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November 6, 2024

Summary of Financial Results for the First Half of the Fiscal Year
Ending March 31, 2025
(Six Months Ended September 30, 2024)
[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 Semi-Annual Securities Report: November 7, 2024
Scheduled date of dividend payment: December 2, 2024
Supplementary materials for the financial results: Yes
Investor conference for the 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 2025 Term (April 1, 2024 – September 30, 2024)

(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	%
H1 March 2025 Term	75,153	1.1	2,227	(21.5)	1,923	2.4	1,357	5.1
H1 March 2024 Term	74,311	(10.5)	2,837	(33.2)	1,877	(36.0)	1,291	(40.2)

(Note) Comprehensive income H1 March 2025 Term: 99 million yen (-97.4%); H1 March 2024 Term: 3,759 million yen (-18.9%)

	Net profit per share		Diluted net profit per share	
	Yen		Yen	
H1 March 2025 Term	111.15		—	
H1 March 2024 Term	105.87		—	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2024	82,088	37,654	45.8
As of March 31, 2024	78,884	38,373	48.5

(Reference) Own capital As of September 30, 2024: 37,581 million yen; As of March 31, 2024: 38,295 million yen

2. Dividends

	Dividend per share				
	Q1-end	Q2-end	Q3-end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
March 2024 Term	—	35.00	—	70.00	105.00
March 2025 Term	—	30.00	—	—	—
March 2025 Term (forecast)	—	—	—	75.00	105.00

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

3. Forecasts for Consolidated Business Performance for March 2025 Term (April 1, 2024 – March 31, 2025)

(% 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	150,000	7.0	4,300	(25.2)	3,600	(7.9)	2,600	(5.1)	212.58

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

* Annotations

(1) Significant changes in the scope of consolidation during the first-half period: Yes

Newly added: — Excluded: One company (Company name: Sanshin Network Service Co., Ltd.)

(Note) Sanshin Network Service Co., Ltd. was extinguished on April 1, 2024 in an absorption-type merger in which the Company was the surviving company.

(2) Application of unique accounting to the preparation of semi-annual 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):

As of September 30, 2024: 16,281,373 shares As of March 31, 2024 : 16,281,373 shares

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

As of September 30, 2024: 4,050,646 shares As of March 31, 2024: 4,077,986 shares

3) Amount of average stock during the term (first-half period):

H1 March 2025 Term: 12,209,517 shares H1 March 2024 Term: 12,194,798 shares

(Note) The amount of treasury stock at the end of the term includes Company stock (As of September 30, 2024: 123,800 shares, As of March 31, 2024: 151,200 shares) possessed in a trust related to the Performance-Based Stock Compensation Plan for Directors (with the exception of Directors and External Directors who are Audit & Supervisory Committee Members). 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 (H1 March 2025 term: 145,061 shares, H1 March 2024 term: 159,891 shares).

* This summary of financial results for the first six months of the fiscal year is not subject to 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. Overview of Business Results - (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. Overview of Business Results

The items related to the future contained in this document are decisions made based on present consolidated financial results as of September 30, 2024.

(1) Overview of Business Results for the First Half of the Fiscal Year Ending March 31, 2025

In the consolidated first-half period under review, the outlook for the global economy remained uncertain. Although inflationary pressures eased and personal spending trended firmly in Europe and the United States, the global economy was impacted by a slowdown in the Chinese economy, revision of financial policy in Western countries, and heightened concern for geopolitical risk in Ukraine and the Middle East.

In the electronics industry, which is the primary area of business of the Sanshin Electronics Group, AI-related demand for semiconductors burgeoned, driving the overall semiconductor market forward. In the domestic ICT industry, the IT service market posted solid growth against a background of renewals and a shift to the cloud in existing corporate systems and the promotion of DX (Digital Transformation).

The Group will closely focus on important issues with a view to realizing the long-term vision it announced on May 10, 2024. As a first step in plans to execute the vision, the Group drafted the V76 Medium-Term Management Plan, with the 76th fiscal year (ending March 31, 2027) as the final year. The V76 Medium-Term Management Plan calls for the formation of a business structure that consistently achieves return on equity (ROE) of 8% or more, ordinary profit of ¥5 billion and net profit of ¥3.5 billion, by the final year of the Plan. To this end, the Group is striving to achieve sustainable growth and improve capital efficiency while devoting itself to sustainability.

