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Other Matters Subject to Electronic Provision Measures in Connection with the Notice of the 74th Ordinary General Meeting of Shareholders

Notes to Consolidated Financial Statements
Notes to Non-consolidated Financial Statements
(From April 1, 2024 to March 31, 2025)

Sanshin Electronics Co., Ltd.

The items above are omitted from the document provided to shareholders who requested documented delivery in accordance with the applicable laws and regulations, and the provision of the Company's Articles of Incorporation. In addition, regardless of whether shareholders requested document delivery, the same document listing matters subject to electronic provision measures with the items above omitted will be provided to all shareholders at the general meeting of shareholders.

Notes to Consolidated Financial Statements

(Notes on the Basic Important Points for Preparing the Consolidated Financial Statements of This Term)

1. Scope of consolidation

Number of consolidated subsidiaries: 8

Names of companies:

SANSHIN ELECTRONICS (HONG KONG) CO., LTD.

SANSHIN ELECTRONICS SINGAPORE (PTE) LTD.

TAIWAN SANSHIN ELECTRONICS CO., LTD.

SANSHIN ELECTRONICS CORPORATION

SANSHIN ELECTRONICS KOREA CO., LTD.

SANSHIN ELECTRONICS (THAILAND) CO., LTD.

SANSHIN ELECTRONICS (SHANGHAI) CO., LTD.

TAKUMI CORPORATION

SANSHIN NETWORK SERVICE CO., LTD. was excluded from the scope of consolidation following its dissolution in an absorption merger effective April 1, 2024, in which the Company became the surviving company.

Number of non-consolidated subsidiaries: 4

Names of companies:

AXIS DEVICE TECHNOLOGY CO., LTD.

SANSHIN SYSTEM DESIGN CO., LTD.

SANSHIN ELECTRONICS (SHENZHEN) CO., LTD.

SAN SHIN ELECTRONICS (MALAYSIA) SDN. BHD.

Rationale for exclusion of non-consolidated subsidiaries from the scope of consolidation:

The size of each of the non-consolidated subsidiaries is small, and each company's total assets, net sales and net profit or loss (amount corresponding to equity) and retained earnings (amount corresponding to equity) are small in size and neither does significantly affect the consolidated financial statements.

The standards for judging whether or not the subsidiary has materiality are based on the past five-year average net profit or loss on the part of both the Company and the subsidiaries.

SANSHIN MEDIA SOLUTIONS CO., LTD. was dissolved in an absorption merger effective April 1, 2024, in which the Company became the surviving company.

2. Application of equity method

Non-consolidated subsidiaries and affiliated companies to which the equity method is not applied

Names of companies:

AXIS DEVICE TECHNOLOGY CO., LTD.

SANSHIN SYSTEM DESIGN CO., LTD.

SANSHIN ELECTRONICS (SHENZHEN) CO., LTD.

SAN SHIN ELECTRONICS (MALAYSIA) SDN. BHD.

Rationale for non-application of the equity method:

Based on each company's net profit or loss (amount corresponding to equity) and retained earnings (amount corresponding to equity) etc., neither does significantly affect the Company's consolidated financial statements, nor have importance as a whole, even if excluded from the subject of equity method.

The standards for judging whether or not the company has materiality are based on the past five-year average net profit or loss on the part of the Company, its subsidiaries and affiliated companies.

SANSHIN MEDIA SOLUTIONS CO., LTD. was dissolved in an absorption merger effective April 1, 2024, in which the Company became the surviving company. SHINEI COMMUNICATION SYSTEMS CO., LTD. was excluded from affiliate companies following the sale of all shares held by the Company as of March 31, 2025.

3. Matters concerning accounting principles

A. Valuation standards and methods for major assets

a. Securities

Other securities

Securities other than stocks, etc., without fair market values:

At market value. (Appraisal differences are dealt with by means of the direct capital influx method, with cost of securities sold calculated by means of the moving average method.) Furthermore, among the other securities other than stocks, etc., without fair market values, for which the difference between the "acquisition cost" and the "debenture amount" is judged to be the result of interest rate adjustments, are calculated by amortized cost method.

Stocks, etc., without fair market values:

At cost, using the moving average method.

b. Derivatives

At market value.

c. Inventories

Merchandise: Primarily at cost, using the moving average method. (Figures stated on balance sheets are calculated by means of the write-down method based on a decline in profitability.)

Partly-finished work: At cost, using the specific identification method. (Figures stated on balance sheets are calculated by means of the write-down method based on a decline in profitability.)

B. Depreciation method for major depreciable assets

a. Property and equipment: Primarily the declining-balance method

(Excluding leased assets)

However, buildings (excluding equipment and installations), and the equipment and installations of buildings and structures acquired on or after April 1, 2016 are depreciated by the straight-line method.

The useful life of buildings and structures is 15 to 45 years; for other property and equipment, it is 3 to 20 years.

b. Intangible assets:

(Excluding leased assets)

Straight-line method

The estimated useful life of software for internal use is 3 to 5 years.

c. Leased assets:

Straight-line method using the lease period as the useful life and zero residual value.

