

BUSINESS REPORT 2024

(from April 1, 2023 to March 31, 2024)



To Our Shareholders

It is my pleasure to report on the business results of SHINKO ELECTRIC INDUSTRIES CO., LTD. (the Company) for fiscal year 2023 (April 1, 2023 to March 31, 2024), which marks our 89th business period.

The structures of the economy and society are being significantly changed by the advancement of information communication infrastructure that realizes super high-speed and high-volume communication and the progression of digital transformation (DX) due to the increasing use of artificial intelligence (AI) and Internet of things (IoT). 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 expand in the future, including in the automotive market, where technological developments such as autonomous driving are accelerating as well as in the robotics market where application are expected to be diverse. In addition, semiconductors' needs are expected to become more sophisticated and diverse as key devices that 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.

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 promoting various sustainability efforts, including those for climate change.

Going forward, the implementation of the tender offer is planned for the company shares by the tender offeror that is focused on JIC Capital, Ltd. In the semiconductor industry, where market conditions change rapidly, we aim to privatize the company shares through the tender offer and the series of transactions, promoting the next-generation semiconductor business and reinforcing the Company's market competitiveness in next-generation products, aiming to enhance our corporate value in the medium- to long-term on a sustainable basis.

As we move forward, I ask for the kind understanding all our shareholders.



June 2024

S. Kurashima

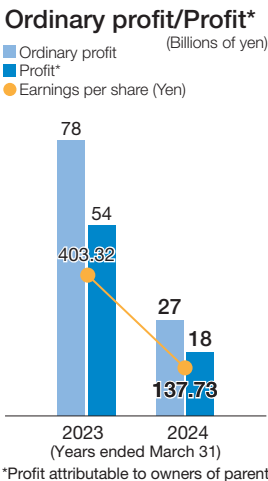
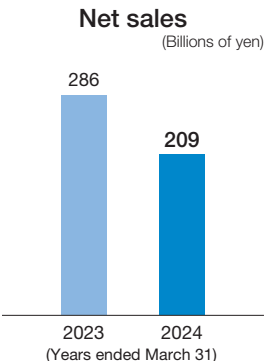
Susumu Kurashima
Representative Director of Board, President

Review of Operations and Outlook

■ Business Results for the Fiscal Year Ended March 31, 2024

In the semiconductor industry, while this fiscal year’s market environment has shown partial improvement due to increased demand in semiconductors for AI, a severe business environment continued with prolonged market downturn due to the continuing stagnation in the PC and server markets, a drop in demand for smartphones caused by longer replacement cycles, the impact of US Government export restrictions on semiconductors to China, inventory adjustments and other factors.

In this environment, the Shinko Group focused on productivity improvements and cost reductions and on winning orders to secure income, despite the semiconductor market struggling to recover due to significant impact from the stagnation in the PC and smartphone markets and from prolonged inventory adjustments. Furthermore, regarding capital investments for these growing markets that we have continuously pursued, we reviewed part of the plan due to the current market situation. However, we continued to allocate management resources in anticipation of medium- to long-term expansion in the semiconductor market and increasing demand for our products in the future. For our flip-chip type packages, which meet the need for semiconductors with higher functionality and speed as well as power saving, we promoted efforts to enhance our production systems, including the construction of the building of the Chikuma Plant (Chikuma City, Nagano Prefecture) as a new production site. Furthermore, a new capital investment plan for the Chikuma Plant regarding next-generation flip-chip type packages for cutting-edge semiconductors has been certified as a “Supply Security Plan” based

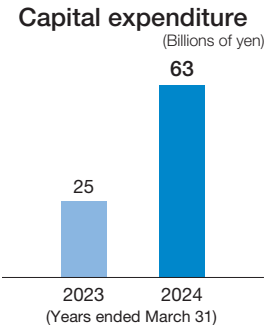
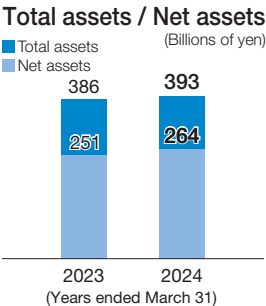


on the Economic Security Promotion Act, and subsidies have been granted. For plastic BGA substrates, we started the construction of a new building for the Arai Plant (Myoko City, Niigata Prefecture) to increase the production capacity.

