

(This notice has been translated from the original notice in Japanese. In the event of any discrepancy, the original in Japanese shall prevail.)



August 5, 2020

**Summary of Financial Results for the First Quarter of the Fiscal Year
Ending March 31, 2021
(Three Months Ended June 30, 2020)
[Japan Standards] (Consolidated)**

Name of Listed Company: Sanshin Electronics Co., Ltd. Stock Exchange Listed: 1st Section, Tokyo
Code No.: 8150 URL: <http://www.sanshin.co.jp>
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Manager of Finance & Accounting Division
Scheduled date of filing of Quarterly Report: August 7, 2020
Scheduled date of dividend payment: —
Supplementary materials for the quarterly financial results: None
Investor conference for the quarterly financial results: None

(Amounts are rounded down to the nearest million yen)

1. Consolidated Business Performance for the First Quarter of March 2021 Term**(April 1, 2020 – June 30, 2020)**

(1) Consolidated business performance (cumulative)

(% figures represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Net profit attributable to shareholders of parent company	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
1Q March 2021 Term	21,758	(19.7)	(80)	—	(61)	—	(166)	—
1Q March 2020 Term	27,095	(7.8)	247	—	218	—	(54)	—

(Note) Comprehensive income 1Q March 2021 Term: -136 million yen (—%) 1Q March 2020 Term: -448 million yen (—%)

	Net profit per share		Diluted net profit per share	
	Yen		Yen	
1Q March 2021 Term	(8.70)		—	
1Q March 2020 Term	(2.85)		—	

(2) Consolidated financial position

	Total assets		Net assets		Equity ratio	
	Million yen		Million yen		%	
1Q March 2021 Term	70,790		40,830		57.6	
March 2020 Term	73,659		42,029		57.0	

(Reference) Shareholders' equity 1Q March 2021 Term: 40,784 million yen March 2020 Term: 41,982 million yen

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
March 2020 Term	—	15.00	—	55.00	70.00
March 2021 Term	—				
March 2021 Term (forecast)		8.00	—	—	—

(Notes) 1. Revision of most recent forecast on dividends: Yes

2. Due to the difficulty of forecasting business performance at the current point in time, no forecast on the year-end dividend is listed for the March 2021 term. The Company will promptly announce once it becomes possible to disclose the business forecast.

3. Forecasts for Consolidated Business Performance for March 2021 Term (April 1, 2020 – March 31, 2021)*(% figures represent year-on-year changes)*

	Net sales		Operating profit		Ordinary profit		Net profit attributable to shareholders of parent company		Net profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	52,000	(21.7)	400	(66.4)	350	(68.7)	300	(65.1)	15.64
Full year	—	—	—	—	—	—	—	—	—

(Notes) 1. Revision of most recent forecast on earnings: Yes

2. The forecast of consolidated business performance for the March 2021 full-year term is not listed because it is difficult to reasonably calculate at the current time the impact caused by the spread of COVID-19 and the impact of terminating a dealership agreement with a main supplier. The Company will promptly announce once it becomes possible to disclose the business forecast.

*** Annotations**

(1) Significant subsidiary change in the consolidated cumulative period of this quarter (changes in scope of consolidation): None
Newly added: — Excluded: —

(2) Application of unique accounting to the preparation of quarterly consolidated financial statements: None

(3) Change of accounting principles, change of accounting estimate, and redisplay after revision:

- 1) Change of accounting principles caused by revision of accounting standards: None
2) Change of accounting principles other than 1): None
3) Change of accounting estimate: None
4) Redisplay after revision: None

(4) Number of shares outstanding (ordinary shares)

1) Number of shares outstanding at the end of term (including treasury stock):

1Q March 2021 Term: 24,281,373 shares March 2020 Term: 24,281,373 shares

2) Amount of treasury stock at the end of term:

1Q March 2021 Term: 5,101,110 shares March 2020 Term: 5,101,110 shares

3) Amount of average stock during the term (quarterly total):

1Q March 2021 Term: 19,180,263 shares 1Q March 2020 Term: 19,178,059 shares

(Note) The amount of treasury stock at the end of the term includes Company stock (1Q March 2021 term: 136,700 shares, March 2020 term: 136,700 shares) possessed in a trust related to the Performance-Based Stock Compensation Plan for Directors (with the exception of External Directors). Also, Company stock held in the trust is included in treasury stock to be deducted in the calculation of the amount of average stock during the term (1Q March 2021 term: 136,700 shares, 1Q March 2020 term: 139,000 shares).

