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November 6, 2023

Summary of Financial Results for the First Half of the Fiscal Year
Ending March 31, 2024
(Six Months Ended September 30, 2023)
[Japan Standards] (Consolidated)

Name of Listed Company: Sanshin Electronics Co., Ltd. Stock Exchange Listed: Prime Market, Tokyo
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Scheduled date of filing of Quarterly Report: November 7, 2023
Scheduled date of dividend payment: December 1, 2023
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 2024 Term (April 1, 2023 – September 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	%
2Q March 2024 Term	74,311	(10.5)	2,837	(33.2)	1,877	(36.0)	1,291	(40.2)
2Q March 2023 Term	82,994	45.5	4,247	215.5	2,934	155.8	2,160	173.7

(Note) Comprehensive income 2Q March 2024 Term: 3,759 million yen (-18.9%); 2Q March 2023 Term: 4,638 million yen (386.0%)

	Net profit per share	Diluted net profit per share
	Yen	Yen
2Q March 2024 Term	105.87	—
2Q March 2023 Term	177.30	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
2Q March 2024 Term	89,943	36,733	40.8
March 2023 Term	78,601	34,252	43.5

(Reference) Shareholders' equity 2Q March 2024 Term: 36,653 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	—	35.00			
March 2024 Term (forecast)			—	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
Full year	157,000	(2.5)	4,400	(35.7)	3,500	(36.5)	2,600	(32.2)	213.05

(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):

2Q March 2024 Term: 16,281,373 shares March 2023 Term: 16,281,373 shares

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

2Q March 2024 Term: 4,077,931 shares March 2023 Term: 4,089,037 shares

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

2Q March 2024 Term: 12,194,798 shares 2Q March 2023 Term: 12,185,566 shares

(Note) The amount of treasury stock at the end of the term includes Company stock (2Q March 2024 term: 151,200 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 (2Q March 2024 term: 159,891 shares, 2Q March 2023 term: 130,784 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, the future for the global economy remained uncertain. Against a background of rising commodity prices, risk of economic downturn deepened as tightening of monetary policy persisted in each country and geopolitical risk intensified.

The electronics industry, which is the primary area of business of the Sanshin Electronics Group, continued to confront inventory adjustment as a recovery in demand for items such as semiconductors and electronic components stalled. In contrast, 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 half-period under review was as follows. Net sales were ¥74,311 million (down 10.5% year-on-year), operating profit was ¥2,837 million (down 33.2% year-on-year), ordinary profit was ¥1,877 million (down 36.0% year-on-year), and net profit attributable to shareholders of parent company was ¥1,291 million (down 40.2% 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. During the consolidated first half-period under review, due to the weaker yen, operating profit increased because the offsetting expenses greatly exceeded the corresponding revenues. However, the same amount has been adjusted as a foreign exchange loss in non-operating expenses. Hence, there is no impact on the 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, sales decreased year-on-year despite trending favorably 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 ¥67,691 million (down 12.9% year-on-year) and segment profit was ¥1,317 million (down 50.4% 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-half period 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 was a trend of overall recovery with a focus on business related to information and communication networks for companies.

As a result, net sales were ¥6,619 million (up 26.3% year-on-year) and segment profit was ¥559 million (up 103.2% year-on-year).

(2) Explanation of Financial Position

(Assets)

As of September 30, 2023, assets increased ¥11,341 million compared with March 31, 2023, to ¥89,943 million. This was mainly attributable to an ¥8,216 million increase in notes and accounts receivable–trade and a ¥2,510 million increase in merchandise inventories.

(Liabilities)

As of September 30, 2023, liabilities increased ¥8,860 million compared with March 31, 2023, to ¥53,209 million. This was mainly attributable to a ¥3,098 million increase in notes and accounts payable–trade and a ¥5,771 million increase in short-term loans payable.

(Net Assets)

As of September 30, 2023, net assets increased ¥2,481 million compared with March 31, 2023, to ¥36,733 million. This was mainly attributable to a ¥2,396 million increase in foreign currency translation adjustment.