As a result, net sales of flip-chip type packages decreased largely due to delayed recovery in demand for PCs and servers, and other factors. Net sales of ceramic electrostatic chucks decreased significantly due to export restrictions on semiconductors and the deterioration of the market. So, overall sales conditions were affected by the market downdraft. As a result of these factors, net sales were 209,972 million yen (down 26.7% year on year). Profits were significantly affected by the drop in sales. Ordinary profit was 27,257 million yen (down 65.4% year on year). Profit attributable to the owners of the parent was 18,609 million yen (down 65.8% year on year).

■ Outlook

Going forward, the semiconductor industry could see demand recover, including the memory market, on the back of the rapid expansion of AI-based services and other factors. However, the slow recovery of PC, server and smartphone markets and the inventory adjustments of semiconductors could continue even longer. Meanwhile, the importance of semiconductors is increasing as a key technology supporting the digitalization of society and the economy due to the progress of DX and other factors, and the realization of GX, which will achieve both the transition to a decarbonized society with sustainable growth and reduced power consumption due to the significant increase in information and communication traffic. 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 diversifying market needs and changes in demand. Furthermore, in order to meet



the need for even greater higher performance and multi-functionality of semiconductors, the packaging process in semiconductor manufacturing is becoming increasingly important. In particular, it is expected that there will be an increasing demand for semiconductor packages, our main business, as core products that are indispensable for achieving even higher-performance, higher- speeds and greater power savings in semiconductors.

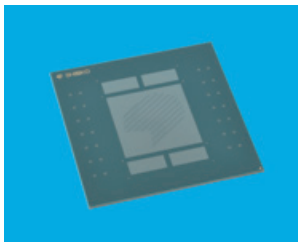
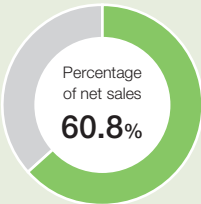
In this environment, the Shinko Group will develop our proactive sales drives to have consistent revenue, further enhancing our sales structure and accurately grasping market environment change. At the same time, we will work hard to improve productivity, efficiency and cut costs, etc. across the board. We have continued to focus on allocating management resources in markets with high growth potential. We will continue our capital investment, watching the market environment, judging the timing and detail appropriately as needed, setting our eyes on medium- to long-term market growth of our products. For our flip-chip type packages, we will arrange a mass-production system at our Chikuma Plant (Chikuma City, Nagano Prefecture) which was constructed last December. For plastic BGA substrates to meet the demand for semiconductor memory with higher-speeds and larger- capacities, we are committed to completing the construction of the new building which has started at the Arai Plant (Myoko City, Niigata Prefecture). Furthermore, we will promote the new capital investment plan at the Chikuma Plant for next-generation flip-chip type packages for cutting-edge semiconductors, including “i-THOP®” that we have developed, to address the needs of the high-performance computing (HPC) market which is set to grow significantly in the medium- to long-term. We will establish new products and new technologies that address market needs ahead of others, working on mass-production and aim for sustainable growth and development, applying the state-of-the-art semiconductor packaging technologies that we have developed, including the development of photonics-electronics convergence devices that, as core devices for building next-generation information communication infrastructures, will dramatically reduce power consumption and achieve super high-speed data processing.

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.