C. Accounting standards for major allowances

a. Allowance for doubtful accounts:

Provided at an amount sufficient to cover probable losses on collection. It consists of the estimated uncollectible amount with respect to certain identified doubtful receivables and an amount calculated using the rate of actual collection losses with respect to the remaining receivables.

b. Allowance for bonuses to employees:

Allowance for employees' bonuses is provided at an amount applicable to this consolidated fiscal year based on the estimated amount to be paid in the next year.

c. Allowance for bonuses to officers:

Allowance for Directors' bonuses is provided at an amount applicable to this consolidated fiscal year based on the estimated amount to be paid in the next year.

d. Allowance for stock compensation:

Allowance for stock compensation is an allowance established to provide shares of the Company to the Directors (excluding Directors who are Audit & Supervisory Committee members and External Directors) based on the Performance-Based Stock Compensation Plan for Directors. The allowance is calculated based on the estimated amount of payment of Sanshin Shares to be delivered to the Directors according to the points granted to each of them in accordance with the Sanshin Share delivery rules.

D. Accounting standards for revenue and expenses

The Group applies the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29; March 31, 2020), etc. We recognize revenue in the amount expected to be received in exchange for a good or service when a promised good or service is transferred to the customer.

The Group operates two businesses: the device business, which mainly sells semiconductors and electronic components in Japan and overseas, and the solution business, which mainly develops ICT solutions.

In the device business, we mainly identify the delivery to customers of products purchased from suppliers as obligation of performance. In principle, we judge the obligation of performance as satisfied when control of the products is transferred to the customer, and we recognize revenue at that time. For domestic sales, if the period from the time of shipment to the time of delivery is the normal period, we recognize revenue at the time of shipment. For export sales, we recognize revenue when the burden of risk is transferred to the customer based on trade conditions stipulated by Incoterms (international commercial terms), etc.

In the solution business, we mainly combine network equipment, security products, and Line-of-Business systems, etc., to provide the optimum ICT infrastructure for each customer. For these products, providing the functions required by the customer is recognized as the obligation of performance. In principle, we judge the obligation of performance as satisfied when the customer accepts the product, and we recognize revenue at that time. For construction work performed per a contract agreement, etc., and for made-to-order software, we judge obligation of performance to be satisfied over a certain period of time, and we recognize revenue based on the extent of progress in satisfying obligation of performance. For contracts that provide services such as maintenance services during the contract period, we judge obligation of performance to be satisfied over a certain period of time in conjunction with the passage of the period of time, and we recognize revenue uniformly during the contract period.

For the sale of merchandise and services, if the Group is trading as the principal party, we display revenue as the total amount of compensation. If the transaction is being conducted as an agent, we display revenue as the net amount after deducting the purchasing cost from the total amount of compensation. When determining the status as principal party or agent, we make a comprehensive judgment based on the following three indicators.

- Does the Group possess the main responsibility for executing the promise of providing the specified merchandise or services?
- Does the Group possess the inventory risk before transferring the specified merchandise or services to the customer, or after transferring control to the customer?
- Does the Group have discretion in setting the price of the specified merchandise or services?

Furthermore, in accordance with the separately specified terms of payment, compensation for transactions is received within approximately 6 months after obligation of performance has been satisfied, and does not include important financial elements.

E. Major foreign currency transactions

Receivables and payables denominated in foreign currencies are translated into Japanese yen at the consolidated-fiscal-year-end spot market exchange rates; any foreign exchange gains and losses from transactions are specified in the profit and loss statement. Assets and liabilities of overseas subsidiaries are translated into yen at the exchange rates in effect as of the fiscal year end, and revenues and expenses are translated into yen at the average exchange rates for the fiscal year. The resulting translation adjustments are included in the foreign currency translation adjustment in net assets.

F. Significant hedge accounting

a. Hedge accounting methods:

Primarily the deferred hedge accounting method

Hedge accounting is adopted for foreign currency receivables and payables, etc. on exchange forward contracts.

b. Hedging instruments and hedged items:

Hedging instrument: Foreign currency forward contracts

Hedged items: Both payables and receivables, and forecasted transactions denominated in foreign currencies

c. Hedge policy:

The Company uses foreign currency derivatives as a means of hedging exposure to foreign currency risk. Such transactions are all carried out with the finance department of the Company as the lead department, according to Company regulations. The Company does not enter into derivatives for trading

or speculative purposes not stated in its regulations.

d. Hedge effectiveness assessment:

Hedge effectiveness is evaluated at least every six months by evaluating whether the cash flow changes in the hedged item and cash flow changes in the hedge instrument cancel each other out at a high level.

G. Accounting standards for net defined benefit liability and remeasurements of defined benefit plans

Net defined benefit liability and remeasurements of defined benefit plans are provided in the amount equal to the benefit obligations minus the pension assets based on the projected amount at the end of this consolidated fiscal year, in order to prepare for the allowance for employees' severance and retirement benefits. The retirement benefit obligations are calculated using a payment calculation standard which is a method of attributing projected retirement benefits for the service period up to the current consolidated fiscal year.

The prior service expenses are amortized by the straight-line method for a given number of years (10 years) within employees' average remaining years of service, at the time of occurrence. The actuarial gains and losses are amortized in the year subsequent to their occurrence, by the straight-line method or a given number of years (10 years) within employees' average remaining period of service.

Unrecognized actuarial gains and losses and unrecognized past service expenses are reflected in remeasurements of defined benefit plans in the accumulated other comprehensive income of net assets, after adjusting for tax effects.

