

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



November 5, 2020

**Summary of Financial Results for the First Half of the Fiscal Year  
Ending March 31, 2021  
(Six Months Ended September 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>  
Representative: Toshiro Suzuki (Representative Director & COO)  
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Scheduled date of filing of Quarterly Report: November 9, 2020  
Scheduled date of dividend payment: December 1, 2020  
Supplementary materials for the quarterly financial results: Yes  
Investor conference for the quarterly financial results: None

*(Amounts are rounded down to the nearest million yen)*

**1. Consolidated Business Performance for the First Half of March 2020 Term (April 1, 2020 – September 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	%
2Q March 2021 Term	53,970	(18.7)	558	(53.1)	479	(57.1)	367	(57.3)
2Q March 2020 Term	66,413	(8.3)	1,191	68.9	1,118	103.1	859	98.5

(Note) Comprehensive income 2Q March 2021 Term: 282 million yen (-21.1%); 2Q March 2020 Term: 358 million yen (-73.0%)

	Net profit per share	Diluted net profit per share
	Yen	Yen
2Q March 2021 Term	19.15	—
2Q March 2020 Term	44.83	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
2Q March 2021 Term	77,321	41,254	53.3
March 2020 Term	73,659	42,029	57.0

(Reference) Shareholders' equity 2Q March 2021 Term: 41,209 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	—	8.00	—	—	—
March 2021 Term (forecast)	—	—	—	27.00	35.00

(Note) Revision of most recent forecast on dividends: Yes

**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
Full year	108,000	(12.3)	1,600	(18.3)	1,550	(16.6)	1,350	(7.0)	70.37

(Note) Revision of most recent forecast on earnings: Yes

**\* 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):

2Q March 2021 Term: 24,281,373 shares                      March 2020 Term: 24,281,373 shares

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

2Q March 2021 Term: 5,097,257 shares                      March 2020 Term: 5,101,110 shares

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

2Q March 2021 Term: 19,181,121 shares                      2Q March 2020 Term: 19,178,550 shares

(Note) The amount of treasury stock at the end of the term includes Company stock (2Q March 2021 term: 132,800 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 (2Q March 2021 term: 135,826 shares, 2Q March 2020 term: 138,485 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

### (1) Explanation of Business Results

The global economy during the consolidated first-half period under review worsened rapidly as the spread of the novel coronavirus (COVID-19) caused stagnation of various economic activities including corporate investment. Although subsequent movement toward gradual recovery of economic activities was observed in each country, conditions remain 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, IT investment by corporations tended to decrease due to the postponement of the Tokyo Olympic and Paralympic Games, and to the economic recession. Conversely, there was active investment for digitalization such as developing environments for remote work.

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 half-period under review was as follows. Net sales were ¥53,970 million (down 18.7% year-on-year). Operating profit was ¥558 million (down 53.1% year-on-year), impacted by a worsened gross profit on sales, despite reductions in selling, general and administrative expenses, while ordinary profit was ¥479 million (down 57.1% year-on-year). Net profit attributable to shareholders of parent company was ¥367 million (down 57.3% year-on-year).

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 first-half period of the consolidated fiscal year, the IoT-related business and the strategic device business, which mainly handles new overseas merchandise, increased year-on-year. On the other hand, the core device business declined due to the spread of COVID-19 and changes in the distribution channels of suppliers. Furthermore, the volume business declined significantly due to the impact of optimizing the scale of sales as part of efforts to reform the business portfolio. Net sales were ¥48,070 million (down 19.1% year-on-year). Segment loss was ¥65 million (contrasting with segment profit of ¥488 million in the same period of the previous fiscal year) due to a decrease in gross profit on sales, despite efforts to reduce 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-half period 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 except for application software when compared with the same period of the previous fiscal year. Net sales were ¥5,900 million (down 15.3% 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 ¥544 million (down 13.4% year-on-year).

## (2) Explanation of Financial Position

### (Assets)

As of September 30, 2020, assets increased ¥3,662 million compared with March 31, 2020, to ¥77,321 million. This was mainly attributable to a ¥5,526 million increase in notes and accounts receivable-trade, a ¥448 million increase in investment securities, a ¥2,052 million decrease in consumption taxes receivable, and a ¥434 million decrease in cash and deposits.

### (Liabilities)

As of September 30, 2020, liabilities increased ¥4,437 million compared with March 31, 2020, to ¥36,067 million. This was mainly attributable to a ¥4,840 million increase in short-term loans payable and a ¥528 million decrease in notes and accounts payable-trade.

### (Net Assets)

As of September 30, 2020, net assets decreased ¥774 million compared with March 31, 2020, to ¥41,254 million. This was mainly attributable to a ¥695 million decrease in retained earnings, a ¥253 million decrease in foreign currency translation adjustment, and a ¥160 million increase in valuation difference on available-for-sale securities.

