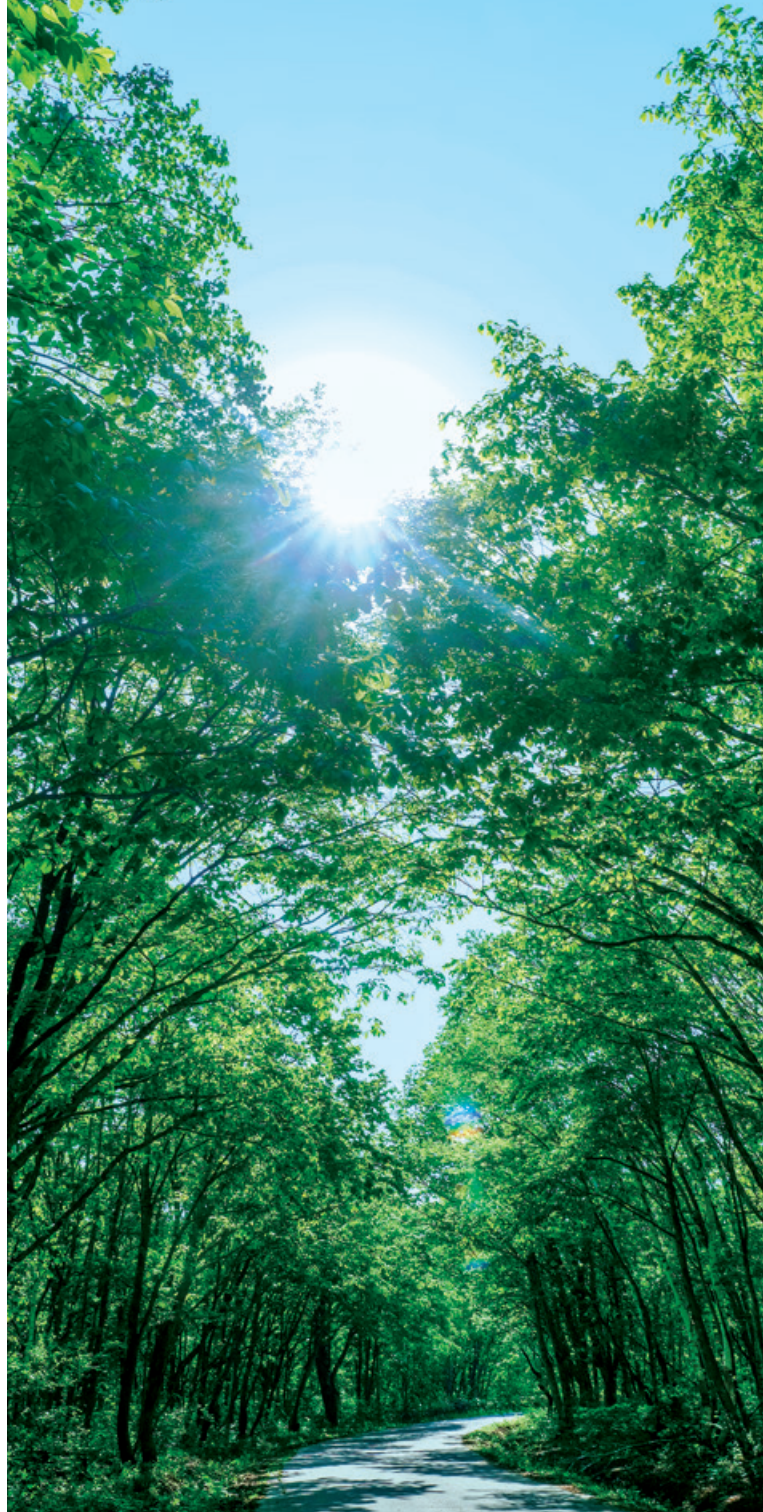


BUSINESS REPORT 2023

(from April 1, 2022 to March 31, 2023)



To Our Shareholders

It is my pleasure to report on the business results of SHINKO ELECTRIC INDUSTRIES CO., LTD. (the Company) for fiscal year 2022 (April 1, 2022 to March 31, 2023), which marks our 88th business period.

The structures of the economy and society are being changed by the spread of fifth-generation mobile communications systems (5G) and the progression of the digital transformation (DX) due to the increasing use of big data, artificial intelligence (AI), the Internet of things (IoT), and other advanced technologies. 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. At the same time, the importance of semiconductors is growing from a strategic perspective. 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 and EVs are accelerating as well as in the medical field to support people's health. In addition, semiconductors' needs are expected to become more sophisticated and diverse as key devices that speed up the transition to a decarbonized society and support the evolution of technologies that is essential for the realization of green transformation (GX).

