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February 5, 2024

Summary of Financial Results for the First Three Quarters of the Fiscal Year
Ending March 31, 2024
(Nine Months Ended December 31, 2023)
[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: February 6, 2024
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 Three Quarters of March 2024 Term
(April 1, 2023 – December 31, 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	%
3Q March 2024 Term	108,351	(14.1)	3,908	(28.8)	2,503	(37.9)	1,754	(41.4)
3Q March 2023 Term	126,082	41.3	5,487	133.2	4,028	107.7	2,994	113.8

(Note) Comprehensive income 3Q March 2024 Term: 3,055 million yen (-22.6%); 3Q March 2023 Term: 3,948 million yen (86.5%)

	Net profit per share	Diluted net profit per share
	Yen	Yen
3Q March 2024 Term	143.85	—
3Q March 2023 Term	245.68	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
3Q March 2024 Term	79,806	35,597	44.5
March 2023 Term	78,601	34,252	43.5

(Reference) Shareholders' equity 3Q March 2024 Term: 35,517 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)	213.06

(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):

3Q March 2024 Term: 16,281,373 shares March 2023 Term: 16,281,373 shares

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

3Q March 2024 Term: 4,077,986 shares March 2023 Term: 4,089,037 shares

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

3Q March 2024 Term: 12,197,686 shares 3Q March 2023 Term: 12,187,870 shares

(Note) The amount of treasury stock at the end of the term includes Company stock (3Q 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 (3Q March 2024 term: 156,983 shares, 3Q March 2023 term: 128,447 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

During the consolidated first three quarters under review, the outlook for the global economy remained uncertain due to a persistent sense of caution regarding an economic downturn caused by factors such as tightening of monetary policy in each country, concern for the economic future of China, and intensifying geopolitical risk.

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 with the aim of improving productivity and increasing business efficiency, 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 three quarters under review was as follows. Net sales were ¥108,351 million (down 14.1% year-on-year), operating profit was ¥3,908 million (down 28.8% year-on-year), ordinary profit was ¥2,503 million (down 37.9% year-on-year), and net profit attributable to shareholders of parent company was ¥1,754 million (down 41.4% 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 three quarters 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 three quarters under review, in addition to a decrease in sales compared to the same period of the previous fiscal year, gross profit decreased due to the loss of some highly-profitable projects, and profit and loss were also impacted by an increase in non-operating expenses such as interest expenses.

As a result, net sales were ¥98,313 million (down 16.8% year-on-year) and segment profit was ¥1,722 million (down 53.7% 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 three quarters under review, there was a trend of overall recovery with a focus on business related to information and communication networks for companies, due in part to a rebound from 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., and also due to high needs for DX promotion at companies.

As a result, net sales were ¥10,038 million (up 27.7% year-on-year) and segment profit was ¥780 million (up 150.6% year-on-year).

(2) Explanation of Financial Position

(Assets)

As of December 31, 2023, assets increased ¥1,204 million compared with March 31, 2023, to ¥79,806 million. This was mainly attributable to a ¥3,774 million increase in consumption taxes receivable, a ¥1,132 million decrease in notes and accounts receivable—trade, and a ¥1,054 million decrease in cash and deposits.

(Liabilities)

As of December 31, 2023, liabilities decreased ¥139 million compared with March 31, 2023, to ¥44,209 million. This was mainly attributable to a ¥3,194 million decrease in notes and accounts payable—trade, a ¥779 million decrease in accrued corporate tax, etc., and a ¥3,543 million increase in short-term loans payable.

(Net Assets)

As of December 31, 2023, net assets increased ¥1,344 million compared with March 31, 2023, to ¥35,597 million. This was mainly attributable to a ¥1,025 million increase in foreign currency translation adjustment and a ¥226 million increase in valuation difference on available-for-sale securities.

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

Consolidated business performance and year-end dividends for March 2024 term remain unchanged from the following forecast figures announced on May 11, 2023.

