

Brightening the Future

Financial Results of FY2022 First-Quarter

From April 1, 2022 to June 30, 2022

SHINKO ELECTRIC INDUSTRIES CO., LTD.



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Financial Results

(Billions of yen)

	FY2021	FY2022	YoY	
	1st-Quarter (Result)	1st-Quarter (Result)	Amount	Ratio of Change
Net Sales	58.1	79.4	+21.3	+37%
Operating Profit (Ratio against Net Sales)	13.9 (24%)	26.0 (33%)	+12.1	+87%
Ordinary Profit (Ratio against Net Sales)	14.6 (25%)	28.2 (36%)	+13.6	+93%
Profit* (Ratio against Net Sales)	10.1 (17%)	19.5 (25%)	+9.5	+94%

^{*} Profit attributable to owners of parent

Earnings per Share	74.65yen	144.71yen
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Net Sales

• The semiconductor industry is facing increasing uncertainty due to the lockdown in China, the Russia-Ukraine conflict, the impact of ongoing global inflation, and concerns about a slowdown in demand for PCs and smartphones. On the other hand, the semiconductor market remained at high level on the back of expanding demand for automobiles and industrial equipment, etc.

Net sales increased 37% year on year due to the increase of the sales of flip-chip type packages, IC assembly, ceramic electrostatic chucks, leadframes, and other products in addition to the progress of significant yen depreciation in the exchange rate.

Profit

 Profit increased 93% year on year by the expansion of net sales and the progress of significant yen depreciation in the exchange rate.



Net Sales and Ordinary Profit by Business Segment

(Billions of yen)

		1st-Q	FY2021 FY2022 F 1st-Quarter 1st-Quarter (Result) (Result)		1st-Quarter	
			Represent % of Net Sales		Represent % of Net Sales	
* 1	Plastic Packages	35.5	[61%]	49.5	[62%]	+39%
Sales	Metal Packages	20.4	[35%]	27.3	[35%]	+34%
Net	Others	2.2	[4%]	2.6	[3%]	+17%
	Total	58.1	[100%]	79.4	[100%]	+37%
*2			Ratio against Net Sales		Ratio against Net Sales	
	Plastic Packages	10.9	(31%)	19.3	(39%)	+77%
y Pr	Metal Packages	4.2	(21%)	9.8	(36%)	+134%
Ordinary Profit	Others/Adjustment	-0.6		-0.9		
Orc	Total	14.6	(25%)	28.2	(36%)	+93%

(חווום)	ons or yen,
FY2	021
	Represent % of Net Sales
169.4	[62%]
92.9	[34%]
9.6	[4%]
271.9	[100%]
	Ratio against Net Sales
50.9	(30%)
23.5	(25%)
1.4	
	(28%)



^{*1} Sales to external customers

^{*2} Before inter-segment transaction adjustment

Financial Status, Capital Expenditure and Depreciation

	FY2021 1st-Quarter	FY2022 1st-Quarter
Total Assets	250.5	337.4
Net Assets	161.0	219.0
Equity Ratio	64%	65%

(Billions of yen)

FY2021
319.5
202.0
63%

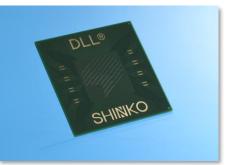
Capital Expenditure*	3.0	8.5
Depreciation*	4.4	7.8
Research and Development	0.8	0.9
Exchange Rates (Yen/US dollar)	108	128

^{*}Except intangible assets

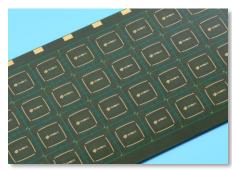


^{57.5} 30.0 3.5 111

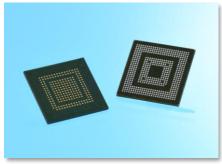
Plastic Packages



Flip-Chip Type Package



Plastic BGA Substrates



IC Assemblies

[Applications]

PCs, Servers, Smartphones, Consumer Products, etc.



Plastic Packages

(Billions of yen)

	FY2021	FY2022	Yo	Υ
	1st-Quarter (Result)	1st-Quarter (Result)	Amount	Ratio of Change
Net Sales	35.5 [61%]* ¹	49.5 [62%]*1	+14.0	+39%
Ordinary Profit	10.9 (31%)*2	19.3 (39%)*2	+8.4	+77%

^{*1} Represent % of Net Sales

Net sales and ordinary profit both increased due to the increase in sales of each product and significant yen depreciation.