(Notes to Changes in Accounting Principles)

None

(Notes to Changes in Presentation Methods)

None

(Notes to Accounting Estimates)

(Valuation of Inventories)

Merchandise inventories ¥19,750 million

The Company holds a certain amount of merchandise inventories for the purpose of achieving stable supply of merchandise to customers and shortening lead time. As described in “3. Matters concerning accounting principles” in the “Notes to Consolidated Financial Statements (Notes on the Basic Important Points for Preparing the Consolidated Financial Statements of This Term),” figures of merchandise inventories stated on the balance sheets are calculated using the write-down method based on the decline in profitability. Valuation of merchandise inventories is estimated using the ordering forecast based on the customer's production plan. If the customer's production plan is changed, canceled, etc., a valuation loss on merchandise will be recorded and there is the possibility of a significant impact on the consolidated financial statements. Furthermore, the Company has established an Inventory Committee and strives to evaluate inventory appropriately.

(Notes to the Consolidated Balance Sheets)

1. Accumulated depreciation of property and equipment ¥4,171 million

2. Liabilities for guarantees

Liabilities for bank borrowings

Employees* ¥10 million

* Of loan guarantees to financial institutions concerning employee's borrowings to acquire housing, the portion to which home loan insurance applies has almost no risk attached and thus is excluded from liabilities for guarantees.

3. Commitment line contracts

The Company has entered into commitment line contracts with four correspondent financial institutions with the aim of securing a flexible and stable funding framework. The balance of unexecuted borrowings related to the commitment line contracts at the end of the consolidated fiscal year under review is as follows.

Total amount of commitment line contracts ¥6,000 million

Balance of borrowing ¥— million

Balance after deduction ¥6,000 million

(Notes to the Consolidated Statement of Changes in Shareholders' Equity)**1. Matters concerning types and numbers of outstanding shares and treasury shares (share)**

	No. of shares at the beginning of Fiscal 2024 (consolidated)	Increase in no. of shares during Fiscal 2024 (consolidated)	Decrease in no. of shares during Fiscal 2024 (consolidated)	No. of shares at the end of Fiscal 2024 (consolidated)
Outstanding shares				
Common shares	16,281,373	—	—	16,281,373
Total	16,281,373	—	—	16,281,373
Treasury shares				
Common shares (Notes 1, 2)	4,077,986	96	27,400	4,050,682
Total	4,077,986	96	27,400	4,050,682

Notes: 1. The number of treasury shares at the beginning and end of this consolidated fiscal year includes shares of the Company held by a trust established in connection with the Performance-Based Stock Compensation Plan for Directors (excluding Directors who are Audit & Supervisory Committee members and External Directors).

(Beginning of this consolidated fiscal year: 151,200 shares; End of this consolidated fiscal year: 123,800 shares)

2. The breakdown of the numbers listed in the fields of increase/decrease of the common treasury shares is as follows.

Increase due to acquisition of shares in amounts of less than one investment unit: 96 shares

Decrease due to issuance of shares caused by resignation of directors related to the Performance-Based Stock Compensation Plan: 27,400 shares

2. Matters concerning dividends**A. Payment of dividends**

Resolution	Type of shares	Total amount of dividends (¥million)	Dividends per share (¥)	Record date	Effective date
The Ordinary General Meeting of Shareholders on June 21, 2024	Common shares	864	70	March 31, 2024	June 24, 2024
The Board of Directors Meeting on November 6, 2024	Common shares	370	30	September 30, 2024	December 2, 2024

Notes: 1. Dividends of ¥10 million against the Company's shares held by a trust established in connection with the Performance-Based Stock Compensation Plan for Directors (excluding Directors who are Audit & Supervisory Committee members and External Directors) are included in the total amount of dividends resolved by the Ordinary General Meeting of Shareholders held on June 21, 2024.

2. Dividends of ¥3 million against the Company's shares held by a trust established in connection with the Performance-Based Stock Compensation Plan for Directors (excluding Directors who are Audit & Supervisory Committee members and External Directors) are included in the total amount of dividends resolved by the Board of Directors meeting held on November 6, 2024.

B. Out of dividends whose record date is within this consolidated fiscal year, those for which the effective date will come after the end of this fiscal year

Resolution	Type of shares	Total amount of dividends (¥million)	Sources of dividends	Dividends per share (¥)	Record date	Effective date
The Ordinary General Meeting of Shareholders on June 20, 2025 (scheduled)	Common shares	1,297	Retained earnings	105	March 31, 2025	June 23, 2025

Note: Dividends of ¥12 million against the Company's shares held by a trust established in connection with the Performance-Based Stock Compensation Plan for Directors (excluding Directors who are Audit & Supervisory Committee members and External Directors) are included in the total amount of dividends by a resolution of the Ordinary General Meeting of Shareholders scheduled to be held on June 20, 2025

(Financial Instruments)

1. Matters Concerning the State of Financial Instruments

A. Policy Initiatives for Financial Instruments

The Group manages funds with safe and secure financial instruments, and primarily performs fund procurement through bank loans. Derivatives are used to avoid the risk of exchange rate fluctuations, and we do not perform speculative trading.