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 2023



S. Kurashima

Susumu Kurashima
Representative Director of Board, President

Review of Operations and Outlook

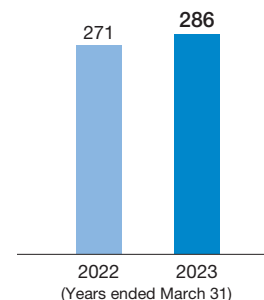
■ Business Results for the Fiscal Year Ended March 31, 2023

In the semiconductor industry during the fiscal year under review, demand remained strong for automobiles and industrial equipment sectors. On the other hand, the semiconductor market deteriorated significantly in the second half, resulting in a severe market environment due to global inflation, economic slowdown, as well as the decrease in demand for PCs and smartphones against the backdrop of a negative rebound from the special demand for COVID-19, and inventory adjustments, etc.

In this environment, the Shinko Group received strong orders in the first half on the back of expanding demand for automobiles and industrial equipment, etc. However, in the second half, our operations are largely affected by inventory adjustments and other factors due to the slowdown in the semiconductor market. On the other hand, by anticipating the medium- to long-term expansion of the semiconductor market, in our mainstay flip-chip type packages, we promoted the development of production systems to meet the expected growth in demand for high-performance semiconductors: We began building the new Chikuma Plant (Chikuma City, Nagano Prefecture) and boosted capacity at our Kohoku and Wakaho Plants, both located in Nagano City, Nagano Prefecture. In the area of ceramic electrostatic chucks for semiconductor manufacturing equipment, we also promoted the construction of a new building at our Takaoka Plant (Nakano City, Nagano Prefecture), aiming to start operations in fiscal year 2023. In this and other ways, we continued to allocate management resources in growth markets. As the semiconductor market slowed down in the second half, we worked hard to secure

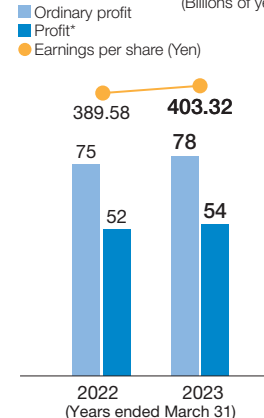
Net sales

(Billions of yen)



Ordinary profit/Profit*

(Billions of yen)



*Profit attributable to owners of parent

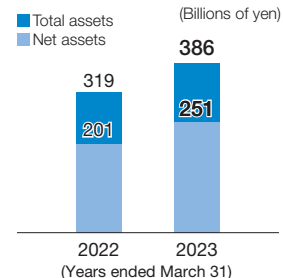
orders through aggressive sales activities, focusing on productivity improvements and cost reductions company-wide. Moreover, we reconsidered the timing of operation for some of our capital investments. As a result, while demand for flip-chip type packages remained strong at the beginning of the period, it was significantly affected by declining demand for PCs in the second half. Net sales of leadframes declined in the second half due to the slowdown in the semiconductor market. Conversely, revenue from ceramic electrostatic chucks, IC assemblies and plastic BGA substrates increased due to increase in demand as well as substantial depreciation of the yen. As a result of these factors, net sales were 286,358 million yen (up 5.3% year on year), ordinary profit was 78,755 million yen (up 3.9% year on year), and profit attributable to owners of the parent was 54,488 million yen (up 3.5% year on year). So, with sales and revenue higher year on year, net sales and all profits reached record high.

The Company set the year-end dividend at 25 yen, which, together with the interim dividend of 25 yen, brought the total dividend to 50 yen per share for the fiscal year under review.

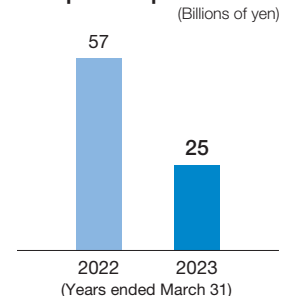
■ Outlook

The semiconductor industry is expected to be a severe market environment: Negative growth is expected due to factors such as decline in demand for PCs and smartphones, prolonged inventory adjustments, and the impact of semiconductor export restrictions. On the other hand, with the spread of 5G, the increasing use of AI and IoT, and the progression of digital transformation (DX), etc., society and the economy are becoming digitized. Consequently, the applications for semiconductors are expected to keep growing, further increasing the demand over the medium-to long-term. Moreover, the significance of semiconductors is growing as key technologies to

Total assets / Net assets



Capital expenditure



support the promotion of the green transformation (GX), including the transition to renewable energy and advancements in energy conservation to achieve a decarbonized society. At the same time, global competition is expected to intensify, requiring setting up development and production systems that can adapt rapidly and flexibly to increasingly sophisticated and diverse market needs and changing demand.