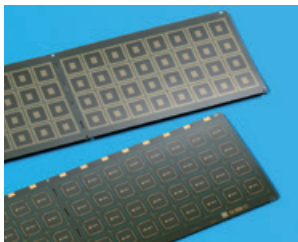
Summary of Operations by Product Segment

Plastic Packages

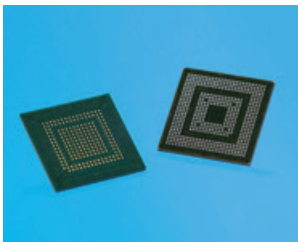
Net sales	127,752 million yen	Down 27.8% year on year	↓
Ordinary profit	11,828 million yen	Down 75.0% year on year	↓



Flip-Chip Type Package



Plastic BGA Substrates

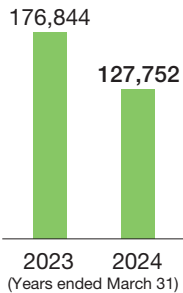


IC Assemblies

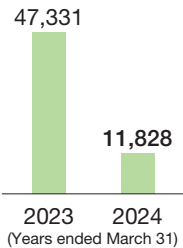
Net sales of flip-chip type packages decreased largely due to delayed recovery in demand for PCs and servers as a negative rebound from the special demand for COVID-19, intensified competition, and other factors. Net sales of plastic BGA substrates decreased due to inventory adjustments in advanced memory, while net sales of IC assemblies also decreased due to a drop in demand for high-end smartphone because of the smartphone market slowdown.

As a result, consolidated net sales in this segment were 127,752 million yen (down 27.8% year on year), and ordinary profit was 11,828 million yen (down 75.0% year on year), due to the large impact of sales down.

Net sales (Millions of yen)



Ordinary profits (Millions of yen)

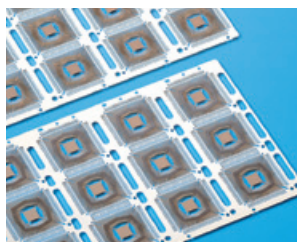
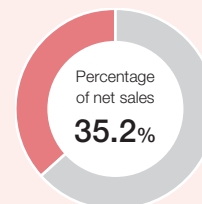


Main applications

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

Metal Packages

Net sales	73,878 million yen	Down 25.6% year on year	↓
Ordinary profit	16,133 million yen	Down 48.3% year on year	↓



Stamped Leadframes



Ceramic Electrostatic Chuck



Glass-to-Metal Seals

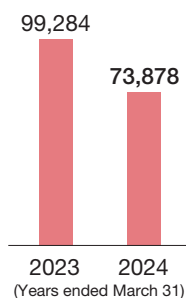


Heat Spreaders

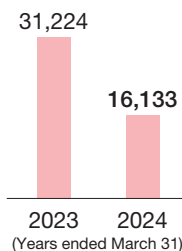
Net sales of ceramic electrostatic chucks for semiconductor manufacturing equipment decreased largely due to the effects of US Government export restrictions on semiconductors to China and the memory market deterioration, etc. Net sales of leadframes decreased due to a drop in orders, reflecting the backdrop of inventory adjustments, etc. because of the downdraft in the semiconductor market. Net sales of heat spreaders for CPUs decreased due to a large decline in demand for PCs and servers, and other factors. Net sales of glass to metal seals decreased due to the sluggish sales for optical devices.

As a result, net sales in this segment were 73,878 million yen (down 25.6% year on year), and ordinary profit was 16,133 million yen (down 48.3% year on year), due to the large impact of sales down.

Net sales (Millions of yen)



Ordinary profits (Millions of yen)



Main applications

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

*Sales by segment refer to sales to external customers, and ordinary profit is before making adjustments for transactions between segments.

Planned Commencement of Tender Offer for Company Shares by JICC-04, Ltd.

The Company resolved at its Board of Directors meeting held on December 12, 2023 to express its opinion as of that date that, if commenced, it will express an opinion to support the tender offer (the “Tender Offer”) for the Company’s common shares (the “Company Shares”) to be conducted by JICC-04, Ltd. (the “Tender Offeror”) and recommend that its shareholders tender their shares in the Tender Offer.

The Board of Directors resolution above was made on the assumption that the Tender Offeror intends to acquire all Company Shares through the Tender Offer and a series of planned subsequent procedures and that the Company Shares will be delisted.