B. Financial Instruments, Risks Involved and Risk Management Systems

Notes receivable–trade, accounts receivable–trade and electronically recorded monetary claims, which are operating receivables, are exposed to customer credit risks. Operating receivables in foreign currency, which arise from our efforts to globally expand business, are also exposed to the risk of exchange rate fluctuations. Regarding customer credit risk, in accordance with company regulations, we have established systems for performing term administration and balance management, as well as regularly evaluating major clients' credit statuses. As for exchange rate fluctuation risks, we use forward exchange contracts to offset any risks relating to business in foreign currency within the scope of actual demand required to conduct such business.

Investment securities are mainly debentures and shares in companies that we have business relations with, and although they are exposed to the risk of fluctuations in market values, these market values are periodically evaluated and reported to the Board of Directors.

Notes payable–trade, accounts payable–trade and electronically recorded obligations, which are business debts, all have a payment deadline of within one year. Although some of these are exposed to exchange rate fluctuation risks, as a result of being derived from imports from overseas and therefore being in foreign currency, we use forward exchange contracts to offset any risks relating mainly to the relevant business in foreign currency within the scope of actual demand required to conduct such business.

Loans are mainly funds procured for business transactions. Although floating-rate borrowings are exposed to interest rate fluctuation risks, the Group manages these by distributing repayment dates so that short term loans may be repaid flexibly when there is a financing surplus.

Regarding execution and management of derivatives transactions, the Group complies with company regulations specifying authority to perform transactions, and when using derivatives, in order to reduce credit

risk, we only deal with high-rating financial institutions.

Business debts and loans are also exposed to liquidity risks. However, the Group manages this through methods such as having each company produce monthly financing plans.

In preparation for unforeseen circumstances, we have entered into commitment line contracts with three correspondent financial institutions with the aim of securing a flexible and stable method of procuring funds.

C. Further Notes on Matters Concerning Market Values of Financial Instruments

Market values of financial instruments include values based on market prices, or, where no market price exists, reasonably calculated values. Because variable factors are incorporated in the calculation of these values, the values may change when different assumptions are used.

2. Items Concerning Market Values of Financial Instruments

Consolidated balance sheet amounts, market values and their differences, as of March 31, 2025 are as outlined below.

Millions of yen			
	Amount stated on Consolidated Balance Sheets	Market value	Difference
(1) Investment securities	2,112	2,112	—
(2) Derivative transactions ^{(*)2}	28	28	—

*1: Descriptions are omitted for “Cash and deposits,” “Notes and accounts receivable–trade,” “Electronically recorded monetary claims,” “Accrued income,” “Consumption taxes receivable,” “Notes and accounts payable–trade,” and “Short-term loans payable” because these items consist of cash and items which are settled in a short period of time and therefore have market values that are close to the book value.

*2: Net credits and debts arising from derivatives transactions are displayed as net values.

*3: Unlisted stocks (amount listed on consolidated balance sheet: ¥129 million) are not included in “(1) Investment securities” because they do not have market prices.

3. Items related to appropriate breakdown for each classification of market values for financial instruments

The market values of financial instruments are classified into the following three levels according to the observability and importance of the inputs used to calculate the market values.

Level 1 market values: From among the inputs related to the calculation of the observable market values, the market values calculated from the market prices of the asset or liability subject to the calculation of market values formed in the active market

Level 2 market values: From among the inputs related to the calculation of the observable market values, the market values calculated using the inputs related to the calculation of the market values, other than the inputs in Level 1

Level 3 market values: The market values calculated using inputs related to the calculation of unobservable market values

If multiple inputs that have a significant impact on the calculation of market values are used, from among the levels to which those inputs belong, the market values are classified as the level with the lowest priority level in the market values calculation.

Financial assets and financial liabilities for which market values are the amount recorded on the consolidated balance sheet

Millions of yen

Classification	Market Values			
	Level 1	Level 2	Level 3	Total
Investment securities				
Other securities				
Stocks	2,112	—	—	2,112
Derivative transactions				
Currency related	—	28	—	28

Note: Explanation of valuation methods and inputs used to calculate market values

Investment securities

Listed stocks are valued using quoted market prices. The market values of listed stocks are classified as Level 1 market values because listed stocks are traded in active markets.

Derivative transactions

The market values of forward exchange contracts are calculated by the discounted cash flow method using observable inputs such as exchange rates, and are classified as Level 2 market values.

(Notes on Revenue Recognition)

1. Information used to breakdown revenue generated from contracts with customers

Millions of yen

Report segment	Fiscal 2024 (Apr. 1, 2024 – Mar. 31, 2025)
Device segment	
By supplier	
Mechanical parts manufacturers	61,799
Overseas semiconductor manufacturers	54,226
Other manufacturers	23,243
Subtotal	139,269
Solution segment	
By Business Unit (BU)	
Network System BU	7,892
Firefighting and Disaster Preparedness BU	2,483
Platform BU	2,270
Application System BU	3,753
Imaging System BU	1,672
Subtotal	18,072
Total	157,342

2. Information that is the basis for understanding revenue generated from contracts with customers

The information that is the basis for understanding revenue generated from contracts with customers is listed in “Notes on the Basic Important Points for Preparing the Consolidated Financial Statements of This Term” – “3. Matters concerning accounting principles” – “D. Accounting standards for revenue and expenses.”