In such a severe environment, the Shinko Group will work hard, across the board, to boost productivity and cut costs. We will also develop our proactive sales drives to have consistent revenues. We have made continual, focused capital investments for markets with promising growth and have augmented our production capacity to increase sales. Our focus will be on steadily making capital investments and technological developments for these growing markets to identify the potential for medium- to long-term market growth of our products and technologies, with our sights set on the Group's future development. For our flip-chip type packages, which meet the need for semiconductors with higher functionality and speed as well as power saving, we are committed to reinforcing our production system and broadening our customer base in view of the expansion of cutting-edge semiconductor market, especially for servers. We are focusing on the construction, which started last year, of our Chikuma Plant (Chikuma City, Nagano Prefecture), our sixth production plant, with operations set to begin in fiscal year 2024. As semiconductor manufacturing equipment market continues to grow, we anticipate steady demand for ceramic electrostatic chucks as a key component. Accordingly, we will expand our mass production system through the improvement of our new building in our Takaoka Plant (Nakano City, Nagano Prefecture), which is scheduled to operate in fiscal year 2023. Further, at our Arai Plant (Myoko City, Niigata Prefecture), we have begun construction planning for a new building to increase the production capacity of our plastic BGA substrates to meet the demand for semiconductor memory with higher speeds and larger capacities, aiming to further develop the market for our products that contribute to higher performance semiconductors. Given the growth in medium- to long-term demand, these capital investments will be carried out after making appropriate decisions on timing and content as necessary, also considering the market conditions.

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.



Capital Investments in Plants for Growth Markets

Demand for semiconductors is expected to continue growing in the future due to the digitization of society and the economy, driven by the spread of 5G, expanded use of AI & IoT, and progress of the DX. The Company remains committed to proactive capital investments targeting these thriving markets, with a view to our own growth.

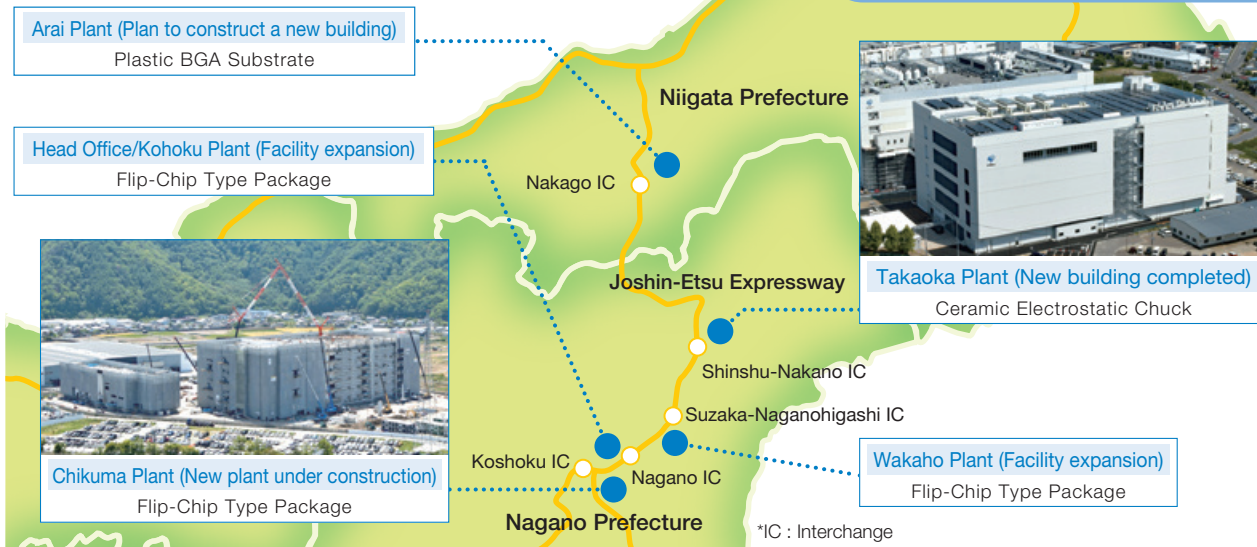
At our Takaoka Plant (Nakano City, Nagano Prefecture), a new building was completed in April 2023 to increase production capacity of ceramic electrostatic chucks, with operations scheduled to begin in the second half of fiscal year 2023. In Chikuma City, Nagano Prefecture, we are building a new plant for our flagship product: flip-chip type packages for high-performance semiconductors. We are also planning the construction of a new building at our Arai Plant (Myoko City, Niigata Prefecture) for plastic BGA substrates for semiconductor memory. We will continue to strengthen our production systems for markets where growth in demand is expected.

