

Consolidated Financial Results for The Fiscal Year Ended September 30, 2023

Name of Registrant	SHOEI CO., LTD.
Code No:	7839
Securities Traded	Tokyo Stock Exchange, Prime Market
Headquarters (URL https://www.shoei.com/)	Tokyo, Japan
Representative:	Kenichiro Ishida, President and Representative Director
Contact:	Hiroshi Yamaguchi, Director and General Manager of Business & Financial Management Headquarters
Date of the Ordinary General Meeting of Shareholders:	Dec. 22, 2023
Payment Date of Dividends:	Dec. 25, 2023
Filing Date of Financial Statements:	Dec. 25, 2023

INDEX

- I . Financial Summary
- II . Consolidated Forecasts
for The Fiscal Year Ending September 30, 2024
- III . Consolidated Financial Statements
- IV . Segment Information

I . Financial Summary

1) Operating Performance

	Millions of Yen		
	Oct.21-Sept.22	Oct.22-Sept.23	% Changes
Net Sales	28,953	33,616	16.1
Operating Income	8,382	9,825	17.2
Ordinary Income	8,503	9,858	15.9
Net Income	6,018	7,068	17.4

	Yen	
	Oct.21-Sept.22	Oct.22-Sept.23
<i>Per Share Amounts</i>		
Net Income	112.18	131.73
Net Income, Diluted	—	—

Notes:

1.Earnings (Losses) of Affiliates in Equity Method:

Millions of Yen	
Oct.21-Sept.22	Oct.22-Sept.23
—	—

2.Average Number of Shares During The Period (Consolidated):

Shares	
Oct.21-Sept.22	Oct.22-Sept.23
53,649,974	53,658,454

3.On April 1st, 2023, the Company conducted a two-for-one stock split of common stock.

Concerning the number of shares for the previous fiscal year,

“average number of shares outstanding during the period”

have been calculated and presented as if the split was conducted at beginning of the previous fiscal year.

4.Number of Treasury Shares as of September 30,2023: 160,108

5.Change of Accounting Method: Not Applicable.

6.Percentages of net sales, operating income, ordinary income and net income show changes from those in the corresponding period of the previous year.

7.Amounts Less than \1 million are omitted.

8.The net income per share is calculated using the weighted average number of shares (excluding treasury stock)during the period.

2) Financial Position

	Millions of Yen	
	<u>Sept. 30, 22</u>	<u>Sept. 30, 23</u>
Total Assets	29,428	32,805
Net Assets	22,895	27,145
	Percent	
Net Assets to Total Assets	77.7%	82.7%
	Yen	
Net Assets per Share	426.33	506.60

Notes:

1. Number of Shares Outstanding on September 30, 2022 and September 30, 2023

	Shares	
	<u>Sept. 30, 22</u>	<u>Sept. 30, 23</u>
	53,713,716	53,713,716

3) Cash Flow

	Millions of Yen	
	Oct.21-Sept.22	Oct.22-Sept.23
Net Cash Flow from Operating Activities	6,027	6,354
Net Cash Flow from Investment Activities	(1,845)	(2,350)
Net Cash Flow from Financial Activities	(2,270)	(3,461)
Cash and Cash Equivalents at the End of the Period	13,887	14,767

4) Scope of Consolidation

Number of Consolidated Subsidiaries	8
Number of Non-Consolidated Subsidiaries in Equity Method	0
Number of Affiliates in Equity Method	0

5) Change in Consolidation During the Period

Number of Newly Consolidated Subsidiaries	0
Number of Companies Excluded from Consolidation	0
Number of Subsidiaries and Affiliates Newly Consolidated in Equity Method	0
Number of Companies Excluded from Consolidation in Equity Method	0

II . Consolidated Forecasts for The Fiscal Year Ending September 30, 2024

	Millions of Yen
	Oct.23-Sept.24
Net Sales	35,120
Operating Income	9,630
Ordinary Income	9,630
Profit attributable to owners of parent	6,770
	Yen
Net Income Per Share	126.42

【Qualitative Information on Performance on Consolidated Basis】

During the fiscal year under review (from October 1, 2022 to September 30, 2023), the global economy began to show signs of a ceiling due to high prices of various commodities, the impact of inflation-prevention measures in the United States and Europe, and heightened geopolitical risks.

In the first half of the fiscal year under review, the market for high-end motorcycle helmets continued to enjoy high popularity as a means of transportation and leisure that allowed two-wheeled passenger cars to use or enjoy while simultaneously avoiding the Three Cs amid the COVID-19 pandemic. However, in the second half of the year, under the post-Corona lifestyle, the boom slowed down, and with the above-mentioned global economic situation and poor weather in Europe, the former momentum began to wane. Nevertheless, the company generally enjoyed favorable sales throughout the fiscal year under review, driven by a strong first half.