3. Information that is the basis for understanding the amount of revenue in the consolidated fiscal year under review and after the next consolidated fiscal year

A. Balance of contract assets and contract liabilities, etc.

Millions of yen

	Fiscal 2024 (Apr. 1, 2024 – Mar. 31, 2025)
Receivables generated from contracts with customers (balance at beginning of fiscal year)	34,463
Receivables generated from contracts with customers (balance at end of fiscal year)	40,572
Contract assets (balance at beginning of fiscal year)	20
Contract assets (balance at end of fiscal year)	56
Contract liabilities (balance at beginning of fiscal year)	677
Contract liabilities (balance at end of fiscal year)	493

Contract assets are unbilled accounts receivable–trade for revenue recognized based on progress, mainly in construction work performed per a contract agreement and made-to-order software, and are transferred to trade receivables upon receipt and inspection by the customer.

Contract liabilities are mainly advances received from customers and are transferred to revenue when they are fulfilled under the contract.

Furthermore, on the consolidated balance sheet, receivables and contract assets generated from contracts with customers are included in “Notes and accounts receivable–trade, and contract assets” and “Electronically recorded monetary claims.” Contract liabilities are included in “Others” under “Current liabilities.”

B. Transaction price allocated to remaining performance obligations

As the Group does not have any significant contracts for which the initially expected contract term exceeds one year, we have applied the practical expedient and omitted disclosure of information regarding remaining performance obligations. All material amounts arising from contracts with customers are included in the transaction price.

(Notes on Per-Share Information)

Net assets per share ¥3,310.15

Net profit per share ¥288.20

Note: Shares of the Company which are owned by a trust in connection with the Performance-Based Stock Compensation Plan for Directors (excluding Directors who are Audit & Supervisory Committee members and External Directors) and which are recorded as treasury stock in shareholders' equity are included in the shares of treasury stock that are excluded from the total number of shares outstanding at the end of term for calculation of net assets per share (current consolidated fiscal year: 123,000 shares), and also are included in treasury stock excluded in the calculation of amount of average stock during the term for calculation of net profit per share (current consolidated fiscal year: 133,000 shares).

(Additional Information)

(Performance-Based Stock Compensation Plan for Directors)

The Company has introduced a Performance-Based Stock Compensation Plan for Directors, for the purpose of further clarifying the link between the compensation to the Company's Directors (excluding Directors who are Audit & Supervisory Committee members and External Directors) and the value of its shares. With the introduction of the Performance-Based Stock Compensation Plan, Directors will not only enjoy the advantages when the Company's share price rises but also bear the risks when the share price declines, sharing with shareholders the benefits and risks of fluctuations in share prices. This move is intended ultimately to incentivize Directors to increase medium-to-long-term business results and increase enterprise value.

A. Overview of Transactions

In the Performance-Based Stock Compensation Plan, a trust that is funded by Company expenditures acquires shares in the Company. The Board of Directors establishes regulations for the granting of shares, according to which each Director is awarded points for his or her degree of accomplishment of numerical targets based on management indices. Each Director is then awarded the Company's shares in proportion to the points awarded, through the trust. In principle, the shares are awarded to Directors at the time of their resignation or retirement.

B. Accounting treatment of Company shares remaining in the trust

The book value of the trust (net of ancillary expenses) for shares held by the trust was ¥211 million in the consolidated fiscal year under review, and is recorded as treasury stock in the shareholders' equity. The number of said shares as of the end of the consolidated fiscal year under review was 123,000 and the average number of shares during the fiscal year under review was 133,000. These shares are included in the shares of treasury stock excluded for calculation of per share information.

(Transfer of Non-Current Assets)

At the Board of Directors meeting held on February 5, 2025, the Company resolved to transfer certain non-current assets.

Based on this resolution, a transfer agreement was subsequently executed on February 14, 2025.

A. Reason for transfer

In conjunction with the relocation of the Osaka Branch from a Company-owned building to a leased external facility, the land and building previously used by the branch will become idle assets.

Consequently, the Company decided to transfer these assets.

B. Details of transferred assets

Address and assets details	Gain on transfer	Current status
Address: 18-25 Enokicho, Suita City, Osaka Prefecture Assets: Land – 642 m ² / Building – 1,582 m ²	¥1.08 billion	Osaka Branch

Note: The Company is refraining from disclosing the transfer price at the request of the buyer. The transfer price was determined through a bidding process and appropriately reflects market value. The recorded gain on transfer represents the amount obtained by deducting the book value and related expenses from the transfer price.

C. Overview of the buyer

Details of the buyer are not disclosed at the request of the buyer.

There are no capital, personnel, or business relationships to be disclosed between the buyer and the Company. Furthermore, the buyer does not fall under the category of a related party of the Company.

D. Transfer schedule

Date of resolution by Board of Directors: February 5, 2025

Date of signing the agreement: February 14, 2025

Date of transfer: May 30, 2025 (scheduled)

E. Impact on performance

As a result of the transfer of the non-current assets, the Company expects to record extraordinary profits of ¥1.08 billion (gain on sales of non-current assets) in the first quarter of the fiscal year ending March 31, 2026.