### (Cash Flows)

As of September 30, 2020, cash and cash equivalents decreased ¥434 million compared with March 31, 2020, to ¥18,008 million. This was due to increased expenses resulting from an increase in notes and accounts receivable-trade, etc.

#### (Operating activities)

Net cash used in operating activities during the consolidated first-half period under review totaled ¥3,971 million. This was due to expenses caused by factors such as an increase in notes and accounts receivable-trade and a decrease in notes and accounts payable-trade, which exceeded income as the result of factors such as a decrease in consumption taxes refund receivables. Since the figure for the previous consolidated first-half period was an income of ¥4,136 million, this represented an expense rise of ¥8,108 million.

#### (Investing activities)

Net cash used in investing activities during the consolidated first-half period under review totaled ¥323 million. This was due to factors such as purchase of investment securities and purchase of property and equipment. Since the figure for the previous consolidated first-half period was an income of ¥33 million, this represented an expense rise of ¥356 million.

#### (Financing activities)

Net cash provided by financing activities during the consolidated first-half period under review totaled ¥3,862 million. This was due to factors including an increase in short-term loans payable. Since the figure for the previous consolidated first-half period was an expense of ¥5,441 million, this represented an income rise of ¥9,304 million.

## (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. Even so, economic activities are gradually resuming in Japan and overseas. As such, the Group announced the following full-year business forecast for the year ending March 31, 2021, which was previously undisclosed. The forecast values are based on business progress until the consolidated first-half period of the Group and on information which is currently available.

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 conjunction with announcing the forecast values for net profit attributable to shareholders of parent company for the March 2021 term, the Group announced the following year-end dividend forecast, which was previously undisclosed.

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

(Forecasts for Consolidated Business Performance for March 2021 Term)

Net sales	¥108,000 million	(down 12.3% year-on-year)
Operating profit	¥1,600 million	(down 18.3% year-on-year)
Ordinary profit	¥1,550 million	(down 16.6% year-on-year)
Net profit attributable to shareholders of parent company	¥1,350 million	(down 7.0% year-on-year)
Year-end dividend	¥27 per share	(annual dividend ¥35 per share including the interim dividend)

## 2. Quarterly Consolidated Financial Statements and Main Notes

### (1) Quarterly Consolidated Balance Sheets

(Million yen)

	March 2020 Term (As of Mar. 31, 2020)	2Q March 2021 Term (As of Sept. 30, 2020)
<b>Assets</b>		
Current assets		
Cash and deposits	18,443	18,008
Notes and accounts receivable-trade	24,074	32,004
Electronically recorded monetary claims	4,317	1,914
Merchandise inventories	16,165	16,180
Partly-finished work	0	77
Others	4,572	2,660
Allowance for doubtful accounts	(7)	(8)
Total current assets	67,566	70,837
Non-current assets		
Property and equipment	2,631	2,655
Intangible assets	489	518
Investments and other assets		
Others	3,006	3,344
Allowance for doubtful accounts	(35)	(34)
Total investments and other assets	2,970	3,310
Total non-current assets	6,092	6,484
Total assets	73,659	77,321
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	14,039	13,511
Short-term loans payable	14,953	19,793
Accrued corporate tax, etc.	162	198
Allowance	512	458
Others	1,294	1,476
Total current liabilities	30,962	35,439
Non-current liabilities		
Net defined benefit liabilities	352	320
Others	314	307
Total non-current liabilities	667	627
Total liabilities	31,629	36,067

	(Million yen)	
	March 2020 Term (As of Mar. 31, 2020)	2Q March 2021 Term (As of Sept. 30, 2020)
Net assets		
Shareholders' equity		
Capital stock	14,811	14,811
Capital surplus	5,329	5,329
Retained earnings	32,676	31,981
Treasury stock	(10,353)	(10,347)
Total shareholders' equity	42,464	41,775
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	338	499
Deferred hedge gains (losses)	1	(4)
Foreign currency translation adjustment	(701)	(954)
Remeasurements of defined benefit plans	(120)	(106)
Total accumulated other comprehensive income	(482)	(566)
Non-controlling interests	46	45
Total net assets	42,029	41,254
Total liabilities and net assets	73,659	77,321

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

(Million yen)