* This summary of quarterly financial results is not subject to quarterly review by certified public accountants or auditing corporations.

*** Cautionary statement regarding forward-looking statements**

The projected results and forward-looking statements included in this document reflect the Company's expectations based on information available at the time of release, and are not intended as a guarantee that the Company will achieve these targets. The actual performance may considerably differ from the forecast due to various factors.

See the section "1. Qualitative Information Concerning the Current Quarterly Settlement - (3) Explanation of Forecasts for Consolidated Business Performance and Other Future Prospects" on page 3 of [Appendix], regarding the relevant matters for the above forecast for the business performance.

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1. Qualitative Information Concerning the Current Quarterly Settlement

The items related to the future contained in this document are decisions made based on present consolidated financial results as of the end of this quarter.

(1) Explanation of Business Results

In the consolidated first quarter under review, the spread of COVID-19 caused stagnation in various economic activities including corporate investment, thus causing the global economy to worsen rapidly. Afterwards, although there are signs of gradually resuming economic activities in each country, the situation remains extremely tough.

In the electronics industry, which is the primary area of business of the Sanshin Electronics Group, conditions were tough due to factors such as sluggish sales caused by the spread of COVID-19 in the automobile-related markets which are sales destinations for semiconductors and electronic components. In the ICT field in Japan, there was active investment for the development of remote working environments by corporations; however, overall IT investment by corporations tended to decrease due to the postponement of the Tokyo Olympic and Paralympic Games, and to the economic recession.

Against this background, in the device business, the Group promoted a shift of human resources for expanding sales of overseas semiconductor manufacturer products. This was done in conjunction with the cancellation (as of June 30, 2020) of the dealership agreement with Renesas Electronics Corporation, which was previously a main supplier. The Group also strove to make drastic transitions to our profit structure through efforts such as developing new products and business models based on items related to in-vehicle systems, artificial intelligence (AI), and the internet of things (IoT). In the solution business, aiming to establish a robust platform for future growth, the Group committed resources to reinforcing its cloud business, centered on Sanshin Data Center, while bolstering initiatives to expand its number of customer platforms.

Business performance in the consolidated first quarter under review was as follows. Net sales were ¥21,758 million (down 19.7% year-on-year). Operating loss was ¥80 million (against operating profit of ¥247 million in the same period of the previous fiscal year), impacted by a worsened gross profit on sales, despite reductions in selling, general and administrative expenses, while ordinary loss was ¥61 million (contrasting with ordinary profit of ¥218 million in the same period of the previous fiscal year). Net loss attributable to shareholders of parent company was ¥166 million (compared with a loss of ¥54 million posted for the same period in the previous year), caused by a temporary drawdown of deferred tax assets due to deduction in the consolidated first quarter under review of deductible temporary difference in association with the attribution period of allowance for bonuses to employees, etc., despite recording extraordinary profits due to the sale of a portion of strategically held shares.

The operating results for each business segment are as follows:

Device segment

In the device business segment, our leading products are semiconductors (including system LSIs, microcomputers, LCD driver ICs and memory) and electronic components (including connectors, capacitors and circuit boards). These products are sold mainly to electronics manufacturers. We also provide technical support such as software development and module development.

In the consolidated first quarter under review, volume business contracted year-on-year, while the core device business and strategic device business declined due to stagnated production activities at customers and suppliers in conjunction with the spread of COVID-19. Net sales were ¥19,364 million (down 19.2% year-on-year). Segment loss was ¥143 million (contrasting with segment profit of ¥59 million in the same period of the previous fiscal year) due to a decrease in gross profit on sales, despite reduced selling, general and administrative expenses.

Solution segment

In the solution business segment, we provide the optimal ICT infrastructure to each customer by combining network devices, security products, Line-of-Business systems, clouds, and data centers. Furthermore, we provide integrated services in all phases of design, construction, operation, and maintenance while supporting technology that continually evolves through revolutionary technology such as AI and IoT, and through cloud native.

