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August 4, 2023

**Summary of Financial Results for the First Quarter of the Fiscal Year
Ending March 31, 2024
(Three Months Ended June 30, 2023)
[Japan Standards] (Consolidated)**

Name of Listed Company: Sanshin Electronics Co., Ltd. Stock Exchange Listed: Prime Market, Tokyo
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Manager of Finance & Accounting Division
Scheduled date of filing of Quarterly Report: August 7, 2023
Scheduled date of dividend payment: —
Supplementary materials for the quarterly financial results: None
Investor conference for the quarterly financial results: None

(Amounts are rounded down to the nearest million yen)

**1. Consolidated Business Performance for the First Quarter of March 2024 Term
(April 1, 2023 – June 30, 2023)**

(1) Consolidated business performance (cumulative)

(% figures represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Net profit attributable to shareholders of parent company	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
1Q March 2024 Term	32,999	(7.5)	977	(49.9)	552	(52.6)	182	(76.1)
1Q March 2023 Term	35,675	45.5	1,953	322.9	1,165	249.6	766	290.4

(Note) Comprehensive income 1Q March 2024 Term: 1,898 million yen (-19.9%) 1Q March 2023 Term: 2,369 million yen (901.8%)

	Net profit per share	Diluted net profit per share
	Yen	Yen
1Q March 2024 Term	15.00	—
1Q March 2023 Term	62.92	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
1Q March 2024 Term	83,120	34,854	41.9
March 2023 Term	78,601	34,252	43.5

(Reference) Shareholders' equity 1Q March 2024 Term: 34,787 million yen March 2023 Term: 34,183 million yen

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
March 2023 Term	—	30.00	—	105.00	135.00
March 2024 Term	—				
March 2024 Term (forecast)		35.00	—	65.00	100.00

(Note) Revision of most recent forecast on dividends: None

3. Forecasts for Consolidated Business Performance for March 2024 Term (April 1, 2023 – March 31, 2024)

(% figures represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Net profit attributable to shareholders of parent company		Net profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	73,600	(11.3)	1,700	(60.0)	1,260	(57.1)	930	(57.0)	76.28
Full year	157,000	(2.5)	4,400	(35.7)	3,500	(36.5)	2,600	(32.2)	213.25

(Note) Revision of most recent forecast on earnings: None

* Annotations

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

Newly added: — Excluded: —

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

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

1) Change of accounting principles caused by revision of accounting standards: None

2) Change of accounting principles other than 1): None

3) Change of accounting estimate: None

4) Redisplay after revision: None

(4) Number of shares outstanding (ordinary shares)

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

1Q March 2024 Term: 16,281,373 shares March 2023 Term: 16,281,373 shares

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

1Q March 2024 Term: 4,089,077 shares March 2023 Term: 4,089,037 shares

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

1Q March 2024 Term: 12,192,317 shares 1Q March 2023 Term: 12,183,569 shares

(Note) The amount of treasury stock at the end of the term includes Company stock (1Q March 2024 term: 162,400 shares, March 2023 term: 162,400 shares) possessed in a trust related to the Performance-Based Stock Compensation Plan for Directors (with the exception of External Directors). Also, Company stock held in the trust is included in treasury stock to be deducted in the calculation of the amount of average stock during the term (1Q March 2024 term: 162,400 shares, 1Q March 2023 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 quarter under review, when looking at the global economy, the normalization of socioeconomic activities progressed following the COVID-19 pandemic. However, the future remained uncertain due to the continued strong risk of economic decline caused by factors such as the rising prices of goods on a global scale and the resulting monetary tightening in various countries, as well as heightened geopolitical risk.

In the electronics industry, which is the primary area of business of the Sanshin Electronics Group, adjustment began for the tight supply and demand which had persisted for items such as semiconductors and electronic components. On the other hand, in the domestic ICT industry, the IT services market trended firmly against a background of factors such as renewals and a shift to the cloud in existing corporate systems, and the promotion of 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 quarter under review was as follows: Net sales were ¥32,999 million (down 7.5% year-on-year), operating profit was ¥977 million (down 49.9% year-on-year), ordinary profit was ¥552 million (down 52.6% year-on-year), and net profit attributable to shareholders of parent company was ¥182 million (down 76.1% 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, 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 quarter under review, sales decreased year-on-year despite trending firmly in relation to the beginning plan. Profits were impacted by the loss of some highly-profitable projects and an increase in non-operating expenses such as interest expenses.

As a result, net sales were ¥30,271 million (down 9.8% year-on-year) and segment profit was ¥536 million (down 55.5% year-on-year).

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 quarter under review, when compared to the same period of the previous fiscal year, in which there were serious procurement difficulties for servers and communications equipment due to tight supply and demand for semiconductors, etc., there were signs of overall recovery with a focus on business related to information and communication networks for companies.

As a result, net sales were ¥2,727 million (up 29.2% year-on-year) and segment profit was ¥16 million (compared to segment loss of ¥39 million yen in the same period of the previous fiscal year). In the solution business, net sales tend to be concentrated in the second quarter and fourth quarter.

(2) Explanation of Financial Position

(Assets)

As of June 30, 2023, assets increased ¥4,518 million compared with March 31, 2023, to ¥83,120 million. This was mainly attributable to a ¥2,146 million increase in notes and accounts receivable–trade and a ¥2,757 million increase in merchandise inventories.