In this situation, the Company has manufactured and sold products in accordance with the plan formulated at the beginning of the fiscal year and successfully implemented its ongoing measures on the development and manufacture of new models that meet customer demand and on a sales and service system for supporting customers' safety

In the fiscal year under review, the total number of units sold in Japan and overseas increased 2.8% year on year. In Europe, the number of units sold remained weak, up 0.2% year on year, reflecting a calming of demand. In North America, the number of units sold decreased 47.7% year on year due to the falling demand during this fiscal year, and the fact that distributors made adjustment for inventory which expanded during the previous fiscal year because of the strong sales. In Japan, the number of units sold decreased by 2.3% from the previous fiscal year, but there was no decrease in post-corona demand during the fiscal year under review. In Asia, the number of units sold increased 72.8% year on year because sales in China increased significantly, up 90.1% year on year, while the demand remained strong with the impact of the delayed timing of orders placed by local distributors, which took place in the fiscal year before last, having bottomed out.

In the fiscal year under review, net sales grew 16.1%, or 4,663,211 thousand yen, to 33,616,724 thousand yen. The growth was driven by strong markets in Asia, particularly the Chinese market, and the weaker yen. Operating income came to 9,825,750 thousand yen, a year-on-year increase of 17.2%, or 1,443,489 thousand yen, despite an increase in material and other costs, due to across-the-board price increases in October 2022, the effect of launch of new models (the X-15 series), which boosted the average unit selling price per helmet. Ordinary income rose 1,354,637 thousand yen, or 15.9%, year on year, to 9,858,156 thousand yen. Profit before income tax totaled 9,859,169 thousand yen, an increase of 1,355,599 thousand yen, or 15.9%, year on year, and profit attributable to owners of parent was 7,068,677 thousand yen, an increase of 1,050,068 thousand yen, or 17.4%, year on year.

Sales by Market

Japan : 6,364,866 thousand yen (+396,249 thousand yen (6.6%) year on year)

Europe : 14,658,748 thousand yen (+2,064,018 thousand yen (16.4%) year on year)

North America : 3,529,021 thousand yen (+1,644,984 thousand yen (-31.8%) year on year)

Asia : 8,043,376 thousand yen (+3,586,855 thousand yen (80.5%) year on year)

Others : 1,020,711 thousand yen (+261,072 thousand yen (34.4%) year on year)

Foreign exchange rates applied at the Company for consolidated sales for the fiscal year under review (average rates for the period) were 139.57 yen to the U.S. dollar, a depreciation of 15.70 yen year on year, and 149.34 yen to the euro, or depreciation of 14.48 yen year on year. Meanwhile, foreign exchange rates applied at its overseas subsidiaries (as of June 30, 2023) were 144.99 yen to the U.S. dollar, a depreciation of 8.31 yen year on year, and 157.60 yen to the euro, or depreciation of 14.93 yen year on year.

【Qualitative Information on Forecast of Fiscal Year on Consolidated Basis】

The outlook for the global economy suggests that an overall slowing is likely given the impact of anti-inflation policies in the United States and Europe and the continued rise of geopolitical risks. Some countries and regions may also experience recession.

In the market for high-end motorcycle helmets, demand has been declining with the slowdown of the motorcycle boom, which was heightened by the COVID 19 pandemic, in addition to unfavorable weather conditions and other factors. Improvements in production systems and international logistics have resulted in an ample supply of products, and current distribution tends to be overstocked. However, the Company does not expect demand to decline decisively in the future, given demand from distributors and dealers for new standard products associated with model changes of mainstay models (NEOTEC III, GT-Air III, etc.) in line with the revision of standards in Europe and China. In the European market, although our subsidiaries, which built up inventories in the current fiscal year, are expected to need to adjust new orders, the total of local inventories and new purchases are expected to result in only a slight decrease in sales volume. In the North American market, the economy is relatively firm and distributors do not have excessive inventories, so we expect steady sales of our products. In Asia, sales will decline to some extent at the beginning of the period given the uncertain business climate in the Chinese market and the time required for the certification procedures for new standards. However, we expect demand to subsequently remain stable, since the acquisition of new standard certification for major models has already been completed and the recovery of products with brand strength is likely to be relatively quick. In the Japanese market, post-COVID demand also remains relatively strong and should remain stable throughout the next fiscal year.