	2Q March 2020 Term (Apr. 1, 2019 - Sept. 30, 2019)	2Q March 2021 Term (Apr. 1, 2020 - Sept. 30, 2020)
Net sales	66,413	53,970
Cost of sales	60,616	49,036
Gross profit on sales	5,796	4,933
Selling, general and administrative expenses	4,604	4,374
Operating profit	1,191	558
Non-operating profit		
Interest income	12	9
Dividend income	20	20
Foreign exchange gains	63	—
Others	47	48
Total non-operating profit	143	78
Non-operating expenses		
Interest expenses	161	37
Sales discounts	5	5
Foreign exchange losses	—	90
Others	50	24
Total non-operating expenses	217	158
Ordinary profit	1,118	479
Extraordinary profits		
Gain on sales of non-current assets	0	—
Gain on sales of investment securities	40	56
Total extraordinary profits	40	56
Extraordinary losses		
Loss on sales of non-current assets	—	0
Loss on retirement of non-current assets	0	0
Total extraordinary losses	0	0
Net profit before tax and other adjustments	1,158	536
Corporate, resident and enterprise taxes	159	151
Adjustment for corporate tax, etc.	138	18
Total corporate taxes	298	169
Net profit	860	366
Net profit (loss) attributable to non-controlling interests	0	(0)
Net profit attributable to shareholders of parent company	859	367

## (Quarterly Consolidated Comprehensive Income Statement of the First Half)

	2Q March 2020 Term (Apr. 1, 2019 - Sept. 30, 2019)	2Q March 2021 Term (Apr. 1, 2020 - Sept. 30, 2020)
Net profit	860	366
Other comprehensive income		
Valuation difference on available-for-sale securities	(49)	160
Deferred hedge gains (losses)	(3)	(5)
Foreign currency translation adjustment	(447)	(253)
Remeasurements of defined benefit plans, net of tax	(2)	13
Total other comprehensive income	(502)	(83)
Comprehensive income	358	282
(Details)		
Comprehensive income attributable to shareholders of parental company	357	283
Comprehensive income attributable to non-controlling interests	0	(0)

**(3) Statement of Quarterly Cash Flows**

(Million yen)

	2Q March 2020 Term (Apr. 1, 2019 - Sept. 30, 2019)	2Q March 2021 Term (Apr. 1, 2020 - Sept. 30, 2020)
<b>Operating activities</b>		
Net profit before tax and other adjustments	1,158	536
Depreciation and amortization	84	112
Amortization of goodwill	3	6
Increase (decrease) in allowance for doubtful accounts	1	1
Increase (decrease) in allowance for stock compensation	1	(3)
Increase (decrease) in net defined benefit liabilities	(26)	(11)
Interest and dividend income	(32)	(30)
Interest expenses	161	37
Loss (gain) on sales of non-current assets	(0)	0
Loss (gain) on sales of investment securities	(40)	(56)
Decrease (increase) in notes and accounts receivable-trade	2,697	(5,981)
Decrease (increase) in inventories	503	(208)
Increase (decrease) in notes and accounts payable-trade	(201)	(325)
Decrease (increase) in consumption taxes refund receivable	688	2,052
Increase (decrease) in accrued consumption taxes	(4)	(5)
Others	(324)	5
Subtotal	4,668	(3,871)
Interest and dividend income received	35	33
Interest expenses paid	(161)	(38)
Income taxes (paid) refund	(405)	(96)
Net cash provided by (used in) operating activities	4,136	(3,971)
<b>Investing activities</b>		
Purchase of property and equipment	(15)	(58)
Proceeds from sales of property and equipment	0	0
Purchase of software	(4)	(38)
Purchase of investment securities	(98)	(241)
Proceeds from sales of investment securities	161	76
Others	(9)	(61)
Net cash provided by (used in) investing activities	33	(323)
<b>Financing activities</b>		
Net increase (decrease) in short-term loans payable	(4,349)	4,963
Repayment of long-term loans	(3)	—
Repayments of lease obligations	(29)	(41)
Net decrease (increase) in treasury stock	(0)	(0)
Cash dividends paid	(1,058)	(1,059)
Net cash provided by (used in) financing activities	(5,441)	3,862
Effect of exchange rate change on cash and cash equivalents	(103)	(2)
Net increase (decrease) in cash and cash equivalents	(1,374)	(434)
Balance of cash and cash equivalents, beginning of the period	17,064	18,443
Balance of cash and cash equivalents, end of the period	15,689	18,008

**(4) Notes on Quarterly Consolidated Financial Statements**

(Notes Regarding Going Concern)

None.

(Notes Regarding Remarkable Change of Shareholders' Equity)

None.

(Segment Information)

I. Six months ended September 30, 2019 (Apr. 1, 2019 - Sept. 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	59,451	6,961	66,413
Inter-segment sales or transfers	—	—	—
Total	59,451	6,961	66,413
Segment profit	488	629	1,118

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

II. Six months ended September 30, 2020 (Apr. 1, 2020 - Sept. 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	48,070	5,900	53,970
Inter-segment sales or transfers	—	—	—
Total	48,070	5,900	53,970
Segment profit (loss)	(65)	544	479

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