(Business Combinations and Related Matters)

Common control transactions

(Absorption merger of subsidiaries)

At the Board of Directors meeting held on May 11, 2023, the Company resolved to execute an absorption merger of its wholly-owned subsidiaries, SANSHIN NETWORK SERVICE CO., LTD. and SANSHIN MEDIA SOLUTIONS CO., LTD. The merger was executed on April 1, 2024.

1. Overview of transaction

A. Names and business activities of the absorbed companies

Name of merged company	Business activities
SANSHIN NETWORK SERVICE CO., LTD.	Technical services related to information and communication systems
SANSHIN MEDIA SOLUTIONS CO., LTD.	Technical services and provision of information related to broadcasting

B. Date of merger

April 1, 2024

C. Legal form of merger

Absorption merger in which the Company became the surviving company and SANSHIN NETWORK SERVICE CO., LTD. and SANSHIN MEDIA SOLUTIONS CO., LTD. became the absorbed companies.

D. Name of surviving company

Sanshin Electronics Co., Ltd.

E. Other matters related to an overview of the transaction

The purpose of the merger was to consolidate the technological capabilities held by SANSHIN NETWORK SERVICE CO., LTD. and SANSHIN MEDIA SOLUTIONS CO., LTD. within the Company, thereby strengthening our proposal capability in upstream processes and increasing our competitive advantage by enhancing the agility of our proposal activities. The merger also aims to expand our business revenue by optimizing the allocation of operations.

2. Overview of accounting treatment applied

In accordance with the Accounting Standard for Business Combinations (ASBJ Statement No. 21, January 16, 2019) and the Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, January 16, 2019), the merger has been treated as a transaction under common control.

Notes to Non-consolidated Financial Statements

1. Notes to Matters Concerning Significant Accounting Principles

A. Valuation standards and methods for assets

a. Valuation standards and methods for securities

Shares of subsidiaries and affiliates:

At cost, using the moving average method.

Other securities:

Securities other than stocks, etc., without fair market values:

At market value. (Appraisal differences are dealt with by means of the direct capital influx method, with cost of securities sold calculated by means of the moving average method.) Furthermore, among the other securities without market value, those, for which the difference between the "acquisition cost" and the "debenture amount" is judged to be the result of interest rate adjustments, are calculated by amortized cost method.

Stocks, etc., without fair market values:

At cost, using the moving average method.

b. Valuation standards and methods for derivatives

At market value.

c. Valuation standards and methods for inventories

Merchandise: At cost, using the moving average method. (Figures stated on balance sheets are calculated by means of the write-down method based on a decline in profitability.)

Partly-finished work: At cost, using the specific identification method (figures stated on balance sheets are calculated by means of the write-down method based on a decline in profitability.)

B. Depreciation method for non-current assets

a. Property and equipment:

(Excluding leased assets)

Declining-balance method

However, buildings (excluding equipment and installations), and the equipment and installations of buildings and structures acquired on or after April 1, 2016 are depreciated by the straight-line method.

Estimated useful lives are generally as follows:

Buildings: 15-45 years

Structures: 15-40 years

Equipment: 4-20 years

b. Intangible assets:

(Excluding leased assets)

Straight-line method

The estimated useful life of software for internal use is five years.

c. Leased assets:

Straight-line method using the lease period as the useful life and zero residual value

C. Accounting standards for allowances

a. Allowance for doubtful accounts:

Provided at an amount sufficient to cover probable losses on collection. It consists of the estimated uncollectible amount with respect to certain identified doubtful receivables and an amount calculated using the rate of actual collection losses with respect to the remaining receivables.

b. Allowance for bonuses to employees:

Allowance for employees' bonuses is provided at an amount applicable to this term based on the estimated amount to be paid in the next term.

c. Allowance for bonuses to officers:

Allowance for Directors' bonuses is provided at an amount applicable to this term based on the estimated amount to be paid in the next term.

d. Allowance for stock compensation:

Allowance for stock compensation is an allowance established to provide shares of the Company to the Directors (excluding Directors who are Audit & Supervisory Committee members and External Directors) based on the Performance-Based Stock Compensation Plan for Directors. The allowance is calculated based on the estimated amount of payment of Sanshin Shares to be delivered to the Directors according to the points granted to each of them in accordance with the Sanshin Share delivery rules.

e. Employees' severance and retirement benefits:

The Company makes provision for the necessary amount of allowance for employees' severance and retirement benefits deemed to accrue during the term, based on projected retirement benefit obligations and pension assets at the term-end. The retirement benefit obligations are calculated using a payment calculation standard which is a method of attributing projected retirement benefits for the service period up to the current business year. However, the projected pension assets for the end of this term exceed the projected retirement benefit obligations moderated by unrecognized actuarial gain and loss, and this difference is recorded as prepaid pension costs.

The prior service obligation is amortized by the straight-line method for a given number of years (10 years) within employees' average remaining years of service.

The actual gain or loss is amortized, from the year following the year in which the gain or loss is recognized, by the straight-line method or a given number of years (10 years) within employees' average remaining period of service.

D. Accounting standards for revenue and expenses

The Company applies the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29; March 31, 2020), etc. We recognize revenue in the amount expected to be received in exchange for a good or service when a promised good or service is transferred to the customer.

The Company operates two businesses: the device business, which mainly sells semiconductors and electronic components in Japan and overseas, and the solution business, which mainly develops ICT solutions.