Flip-Chip Type Packages:

Sales for PCs, etc. remained at a high level.

IC Assemblies:

Demand increased greatly for high-end smartphones.

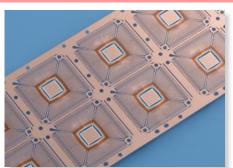
Plastic BGA Substrates:

Profit increased thanks to increased orders for advanced memory.

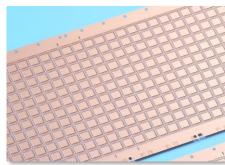


^{* 2} Ratio against Net Sales

Metal Packages



Stamped Leadframes



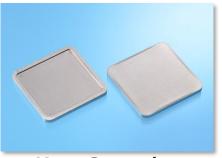
Etched Leadframes (OFN-Type)



Ceramic Electrostatic
Chuck



Glass-to-Metal Seals



Heat Spreaders

[Applications]

Automobiles, Smartphones, Consumer Products, Semiconductor Manufacturing Equipment, Communications Equipment etc.



Metal Packages

(Billions of yen)

	FY2021	FY2022	\	ſοΥ
	1st-Quarter (Result)	1st-Quarter (Result)	Amount	Ratio of Change
Net Sales	20.4 [35%]*1	27.3 [34%]*1	+7.0	+34%
Ordinary Profit	4.2 (21%)*2	9.8 (36%)*2	+5.6	+134%

^{*1} Represent % of Net Sales

Net sales and ordinary profit both increased due to the increase in sales of leadframes and ceramic electrostatic chucks as well as significant yen depreciation.

Leadframes:

Revenue increased due to the increase in demand in automobile market.

Ceramic Electrostatic Chucks:

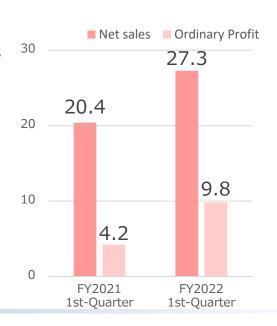
Sales increased greatly thanks to buoyant demand in semiconductor manufacturing equipment market.

Heat Spreaders for CPUs:

Sales increased for servers.

Glass-to-Metal Seals :

Revenue decreased due to sluggish sales for optical devices.





^{*2} Ratio against Net Sales

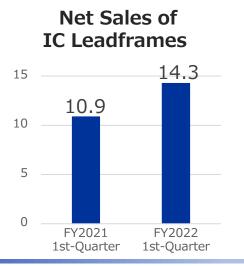
Net Sales by Product Category

	FY2021	FY2022	Yo	ρY
	1st-Quarter (Result)	1st-Quarter (Result)	Amount	Ratio of Change
IC Leadframes	10.9 [19%]*	14.3 [18%]*	+3.4	+31%
IC Packages	38.1 [66%]*	53.2 [67%]*	+15.1	+40%
Hermetic Seal Parts	9.0 [16%]*	11.8 [15%]*	+2.8	+31%

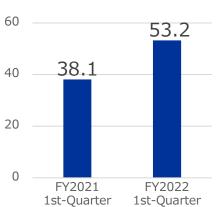
(Billions of ven)

FY2021 (Result)
49.9[18%]*
180.8[67%]*
41.2[15%]*

^{*} Represent % of Net Sales







Net Sales of Hermetic Seal Parts





Revised Forecast of FY2022 First-Half and FY2022 (Announcement on July 29, 2022)
(Billions of yen)

	FY2022 1st-Half				FY2022			
	Previous	Current Forecast (7/29/2022)	vs. Previous Forecast		Previous	Current	vs. Previous Forecast	
	Forecast (4/28/2022)		Amount	Ratio of Change	Forecast (4/28/2022)	Forecast (7/29/2022)	Amount	Ratio of Change
Net Sales	152.0	159.0	+7.0	+5%	317.0	322.0	+5.0	+2%
Operating Profit	40.0	49.0	+9.0	+23%	85.0	93.0	+8.0	+9%
Ordinary Profit	40.0	53.0	+13.0	+33%	85.0	97.0	+12.0	+14%
Profit*	28.0	37.0	+9.0	+32%	59.0	67.0	+8.0	+14%
Earnings per Share	207.27yen	273.89yen	_		436.75yen	495.97yen	_	_