As a result, business performance in the consolidated first half-period under review was as follows. Net sales were ¥75,153 million (up 1.1% year-on-year), operating profit was ¥2,227 million (down 21.5% year-on-year), ordinary profit was ¥1,923 million (up 2.4% year-on-year), and net profit attributable to shareholders of parent company was ¥1,357 million (up 5.1% 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 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, LCD panels and modules). 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, results were impacted by weak exchange rates for the yen. Net sales were ¥67,922 million (up 0.3% year-on-year) and segment profit was ¥1,325 million (up 0.5% 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-half period under review, strong results were propelled by business related to ICT networks for corporations. Net sales in the solution business segment were ¥7,231 million (up 9.2% year-on-year) and segment profit was ¥598 million (up 6.9% year-on-year).

(2) Overview of Financial Position for the First Half of the Fiscal Year Ending March 31, 2025

(Assets)

As of September 30, 2024, assets increased ¥3,204 million compared with March 31, 2024, to ¥82,088 million. This was mainly attributable to a ¥5,853 million increase in notes and accounts receivable–trade and a ¥2,272 million decrease in consumption taxes refund receivable.

(Liabilities)

As of September 30, 2024, liabilities increased ¥3,923 million compared with March 31, 2024, to ¥44,434 million. This was mainly attributable to a ¥2,634 million increase in short-term loans payable and a ¥1,124 million increase in notes and accounts payable–trade.

(Net Assets)

As of September 30, 2024, net assets decreased ¥719 million compared with March 31, 2024, to ¥37,654 million. This was mainly attributable to a ¥1,471 million decrease in foreign currency translation adjustment, a ¥492 million increase in retained earnings and a ¥217 million increase in deferred hedge gains (losses).

(Cash Flows)

As of September 30, 2024, cash and cash equivalents decreased ¥1,158 million compared with March 31, 2024, to ¥7,635 million. This was due to expenses such as an increase in notes and accounts receivable–trade and an increase in inventories, which exceeded income from sources such as recording net profit before tax and other adjustments, an increase in notes and accounts payable–trade, and a decrease in consumption taxes refund receivable.

(Operating activities)

Net cash used in operating activities during the consolidated first-half period under review totaled ¥4,190 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 an increase in notes and accounts payable–trade and a decrease in consumption taxes refund receivable. Compared to the previous consolidated first-half period, this represented an expense decrease of ¥858 million.

(Investing activities)

Net cash provided by investing activities during the consolidated first-half period under review totaled ¥961 million due to factors such as the sales of investment securities. Compared to the previous consolidated first-half period, this represented an income rise of ¥915 million.

(Financing activities)

Net cash provided by financing activities during the consolidated first-half period under review totaled ¥2,183 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 ¥652 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 10, 2024. Also, greater-than-projected depreciation of the Japanese yen is providing a tailwind for Group business results. However, due to the fact that plans for some projects are expected to change from the third quarter onwards, consolidated business performance and year-end dividends for the March 2025 term remain unchanged from the forecast figures announced on May 10, 2024. 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 2025 Term)

Net sales	¥150,000 million	(up 7.0% year-on-year)
Operating profit	¥4,300 million	(down 25.2% year-on-year)
Ordinary profit	¥3,600 million	(down 7.9% year-on-year)
Net profit attributable to shareholders of parent company	¥2,600 million	(down 5.1% year-on-year)
Year-end dividend	¥75 per share	(annual dividend ¥105 per share including the interim dividend)

2. Semi-annual Consolidated Financial Statements and Main Notes

(1) Semi-annual Consolidated Balance Sheets

(Million yen)