In the device business, we mainly identify the delivery to customers of products purchased from suppliers as obligation of performance. In principle, we judge the obligation of performance as satisfied when control of the products is transferred to the customer, and we recognize revenue at that time. For domestic sales, if the period from the time of shipment to the time of delivery is the normal period, we recognize revenue at the time of shipment. For export sales, we recognize revenue when the burden of risk is transferred to the customer based on trade conditions stipulated by Incoterms (international commercial terms), etc.

In the solution business, we mainly combine network equipment, security products, and Line-of-Business systems, etc., to provide the optimum ICT infrastructure for each customer. For these products, providing the functions required by the customer is recognized as the obligation of performance. In principle, we judge the obligation of performance as satisfied when the customer accepts the product, and we recognize revenue at that time. For construction work performed per a contract agreement, etc., and for made-to-order software, we judge obligation of performance to be satisfied over a certain period of time, and we recognize revenue based on the extent of progress in satisfying obligation of performance. For contracts that provide services such as maintenance services during the contract period, we judge obligation of performance to be satisfied over a certain period of time in conjunction with the passage of the period of time, and we recognize revenue uniformly during the contract period.

For the sale of merchandise and services, if the Company is trading as the principal party, we display revenue as the total amount of compensation. If the transaction is being conducted as an agent, we display revenue as the net amount after deducting the purchasing cost from the total amount of compensation. When determining the status as principal party or agent, we make a comprehensive judgment based on the following three indicators.

- Does the Company possess the main responsibility for executing the promise of providing the specified merchandise or services?
- Does the Company possess the inventory risk before transferring the specified merchandise or services to the customer, or after transferring control to the customer?
- Does the Company have discretion in setting the price of the specified merchandise or services?

Furthermore, in accordance with the separately specified terms of payment, compensation for transactions

is received within approximately 6 months after obligation of performance has been satisfied, and does not include important financial elements.

E. Foreign currency transactions

All foreign-currency-denominated receivables and payables are converted into Japanese yen at the term-end spot market exchange rate; any foreign exchange gains and losses from transactions are specified in the profit and loss statement.

F. Hedge accounting

a. Hedge accounting method

Deferred hedge accounting method

Hedge accounting is adopted for foreign currency receivables and payables etc. on exchange forward contract

b. Hedging instruments and hedged items:

Hedging instrument: Foreign currency forward contracts

Hedged items: Both payables and receivables, and forecasted transactions denominated in foreign currencies

c. Hedge policy:

The Company uses foreign currency derivatives as a means of hedging exposure to foreign currency risk. Such transactions are all carried out with the finance department of the Company as the lead department, according to Company regulations. The Company does not enter into derivatives for trading or speculative purposes not stated in its regulations.

d. Hedge effectiveness assessment:

Hedge effectiveness is evaluated at least every six months by evaluating whether the cash flow changes in the hedged item and cash flow changes in the hedge instrument cancel each other out at a high level.

2. Notes to Changes in Accounting Principles

None

3. Notes to Changes in Presentation Methods

None

4. Notes to Accounting Estimates

(Valuation of Inventories)

Merchandise inventories ¥11,363 million

The content of the accounting estimate for the valuation of inventories is the same as the items stated in the Notes to Consolidated Financial Statements.

5. Notes to the Non-Consolidated Balance Sheets

A. Accumulated depreciation of property and equipment ¥3,914 million

B. Liabilities for guarantees

Liabilities for bank borrowings

Employees* ¥10 million

TAIWAN SANSHIN ELECTRONICS CO., LTD. ¥3,662 million

(US\$ 24,496 thousand)

Total ¥3,673 million

Notes and accounts payable-trade

TAIWAN SANSHIN ELECTRONICS CO., LTD. ¥1,354 million

(US\$ 9,060 thousand)

* Of loan guarantees to financial institutions concerning employee's borrowings to acquire housing, the portion to which home loan insurance applies has almost no risk attached and thus is excluded from liabilities for guarantees.

- C. Monetary assets and liabilities due from or to subsidiaries and affiliates
- a. Short-term assets due from subsidiaries and affiliates ¥8,310 million
- b. Short-term liabilities due to subsidiaries and affiliates ¥1,366 million

D. Commitment Line Contracts

The Company has entered into commitment line contracts with four correspondent financial institutions with the aim of securing a flexible and stable funding framework. The balance of unexecuted borrowings related to the commitment line contracts at the end of the fiscal year under review is as follows.

Total amount of commitment line contracts	¥6,000 million
Balance of borrowing	¥— million
Balance after deduction	¥6,000 million

6. Notes to the Non-Consolidated Profit and Loss Statement

Transactions with subsidiaries and affiliates

- a. Sales ¥56,417 million
- b. Purchases ¥17,144 million
- c. Transactions other than operating activities ¥1,631 million

7. Notes to the Non-Consolidated Statement of Changes in Shareholders' Equity

Matters concerning type and number of treasury shares (share)

Type of shares	No. of shares at the beginning of Fiscal 2024	Increase in No. of shares during Fiscal 2024	Decrease in No. of shares during Fiscal 2024	No. of shares at the end of Fiscal 2024
Common shares (Notes 1, 2)	4,077,986	96	27,400	4,050,682

