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August 5, 2022

**Summary of Financial Results for the First Quarter of the Fiscal Year
Ending March 31, 2023
(Three Months Ended June 30, 2022)
[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 8, 2022
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 2023 Term
(April 1, 2022 – June 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	%
1Q March 2023 Term	35,675	45.5	1,953	322.9	1,165	249.6	766	290.4
1Q March 2022 Term	24,514	12.7	461	—	333	—	196	—

(Note) Comprehensive income 1Q March 2023 Term: 2,369 million yen (901.8%) 1Q March 2022 Term: 236 million yen (—%)

	Net profit per share		Diluted net profit per share	
	Yen		Yen	
1Q March 2023 Term	62.92		—	
1Q March 2022 Term	10.23		—	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
1Q March 2023 Term	84,249	32,191	38.1
March 2022 Term	72,809	30,683	42.1

(Reference) Shareholders' equity 1Q March 2023 Term: 32,130 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	—	—	—	—	—
March 2023 Term (forecast)	—	30.00	—	55.00	85.00

(Notes) 1. Revision of most recent forecast on dividends: None

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
First half	77,000	35.0	3,120	131.8	2,270	97.9	1,660	110.3	136.25
Full year	131,500	6.4	3,030	(28.0)	2,900	(18.6)	2,100	(16.8)	172.36

(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):

1Q March 2023 Term: 16,281,373 shares March 2022 Term: 16,281,373 shares

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

1Q March 2023 Term: 4,097,810 shares March 2022 Term: 4,097,789 shares

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

1Q March 2023 Term: 12,183,569 shares 1Q March 2022 Term: 19,183,878 shares

(Note) The amount of treasury stock at the end of the term includes Company stock (1Q March 2023 term: 132,800 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 (1Q March 2023 term: 132,800 shares, 1Q 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.

Contents of Appendix

1. Qualitative Information Concerning the Current Quarterly Settlement	2
(1) Explanation of Business Results	2
(2) Explanation of Financial Position	3
(3) Explanation of Forecasts for Consolidated Business Performance and Other Future Prospects	3
2. Quarterly Consolidated Financial Statements and Main Notes.....	4
(1) Quarterly Consolidated Balance Sheets	4
(2) Quarterly Consolidated Profit and Loss Statement, Consolidated Comprehensive Income Statement.....	6
(3) Notes on Quarterly Consolidated Financial Statements	8
(Notes Regarding Going Concern)	8
(Notes Regarding Remarkable Change of Shareholders' Equity).....	8
(Segment Information and Other).....	8

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 economic activities progressed mainly in Europe and the United States under the premise of coexisting with COVID-19. However, the future remained uncertain due to factors such as the risk of economic decline due to the worsened and prolonged situation in the Ukraine, rising energy prices, 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 quarter under review was as follows: Net sales were ¥35,675 million (up 45.5% year-on-year) and operating profit was ¥1,953 million (up 322.9% year-on-year). Ordinary profit was ¥1,165 million (up 249.6% year-on-year) due to foreign exchange losses incurred mainly in the elimination of internal transactions with subsidiaries in conjunction with fluctuations in foreign exchange rates. Net profit attributable to shareholders of parent company was ¥766 million (up 290.4% 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, 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. As a result, net sales were ¥33,565 million (up 50.2% year-on-year). Segment profit was ¥1,205 million (up 226.3% 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 quarter under review, overall sales decreased due to 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. As a result, net were ¥2,110 million (down 2.8% year-on-year). Furthermore, segment loss was ¥39 million (compared to segment loss of ¥36 million in the same period of the previous fiscal year) due to a year-on-year increase in selling, general and administrative expenses caused by an increased number of employees. In the solution business, net sales tend to be concentrated in the second quarter and fourth quarter, so we expect the segment to become profitable from the second quarter onward.

(2) Explanation of Financial Position

(Assets)

As of June 30, 2022, assets increased ¥11,440 million compared with March 31, 2022, to ¥84,249 million. This was mainly attributable to a ¥4,961 million increase in notes and accounts receivable–trade and a ¥6,165 million increase in merchandise inventories.

(Liabilities)

As of June 30, 2022, liabilities increased ¥9,932 million compared with March 31, 2022, to ¥52,057 million. This was mainly attributable to a ¥2,301 million increase in notes and accounts payable–trade and a ¥7,482 million increase in short-term loans payable.

(Net Assets)

As of June 30, 2022, net assets increased ¥1,507 million compared with March 31, 2022, to ¥32,191 million. This was mainly attributable to a ¥1,649 million increase in foreign currency translation adjustment.

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

In addition to overall demand for semiconductors, etc., staying at a high level, there were strong sales for home video game consoles, and continuation of some projects which we expected to end in the fiscal year ended March 31, 2022, etc. Therefore, we expect that net sales in the device business segment will exceed the initial forecast. Based on this expectation, we revised the forecast for consolidated business performance in the first half of the fiscal year ending March 31, 2023, which was announced on May 20, 2022, to the following figures. (For details, please refer to the “Notice Regarding Revision of Business Forecast” which was released today.)