Overview of Tender Offer

1) Period of the Tender Offer

Because the Tender Offer is expected to require a certain period of time for necessary procedures and actions based on domestic and foreign competition laws and investment regulatory laws, etc., the commencement date of the Tender Offer is expected to be in late August 2024 by the Tender Offeror, but the commencement date of the Tender Offer is affected by the period required for procedures by foreign competition authorities and authorities having jurisdiction over investment regulatory laws, etc. The Tender Offer period is expected to be 20 business days.

2) Purchase Price, Etc. : 5,920 yen per common share

3) The Number of Share Certificates, Etc. to Be Purchased

The number of shares to be purchased	The minimum number of the shares to be purchased	The maximum number of the shares to be purchased
67,530,488 shares	22,491,400 shares	– shares

No Dividends

The Company previously positioned shareholder returns as one of its most important management policies. However, according to the Tender Offeror, the purchase price for the Tender Offer was determined on a comprehensive basis, based on the assumption that no dividends would be paid based on the base date of March 31, 2024. Accordingly, the Company passed a resolution at its Board of Directors meeting held on December 12, 2023 to amend the dividend forecast for the fiscal year ending in March 2024 and not to pay year-end dividends for the fiscal year ending in March 2024.

Abolition of Shareholder Special Benefit Program

The Company is grateful to its shareholders for their ongoing support, and had the shareholder special benefit program in place with a base date of March 31 of each year with the intention to make investment in Company Shares more attractive and to have more shareholders hold Company Shares in the medium- to long-term. However, in light of the plan to conduct the Tender Offer for the Company Shares, the Company passed a resolution at its Board of Directors meeting held on December 12, 2023, to abolish the shareholder special benefit program.

Q&A Regarding the Tender Offer

Q Why is the Tender Offer to be implemented?

A While the Company was deliberating various management strategies to enhance its corporate value, the Company began to have discussions with Fujitsu Limited (“Fujitsu”) in response to Fujitsu’s plan to sell its Company Shares. The Company carefully deliberated various options, including maintaining its listing, and came to conclude that, by conducting the Tender Offer etc. for privatization with a Tender Offeror that is focused on JIC Capital, Ltd. (“JICC”) as a government-affiliated fund, which basically supports the Company’s business policy of focusing on capital investment and technological development in growth markets, the Company will be able to promote initiatives that contribute to enhancing corporate value from a medium- to long-term perspective, without being swayed by short-term fluctuations in business performance, as a partner for the Company to aim “Progress without Limits,” and since the Company is planning to execute the Tender Offer etc. with JICC as a partner, the Company will be able to make decisions more quickly than before, and promote measures such as the expansion of human capital, which is fundamental to the promotion of the Company’s business, which will contribute to future enhancement of corporate value.

Q When will the Tender Offer commence?

A The Tender Offeror aims to commence the Tender Offer in or around late August 2024, but since it is difficult to accurately estimate the amount of time required for the procedures involving foreign competition authorities and the authorities having jurisdiction over investment control laws and regulations, the detailed schedule for the Tender Offer will be promptly announced as soon as it is decided.

Q When will the Company Shares will be delisted? How long can the Company Shares be sold in the stock market?

A The timeline of delisting has not yet been decided. If the Tender Offer is successfully completed, the Company Shares will be privatized, so the Company Shares will be delisted through the prescribed procedures. After delisting, the Company Shares will no longer be tradable on the Prime Market of the Tokyo Stock Exchange.

Q Tell us the details of the tender procedure.

A According to the Tender Offeror, details of the tender procedure will be promptly announced as soon as it is decided.

Q When will the procedure to tender the Tender Offer start?

A Shareholders can tender their shares after the Tender Offer has commenced. The Company resolved at its Board of Directors meeting held on December 12, 2023 to express its opinion as of that date that, if commenced, it will express an opinion to support the Tender Offer and recommend that its shareholders tender their shares in the Tender Offer. It also resolved that the Company will express its opinion again when the Tender Offer is commenced.

Please see the Company’s news release, “Notice Concerning Expression of Opinion to Support Commencement of Tender Offer for Company Shares by JICC-04, Ltd. and Recommendation of Tender Thereto” for details of the Tender Offer.