Notes: 1. The number of treasury shares at the beginning and end of this fiscal year includes shares of the Company held by a trust established in connection with the Performance-Based Stock Compensation Plan for Directors (excluding Directors who are Audit & Supervisory Committee members and External Directors). (Beginning of this fiscal year: 151,200 shares; End of this fiscal year: 123,800 shares)

2. The breakdown of the numbers listed in the fields of increase/decrease of the common treasury shares is as follows.

Increase due to acquisition of shares in amounts of less than one investment unit: 96 shares

Decrease due to issuance of shares caused by resignation of directors related to the Performance-Based Stock Compensation Plan: 27,400 shares

8. Notes on Tax Effect Accounting

A. Breakdown by cause of deferred tax assets and liabilities:

Deferred tax assets

Excess of allowance for bonuses over the deductible limit	¥190 million
Non-deductible valuation loss on merchandise	¥29 million
Non-deductible reserve for officers' retirement allowances	¥25 million
Non-deductible loss on valuation of investment securities	¥307million
Non-deductible loss on expenses for development of internal company systems	¥19 million
Other	¥100 million

Subtotal ¥671 million

Valuation reserve for total of deductible temporary difference, etc. (¥337 million)

Total deferred tax assets ¥334 million

Deferred tax liabilities

Valuation difference on available-for-sale securities (¥477 million)

Deferred hedge gains (losses) (¥11 million)

Prepaid pension costs	<u>(¥48million)</u>
Total deferred tax liabilities	<u>(¥537million)</u>
Net deferred tax liabilities	<u>(¥202 million)</u>

B. Reconciliation between the statutory income tax rate and the effective income tax rate after the adoption of tax-effect accounting

Statutory effective rate	30.6%
(Reconciliation items)	
Entertainment expenses and others that are permanently non-deductible	(2.0%)
Dividends and others that are permanently excluded	(10.2%)
Foreign withholding tax	1.1%
Per capita inhabitant's tax	0.5%
Tax credit for salary increase	(0.7%)
Increase/decrease in valuation reserve	0.3%
Other	<u>(0.2%)</u>
Effective income tax rate after the adoption of tax-effect accounting	<u>19.4%</u>

C. Change in corporate tax rates after the fiscal year-end

With the enactment of the Law to Amend Part of the Income Tax Act (Law No. 13 of 2025) passed by the Diet on March 31, 2025, the Special Defense Corporate Tax will be levied starting from business years commencing on or after April 1, 2026.

As a result, the deferred tax assets and deferred tax liabilities related to temporary differences expected to be resolved in business years starting on or after April 1, 2026, have been calculated using the statutory effective tax rate of 31.5%, which is an increase from the previous rate of 30.6%. The impact of this tax rate change is negligible.

9. Notes on Transactions with Related Parties

Type	Company Name	Percentage of Ownership of Voting Rights, etc. (%)	Relationship with Related Parties	Transaction Details	Transaction Amounts (Million yen)	Item	Balance as of the end of fiscal year (Million yen)
Subsidiary	SANSHIN ELECTRONICS (HONG KONG) CO., LTD.	100% directly owned	Mutual supply of some products of the Company and the relevant companies	Sales of products	20,239	Accounts receivable –trade	1,282
Subsidiary	SANSHIN ELECTRONICS SINGAPORE (PTE) LTD.	100% directly owned	Mutual supply of some products of the Company and the relevant companies	Sales of products	5,512	Accounts receivable –trade	713
Subsidiary	TAIWAN SANSHIN ELECTRONICS CO., LTD.	100% directly owned	Mutual supply of some products of the Company and the relevant companies	Sales of products	27,460	Accounts receivable –trade	5,441
				Purchase of products	10,989	Accounts payable	1,258
				Loan guarantees (Note 2)	5,017	—	—

- Notes: 1. Prices and other terms and conditions are determined through price negotiations, with consideration given to prevailing market conditions.
2. The Company provides loan guarantees for bank borrowings of TAIWAN SANSHIN ELECTRONICS CO., LTD.

10. Notes on Per Share Information

- A. Net assets per share ¥1,788.20
B. Net profit per share ¥257.42

Note: Shares of the Company which are owned by a trust in connection with the Performance-Based Stock Compensation Plan for Directors (excluding Directors who are Audit & Supervisory Committee members and External Directors) and which are recorded as treasury stock in shareholders' equity are included in the shares of treasury stock that are excluded from the total number of shares outstanding at the end of term for calculation of net assets per share (current fiscal year: 123,000 shares), and also are included in treasury stock excluded in the calculation of amount of average stock during the term for calculation of net profit per share (current fiscal year: 133,000 shares).

11. Notes Related to Revenue Recognition

(Information that is the basis for understanding revenue generated from contracts with customers)
The information that is the basis for understanding revenue generated from contracts with customers is omitted because the same content is listed in “Notes to Consolidated Financial Statements – Notes on Revenue Recognition.”

12. Additional Information

(Performance-Based Stock Compensation Plan for Directors)
The Company has implemented a Performance-Based Stock Compensation Plan for Directors (excluding Directors who are Audit & Supervisory Committee members and External Directors). Details are listed in “Notes to Consolidated Financial Statements – Additional Information.”

(Transfer of Non-Current Assets)

Descriptions are omitted because the same information is included in the “Notes to Consolidated Financial Statements – Additional Information (Transfer of Non-Current Assets).”