

June 2nd, 2023

 **サニ電子株式会社**

Year Ended March 31th 2023

# Financial Results Explanatory Material



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### Initiatives for sustainable growth

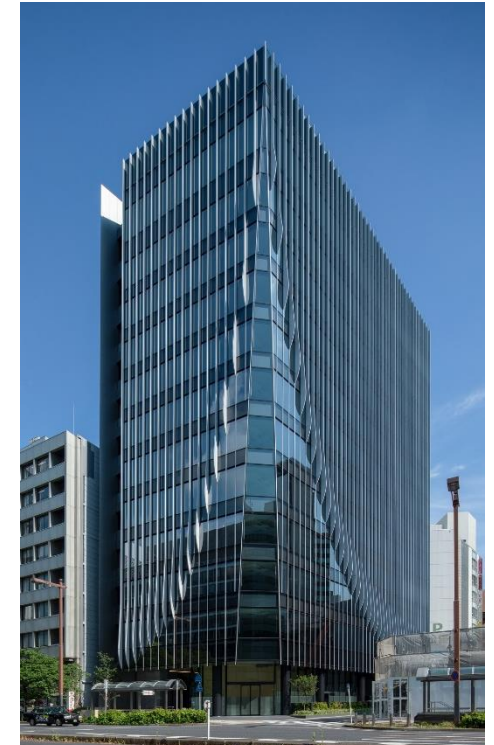
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## Company Profile

# Company Profile

|                          |   |
|--------------------------|---|
| <b>Company Name</b>      | SUNCORPORATION  |
| <b>Headquarters</b>      | Nagoya Headquarters<br>Nagoya Building Sakurakan, 2F<br>4-2-25 Meieki, Nakamura-ku, Nagoya, Aichi 450-0002 JAPAN  |
| <b>Establishment</b>     | April 16, 1971  |
| <b>Representative</b>    | Ryusuke Utsumi, CEO   |
| <b>Business Segments</b> | Mobile Data Solutions, Entertainment Business<br>IT Business (M2M), Others (Game Content)   |
| <b>Features</b>          | Mobile Data Solutions, which provides a digital intelligence platform mainly in the US and worldwide; Entertainment, which is involved in the planning, development and sales of amusement machines and games; and New IT, which develops DX solutions based on the "Rooster series" network equipment, which has the top market share in Japan. Developing original products and services for a wide range of markets, including related businesses. |
| <b>Capital</b>           | 2,086 million yen as of March 31, 2022  |



## Dreams, Challenges and Creations

SUNCORPORATION have been creating fresh and innovative products based on our accumulated technological capabilities and the ideas of our outstanding engineers.

We will continue to shine a bright light on the future by meeting the diverse needs of society with our ability to create "fun" and "convenience" that can only be realized through our "desire to take on challenges" and our technological prowess.

**Dreams**

Living up to  
expectations

**Challenges**

Taking on  
challenges  
courageously

**Creations**

New value  
creation

Basic Philosophy

Making people happy through telecommunication & entertainment



# History

## SUNCORPORATION's DNA

## Dreams, Challenges, Creations



**1971**  
The establishment of SUNCORPORATION

Founded with an aim to manufacture and market electronics-related equipment



**1985**  
The development of software for Nintendo consoles  
The release of the "SUNSOFT" series

Main office built in Konan City, Aichi prefecture  
Business structure was established and moved on to expansion



**1985**  
The development and release of SUNCORPORATION's brand modem "My Looper 300"

SUNCORPORATION's brand was established  
The development and sales of an industry-first system  
Nation-wide sales locations



**2007**  
The acquisition of Cellebrite's shares

Listed on JASDAQ  
Acquired 100% ownership of Cellebrite and accelerated its global expansion



