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November 7, 2022

Summary of Financial Results for the First Half of the Fiscal Year
Ending March 31, 2023
(Six Months Ended September 30, 2022)
[Japan Standards] (Consolidated)

Name of Listed Company: Sanshin Electronics Co., Ltd. Stock Exchange Listed: Prime Market, Tokyo
Code No.: 8150 URL: <http://www.sanshin.co.jp>
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Scheduled date of filing of Quarterly Report: November 8, 2022
Scheduled date of dividend payment: December 1, 2022
Supplementary materials for the quarterly financial results: Yes
Investor conference for the quarterly financial results: Yes (for securities analysts and institutional investors)

(Amounts are rounded down to the nearest million yen)

1. Consolidated Business Performance for the First Half of March 2023 Term (April 1, 2022 – September 30, 2022)

(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 2023 Term	82,994	45.5	4,247	215.5	2,934	155.8	2,160	173.7
2Q March 2022 Term	57,047	5.7	1,346	140.9	1,147	139.3	789	115.0

(Note) Comprehensive income 2Q March 2023 Term: 4,638 million yen (386.0%); 2Q March 2022 Term: 954 million yen (237.5%)

	Net profit per share	Diluted net profit per share
	Yen	Yen
2Q March 2023 Term	177.30	—
2Q March 2022 Term	45.61	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
2Q March 2023 Term	96,217	34,472	35.8
March 2022 Term	72,809	30,683	42.1

(Reference) Shareholders' equity 2Q March 2023 Term: 34,405 million yen; March 2022 Term: 30,630 million yen

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
March 2022 Term	—	30.00	—	70.00	100.00
March 2023 Term	—	30.00			
March 2023 Term (forecast)			—	105.00	135.00

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

2. Breakdown of 2Q-end dividends for March 2022 term: Ordinary dividend 10.00 yen, Commemorative dividend 20.00 yen (dividend to commemorate 70th anniversary of founding)

3. Forecasts for Consolidated Business Performance for March 2023 Term (April 1, 2022 – March 31, 2023)

(% 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	155,600	25.9	6,200	47.3	4,500	26.4	3,300	30.7	270.66

(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 2023 Term: 16,281,373 shares March 2022 Term: 16,281,373 shares

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

2Q March 2023 Term: 4,088,899 shares March 2022 Term: 4,097,789 shares

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

2Q March 2023 Term: 12,185,566 shares 2Q March 2022 Term: 17,309,495 shares

(Note) The amount of treasury stock at the end of the term includes Company stock (2Q March 2023 term: 123,800 shares, March 2022 term: 132,800 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 2023 term: 130,784 shares, 2Q March 2022 term: 132,800 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-half period under review, when looking at the global economy, the normalization of economic activities progressed under the premise of coexisting with COVID-19. However, the future remained uncertain due to the risk of economic decline caused by factors such as rising prices for commodities throughout the world, rising raw materials prices in conjunction with the Russian invasion of Ukraine, and tightening of monetary policy in each country. In the electronics industry, which is the primary area of business of the Sanshin Electronics Group, tight supply and demand for items such as semiconductors and electronic components persisted, impacting the manufacturing of automobiles, electronic devices, and other products that incorporate those semiconductors and components. Also, in the domestic ICT industry, there was a shift to the cloud in systems and spread of subscription models based on heightened needs for promoting DX (Digital Transformation).

Against this background, the Group worked to increase profitability by reforming our business structure and to expand our business in growth markets. Specifically, in the device business, we worked to expand our existing businesses and establish a new profit structure. In the solution business, we strove to grow the business based on service provision, expand our digital technology, and expand our customer platform.

As a result, business performance in the consolidated first half-period under review was as follows. Net sales were ¥82,994 million (up 45.5% year-on-year), operating profit was ¥4,247 million (up 215.5% year-on-year), and ordinary profit was ¥2,934 million (up 155.8% year-on-year). Net profit attributable to shareholders of parent company was ¥2,160 million (up 173.7% year-on-year).

