

Consolidated Financial Results

for the Third Quarter of the Fiscal Year Ending September 30, 2022

Name of Registrant	SHOEI CO., LTD.
Code No:	7839
Securities Traded	Tokyo Stock Exchange, Prime Market
Headquarters	Tokyo, Japan
(URL https://www.shoei.com/)	
Representative:	Kenichiro Ishida, President and Representative Director
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I . Financial Summary

1) Operating Performance

	Millions of Yen		
	<u>Oct.20-Jun.21</u>	<u>Oct.21-Jun.22</u>	<u>% Changes</u>
Net Sales	17,519	21,133	20.6
Operating Income	4,860	6,400	31.7
Ordinary Income	4,920	6,456	31.2
Profit attributable to owners of parent	3,428	4,369	27.4

	Yen	
	<u>Oct.20-Jun.21</u>	<u>Oct.21-Jun.22</u>
<i>Per Share Amounts</i>		
Net Income	127.69	162.90
Net Income, Diluted	—	—

Notes:

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

Millions of Yen	
<u>Oct.20-Jun.21</u>	<u>Oct.21-Jun.22</u>
—	—

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

Shares	
<u>Oct.20-Jun.21</u>	<u>Oct.21-Jun.22</u>
26,851,062	26,823,689

3.Number of Treasury Stocks as of Jun 30, 2022: 27,948

4.Change of Accounting Method:

(Application of Accounting Standard for Revenue Recognition)

The Company adopted the “Accounting Standard for Revenue Recognition” (ASBJ Statement No.29, March 31, 2020, hereinafter referred to as the “Accounting Standard for Revenue Recognition”) from the beginning of the first quarter of the current fiscal year and recognized revenue when control of promised goods or services is transferred to customers in an amount that is expected to be received in exchange for those goods or services.

With regard to the application of the Accounting Standard for Revenue Recognition, in accordance with the transitional treatment stipulated in the provisions of paragraph 84 of the Accounting Standard for Revenue Recognition, the cumulative effect of retrospectively applying the new accounting policy prior to the beginning of the first quarter of the current fiscal year was added to or deducted from retained earnings at the beginning of the first quarter of the current fiscal year, and a new accounting policy was applied from the beginning balance of the current fiscal year.

As a result, there was no effect on the Company’s profit and loss for the first quarter of the current fiscal year. In addition, there is no effect on the balance of retained earnings at the beginning of the fiscal year.

(Application of Accounting Standard for Fair Value Measurement)

The Company has applied “Accounting Standard for Fair Value Measurement” (ASBJ Statement No.30, July 4, 2019; hereinafter, “Fair Value Accounting Standards”) and others from October 1, 2021. In accordance with the transitional treatment set forth in Article 19 of Fair Value Accounting Standards and Article 44-2 of “Accounting Standard for Financial Instruments” (ASBJ Statement No.10, July 4, 2019), the Company has applied prospectively a new accounting policy prescribed by Fair Value Accounting Standards and others. This has no effect on the quarterly consolidated financial statement.

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

6. Amounts Less than ¥1million are omitted.

7. 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>Sep.30,21</u>	<u>Jun.30,22</u>
Total Assets	23,778	26,307
Net Assets	18,528	20,948
	Percentage	
Net Assets to Total Assets	77.9%	79.6%
	Yen	
Net Assets per Share	690.91	780.83

Notes:

1. Number of Shares Outstanding on September 30, 2021 and Jun 30, 2022
(Consolidated):

	Shares	
	<u>Sep.30,21</u>	<u>Jun.30,22</u>
	26,856,858	26,856,858

II. Consolidated Forecasts for The Fiscal Year Ending September 30, 2022

	<u>Millions of Yen</u>
	<u>Oct.21-Sep.22</u>
Net Sales	28,930
Operating Income	8,060
Ordinary Income	8,060
Net Income	5,650
	<u>Yen</u>
Net Income Per Share	210.62

【Qualitative Information on Performance on Consolidated Basis】

During the first nine months of the fiscal year under review (from October 1, 2021 to June 30, 2022), the global economy continued to face various downward risks including restrictions on the supply of semiconductors and other products, inflationary pressure and the increasing geopolitical risk, despite the easing of restrictions on activities in response to the progress with vaccinations and the positive effects of a range of economic measures.

Looking at the market for high-end motorcycle helmets, especially in developed countries, demand remained stable or rose even amid the COVID-19 pandemic, reflecting a rise in the popularity of motorcycles as means of transportation or recreation that people use or enjoy while simultaneously avoiding the Three Cs. Consequently, demand in such countries remained solid. While the Company is now diligently gathering information on post-COVID demand trends, a decline in demand has yet to be seen in the Chinese market and other Asian markets.