In the consolidated first quarter under review, although the impact of the spread of COVID-19 was less than that of the device business, sales decreased in all business units when compared with the same period of the previous fiscal year, which was overall a strong period. Net sales were ¥2,393 million (down 23.5% year-on-year). In terms of profit, the improved gross profit margin was insufficient to cover the decrease in net sales, and segment profit was ¥82 million (down 48.0% year-on-year).

(2) Explanation of Financial Position

(Assets)

As of June 30, 2020, assets decreased ¥2,869 million compared with March 31, 2020, to ¥70,790 million. This was mainly attributable to a ¥3,048 million decrease in consumption taxes receivable, a ¥2,679 million decrease in notes and accounts receivable-trade, a ¥2,013 million increase in merchandise inventories, and a ¥706 million increase in cash and deposits.

(Liabilities)

As of June 30, 2020, liabilities decreased ¥1,670 million compared with March 31, 2020, to ¥29,959 million. This was mainly attributable to a ¥2,366 million decrease in notes and accounts payable-trade and a ¥700 million increase in short-term loans payable.

(Net Assets)

As of June 30, 2020, net assets decreased ¥1,199 million compared with March 31, 2020, to ¥40,830 million. This was mainly attributable to a ¥1,229 million decrease in retained earnings, a ¥67 million decrease in foreign currency translation adjustment, and a ¥93 million increase in valuation difference on available-for-sale securities.

(3) Explanation of Forecasts for Consolidated Business Performance and Other Future Prospects

The spread of COVID-19 continues to cause strong uncertainty and make it difficult to forecast the future. However, the emergency declaration has been lifted and economic activities are gradually resuming. As such, the Group announced the following forecast for consolidated business performance in the first half of the fiscal year ending March 31, 2021, which was previously undisclosed. The forecast values are based on business progress until the first quarter of the Group and on information which is currently available.

However, the Group has decided to continue to postpone the announcement for the full-term business performance forecast of the March 2021 term due to significant fluctuations in the Group's business performance caused by the future conditions of COVID-19 and related response measures in each country. The Group will disclose this forecast once a rational estimate of the business performance becomes possible.

Furthermore, for dividends, while aiming for a consolidated payout ratio of 50%, our basic policy is to decide on dividends while considering a balance of return to shareholders, investment for acquiring growth opportunities, maintenance of internal reserves for enabling sustainable growth, and improvement of capital efficiency. Based on this policy, in regards to the previously unannounced second quarter dividend forecast of the fiscal year ending March 31, 2021, we announced the following dividend based on the forecasted amount of net profit attributable to shareholders of parent company in the consolidated first half period. Also, we plan to determine and announce the year-end dividend forecast together with the full-term business performance forecast.

For details, please refer to the "Notice Regarding Announcement of Business Forecast and Dividend Forecast" announced today.

(Forecasts for Consolidated Business Performance for the First Half of March 2021 Term)

Net sales	¥52,000 million
Operating profit	¥400 million
Ordinary profit	¥350 million
Net profit attributable to shareholders of parent company	¥300 million
Second quarter dividend	¥8 per share

2. Quarterly Consolidated Financial Statements and Main Notes**(1) Quarterly Consolidated Balance Sheets**

(Million yen)

	March 2020 Term (As of Mar. 31, 2020)	1Q March 2021 Term (As of Jun. 30, 2020)
Assets		
Current assets		
Cash and deposits	18,443	19,149
Notes and accounts receivable-trade	24,074	21,393
Electronically recorded monetary claims	4,317	4,318
Merchandise inventories	16,165	18,178
Partly-finished work	0	16
Others	4,572	1,654
Allowance for doubtful accounts	(7)	(7)
Total current assets	67,566	64,704
Non-current assets		
Property and equipment	2,631	2,686
Intangible assets	489	467
Investments and other assets		
Others	3,006	2,966
Allowance for doubtful accounts	(35)	(34)
Total investments and other assets	2,970	2,931
Total non-current assets	6,092	6,085
Total assets	73,659	70,790
Liabilities		
Current liabilities		
Notes and accounts payable-trade	14,039	11,673
Short-term loans payable	14,953	15,654
Accrued corporate tax, etc.	162	92
Allowance	512	231
Others	1,294	1,642
Total current liabilities	30,962	29,292
Non-current liabilities		
Net defined benefit liabilities	352	339
Others	314	327
Total non-current liabilities	667	666
Total liabilities	31,629	29,959