In regard to internal transactions of revenues and expenses between consolidated companies, the parent company's transactions are converted at the exchange rate at the time of the transaction or at the forward exchange rate, and the overseas subsidiary's transactions are converted at the average rate during the period and offset. In the consolidated first half under review, in conjunction with significant weakening of the yen, expenses to be offset significant exceeded the corresponding expenses, which resulted in increased operating profit. However, we adjusted the increased amount as foreign exchange loss on non-operating expenses, and there was no impact on ordinary profit.

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, power semiconductors, LCD driver ICs and memory) and electronic components (including connectors, capacitors and LCD panels). These products are sold mainly to electronics manufacturers. We also provide technical support such as software development and module development.

In the consolidated first-half period under review, in addition to strong sales of electronic components, net sales of semiconductors manufactured overseas increased due to expansion of commercial sales rights and strong sales for home video game consoles. The weakening of the yen in foreign exchange markets was another driving factor. As a result, net sales were ¥77,752 million (up 50.0% year-on-year). Segment profit was ¥2,658 million (up 216.4% year-on-year) due to increased revenue, despite an increase in selling, general and administrative expenses.

Solution segment

In the solution business segment, we provide one-stop services spanning from design and construction to operation and maintenance of network devices and security products that utilize ICT in accordance with our customers' environments. In addition, we provide Line-of-Business systems such as sales and production management, and applications such as personnel, payroll, and accounting in various formats ranging from on premise to the cloud.

In the consolidated first half under review, despite strong performance in the embedded systems field and

image systems field, overall sales decreased due to factors such as the impact of later delivery of products caused by the tight supply and demand for semiconductors that has continued from the fiscal year ended March 31, 2022 in other fields. As a result, net sales were ¥5,242 million (up 0.9% year-on-year). Furthermore, segment profit was ¥275 million (down 10.2% year-on-year) due to an increase in selling, general and administrative expenses.

(2) Explanation of Financial Position

(Assets)

As of September 30, 2022, assets increased ¥23,408 million compared with March 31, 2022, to ¥96,217 million. This was mainly attributable to a ¥12,868 million increase in notes and accounts receivable–trade and a ¥9,382 million increase in merchandise inventories.

(Liabilities)

As of September 30, 2022, liabilities increased ¥19,619 million compared with March 31, 2022, to ¥61,744 million. This was mainly attributable to a ¥13,362 million increase in short-term loans payable and a ¥5,681 million increase in notes and accounts payable–trade.

(Net Assets)

As of September 30, 2022, net assets increased ¥3,788 million compared with March 31, 2022, to ¥34,472 million. This was mainly attributable to a ¥2,510 million increase in foreign currency translation adjustment and a ¥1,298 million increase in retained earnings.

(Cash Flows)

As of September 30, 2022, cash and cash equivalents decreased ¥2,306 million compared with March 31, 2022, to ¥7,001 million. This was due to expenses caused by factors such as an increase in notes and accounts receivable–trade and an increase in inventories, which exceeded income from sources such as short-term loans payable.

(Operating activities)

Net cash used in operating activities during the consolidated first-half period under review totaled ¥12,658 million. This was due to expenses caused by factors such as an increase in notes and accounts receivable–trade and an increase in inventories, which exceeded income from sources such as an increase in notes and accounts payable–trade. Compared to the previous consolidated first-half period, this represented an expense increase of ¥11,029 million.

(Investing activities)

Net cash provided by investing activities during the consolidated first-half period under review totaled ¥25 million. This was due to income from sources such as sales of investment securities, which exceeded expenses caused by factors such as purchase of property and equipment. Since the figure for the previous consolidated first-half period was an expense of ¥35 million, this represented an income rise of ¥61 million.

(Financing activities)

Net cash provided by financing activities during the consolidated first-half period under review totaled ¥10,052 million. This was due to income as the result of factors such as an increase in short-term loans payable, which exceeded expenses caused by factors such as cash dividends paid. Since the figure for the previous consolidated first-half period was an expense of ¥14,823 million, this represented an income rise of ¥24,875 million.

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

From the third quarter onwards, in the device business, we expect that some of the projects (including those that had been handled for a limited period of time) that had been driving performance due to the tight supply and demand of semiconductors, etc., will come to an end. In the solution business, we have concerns about delivery delays for some products such as servers and communication equipment due to tight supply and demand.