	As of March 31, 2024	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	8,793	7,635
Notes and accounts receivable–trade, and contract assets	32,012	37,679
Electronically recorded monetary claims	2,472	2,689
Merchandise inventories	22,927	24,317
Partly-finished work	1	46
Others	5,916	4,058
Allowance for doubtful accounts	(28)	(33)
Total current assets	72,095	76,393
Non-current assets		
Property and equipment	2,921	2,852
Intangible assets	301	245
Investments and other assets		
Net defined benefit assets	79	106
Others	3,542	2,549
Allowance for doubtful accounts	(57)	(58)
Total investments and other assets	3,564	2,597
Total non-current assets	6,788	5,695
Total assets	78,884	82,088
Liabilities		
Current liabilities		
Notes and accounts payable–trade	13,350	14,475
Short-term loans payable	23,959	26,594
Accrued corporate tax, etc.	364	439
Allowance	573	585
Others	1,702	1,647
Total current liabilities	39,949	43,741
Non-current liabilities		
Others	561	692
Total non-current liabilities	561	692
Total liabilities	40,510	44,434

(Million yen)

	As of March 31, 2024	As of September 30, 2024
Net assets		
Shareholders' equity		
Capital stock	14,811	14,811
Capital surplus	16	16
Retained earnings	26,266	26,758
Treasury stock	(8,758)	(8,712)
Total shareholders' equity	32,335	32,874
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,014	1,018
Deferred hedge gains (losses)	(63)	154
Foreign currency translation adjustment	4,933	3,462
Remeasurements of defined benefit plans	74	71
Total accumulated other comprehensive income	5,959	4,706
Non-controlling interests	77	73
Total net assets	38,373	37,654
Total liabilities and net assets	78,884	82,088

(2) Semi-annual Consolidated Profit and Loss Statement, Consolidated Comprehensive Income Statement
(Semi-annual Consolidated Profit and Loss Statement)

(Million yen)

	H1 March 2024 Term (Apr. 1, 2023 - Sept. 30, 2023)	H1 March 2025 Term (Apr. 1, 2024 - Sept. 30, 2024)
Net sales	74,311	75,153
Cost of sales	66,579	67,720
Gross profit on sales	7,731	7,433
Selling, general and administrative expenses	4,893	5,205
Operating profit	2,837	2,227
Non-operating profit		
Interest income	54	85
Dividend income	20	21
Others	47	48
Total non-operating profit	122	156
Non-operating expenses		
Interest expenses	531	314
Foreign exchange losses	537	103
Others	13	41
Total non-operating expenses	1,082	459
Ordinary profit	1,877	1,923
Extraordinary profits		
Gain on sales of non-current assets	—	0
Gain on sales of investment securities	14	73
Gain on extinguishment of tie-in shares	—	8
Total extraordinary profits	14	82
Extraordinary losses		
Loss on retirement of non-current assets	0	—
Loss on sales of investment securities	—	70
Total extraordinary losses	0	70
Net profit before tax and other adjustments	1,892	1,935
Corporate, resident and enterprise taxes	551	492
Adjustment for corporate tax, etc.	39	90
Total corporate taxes	590	583
Net profit	1,302	1,352
Net profit (loss) attributable to non-controlling interests	11	(4)
Net profit attributable to shareholders of parent company	1,291	1,357

(Semi-annual Consolidated Comprehensive Income Statement)

	H1 March 2024 Term (Apr. 1, 2023 - Sept. 30, 2023)	H1 March 2025 Term (Apr. 1, 2024 - Sept. 30, 2024)
Net profit	1,302	1,352
Other comprehensive income		
Valuation difference on available-for-sale securities	234	3
Deferred hedge gains (losses)	(176)	217
Foreign currency translation adjustment	2,396	(1,471)
Remeasurements of defined benefit plans, net of tax	3	(2)
Total other comprehensive income	2,457	(1,253)
Comprehensive income	3,759	99
(Details)		
Comprehensive income attributable to shareholders of parental company	3,748	103
Comprehensive income attributable to non-controlling interests	11	(4)

(3) Semi-annual Statement of Cash Flows

(Million yen)