	(Million yen)	
	March 2020 Term (As of Mar. 31, 2020)	1Q March 2021 Term (As of Jun. 30, 2020)
Net assets		
Shareholders' equity		
Capital stock	14,811	14,811
Capital surplus	5,329	5,329
Retained earnings	32,676	31,447
Treasury stock	(10,353)	(10,353)
Total shareholders' equity	42,464	41,235
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	338	431
Deferred hedge gains (losses)	1	(0)
Foreign currency translation adjustment	(701)	(768)
Remeasurements of defined benefit plans	(120)	(113)
Total accumulated other comprehensive income	(482)	(451)
Non-controlling interests	46	46
Total net assets	42,029	40,830
Total liabilities and net assets	73,659	70,790

(2) Quarterly Consolidated Profit and Loss Statement, Consolidated Comprehensive Income Statement
 (Quarterly Consolidated Profit and Loss Statement of the First Quarter)

(Million yen)

	1Q March 2020 Term (Apr. 1, 2019 – Jun. 30, 2019)	1Q March 2021 Term (Apr. 1, 2020 – Jun. 30, 2020)
Net sales	27,095	21,758
Cost of sales	24,586	19,732
Gross profit on sales	2,508	2,025
Selling, general and administrative expenses	2,261	2,105
Operating profit (loss)	247	(80)
Non-operating profit		
Interest income	6	4
Dividend income	15	15
Foreign exchange gains	57	12
Others	24	18
Total non-operating profit	105	51
Non-operating expenses		
Interest expenses	89	19
Sales discounts	3	1
Others	42	11
Total non-operating expenses	135	32
Ordinary profit (loss)	218	(61)
Extraordinary profits		
Gain on sales of non-current assets	0	-
Gain on sales of investment securities	17	56
Total extraordinary profits	17	56
Extraordinary losses		
Loss on retirement of non-current assets	0	-
Total extraordinary losses	0	-
Net profit (loss) before tax and other adjustments	235	(4)
Corporate, resident and enterprise taxes	65	59
Adjustment for corporate tax, etc.	226	104
Total corporate taxes	291	163
Net profit (loss)	(56)	(167)
Net profit (loss) attributable to non-controlling interest	(1)	(0)
Net profit (loss) attributable to shareholders of parent company	(54)	(166)

(Quarterly Consolidated Comprehensive Income Statement of the First Quarter)

	1Q March 2020 Term (Apr. 1, 2019 – Jun. 30, 2019)	1Q March 2021 Term (Apr. 1, 2020 – Jun. 30, 2020)
Net profit (loss)	(56)	(167)
Other comprehensive income		
Valuation difference on available-for-sale securities	(28)	93
Deferred hedge gains (losses)	40	(2)
Foreign currency translation adjustment	(402)	(67)
Remeasurements of defined benefit plans, net of tax	(1)	6
Total other comprehensive income	(391)	30
Comprehensive income	(448)	(136)
(Details)		
Comprehensive income attributable to shareholders of parental company	(446)	(135)
Comprehensive income attributable to non-controlling interests	(1)	(0)

(3) Notes on Quarterly Consolidated Financial Statements

(Notes Regarding Going Concern)

None.

(Notes Regarding Remarkable Change of Shareholders' Equity)

None.

(Segment Information)

I. Three months ended June 30, 2019 (Apr. 1, 2019 - Jun. 30, 2019)

Information regarding the amounts of sales, profit or loss in each report segment

(Million yen)

	Device segment	Solution segment	Total
Net sales			
Sales to outside customers	23,965	3,130	27,095
Inter-segment sales or transfers	—	—	—
Total	23,965	3,130	27,095
Segment profit	59	158	218

(Note) The segment profit is consistent with the ordinary profit in the quarterly consolidated profit and loss statement.

II. Three months ended June 30, 2020 (Apr. 1, 2020 - Jun. 30, 2020)

Information regarding the amounts of sales, profit or loss in each report segment

(Million yen)

	Device segment	Solution segment	Total
Net sales			
Sales to outside customers	19,364	2,393	21,758
Inter-segment sales or transfers	—	—	—
Total	19,364	2,393	21,758
Segment profit (loss)	(143)	82	(61)

(Note) The segment profit (loss) is consistent with the ordinary loss in the quarterly consolidated profit and loss statement.