In this situation, for the consolidated fiscal year ending September 30, 2024 (from October 1, 2023 through September 30, 2024), the Company expects an increase in sales and profit, with net sales of 35,120,000 thousand yen, an increase of 1,503,275 thousand yen, or 4.5%, year on year, operating income of 9,630,000 thousand yen, an decrease of 195,750 thousand yen, or -2.0%, year on year, ordinary income of 9,630,000 thousand yen, an decrease of 298,677 thousand yen, or -4.2%, year on year, and profit attributable to owners of parent of 6,770,000 thousand yen, an increase of 298,677 thousand yen, or -4.2%, year on year. The forecast is based on full-year average exchange rates of 140 yen to the US dollar and 150 yen to the euro.

* Forecasts for financial results are determined based on information available to the Company as of the date of the announcement. Actual results may differ due to a range of uncertainties embodied in the forecasts, future changes in internal or external conditions in terms of business operation, or other factors.

【Basic Principles of Profit Distribution and Dividends for the Fiscal Year under Review and for the Next Fiscal Year】

The Company positions the return of profit to shareholders as an important management issue. With this in mind, its basic policy is to attach importance to payout ratios and implement performance-linked dividend payments, while also enhancing shareholders' equity to strengthen financial conditions and management foundations. The Company will pay year-end dividends according to the consolidated dividend payout ratio of approximately 50%. It introduced a shareholder benefit system in 2021.

Following the above basic policy, the Company intends to pay a year-end dividend of 66 yen per share (up 10 yen year on year*) for the fiscal year ended September 30, 2023.

In addition, from medium- to long-term perspectives, it will allocate internal reserves to research and development and capital investments for the development of new products, while also saving part of such reserves for future business development.

With respect to a year-end dividend for the fiscal year ending September 30, 2024, the Company plans to pay 63 yen per share, or 3 yen less than the year-end dividend for the fiscal year under review.

Notes: *The Dividend per Share and weighted average number of shares (excluding treasury stock) during the period are calculated with the share split occurring at the beginning of the period.

III. Consolidated Financial Statements

Consolidated Statements of Income

(Thousands of yen)

	Fiscal year ended September 30, 2022	Fiscal year ended September 30, 2023
Net sales	28,953,513	33,616,724
Cost of sales	15,776,697	18,314,753
Gross profit	13,176,816	15,301,970
Selling, general and administrative expenses		
Sales commission	118,849	133,102
Packing and transportation costs	361,785	438,388
Advertising expenses	995,395	1,079,418
Provision of allowance for doubtful accounts	3,765	6,510
Remuneration for directors (and other officers)	187,868	194,800
Salaries and bonuses	933,700	1,061,259
Provision for bonuses	13,800	17,600
Retirement benefit expenses	38,676	35,274
Share-based payment expenses	113,190	124,966
Insurance expenses	94,753	115,058
Depreciation	165,634	204,667
Commission expenses	538,751	618,000
Other	1,228,383	1,447,173
Total selling, general and administrative expenses	4,794,555	5,476,220
Operating profit	8,382,260	9,825,750
Non-operating income		
Interest income	2,773	8,819
Foreign exchange gains	99,088	-
Insurance claim income	20	-
Subsidy income	10,365	10,631
Patent Settlement	-	11,364
Miscellaneous income	20,281	25,933
Total non-operating income	132,529	56,749
Non-operating expenses		
Interest expenses	7,218	8,944
Payments for employment of persons with disabilities	2,750	2,500
Foreign exchange losses	-	6,819
Miscellaneous losses	1,303	6,079
Total non-operating expenses	11,271	24,343
Ordinary profit	8,503,518	9,858,156
Extraordinary income		
Gain on sale of non-current assets	51	1,892
Total extraordinary income	51	1,892
Extraordinary losses		
Loss on sale of non-current assets	-	878
Total extraordinary losses	-	878
Profit before income taxes	8,503,570	9,859,169
Income taxes - current	2,593,324	3,329,509
Income taxes - deferred	△108,362	△539,016
Total income taxes	2,484,961	2,790,492
Profit	6,018,609	7,068,677
Profit (loss) attributable to non-controlling interests	-	-
Profit attributable to owners of parent	6,018,609	7,068,677

Consolidated Statements of Comprehensive Income

(Thousands of yen)

	Fiscal year ended September 30, 2022	Fiscal year ended September 30, 2023
Profit	6,018,609	7,068,677
Other comprehensive income		
Foreign currency translation adjustment	411,645	378,688
Remeasurements of defined benefit plans, net of tax	75,158	75,070
Total other comprehensive income	486,803	453,758
Comprehensive income	6,505,413	7,522,435
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,506,686	7,525,534
Comprehensive income attributable to non- controlling interests	-1,273	-3,099