	H1 March 2024 Term (Apr. 1, 2023 - Sept. 30, 2023)	H1 March 2025 Term (Apr. 1, 2024 - Sept. 30, 2024)
Operating activities		
Net profit before tax and other adjustments	1,892	1,935
Depreciation and amortization	147	155
Amortization of goodwill	13	13
Increase (decrease) in net defined benefit assets or liabilities	(11)	(28)
Increase (decrease) in allowance for doubtful accounts	14	10
Increase (decrease) in allowance for stock compensation	5	0
Interest and dividend income	(74)	(107)
Interest expenses	531	314
Loss (gain) on sales of non-current assets	—	(0)
Loss (gain) on extinguishment of tie-in shares	—	(8)
Loss (gain) on sales of investment securities	(14)	(2)
Decrease (increase) in notes and accounts receivable—trade	(4,690)	(7,557)
Decrease (increase) in inventories	(1,086)	(1,868)
Increase (decrease) in notes and accounts payable—trade	1,468	1,967
Decrease (increase) in consumption taxes refund receivable	(2,445)	2,272
Increase (decrease) in accrued consumption taxes	(10)	(17)
Others	704	(710)
Subtotal	(3,558)	(3,630)
Interest and dividend income received	78	103
Interest expenses paid	(529)	(316)
Income taxes (paid) refund	(1,039)	(348)
Net cash used in operating activities	(5,049)	(4,190)
Investing activities		
Purchase of property and equipment	(20)	(19)
Purchase of software	(45)	(5)
Proceeds from sales of investment securities	113	1,052
Others	(2)	(65)
Net cash provided by investing activities	45	961
Financing activities		
Net increase (decrease) in short-term loans payable	4,170	3,093
Repayments of lease obligations	(45)	(49)
Net decrease (increase) in treasury stock	(0)	(0)
Cash dividends paid	(1,289)	(860)
Net cash provided by financing activities	2,835	2,183
Effect of exchange rate change on cash and cash equivalents	264	(134)
Net increase (decrease) in cash and cash equivalents	(1,903)	(1,180)
Balance of cash and cash equivalents, beginning of the period	8,893	8,793
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	—	21
Balance of cash and cash equivalents, end of the period	6,989	7,635

(4) Notes on Semi-annual Consolidated Financial Statements

(Notes Regarding Segment Information and Other)

[Segment Information]

I. 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 semi-annual consolidated profit and loss statement.

II. Six months ended September 30, 2024 (Apr. 1, 2024 - Sept. 30, 2024)

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	67,922	7,231	75,153
Inter-segment sales or transfers	—	—	—
Total	67,922	7,231	75,153
Segment profit	1,325	598	1,923

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

(Notes Regarding Remarkable Change of Shareholders' Equity)

None.

(Notes Regarding Going Concern)

None.

(Notes Regarding Revenue Recognition)

(Breakdown of revenue generated from contracts with customers)

(Million yen)

Report segment	H1 March 2024 Term (Apr. 1, 2023 – Sept. 30, 2023)	H1 March 2025 Term (Apr. 1, 2024 – Sept. 30, 2024)
Device segment		
By type of supplier		
Mechanical parts manufacturers	29,415	30,409
Overseas manufacturers	31,613	27,570
Other manufacturers	6,662	9,942
Subtotal	67,691	67,922
Solution segment		
By business unit (BU)		
Network Systems BU	2,753	3,586
Firefighting and Disaster Preparedness BU	185	200
Platform BU	1,207	1,071
Application Systems BU	1,477	1,470
Imaging Systems BU	995	902
Subtotal	6,619	7,231
Total	74,311	75,153

Beginning with the end of the previous consolidated fiscal year, the “breakdown of revenue generated from contracts with customers” is changed from a breakdown of the solution segment by field (network field, public-sector field, application-systems field, embedded-systems field, imaging-systems field) to a breakdown of the solution segment by business unit (Network Systems BU, Firefighting and Disaster Preparedness BU, Platform BU, Application Systems BU, Imaging Systems BU).

The products handled by the Group are used in a diverse range of fields. For this reason, to describe the content of its operations as appropriately as possible, the Group is changing the breakdown of this section from a breakdown by market to a breakdown by product group.

To reflect this change in categories, the Group has also reorganized the breakdown of the solution segment in the previous consolidated first-half period.