In this situation, the Company continued to move forward successfully with the development and sales of new models that meet customer demand and implementation of services that support customers' safety.

In the first nine months under review, the total number of units in Japan and overseas increased 16.6% year on year, helped by strong market conditions in developed countries. In Europe, the number of units sold rose 26.2% year on year, reflecting continuing solid retail sales. In North America, the number of units sold soared 93.4% year on year due to proactive efforts made to receive orders, including those placed for inventory accumulation, against the backdrop of strong motorcycle-related market conditions. The number of units sold was encouraging in Japan as well, with a year-on-year increase of 22.4%, because the market continued to be strong as in the previous year. In Asia, the number of units sold decreased 36.2% year on year due to the delayed timing of orders placed by the local distributors in China in comparison with those placed by distributors in other areas against the backdrop of limited production capacity.

In the first nine months of the fiscal year under review, net sales grew 20.6%, or 3,613,662 thousand yen, year on year, to 21,133,218 thousand yen. Operating income came to 6,400,418 thousand yen, an increase of 31.7%, or 1,539,825 thousand yen, year on year, due to the effect of price increases for new models (Z8 series), etc. launched sequentially in the previous fiscal year, the weaker yen and lower-than-expected selling, general and administrative expenses. Ordinary income rose 1,535,797 thousand yen, or 31.2%, year on year, to 6,456,050 thousand yen. Profit before income tax totaled 6,456,102 thousand yen, an increase of 31.2%, or 1,534,169 thousand yen, year on year, and profit attributable to owners of parent was 4,369,489 thousand yen, an increase of 27.4%, or 940,868 thousand yen, year on year.

Sales by Market

Japan : 4,493,453 thousand yen (+748,068 thousand yen (20.0%) year on year)

Europe : 9,042,713 thousand yen (+2,158,815 thousand yen (31.4%) year on year)

North America : 3,914,659 thousand yen (+1,963,363 thousand yen (100.6%) year on year)

Asia : 3,143,280 thousand yen (+1,386,033 thousand yen (-30.6%) year on year)

Others : 539,112 thousand yen (+129,449 thousand yen (31.6%) year on year)

Exchange rates applied to the period are as below;

For exchanging sales : 119.81 yen/US\$ (106.57 yen/US\$ year on year)

133.27 yen/Euro (127.78 yen/Euro year on year)

For exchanging result of overseas subsidiaries as of March 31, 2022:

122.39 yen/US\$ (110.71 yen/US\$ year on year)

136.70 yen/Euro (129.80 yen/Euro year on year)

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

The Company has decided to make an upward revision to the full-year consolidated results forecast for the fiscal year ending September 30, 2022. Accordingly, net sales, operating income, ordinary income and profit attributable to owners of parent will be 28,930 million yen, up 9.5% from the previous forecast, 8,060 million yen, up 21.8%, 8,060 million yen, up 21.6% and 5,650 million yen, up 19.7%, respectively. This was primarily because the production capacity rose steadily due to continued strength in orders, the yen exchange rate remained weaker than expected, and selling, general and administrative expenses fell below the previous forecast, mainly reflecting the cancellation of overseas business trips and some events due to the impact of COVID-19.

In addition, with respect to the full-year non-consolidated results forecast for the fiscal year ending September 30, 2022, the Company will make upward revisions to net sales and incomes respective levels. Foreign exchange rates applied at the Company for the full-year forecast are 121.9 yen to the U.S. dollar (a depreciation of 13.63 yen year on year) and 134.04 yen to the euro (a depreciation of 5.73 yen year on year), while those applied at its overseas subsidiaries (as of June 30, 2022) are 136.68 yen to the U.S. dollar (a depreciation of 26.10 yen year on year) and 142.67 yen to the euro (a depreciation of 11.09 yen year on year).

The Company will also revise its year-end dividend forecast by increasing it to 105.00 yen per share (up 17 yen per share from the previous forecast), which is equivalent to 50%, or the payout ratio, of earnings per share (210.62 yen) for the fiscal year under review.