(Cash Flows)

As of September 30, 2023, cash and cash equivalents decreased ¥1,903 million compared with March 31, 2023, to ¥6,989 million. This was due to expenses caused by factors such as an increase in notes and accounts receivable–trade, 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 ¥5,049 million. This was due to expenses caused by factors such as an increase in notes and accounts receivable–trade, which exceeded income from sources such as appropriation of net profit before tax and other adjustments and increase in notes and accounts payable–trade. Compared to the previous consolidated first-half period, this represented an expense decrease of ¥7,609 million.

(Investing activities)

Net cash provided by investing activities during the consolidated first-half period under review totaled ¥45 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 and purchase of software. Compared to the previous consolidated first-half period, this represented an income rise of ¥19 million.

(Financing activities)

Net cash provided by financing activities during the consolidated first-half period under review totaled ¥2,835 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. Compared to the previous consolidated first-half period, this represented an income decrease of ¥7,217 million.

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

Business results were favorable in the consolidated first-half period under review, exceeding the original forecast announced on May 11, 2023. Also, greater-than-projected depreciation of the Japanese yen is providing a tailwind for Group business results. However, a key factor in the favorable business results of the consolidated first-half period was anticipation of projects brought forward from original plans. Moreover, prospects for the semiconductor market remain uncertain. It is impossible to assess sufficiently at this time the degree of impact these factors will have on business results. Accordingly, consolidated business performance and year-end dividends for March 2024 term remain unchanged from the forecast figures announced on May 11, 2023. The Group will monitor conditions closely and will disclose any results requiring disclosure as soon as it makes such determination.

(Forecasts for Consolidated Business Performance for March 2024 Term)

Net sales	¥157,000 million	(down 2.5% year-on-year)
Operating profit	¥4,400 million	(down 35.7% year-on-year)
Ordinary profit	¥3,500 million	(down 36.5% year-on-year)
Net profit attributable to shareholders of parent company	¥2,600 million	(down 32.2% year-on-year)
Year-end dividend	¥65 per share	(annual dividend ¥100 per share including the interim dividend)

2. Quarterly Consolidated Financial Statements and Main Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	March 2023 Term (As of Mar. 31, 2023)	2Q March 2024 Term (As of Sept. 30, 2023)
Assets		
Current assets		
Cash and deposits	8,893	6,989
Notes and accounts receivable–trade, and contract assets	35,779	43,898
Electronically recorded monetary claims	1,485	1,583
Merchandise inventories	25,002	27,513
Partly-finished work	0	33
Others	1,443	3,758
Allowance for doubtful accounts	(32)	(40)
Total current assets	72,572	83,736
Non-current assets		
Property and equipment	2,617	2,617
Intangible assets	358	342
Investments and other assets		
Others	3,103	3,304
Allowance for doubtful accounts	(50)	(57)
Total investments and other assets	3,053	3,247
Total non-current assets	6,029	6,206
Total assets	78,601	89,943
Liabilities		
Current liabilities		
Notes and accounts payable–trade	13,858	16,956
Short-term loans payable	26,828	32,599
Accrued corporate tax, etc.	958	498
Allowance	637	530
Others	1,428	1,988
Total current liabilities	43,712	52,574
Non-current liabilities		
Net defined benefit liabilities	281	274
Others	354	360
Total non-current liabilities	636	635
Total liabilities	44,348	53,209

(Million yen)

	March 2023 Term (As of Mar. 31, 2023)	2Q March 2024 Term (As of Sept. 30, 2023)
Net assets		
Shareholders' equity		
Capital stock	14,811	14,811
Capital surplus	16	16
Retained earnings	25,255	25,249
Treasury stock	(8,777)	(8,758)
Total shareholders' equity	31,305	31,318
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	568	803
Deferred hedge gains (losses)	44	(131)
Foreign currency translation adjustment	2,424	4,820
Remeasurements of defined benefit plans	(160)	(157)
Total accumulated other comprehensive income	2,877	5,334
Non-controlling interests	69	80
Total net assets	34,252	36,733
Total liabilities and net assets	78,601	89,943