**2010**  
The development and release of the mobile router the "Rooster Series"  
M2M's full scale entry to the market



**2020**  
The release of "AceReal for docomo", a remote operation support solution using 5G and AR SmartGlass

Marking the 50<sup>th</sup> anniversary of its founding as a global corporation

1971

1980

1990

2000

2020

Sales

# 「Challenging Spirit」

- 1 Concentration on telecommunications and entertainment**  
Provide society with the technology, enjoyment and enrichment that make it safe and secure
- 2 Improving the value of the enterprise**  
Aim to grow into a world-class company by integrating the management resources we have accumulated through challenges in various fields
- 3 Acting on their own initiative with a venture spirit**  
Value the spirit of challenge, innovative thinking and the drive for growth of the next generation



## **Financial Highlights for the Year Ended March 31th 2023**



## Financial highlights for the year ended March 31st 2023 (SUNCORPORATION Group excluding Cellebrite)

Despite difficulties in procuring parts and materials and increased raw material costs, the Company achieved most of its sales plan by improving procurement and selling prices.

### POINT 1.

**Revenue from sales**  
**¥ 89.44 billion**  
 (vs. plan: 97.22 %)

Entertainment-related business  
 Sales of control boards to pachinko and pachislot machine manufacturers in the  
 Sales of control boards increased ahead of schedule.

### POINT 2.

**Operating profit**  
**¥ -0.32 billion**  
 (vs. plan: -22.85 %)

Although the company promoted measures such as cost reductions and price revisions, and generated profits in difficult market conditions, it failed to achieve the plan due to M&A expenses of JPY 105 million.

### POINT 3.

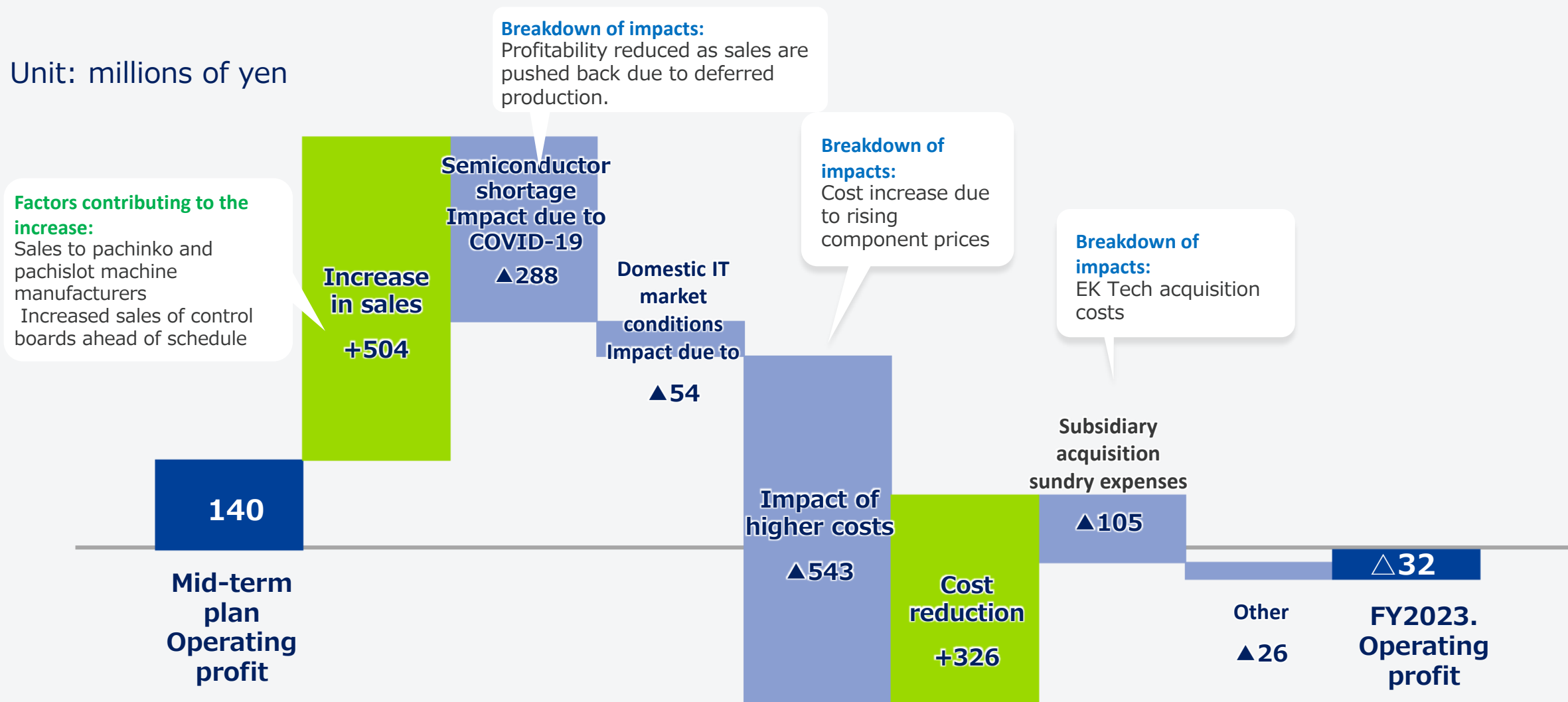
**EK Tech Holdings becomes a consolidated subsidiary.**  
**Acquisition value MYR 27 M**  
**(844 million)**