In terms of the full-term business performance forecast, we have not completed our investigation on the impact of the abovementioned revisions to the plan from the third quarter onwards, and it is extremely difficult to discern the extent to which economic activities will be affected by the future status of supply and demand for semiconductors, the status of the COVID-19 pandemic, foreign exchange rate fluctuations, and the situation in Ukraine. Therefore, we have decided not to change the figures from the forecast that was announced on May 20, 2022. Moving forward, we will review the figures in the full-term business performance forecast, and plan to announce the results at the time of releasing the Summary of Financial Results for the First Half of the Fiscal Year Ending March 31, 2023 (scheduled for November 7, 2022).

In regards to the forecasted figure for dividend per share, since the Company’s dividend policy (aiming for a consolidated payout ratio of 50%) is linked to net profit attributable to shareholders of parent company, we have decided at the current point in time not to change the figures from the forecast that was announced on May 20, 2022, and plan to announce the forecasted figure for dividend per share together with the full-term business performance forecast discussed above.

Forecast for Consolidated Business Performance in the First Half

Net sales	¥77,000 million (up 35.0% YoY)
Operating profit	¥3,120 million (up 131.8% YoY)
Ordinary profit	¥2,270 million (up 97.9% YoY)
Net profit attributable to shareholders of parent company	¥1,660 million (up 110.3% YoY)

2. Quarterly Consolidated Financial Statements and Main Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	March 2022 Term (As of Mar. 31, 2022)	1Q March 2023 Term (As of Jun. 30, 2022)
Assets		
Current assets		
Cash and deposits	9,307	8,506
Notes and accounts receivable–trade, and contract assets	34,908	38,268
Electronically recorded monetary claims	957	2,558
Merchandise inventories	19,732	25,897
Partly-finished work	0	19
Others	1,583	2,729
Allowance for doubtful accounts	(29)	(36)
Total current assets	66,459	77,943
Non-current assets		
Property and equipment	2,652	2,633
Intangible assets	461	445
Investments and other assets		
Others	3,282	3,277
Allowance for doubtful accounts	(47)	(51)
Total investments and other assets	3,235	3,225
Total non-current assets	6,349	6,305
Total assets	72,809	84,249
Liabilities		
Current liabilities		
Notes and accounts payable–trade	14,455	16,757
Short-term loans payable	24,426	31,908
Accrued corporate tax, etc.	602	594
Allowance	653	265
Others	1,492	2,050
Total current liabilities	41,630	51,576
Non-current liabilities		
Net defined benefit liabilities	158	158
Others	335	323
Total non-current liabilities	494	481
Total liabilities	42,125	52,057

(Million yen)

	March 2022 Term (As of Mar. 31, 2022)	1Q March 2023 Term (As of Jun. 30, 2022)
Net assets		
Shareholders' equity		
Capital stock	14,811	14,811
Retained earnings	22,654	22,559
Treasury stock	(8,773)	(8,773)
Total shareholders' equity	28,692	28,596
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	567	569
Deferred hedge gains (losses)	(117)	(167)
Foreign currency translation adjustment	1,512	3,161
Remeasurements of defined benefit plans	(23)	(29)
Total accumulated other comprehensive income	1,937	3,533
Non-controlling interests	53	60
Total net assets	30,683	32,191
Total liabilities and net assets	72,809	84,249

(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 2022 Term (Apr. 1, 2021 – Jun. 30, 2021)	1Q March 2023 Term (Apr. 1, 2022 – Jun. 30, 2022)
Net sales	24,514	35,675
Cost of sales	21,959	31,361
Gross profit on sales	2,555	4,314
Selling, general and administrative expenses	2,093	2,361
Operating profit	461	1,953
Non-operating profit		
Interest income	4	5
Dividend income	15	15
Others	18	16
Total non-operating profit	39	38
Non-operating expenses		
Interest expenses	25	58
Sales discounts	4	3
Foreign exchange losses	133	757
Others	5	6
Total non-operating expenses	167	826
Ordinary profit	333	1,165
Extraordinary profits		
Gain on sales of investment securities	0	0
Total extraordinary profits	0	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	333	1,165
Corporate, resident and enterprise taxes	116	340
Adjustment for corporate tax, etc.	23	52
Total corporate taxes	140	392
Net profit	192	773
Net profit (loss) attributable to non-controlling interests	(3)	6
Net profit attributable to shareholders of parent company	196	766

(Quarterly Consolidated Comprehensive Income Statement of the First Quarter)

	1Q March 2022 Term (Apr. 1, 2021 – Jun. 30, 2021)	1Q March 2023 Term (Apr. 1, 2022 – Jun. 30, 2022)
Net profit	192	773
Other comprehensive income		
Valuation difference on available-for-sale securities	(83)	1
Deferred hedge gains (losses)	118	(49)
Foreign currency translation adjustment	7	1,649
Remeasurements of defined benefit plans, net of tax	0	(5)
Total other comprehensive income	43	1,596
Comprehensive income	236	2,369
(Details)		
Comprehensive income attributable to shareholders of parental company	240	2,362
Comprehensive income attributable to non-controlling interests	(3)	6

(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, 2021 (Apr. 1, 2021 - Jun. 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	22,343	2,170	24,514
Inter-segment sales or transfers	—	—	—
Total	22,343	2,170	24,514
Segment profit (loss)	369	(36)	333

(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, 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.