(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 2023 Term (Apr. 1, 2022 - Sept. 30, 2022)	2Q March 2024 Term (Apr. 1, 2023 - Sept. 30, 2023)
Net sales	82,994	74,311
Cost of sales	73,826	66,579
Gross profit on sales	9,168	7,731
Selling, general and administrative expenses	4,920	4,893
Operating profit	4,247	2,837
Non-operating profit		
Interest income	12	54
Dividend income	23	20
Others	45	47
Total non-operating profit	81	122
Non-operating expenses		
Interest expenses	208	531
Foreign exchange losses	1,161	537
Others	24	13
Total non-operating expenses	1,395	1,082
Ordinary profit	2,934	1,877
Extraordinary profits		
Gain on sales of investment securities	31	14
Total extraordinary profits	31	14
Extraordinary losses		
Loss on retirement of non-current assets	0	0
Loss on sales of investment securities	1	—
Total extraordinary losses	1	0
Net profit before tax and other adjustments	2,963	1,892
Corporate, resident and enterprise taxes	816	551
Adjustment for corporate tax, etc.	(26)	39
Total corporate taxes	789	590
Net profit	2,174	1,302
Net profit attributable to non-controlling interests	13	11
Net profit attributable to shareholders of parent company	2,160	1,291

(Quarterly Consolidated Comprehensive Income Statement of the First Half)

	2Q March 2023 Term (Apr. 1, 2022 - Sept. 30, 2022)	2Q March 2024 Term (Apr. 1, 2023 - Sept. 30, 2023)
Net profit	2,174	1,302
Other comprehensive income		
Valuation difference on available-for-sale securities	7	234
Deferred hedge gains (losses)	(42)	(176)
Foreign currency translation adjustment	2,510	2,396
Remeasurements of defined benefit plans, net of tax	(11)	3
Total other comprehensive income	2,464	2,457
Comprehensive income	4,638	3,759
(Details)		
Comprehensive income attributable to shareholders of parental company	4,624	3,748
Comprehensive income attributable to non-controlling interests	13	11

(3) Statement of Quarterly Cash Flows

(Million yen)

	2Q March 2023 Term (Apr. 1, 2022 - Sept. 30, 2022)	2Q March 2024 Term (Apr. 1, 2023 - Sept. 30, 2023)
Operating activities		
Net profit before tax and other adjustments	2,963	1,892
Depreciation and amortization	150	147
Amortization of goodwill	13	13
Increase (decrease) in allowance for doubtful accounts	7	14
Increase (decrease) in allowance for stock compensation	(2)	5
Increase (decrease) in net defined benefit liabilities	(37)	(11)
Interest and dividend income	(36)	(74)
Interest expenses	208	531
Loss (gain) on sales of investment securities	(29)	(14)
Decrease (increase) in notes and accounts receivable—trade	(7,693)	(4,690)
Decrease (increase) in inventories	(7,487)	(1,086)
Increase (decrease) in notes and accounts payable—trade	3,187	1,468
Decrease (increase) in consumption taxes refund receivable	(3,147)	(2,445)
Increase (decrease) in accrued consumption taxes	9	(10)
Others	9	704
Subtotal	(11,882)	(3,558)
Interest and dividend income received	39	78
Interest expenses paid	(208)	(529)
Income taxes (paid) refund	(606)	(1,039)
Net cash used in operating activities	(12,658)	(5,049)
Investing activities		
Purchase of property and equipment	(27)	(20)
Purchase of software	(18)	(45)
Purchase of investment securities	(0)	—
Proceeds from sales of investment securities	72	113
Others	(1)	(2)
Net cash provided by investing activities	25	45
Financing activities		
Net increase (decrease) in short-term loans payable	10,954	4,170
Repayments of lease obligations	(44)	(45)
Net decrease (increase) in treasury stock	(0)	(0)
Cash dividends paid	(856)	(1,289)
Net cash provided by financing activities	10,052	2,835
Effect of exchange rate change on cash and cash equivalents	273	264
Net increase (decrease) in cash and cash equivalents	(2,306)	(1,903)
Balance of cash and cash equivalents, beginning of the period	9,307	8,893
Balance of cash and cash equivalents, end of the period	7,001	6,989

(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, 2022 (Apr. 1, 2022 - Sept. 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	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.

II. Six months ended September 30, 2023 (Apr. 1, 2023 - Sept. 30, 2023)

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	67,691	6,619	74,311
Inter-segment sales or transfers	—	—	—
Total	67,691	6,619	74,311
Segment profit	1,317	559	1,877

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