Synergies with new IT projects,  
 Bases for expansion into the ASEAN region

| (In millions)               | 2023/3 Plan | 2023/3 Actual | 2024/3 Plan | 2025/3 Plan |
|-----------------------------|-------------|---------------|-------------|-------------|
| Sales                       | 9,200       | 8,944         | 10,800      | 13,300      |
| Operating profit            | 140         | -32           | 560         | 1,680       |
| Operating profit margin (%) | 1.5%.       | -0.36%.       | 5.2%.       | 12.6%       |

# Operating profit Analysis of changes (SUNCORPORATION Group excluding Cellebrite)

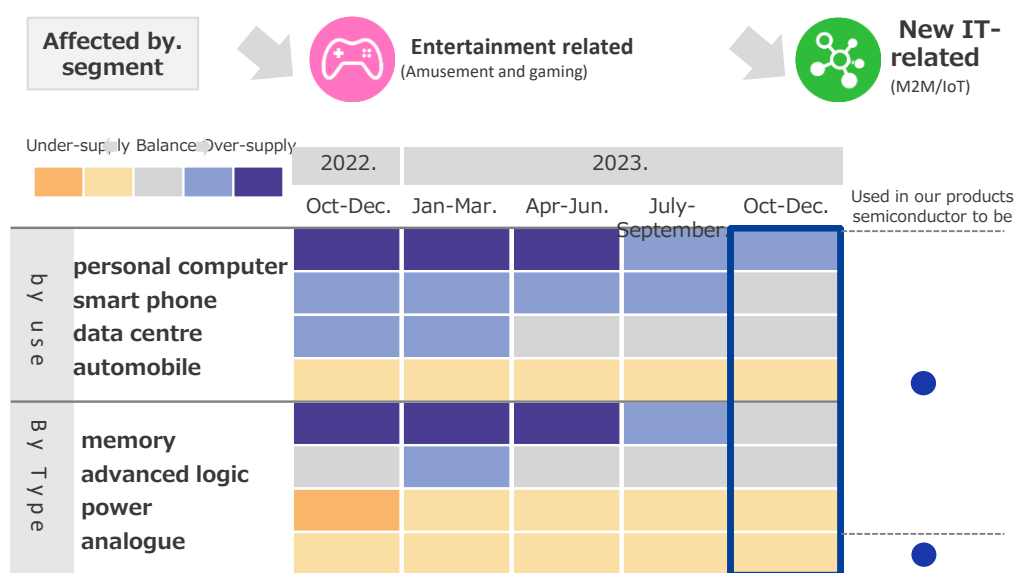
Unit: millions of yen



# External environment affecting the company's performance

## Availability of semiconductors

Shortfall in supply of general-purpose analogue semiconductor products, rather than state-of-the-art processes, continued from the previous year in FY2022; expected to continue in 2023.