^{*} Profit attributable to owners of parent



Revised Forecast of FY2022 First-Half and FY2022 (Announcement on July 29, 2022) Reasons for the Revision (Summary)

- In the first-quarter of the fiscal year under review, demand in flip-chip type packages for PCs, etc. increased, net sales of plastic BGA substrates for advanced memory increased and significant yen depreciation in the exchange rate market continued, against our assumption. As a result, the performance of FY2022 firsthalf is exceeding the expectation, especially in terms of profit, compared to our forecast of FY2022 first-half.
- From the second-quarter, economic uncertainty is expected to intensify due to the slowdown of the Chinese economy, global inflation, and the prolonged conflict in Russia and Ukraine. Regarding the semiconductor market, inventory adjustments are expected to occur due to the decline in demand for PCs and smartphones, etc.
- As for the business of Shinko Group, demand for flip-chip type packages are expected to decline for PCs and other applications, leadframes will be affected by inventory adjustments, and IC assembly will see a drop in demand for high-end smartphones.
- On the other hand, we have revised the exchange rate from 118 yen per dollar to 125 yen per dollar from the second-quarter in light of trends in the exchange market.
- With these reasons, we revised the forecast of FY2022 first-half and FY2022 released on April 28, 2022.



Net Sales/Profit/Cash Dividend

(Billions of yen)

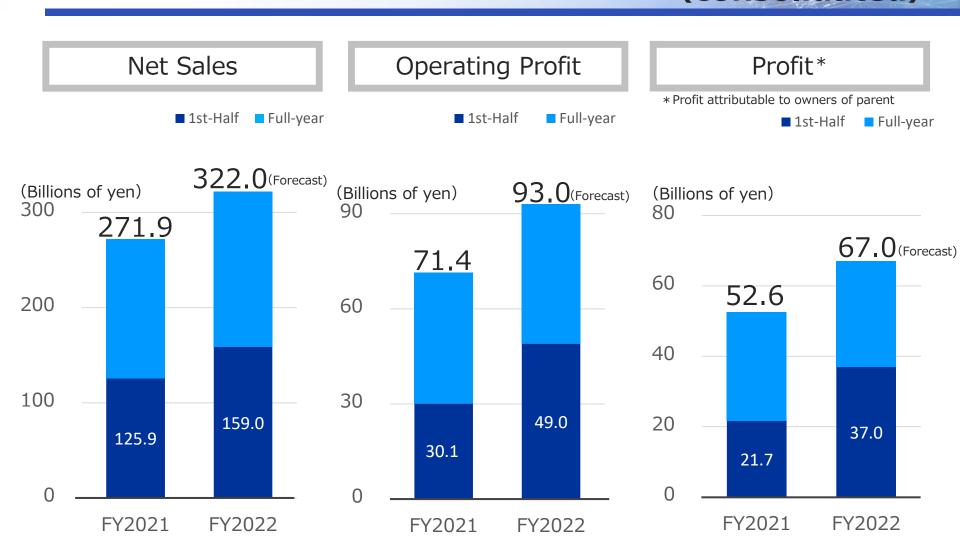
	FY2021 (Result)			FY2022 (Forecast)			YoY(Upper: Amount/Lower: Ratio of Change)			
	1 st Half	2 nd Half	FY 2021	1 st Half	2 nd Half	FY 2022	1 st Half	2 nd Half	Full Year	
Net Sales	125.9	146.0	271.9	159.0	163.0	322.0	33.1 (+26%)	17.0 (+12%)	50.1 (+18%)	
Operating Profit (Ratio against Net Sales)	30.1 (24%)	41.3 (28%)	71.4 (26%)	49.0 (31%)		93.0 (29%)		2.7 (+6%)	21.6 (+30%)	
Ordinary Profit (Ratio against Net Sales)	31.6 (25%)	44.3 (30%)	75.8 (28%)	53.0 (33%)		97.0 (30%)		-0.3 (-1%)	21.2 (+28%)	
Profit*1 (Ratio against Net Sales)	21.7 (17%)	30.9 (21%)	52.6 (19%)	37.0 (23%)		67.0 (21%)		-0.9 (-3%)	14.4 (+27%)	
Exchange Rates (Yen/US dollar)	111			128*2	12. (Assumpt FY2022 2	ion from				