III. Consolidated Financial Statements

Consolidated Statements of Income

(Thousands of yen)

	Nine months ended June 30, 2021	Nine months ended June 30, 2022
Net sales	17,519,555	21,133,218
Cost of sales	9,946,443	11,433,436
Gross profit	7,573,112	9,699,782
Selling, general and administrative expenses	2,712,519	3,299,363
Operating profit	4,860,592	6,400,418
Non-operating income		
Interest income	791	119
Foreign exchange gains	44,395	44,147
Insurance claim income	1,889	20
Subsidy income	10,829	8,973
Other	9,274	11,610
Total non-operating income	67,180	64,870
Non-operating expenses		
Interest expenses	4,376	5,668
Payments for employment of persons with disabilities	2,350	2,750
Other	793	819
Total non-operating expenses	7,519	9,238
Ordinary profit	4,920,253	6,456,050
Extraordinary income		
Gain on sale of non-current assets	1,680	51
Total extraordinary income	1,680	51
Profit before income taxes	4,921,933	6,456,102
Income taxes - current	1,486,256	2,068,376
Income taxes - deferred	7,055	18,235
Total income taxes	1,493,311	2,086,612
Profit	3,428,621	4,369,489
Profit attributable to non-controlling interests	-	-
Profit attributable to owners of parent	3,428,621	4,369,489

Consolidated Statements of Comprehensive Income

(Thousands of yen)

	Nine months ended June 30, 2021	Nine months ended June 30, 2022
Profit	3,428,621	4,369,489
Other comprehensive income		
Deferred gains or losses on hedges	-14,082	-21,009
Foreign currency translation adjustment	303,855	197,872
Remeasurements of defined benefit plans, net of tax	21,451	26,770
Total other comprehensive income	311,224	203,633
Comprehensive income	3,739,846	4,573,123
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,739,846	4,573,123
Quarterly comprehensive income for non-controlling interests	-	-

Consolidated Balance Sheets

(Thousands of yen)

	As of September 30, 2021	As of June 30, 2022
Assets		
Current assets		
Cash and deposits	11,426,062	11,497,926
Notes and accounts receivable - trade	2,393,715	3,129,526
Merchandise and finished goods	1,646,080	2,468,085
Work in process	999,435	1,363,929
Raw materials and supplies	1,038,084	959,231
Other	1,353,487	1,315,876
Allowance for doubtful accounts	-2,623	-2,320
Total current assets	18,854,243	20,732,257
Non-current assets		
Property, plant and equipment		
Buildings and structures	3,725,216	4,101,584
Accumulated depreciation	-2,245,184	-2,302,219
Buildings and structures, net	1,480,032	1,799,364
Machinery, equipment and vehicles	3,948,169	4,232,196
Accumulated depreciation	-2,726,108	-2,969,304
Machinery, equipment and vehicles, net	1,222,060	1,262,892
Tools, furniture and fixtures	4,883,954	5,174,268
Accumulated depreciation	-4,608,737	-4,766,144
Tools, furniture and fixtures, net	275,217	408,123
Land	215,959	221,196
Leased assets	83,121	83,121
Accumulated depreciation	-20,780	-33,248
Leased assets, net	62,341	49,872
Construction in progress	279,025	402,937
Right-of-use assets	339,993	351,380
Total property, plant and equipment	3,874,629	4,495,767
Intangible assets	116,126	126,478
Investments and other assets		
Deferred tax assets	520,300	501,815
Other	412,896	451,086
Total investments and other assets	933,197	952,902
Total non-current assets	4,923,953	5,575,148
Total assets	23,778,196	26,307,405

(Thousands of yen)

	As of September 30, 2021	As of June 30, 2022
Liabilities		
Current liabilities		
Accounts payable – trade	728,056	804,424
Lease obligations	66,379	77,223
Accounts payable – other	450,039	372,339
Income taxes payable	1,098,818	1,117,460
Provision for bonuses	271,500	117,600
Other	1,291,700	1,682,190
Total current liabilities	3,906,495	4,171,238
Non-current liabilities		
Lease obligations	339,022	332,915
Retirement benefit liability	833,740	763,705
Asset retirement obligations	41,455	41,511
Other	128,674	49,208
Total non-current liabilities	1,342,892	1,187,340
Total liabilities	5,249,387	5,358,579
Net assets		
Shareholders' equity		
Share capital	1,421,929	1,421,929
Capital surplus	418,773	418,773
Retained earnings	17,290,836	19,453,822
Treasury shares	-187,202	-133,805
Total shareholders' equity	18,944,337	21,160,720
Accumulated other comprehensive income		
Deferred gains or losses on hedges	-	-21,009
Foreign currency translation adjustment	-210,606	-12,733
Remeasurements of defined benefit plans	-222,924	-196,154
Total accumulated other comprehensive income	-433,531	-229,897
Non-controlling interests	18,003	18,003
Total net assets	18,528,809	20,948,826
Total liabilities and net assets	23,778,196	26,307,405