Consolidated Balance Sheets

(Thousands of yen)

As of September 30, 2022 As of September 30, 2023

Assets		
Current assets		
Cash and deposits	13,887,217	14,767,282
Notes receivable - trade	294,601	92,392
Accounts receivable - trade	2,933,908	2,545,443
Merchandise and finished goods	2,527,624	3,278,479
Work in process	1,082,031	1,557,250
Raw materials and supplies	1,300,821	1,385,679
Other	1,510,113	1,937,070
Allowance for doubtful accounts	-2,902	-5,394
Total current assets	23,533,416	25,558,203
Non-current assets		
Property, plant and equipment		
Buildings and structures	4,177,291	4,642,333
Accumulated depreciation	-2,330,056	-2,447,042
Buildings and structures, net	1,847,234	2,195,290
Machinery, equipment and vehicles	4,367,929	5,082,595
Accumulated depreciation	-3,055,171	-3,383,417
Machinery, equipment and vehicles, net	1,312,758	1,699,178
Tools, furniture and fixtures	5,145,629	5,956,817
Accumulated depreciation	-4,774,059	-5,204,798
Tools, furniture and fixtures, net	371,570	752,018
Land	235,118	257,294
Leased assets	83,121	83,121
Accumulated depreciation	-37,404	-54,028
Leased assets, net	45,716	29,092
Construction in progress	520,152	181,930
Right-of-use assets	501,386	615,363
Accumulated depreciation	-139,582	-164,247
Right-of-use assets, net	361,804	451,116
Total property, plant and equipment	4,694,355	5,565,922
Intangible assets	135,738	159,761
Investments and other assets		
Deferred tax assets	598,886	1,106,455
Other	466,233	415,135
Total investments and other assets	1,065,119	1,521,591
Total non-current assets	5,895,213	7,247,274
Total assets	29,428,630	32,805,478

(Thousands of yen)

	As of September 30, 2022	As of September 30, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	1,344,571	485,929
Lease liabilities	70,123	100,734
Accounts payable - other	459,691	471,020
Income taxes payable	1,587,544	2,071,269
Provision for bonuses	305,000	355,700
Other	1,650,731	1,221,005
Total current liabilities	5,417,662	4,705,659
Non-current liabilities		
Lease liabilities	346,279	358,422
Retirement benefit liability	679,628	507,203
Asset retirement obligations	41,529	41,605
Other	48,141	47,345
Total non-current liabilities	1,115,579	954,576
Total liabilities	6,533,242	5,660,235
Net assets		
Shareholders' equity		
Share capital	1,421,929	1,421,929
Capital surplus	418,773	418,773
Retained earnings	21,103,439	25,162,393
Treasury shares	-120,030	-382,888
Total shareholders' equity	22,824,112	26,620,208
Accumulated other comprehensive income		
Foreign currency translation adjustment	201,039	582,826
Remeasurements of defined benefit plans	-147,766	-72,695
Total accumulated other comprehensive income	53,272	510,130
Non-controlling interests	18,003	14,903
Total net assets	22,895,387	27,145,242
Total liabilities and net assets	29,428,630	32,805,478

Consolidated Statements of Changes in Net Assets

Fiscal year ended September 30, 2022

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,421,929	418,773	17,290,836	-187,202	18,944,337
Changes during period					
Dividends of surplus			-2,199,062		-2,199,062
Profit attributable to owners of parent			6,018,609		6,018,609
Purchase of treasury shares				-261	-261
Disposal of treasury shares		-4,868		67,433	62,565
Transfer of loss on disposal of treasury shares		4,868	-4,868		-
Change in scope of consolidation			-2,074		-2,074
Net changes in items other than shareholders' equity					-
Total changes during period	-	-	3,812,602	67,172	3,879,774
Balance at end of period	1,421,929	418,773	21,103,439	-120,030	22,824,112

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	-210,606	-222,924	-433,531	18,003	18,528,809
Changes during period					
Dividends of surplus					-2,199,062
Profit attributable to owners of parent					6,018,609
Purchase of treasury shares					-261
Disposal of treasury shares					62,565
Transfer of loss on disposal of treasury shares					-
Change in scope of consolidation					-2,074
Net changes in items other than shareholders' equity	411,645	75,158	486,803	-	486,803
Total changes during period	411,645	75,158	486,803	-	4,366,578
Balance at end of period	201,039	-147,766	53,272	18,003	22,895,387