(Yen)

 Cash Dividend per Share (Payout Ratio)
 17.5 [Year-end]
 45.0 (11.6%)
 25.0 (25.0 (25.0 (25.0 (10.1%)))
 50.0 (10.1%)



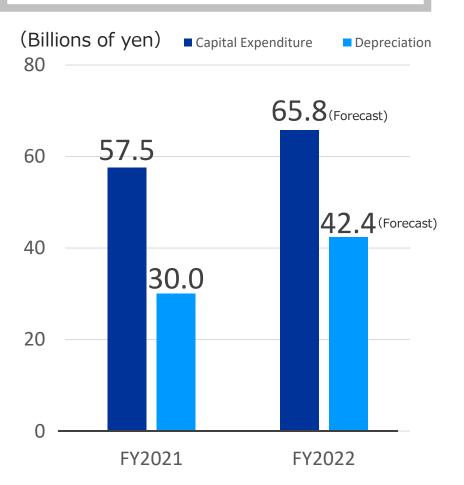
^{*1} Profit attributable to owners of parent *2 Result of FY2022 1Q



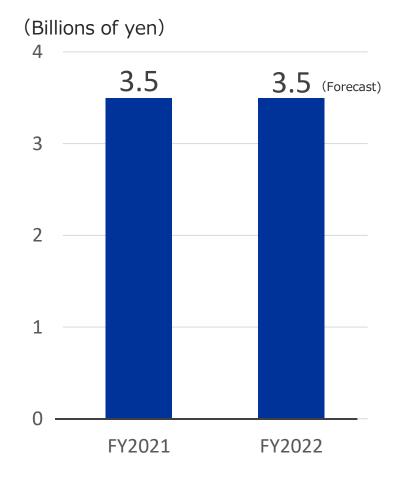


Capital Expenditure, Depreciation and R&D of FY2022





Research and Development





Increase Production Capacity of Plastic BGA Substrates for Semiconductor Memory Announcement on July 29, 2022 (Summary)

In the near future, semiconductor memory will require higher speeds and higher capacities, so demand will increase, buoyed by the growing use of AI and IoT, the dramatic increase in data traffic due to the spread of 5G, etc., and the further electrification of automobiles, such as infotainment systems. In light of this situation, it is expected that the needs for even finer, thinner, and lower power semiconductor memory will increase. To respond to these needs, we have decided to construct a new building at our Arai Plant in Myoko City, Niigata Prefecture to increase the production capacity of plastic BGA substrates using the Modified Semi Additive Process (MSAP), a leading technology for finer line and thinning.

Overview of capital investment, as planned

1) Products Plastic BGA substrates for semiconductor memory

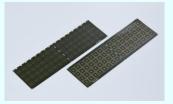
2) Investment amount 28 billion yen

3) Production capacity

This capital investment is expected to increase the production capacity of plastic BGA substrates for semiconductor memory compared with the current level approximately 2-fold, including the contribution from the new production line (scheduled to start operation in FY2023) that has

already started making investment in the existing building.

4) Overview of the new building



Plastic BGA substrates

Location: Arai Plant (Myoko City, Niigata Prefecture)

Building structure: Three-story steel frame structure (Partly four-story)

Total floor area: 14,000 m²

Schedule: Start of construction FY2024

Completion of construction FY2025 Start of operations FY2026

• The impact of the above capital investment plan on consolidated financial results for the fiscal year ended March 31, 2023 will be negligible.

• Please see our news release, "SHINKO ELECTRIC INDUSTRIES CO., LTD. to Increase Production Capacity of Plastic BGA Substrates for Semiconductor Memory" announced on July 29, 2022 for details of this capital investment.

https://www.shinko.co.jp/english/news/docs/20220729 02 e.pdf



Notes to projected financial results:

The above projections were prepared based on estimates using information currently available. Actual results may differ from the projections. Also, many numerical values are shown in units of a billion yen as a general outline of business performance in this material. Because original values, which are managed in units of a million yen, are round off, the totals, difference, etc. shown in these materials may appear inaccurate. For assumptions and the other information regarding the projections, please refer to "the Financial Results" on IR library of our corporate website.