About Ceramic Electrostatic Chuck

Ceramic electrostatic chucks are components that use static electricity during semiconductor manufacturing process to attract and fix silicon wafers, the raw materials for semiconductors. The Company takes advantage of integrated production's strength from the firing of ceramics to processing, assembly, and inspection and provides high-quality, cost-effective, and promptly delivered cutting-edge electrostatic chucks tailored to our customers' needs.



Takaoka Plant (New building completed)
Ceramic Electrostatic Chuck





Environmental Vision 2050 and Medium- to Long-Term Environmental Targets

The Shinko Group has published Environmental Vision 2050 to clarify our goals and approach to deal with environmental problems. At the same time, we have set medium- to long-term environmental targets to realize a decarbonized society, a recycling-oriented society, and a society in harmony with nature, as specified in the Vision, and we are taking action now.

In September 2022, we reviewed our medium- to long-term environmental targets to improve our response to worsening environmental issues, including climate change. We significantly advanced our FY2030 targets on climate change and, in addition to the FY2030 targets for resource circulation and living in harmony with nature, set new targets for FY2050 to drive actions from a long-term perspective. Based on Environmental Vision 2050 and with the aim of achieving our medium- to long-term environmental targets, we will continue to promote environmental management, in this way contributing to creating a sustainable society.



◆Medium- to Long-Term Environmental Targets

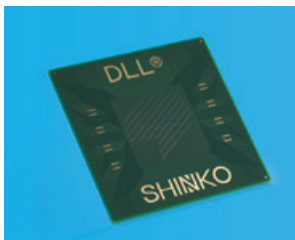
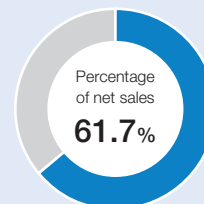
Area		FY2030 Targets	FY2050 Targets	Initiatives
 Climate change	Net reduction in greenhouse gas emissions	56% reduction (vs. FY2020)	Net-zero emissions	Energy conservation through process improvement Introducing high-efficiency equipment Installing solar power equipment Purchasing renewable energy, etc.
	Rate of renewable energy use	100%	100%	
 Resource circulation	Waste	50% reduction (vs. FY2020)	Minimization	Resource saving through process improvement In-house processing of waste liquids Recycling of waste and water, etc.
	Water use	5% reduction (vs. FY2020)	Minimization	
 Living in harmony with nature	Local communities	Work with the local community to contribute to continuing biodiversity conservation activities	Work with the local community to contribute to continuing biodiversity conservation activities	Forest maintenance in Iizuna Town, Nagano Prefecture Biodiversity conservation in the Kurita Sogo Center Environmental education and awareness activities related to biodiversity, etc.
	Inhouse green spaces	Robust conservation of the healthy ecosystems in the Kurita Sogo Center	Robust conservation of the healthy ecosystems in the Kurita Sogo Center and at all plants	
	Employees	Work to improve each employee's awareness of biodiversity	Work to improve each employee's awareness of biodiversity	

*Boundary : SHINKO group's business sites in Japan

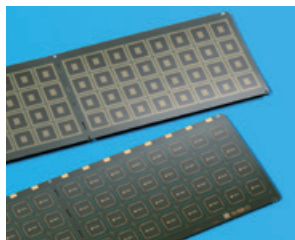
Summary of Operations by Product Segment

Plastic Packages

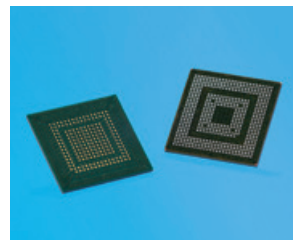
Net sales	176,844 million yen	Up 4.4% year on year	↑
Ordinary profit	47,331 million yen	Down 6.9% year on year	↓