Fiscal year ended September 30, 2023

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,421,929	418,773	21,103,439	-120,030	22,824,112
Changes during period					
Dividends of surplus			-3,005,059		-3,005,059
Profit attributable to owners of parent			7,068,677		7,068,677
Purchase of treasury shares				-353,599	-353,599
Disposal of treasury shares		-4,663		90,741	86,077
Transfer of loss on disposal of treasury shares		4,663	-4,663		-
Change in scope of consolidation					-
Net changes in items other than shareholders' equity					-
Total changes during period	-	-	4,058,954	-262,858	3,796,096
Balance at end of period	1,421,929	418,773	25,162,393	-382,888	26,620,208

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	201,039	-147,766	53,272	18,003	22,895,387
Changes during period					
Dividends of surplus					-3,005,059
Profit attributable to owners of parent					7,068,677
Purchase of treasury shares					-353,599
Disposal of treasury shares					86,077
Transfer of loss on disposal of treasury shares					-
Change in scope of consolidation					-
Net changes in items other than shareholders' equity	381,787	75,070	456,857	-3,099	453,758
Total changes during period	381,787	75,070	456,857	-3,099	4,249,854
Balance at end of period	582,826	-72,695	510,130	14,903	27,145,242

Consolidated Statements of Cash Flow

(Thousands of yen)

	Fiscal year ended September 30, 2022	Fiscal year ended September 30, 2023
Cash flows from operating activities		
Profit before income taxes	8,503,570	9,859,169
Depreciation	1,014,123	1,486,429
Increase (decrease) in allowance for doubtful accounts	57	2,188
Increase (decrease) in provision for bonuses	33,500	50,700
Increase (decrease) in retirement benefit liability	-47,888	-69,810
Interest and dividend income	-2,773	-8,819
Insurance claim income	-20	-
Subsidy income	-10,365	-10,631
Interest expenses	7,218	8,944
Foreign exchange losses (gains)	-155,397	-183,186
Loss (gain) on sale of non-current assets	-51	-1,013
Decrease (increase) in trade receivables	-743,114	743,933
Decrease (increase) in inventories	-1,120,948	-1,081,709
Increase (decrease) in trade payables	564,660	-970,079
Decrease (increase) in other current assets	-159,393	-211,947
Increase (decrease) in other current liabilities	293,974	-385,605
Increase (decrease) in other non-current liabilities	-81,329	-
Other, net	23,160	119,814
Subtotal	8,118,983	9,348,378
Interest and dividends received	2,773	8,819
Proceeds from insurance income	20	-
Subsidies received	10,365	10,631
Interest paid	-7,218	-8,944
Income taxes paid	-2,097,660	-3,004,117
Net cash provided by (used in) operating activities	6,027,263	6,354,767
Cash flows from investing activities		
Purchase of property, plant and equipment	-1,637,994	-2,237,150
Proceeds from sale of property, plant and equipment	310	2,037
Purchase of intangible assets	-64,662	-59,520
Other, net	-143,368	-55,873
Net cash provided by (used in) investing activities	-1,845,714	-2,350,506
Cash flows from financing activities		
Purchase of treasury shares	-261	-353,599
Dividends paid	-2,198,662	-3,002,990
Repayments of lease liabilities	-71,973	-105,272
Net cash provided by (used in) financing activities	-2,270,898	-3,461,862
Effect of exchange rate change on cash and cash equivalents	502,642	337,666
Net increase (decrease) in cash and cash equivalents	2,413,292	880,064
Cash and cash equivalents at beginning of period	11,426,062	13,887,217
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	47,862	-
Cash and cash equivalents at end of period	13,887,217	14,767,282

IV. Segment Information

(1) Business Segment Information

This section is not applicable because business of our group is limited to manufacture and sale of helmets.

(2) Overseas Sales

	Oct.2021-Sept.2022		Oct.2022-Sept.2023	
	Sales	Percentage	Sales	Percentage
	Thousands of Yen	Overseas Sales to Net Sales	Thousands of Yen	Overseas Sales to Net Sales
Europe				
France	2,619,799	9.0	2,773,483	8.3
Germany	2,760,192	9.5	3,518,052	10.5
Other Europe	7,214,737	24.9	8,367,212	24.9
North America				
United States of America	4,882,569	16.9	3,156,720	9.4
Other North America	291,436	1.0	372,300	1.1
Asia				
China	3,155,324	10.9	6,314,314	18.8
Other Asia	1,301,195	4.5	1,729,061	5.1
Other Areas	759,639	2.6	1,020,711	3.0
Overseas Sales Total	22,984,896	79.4	27,251,857	81.1
Total including Japan	28,953,513	100.0	33,616,724	100.0