However, based on the progress of performance in the consolidated first half under review, current conditions, and our evaluation of the degree of impact due to foreign exchange, the situation in Ukraine, etc., we decided to revise upward the initial forecast (announced on May 20, 2022) for business performance in the fiscal year ending March 31, 2023 to the figures shown below.

In regards to the forecasted figure for dividend per share, since we revised upward the forecast for net profit attributable to shareholders of parent company in the fiscal year ending March 31, 2023, we have decided to revise upward the year-end dividend forecast to the figure shown below, based on the Company's basic dividend policy. For details, please refer to "Notice Regarding Discrepancies in Forecast of First Half Business Results and Actual Results, Revision of Forecast of Full-Term Business Results, and Revision of Dividend Forecast" that was published today.

(Forecasts for Consolidated Business Performance for March 2023 Term)

Net sales	¥155,600 million	(up 25.9% year-on-year)
Operating profit	¥6,200 million	(up 47.3% year-on-year)
Ordinary profit	¥4,500 million	(up 26.3% year-on-year)
Net profit attributable to shareholders of parent company	¥3,300 million	(up 30.7% year-on-year)
Year-end dividend	¥105 per share	(annual dividend ¥135 per share including the interim dividend)

2. Quarterly Consolidated Financial Statements and Main Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	March 2022 Term (As of Mar. 31, 2022)	2Q March 2023 Term (As of Sept. 30, 2022)
Assets		
Current assets		
Cash and deposits	9,307	7,001
Notes and accounts receivable–trade, and contract assets	34,908	47,839
Electronically recorded monetary claims	957	894
Merchandise inventories	19,732	29,114
Partly-finished work	0	40
Others	1,583	5,063
Allowance for doubtful accounts	(29)	(43)
Total current assets	66,459	89,910
Non-current assets		
Property and equipment	2,652	2,615
Intangible assets	461	422
Investments and other assets		
Others	3,282	3,323
Allowance for doubtful accounts	(47)	(53)
Total investments and other assets	3,235	3,269
Total non-current assets	6,349	6,307
Total assets	72,809	96,217
Liabilities		
Current liabilities		
Notes and accounts payable–trade	14,455	20,136
Short-term loans payable	24,426	37,788
Accrued corporate tax, etc.	602	867
Allowance	653	557
Others	1,492	1,948
Total current liabilities	41,630	61,299
Non-current liabilities		
Net defined benefit liabilities	158	146
Others	335	299
Total non-current liabilities	494	445
Total liabilities	42,125	61,744

(Million yen)

	March 2022 Term (As of Mar. 31, 2022)	2Q March 2023 Term (As of Sept. 30, 2022)
Net assets		
Shareholders' equity		
Capital stock	14,811	14,811
Retained earnings	22,654	23,953
Treasury stock	(8,773)	(8,760)
Total shareholders' equity	28,692	30,003
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	567	575
Deferred hedge gains (losses)	(117)	(160)
Foreign currency translation adjustment	1,512	4,022
Remeasurements of defined benefit plans	(23)	(35)
Total accumulated other comprehensive income	1,937	4,401
Non-controlling interests	53	67
Total net assets	30,683	34,472
Total liabilities and net assets	72,809	96,217

(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 2022 Term (Apr. 1, 2021 - Sept. 30, 2021)	2Q March 2023 Term (Apr. 1, 2022 - Sept. 30, 2022)
Net sales	57,047	82,994
Cost of sales	51,279	73,826
Gross profit on sales	5,767	9,168
Selling, general and administrative expenses	4,421	4,920
Operating profit	1,346	4,247
Non-operating profit		
Interest income	9	12
Dividend income	25	23
Others	47	45
Total non-operating profit	82	81
Non-operating expenses		
Interest expenses	52	208
Sales discounts	5	9
Commission for purchase of treasury stock	21	-
Foreign exchange losses	169	1,161
Others	33	15
Total non-operating expenses	281	1,395
Ordinary profit	1,147	2,934
Extraordinary profits		
Gain on sales of investment securities	0	31
Total extraordinary profits	0	31
Extraordinary losses		
Loss on retirement of non-current assets	0	0
Loss on sales of investment securities	-	1
Total extraordinary losses	0	1
Net profit before tax and other adjustments	1,147	2,963
Corporate, resident and enterprise taxes	231	816
Adjustment for corporate tax, etc.	132	(26)
Total corporate taxes	363	789
Net profit	783	2,174
Net profit (loss) attributable to non-controlling interests	(5)	13
Net profit attributable to shareholders of parent company	789	2,160