Flip-Chip Type Package



Plastic BGA Substrates

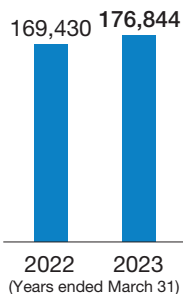


IC Assemblies

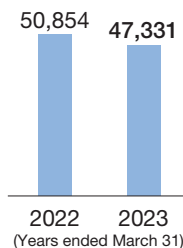
During the first half, demand for IC assemblies for high-end smartphones remained strong and sales of plastic BGA substrates were also strong for advanced memory and automobile applications. Also, the significant depreciation of the yen in the foreign exchange market helped boost sales in both products. On the other hand, sales of flip-chip type packages decreased due to a decline in demand for PCs in the second half and a significant drop in demand for servers in the fourth quarter, despite continued strong demand at the beginning of the fiscal year.

As a result, consolidated net sales in this segment were 176,844 million yen (up 4.4% year on year). Ordinary profit, however, was affected by the decline in sales of flip-chip type packages and other factors, and was 47,331 million yen (down 6.9% year on year).

Net sales (Millions of yen)



Ordinary profits (Millions of yen)

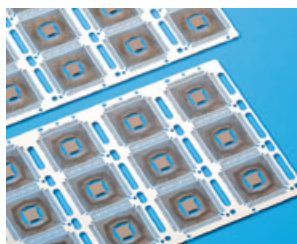
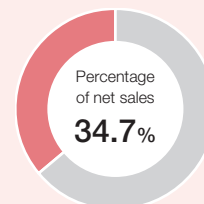


Main applications

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

Metal Packages

Net sales	99,284 million yen	Up	6.9% year on year	↑
Ordinary profit	31,224 million yen	Up	32.7% year on year	↑



Stamped Leadframes



Ceramic Electrostatic Chuck



Glass-to-Metal Seals

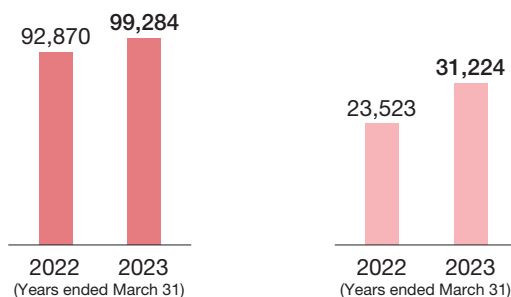


Heat Spreaders

Sales of ceramic electrostatic chucks for semiconductor manufacturing equipment increased due to the continued high level of orders until the third quarter as well as the significant depreciation of the yen in the foreign exchange market, despite the impact of semiconductor export restrictions and other factors. Sales of leadframes decreased due to inventory adjustments, although the sales for automobile and other applications remained solid in the first half. Although sales of heat spreaders for CPUs were affected by a decline in demand in the second half, the sales at almost the same level as in the previous fiscal year. Revenue of glass-to-metal-seals decreased due to the sluggish sales for optical devices.

As a result, consolidated net sales in this segment were 99,284 million yen (up 6.9% year on year). Ordinary profit was 31,224 million yen (up 32.7% year on year) due to effect of higher sales of ceramic electrostatic chucks, the depreciating of the yen in the foreign exchange market and other factors.

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)	
	2023	2022	2023	
Assets	386,934	319,461	2,897,949	
Current assets	226,075	192,828	1,693,198	
Non-current assets	160,858	126,632	1,204,750	
Property, plant and equipment	154,068	119,999	1,153,900	
Intangible assets	876	861	6,566	
Investments and other assets	5,912	5,771	44,283	
Total assets	386,934	319,461	2,897,949	
Liabilities	135,919	117,463	1,017,973	
Current liabilities	133,545	114,826	1,000,193	
Non-current liabilities	2,374	2,636	17,780	
Net assets	251,014	201,997	1,879,975	
Shareholders' equity	252,205	204,746	1,888,893	
Share capital	24,223	24,223	181,418	
Capital surplus	24,173	24,129	181,048	
Retained earnings	203,882	156,486	1,526,981	
Treasury shares	(74)	(92)	(555)	
Accumulated other comprehensive income	(1,190)	(2,749)	(8,917)	
Total liabilities and net assets	386,934	319,461	2,897,949	