(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)	3Q March 2024 Term (As of Dec. 31, 2023)
Assets		
Current assets		
Cash and deposits	8,893	7,838
Notes and accounts receivable—trade, and contract assets	35,779	33,963
Electronically recorded monetary claims	1,485	2,169
Merchandise inventories	25,002	24,266
Partly-finished work	0	60
Others	1,443	5,431
Allowance for doubtful accounts	(32)	(30)
Total current assets	72,572	73,699
Non-current assets		
Property and equipment	2,617	2,570
Intangible assets	358	320
Investments and other assets		
Others	3,103	3,270
Allowance for doubtful accounts	(50)	(54)
Total investments and other assets	3,053	3,215
Total non-current assets	6,029	6,106
Total assets	78,601	79,806
Liabilities		
Current liabilities		
Notes and accounts payable—trade	13,858	10,664
Short-term loans payable	26,828	30,372
Accrued corporate tax, etc.	958	179
Allowance	637	291
Others	1,428	1,878
Total current liabilities	43,712	43,384
Non-current liabilities		
Net defined benefit liabilities	281	260
Others	354	563
Total non-current liabilities	636	824
Total liabilities	44,348	44,209

(Million yen)

	March 2023 Term (As of Mar. 31, 2023)	3Q March 2024 Term (As of Dec. 31, 2023)
Net assets		
Shareholders' equity		
Capital stock	14,811	14,811
Capital surplus	16	16
Retained earnings	25,255	25,280
Treasury stock	(8,777)	(8,758)
Total shareholders' equity	31,305	31,349
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	568	795
Deferred hedge gains (losses)	44	79
Foreign currency translation adjustment	2,424	3,449
Remeasurements of defined benefit plans	(160)	(155)
Total accumulated other comprehensive income	2,877	4,168
Non-controlling interests	69	79
Total net assets	34,252	35,597
Total liabilities and net assets	78,601	79,806

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

(Million yen)

	3Q March 2023 Term (Apr. 1, 2022 – Dec. 31, 2022)	3Q March 2024 Term (Apr. 1, 2023 – Dec. 31, 2023)
Net sales	126,082	108,351
Cost of sales	113,103	97,153
Gross profit on sales	12,978	11,197
Selling, general and administrative expenses	7,491	7,289
Operating profit	5,487	3,908
Non-operating profit		
Interest income	20	77
Dividend income	37	33
Others	62	63
Total non-operating profit	119	175
Non-operating expenses		
Interest expenses	488	804
Foreign exchange losses	1,044	754
Others	25	20
Total non-operating expenses	1,578	1,580
Ordinary profit	4,028	2,503
Extraordinary profits		
Gain on sales of non-current assets	0	—
Gain on sales of investment securities	31	14
Total extraordinary profits	31	14
Extraordinary losses		
Loss on retirement of non-current assets	0	1
Loss on sales of investment securities	1	—
Total extraordinary losses	1	1
Net profit before tax and other adjustments	4,058	2,517
Corporate, resident and enterprise taxes	935	570
Adjustment for corporate tax, etc.	116	182
Total corporate taxes	1,051	752
Net profit	3,006	1,764
Net profit attributable to non-controlling interests	12	9
Net profit attributable to shareholders of parent company	2,994	1,754

(Quarterly Consolidated Comprehensive Income Statement of the First Three Quarters)

	3Q March 2023 Term (Apr. 1, 2022 – Dec. 31, 2022)	3Q March 2024 Term (Apr. 1, 2023 – Dec. 31, 2023)
Net profit	3,006	1,764
Other comprehensive income		
Valuation difference on available-for-sale securities	(7)	226
Deferred hedge gains (losses)	361	34
Foreign currency translation adjustment	605	1,025
Remeasurements of defined benefit plans, net of tax	(17)	4
Total other comprehensive income	941	1,290
Comprehensive income	3,948	3,055
(Details)		
Comprehensive income attributable to shareholders of parental company	3,935	3,045
Comprehensive income attributable to non-controlling interests	12	9

(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. Nine months ended December 31, 2022 (Apr. 1, 2022 – Dec. 31, 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	118,220	7,861	126,082
Inter-segment sales or transfers	—	—	—
Total	118,220	7,861	126,082
Segment profit	3,716	311	4,028

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

II. Nine months ended December 31, 2023 (Apr. 1, 2023 – Dec. 31, 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	98,313	10,038	108,351
Inter-segment sales or transfers	—	—	—
Total	98,313	10,038	108,351
Segment profit	1,722	780	2,503

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