(Quarterly Consolidated Comprehensive Income Statement of the First Half)

	2Q March 2022 Term (Apr. 1, 2021 - Sept. 30, 2021)	2Q March 2023 Term (Apr. 1, 2022 - Sept. 30, 2022)
Net profit	783	2,174
Other comprehensive income		
Valuation difference on available-for-sale securities	(57)	7
Deferred hedge gains (losses)	94	(42)
Foreign currency translation adjustment	132	2,510
Remeasurements of defined benefit plans, net of tax	0	(11)
Total other comprehensive income	170	2,464
Comprehensive income	954	4,638
(Details)		
Comprehensive income attributable to shareholders of parental company	959	4,624
Comprehensive income attributable to non-controlling interests	(5)	13

(3) Statement of Quarterly Cash Flows

(Million yen)

	2Q March 2022 Term (Apr. 1, 2021 - Sept. 30, 2021)	2Q March 2023 Term (Apr. 1, 2022 - Sept. 30, 2022)
Operating activities		
Net profit before tax and other adjustments	1,147	2,963
Depreciation and amortization	118	150
Amortization of goodwill	13	13
Increase (decrease) in allowance for doubtful accounts	12	7
Increase (decrease) in allowance for stock compensation	(3)	(2)
Increase (decrease) in net defined benefit liabilities	(22)	(37)
Interest and dividend income	(34)	(36)
Interest expenses	52	208
Loss (gain) on sales of investment securities	(0)	(29)
Decrease (increase) in notes and accounts receivable—trade	(2,405)	(7,693)
Decrease (increase) in inventories	(2,057)	(7,487)
Increase (decrease) in notes and accounts payable—trade	542	3,187
Decrease (increase) in consumption taxes refund receivable	1,762	(3,147)
Increase (decrease) in accrued consumption taxes	(20)	9
Others	(489)	9
Subtotal	(1,385)	(11,882)
Interest and dividend income received	38	39
Interest expenses paid	(51)	(208)
Income taxes (paid) refund	(229)	(606)
Net cash used in operating activities	(1,628)	(12,658)
Investing activities		
Purchase of property and equipment	(21)	(27)
Purchase of software	(15)	(18)
Purchase of investment securities	(0)	(0)
Proceeds from sales of investment securities	1	72
Others	0	(1)
Net cash provided by (used in) investing activities	(35)	25
Financing activities		
Net increase (decrease) in short-term loans payable	1,575	10,954
Repayments of lease obligations	(38)	(44)
Net decrease (increase) in treasury stock	(15,743)	(0)
Cash dividends paid	(616)	(856)
Net cash provided by (used in) financing activities	(14,823)	10,052
Effect of exchange rate change on cash and cash equivalents	(18)	273
Net increase (decrease) in cash and cash equivalents	(16,505)	(2,306)
Balance of cash and cash equivalents, beginning of the period	25,544	9,307
Balance of cash and cash equivalents, end of the period	9,038	7,001

(4) Notes on Quarterly Consolidated Financial Statements

(Notes Regarding Going Concern)

None.

(Notes Regarding Remarkable Change of Shareholders' Equity)

None.

(Segment Information and Other)

[Segment Information]

I. Six months ended September 30, 2021 (Apr. 1, 2021 - Sept. 30, 2021)

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	51,851	5,196	57,047
Inter-segment sales or transfers	—	—	—
Total	51,851	5,196	57,047
Segment profit	840	306	1,147

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

II. Six months ended September 30, 2022 (Apr. 1, 2022 - Sept. 30, 2022)

1. 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	77,752	5,242	82,994
Inter-segment sales or transfers	—	—	—
Total	77,752	5,242	82,994
Segment profit	2,658	275	2,934

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