Statements of income

Years ended March 31

	(Millions of yen)		(Thousands of U.S. dollars)
	2023	2022	2023
Net sales	286,358	271,949	2,144,683
Cost of sales	194,664	185,891	1,457,945
Gross profit	91,693	86,057	686,737
Selling, general and administrative expenses	14,980	14,663	112,199
Operating profit	76,712	71,394	574,538
Non-operating income	2,142	4,496	16,043
Non-operating expenses	99	71	743
Ordinary profit	78,755	75,820	589,838
Extraordinary losses	1,295	1,076	9,699
Profit before income taxes	77,460	74,743	580,139
Income taxes—current	23,041	22,739	172,570
Income taxes—deferred	(69)	(624)	(524)
Profit attributable to owners of parent	54,488	52,628	408,092

Statements of cash flows

Years ended March 31

	(Millions of yen)		(Thousands of U.S. dollars)
	2023	2022	2023
Cash flows from operating activities	118,223	67,173	885,439
Cash flows from investing activities	(65,199)	(42,162)	(488,314)
Cash flows from financing activities	(7,197)	177	(53,903)
Effect of exchange rate changes on cash and cash equivalents	1,006	1,061	7,540
Net increase (decrease) in cash and cash equivalents	46,833	26,249	350,761
Cash and cash equivalents at beginning of period	68,758	42,508	514,968
Cash and cash equivalents at end of period	115,592	68,758	865,729

Note: The U.S. dollar amounts represent translation of Japanese yen at the rate of ¥133.52 = U.S. \$1.00 on March 31, 2023.

Corporate Data

(As of March 31, 2023)

■ 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	4,848 (Consolidated: 5,596)
■ 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 27, 2023)

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

Shareholders' Data

(As of March 31, 2023)

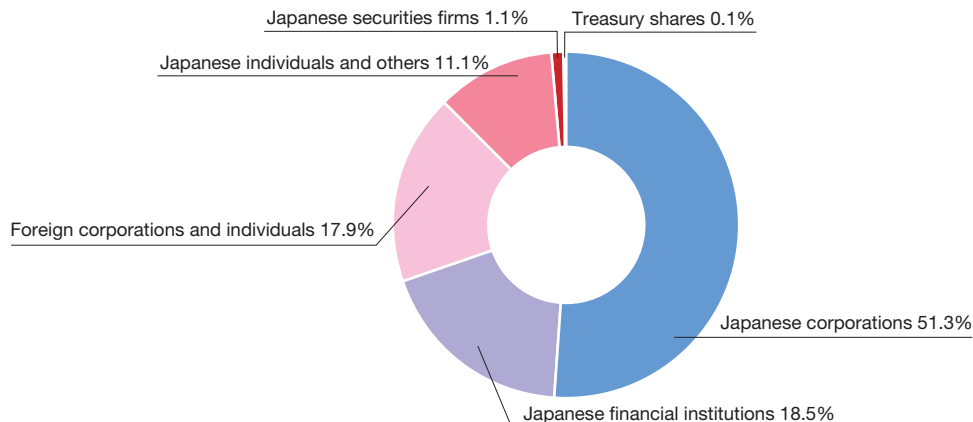
■ Total number of authorized shares	540,000,000 shares
■ Total number of shares issued	135,171,942 shares
■ Paid-in capital	24,223,020,480 yen
■ Number of shareholders	32,439
■ Principal shareholders	

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)	11,828	8.75
Custody Bank of Japan, Ltd. (Trust Account)	7,318	5.42
MLI FOR CLIENT GENERAL OMNI NON COLLATERAL NON TREATY-PB	2,268	1.68
The Hachijuni Bank, Ltd.	1,836	1.36
BNY GCM CLIENT ACCOUNT JPRD AC ISG(FE-AC)	1,629	1.21
ML PRO SEGREGATION ACCOUNT	1,608	1.19
The Nomura Trust and Banking Co., Ltd. (Trust Account)	1,101	0.81
JP JPMSE LUX RE UBS AG LONDON BRANCH EQ CO	1,089	0.81
SHINKO ELECTRIC INDUSTRIES Employees Shareholding Association	1,004	0.74

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, 2023)



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 : 0120-232-711 (toll-free numbers in Japan, 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 Shimbum</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.
4. Contact for inquiries regarding the electronic response system for materials for the General Meeting of Shareholders
Mitsubishi UFJ Trust and Banking Corporation Corporate Agency Division
Dedicated telephone number for the electronic response system
Tel : 0120-696-505 (toll-free numbers in Japan, Japanese only)

Front cover: The Togakushi bird line in the fresh green season (Togakushikogen, Nagano City)



SHINKO

SHINKO ELECTRIC INDUSTRIES CO., LTD.
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<https://www.shinko.co.jp>