(Liabilities)

As of June 30, 2023, liabilities increased ¥3,917 million compared with March 31, 2023, to ¥48,265 million. This was mainly attributable to a ¥1,343 million increase in notes and accounts payable–trade and a ¥2,381 million increase in short-term loans payable.

(Net Assets)

As of June 30, 2023, net assets increased ¥601 million compared with March 31, 2023, to ¥34,854 million. This was mainly attributable to a ¥1,764 million increase in foreign currency translation adjustment and a ¥1,114 million decrease in retained earnings.

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

In regard to the forecasts for consolidated business performance and dividends in the full-year and first half of the fiscal year ending March 31, 2024, we have not revised the forecast figures set forth in the Summary of Financial Results for Fiscal Year Ended March 31, 2023 released on May 11, 2023.

2. Quarterly Consolidated Financial Statements and Main Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	March 2023 Term (As of Mar. 31, 2023)	1Q March 2024 Term (As of Jun. 30, 2023)
Assets		
Current assets		
Cash and deposits	8,893	7,379
Notes and accounts receivable–trade, and contract assets	35,779	36,539
Electronically recorded monetary claims	1,485	2,872
Merchandise inventories	25,002	27,759
Partly-finished work	0	16
Others	1,443	2,411
Allowance for doubtful accounts	(32)	(37)
Total current assets	72,572	76,942
Non-current assets		
Property and equipment	2,617	2,632
Intangible assets	358	338
Investments and other assets		
Others	3,103	3,251
Allowance for doubtful accounts	(50)	(44)
Total investments and other assets	3,053	3,206
Total non-current assets	6,029	6,177
Total assets	78,601	83,120
Liabilities		
Current liabilities		
Notes and accounts payable–trade	13,858	15,202
Short-term loans payable	26,828	29,209
Accrued corporate tax, etc.	958	611
Allowance	637	260
Others	1,428	2,327
Total current liabilities	43,712	47,611
Non-current liabilities		
Net defined benefit liabilities	281	274
Others	354	379
Total non-current liabilities	636	654
Total liabilities	44,348	48,265

(Million yen)

	March 2023 Term (As of Mar. 31, 2023)	1Q March 2024 Term (As of Jun. 30, 2023)
Net assets		
Shareholders' equity		
Capital stock	14,811	14,811
Capital surplus	16	16
Retained earnings	25,255	24,141
Treasury stock	(8,777)	(8,777)
Total shareholders' equity	31,305	30,191
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	568	716
Deferred hedge gains (losses)	44	(150)
Foreign currency translation adjustment	2,424	4,189
Remeasurements of defined benefit plans	(160)	(159)
Total accumulated other comprehensive income	2,877	4,596
Non-controlling interests	69	66
Total net assets	34,252	34,854
Total liabilities and net assets	78,601	83,120

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

(Million yen)

	1Q March 2023 Term (Apr. 1, 2022 – Jun. 30, 2022)	1Q March 2024 Term (Apr. 1, 2023 – Jun. 30, 2023)
Net sales	35,675	32,999
Cost of sales	31,361	29,628
Gross profit on sales	4,314	3,370
Selling, general and administrative expenses	2,361	2,393
Operating profit	1,953	977
Non-operating profit		
Interest income	5	26
Dividend income	15	15
Others	16	12
Total non-operating profit	38	55
Non-operating expenses		
Interest expenses	58	252
Foreign exchange losses	757	222
Others	9	5
Total non-operating expenses	826	480
Ordinary profit	1,165	552
Extraordinary profits		
Gain on sales of investment securities	0	—
Total extraordinary profits	0	—
Extraordinary losses		
Loss on retirement of non-current assets	0	—
Loss on sales of investment securities	0	—
Total extraordinary losses	0	—
Net profit before tax and other adjustments	1,165	552
Corporate, resident and enterprise taxes	340	276
Adjustment for corporate tax, etc.	52	96
Total corporate taxes	392	372
Net profit	773	179
Net profit (loss) attributable to non-controlling interests	6	(3)
Net profit attributable to shareholders of parent company	766	182

(Quarterly Consolidated Comprehensive Income Statement of the First Quarter)

	1Q March 2023 Term (Apr. 1, 2022 – Jun. 30, 2022)	1Q March 2024 Term (Apr. 1, 2023 – Jun. 30, 2023)
Net profit	773	179
Other comprehensive income		
Valuation difference on available-for-sale securities	1	147
Deferred hedge gains (losses)	(49)	(195)
Foreign currency translation adjustment	1,649	1,764
Remeasurements of defined benefit plans, net of tax	(5)	1
Total other comprehensive income	1,596	1,718
Comprehensive income	2,369	1,898
(Details)		
Comprehensive income attributable to shareholders of parental company	2,362	1,901
Comprehensive income attributable to non-controlling interests	6	(3)

(3) 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. Three months ended June 30, 2022 (Apr. 1, 2022 - Jun. 30, 2022)

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	33,565	2,110	35,675
Inter-segment sales or transfers	—	—	—
Total	33,565	2,110	35,675
Segment profit (loss)	1,205	(39)	1,165

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

II. Three months ended June 30, 2023 (Apr. 1, 2023 - Jun. 30, 2023)

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	30,271	2,727	32,999
Inter-segment sales or transfers	—	—	—
Total	30,271	2,727	32,999
Segment profit	536	16	552

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