Financial Statements (Consolidated)

■ Balance sheets		As of March 31	
	(Millions of yen)		(Thousands of U.S. dollars)
	2024	2023	2024
Assets	393,750	386,934	2,601,075
Current assets	184,459	226,075	1,218,520
Non-current assets	209,291	160,858	1,382,555
Property, plant and equipment	201,984	154,068	1,334,288
Intangible assets	1,175	876	7,761
Investments and other assets	6,131	5,912	40,505
Total assets	393,750	386,934	2,601,075
Liabilities	128,773	135,919	850,663
Current liabilities	126,946	133,545	838,595
Non-current liabilities	1,826	2,374	12,067
Net assets	264,977	251,014	1,750,412
Shareholders' equity	264,119	252,205	1,744,747
Share capital	24,223	24,223	160,014
Capital surplus	24,222	24,173	160,009
Retained earnings	215,736	203,882	1,425,132
Treasury shares	(61)	(74)	(408)
Accumulated other comprehensive income	857	(1,190)	5,664
Total liabilities and net assets	393,750	386,934	2,601,075

■ Statements of income

Years ended March 31

	(Millions of yen)		(Thousands of U.S. dollars)
	2024	2023	2024
Net sales	209,972	286,358	1,387,054
Cost of sales	171,070	194,664	1,130,072
Gross profit	38,902	91,693	256,982
Selling, general and administrative expenses	14,091	14,980	93,085
Operating profit	24,810	76,712	163,897
Non-operating income	2,530	2,142	16,718
Non-operating expenses	83	99	552
Ordinary profit	27,257	78,755	180,063
Extraordinary income	784	–	5,181
Extraordinary losses	2,126	1,295	14,048
Profit before income taxes	25,915	77,460	171,195
Income taxes - current	6,750	23,041	44,590
Income taxes - deferred	555	(69)	3,672
Profit attributable to owners of parent	18,609	54,488	122,933

■ Statements of cash flows

Years ended March 31

	(Millions of yen)		(Thousands of U.S. dollars)
	2024	2023	2024
Cash flows from operating activities	45,464	118,223	300,334
Cash flows from investing activities	(73,273)	(65,199)	(484,039)
Cash flows from financing activities	(6,886)	(7,197)	(45,491)
Effect of exchange rate changes on cash and cash equivalents	1,578	1,006	10,429
Net increase (decrease) in cash and cash equivalents	(33,116)	46,833	(218,767)
Cash and cash equivalents at beginning of period	115,592	68,758	763,589
Cash and cash equivalents at end of period	82,475	115,592	544,822

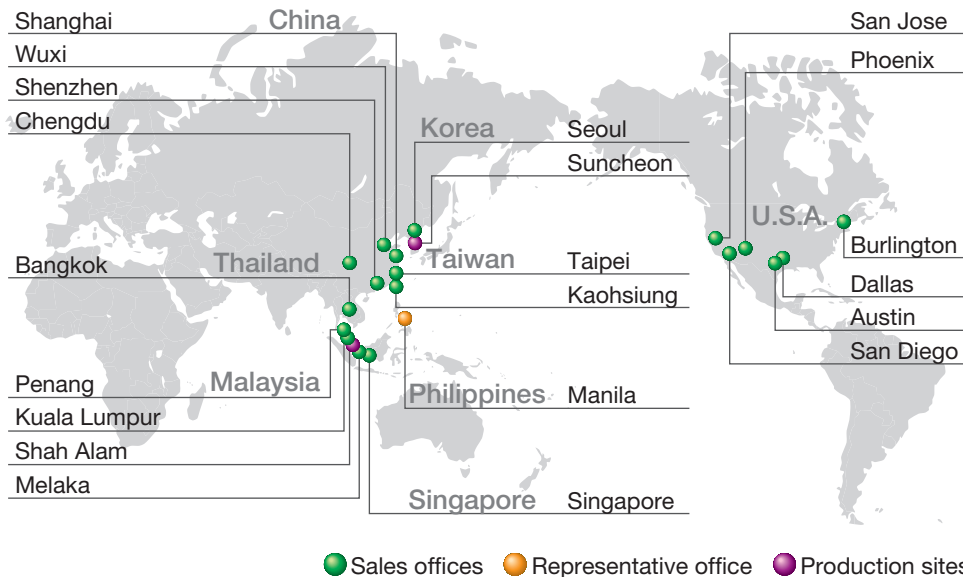
Note: The U.S. dollar amounts represent translation of Japanese yen at the rate of ¥151.38 = U.S. \$1.00 on March 31, 2024.

Corporate Data

(As of March 31, 2024)

■ 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	4,808 (Consolidated: 5,553)
■ Plants & facilities	Kohoku Plant Wakaho Plant Chikuma 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 26 2024)

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

Toshiyasu Hirabayashi

Outside Directors of Board, Audit and Supervisory Committee Member

Namiko Araki

Outside Directors of Board, Audit and Supervisory Committee Member

Kunikazu Kobayashi

Shareholders' Data

(As of March 31, 2024)

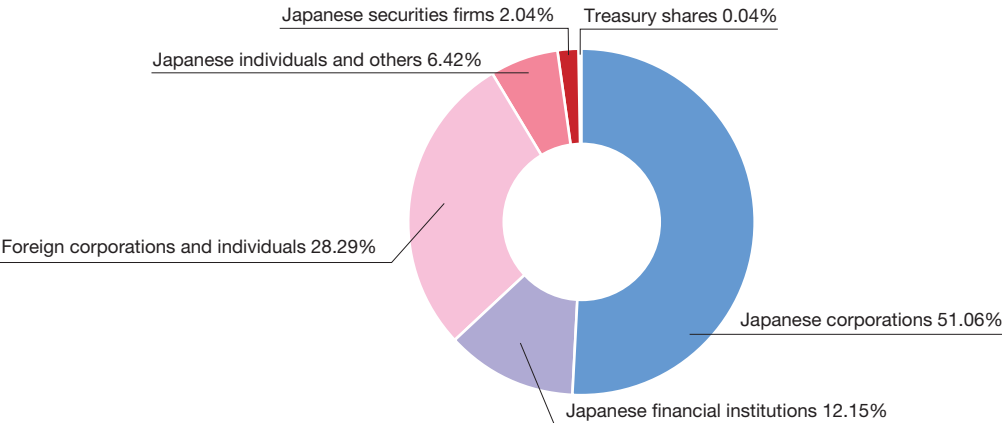
Total number of authorized shares	540,000,000 shares
Total number of shares issued	135,171,942 shares
Paid-in capital	24,223,020,480 yen
Number of shareholders	15,538
Principal shareholders	

Shareholder' s name	Number of shares held (Thousands)	Percentage of shares held (%)
Fujitsu Limited	67,587	50.02
The Master Trust Bank of Japan, Ltd. (Trust Account)	8,857	6.56
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC)	3,613	2.67
Custody Bank of Japan, Ltd. (Trust Account)	3,257	2.41
JPLLC-CL JPY	2,304	1.71
JP JPMSE LUX RE CITIGROUP GLOBAL MARKETS L EQ CO	2,203	1.63
UBS AG LONDON A/C IPB SEGREGATED CLIENT ACCOUNT	2,170	1.61
JP JPMSE LUX RE BARCLAYS CAPITAL SEC LTD EQ CO	1,927	1.43
The Hachijuni Bank, Ltd.	1,836	1.36
JPLLC CLIENT ASSETS-SK J	1,806	1.34

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, 2024)



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 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 (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: Hakuba mountain range with snow caps and hydrangea (Hakuba Village, Nagano Prefecture)



SHINKO

SHINKO ELECTRIC INDUSTRIES CO., LTD.

80, Oshimada-machi, Nagano-shi, Nagano 381-2287, Japan

Tel: 81 (26) 283-1000 Fax: 81 (26) 284-8861

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