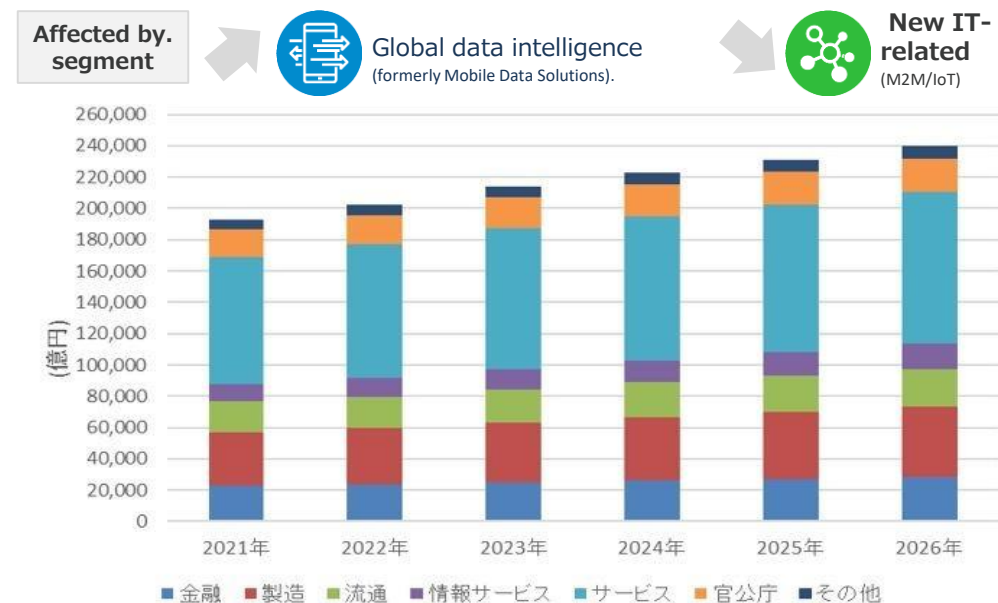


The respondents were asked to rate supply and demand trends on a scale of 1 (oversupply) to 5 (undersupply) and the figures were drawn from the average. Respondents were Yuichi Koshiba, BCG; Jun Okamoto, KPMG Japan; Tetsuo Omori, Techno Systems Research; Kaga Electronics; Yasuhiko Takeno, Globalnet; Core Staff; Masahiko Ishino, Tokai Tokyo Research Centre; Macnica Holdings; Yoshio Imanaka, Rakuten Securities; Leicester Holdings.

Source: Nihon Keizai Shimbun electronic edition 2023.1.4 Semiconductor oversupply to be resolved from autumn 2011 onwards, with continued tightness in the automotive sector.

## Market conditions in the domestic IT market

The IT market has been affected by COVID-19, rapid inflation and the shortage of semiconductors, and has changed to a business structure that is less susceptible to economic fluctuations, such as cloud computing of enterprise systems, the penetration of subscription businesses, remote working, etc., while supply chain and cybersecurity investment in areas such as supply chain and cyber security is a high priority, and DX and AI are increasingly being used to solve problems in IT development.



Source: domestic IT market by industry sector, expenditure forecast, 2021-2026 (Exhibit: IDC Japan).

\*The Mobile Data Solutions business has changed its name to the Global Data Intelligence business from 1 April 2023.

# Global data intelligence business initiatives (formerly Mobile Data Solutions Business)



**Demand in the information security market is growing along with the expansion of DX**

**Propose various solutions to create a safe and secure society**

## ▼ Sales in March 2023.

The importance of digital (data) evidence in criminal investigations has increased in recent years.

Sales to law enforcement agencies have been strong against a backdrop of the growing importance of digital (data) evidence in criminal investigations in recent years.

### **Mobility brand to domestic mobile retailers**

Mobility Now has the top market share among mobile phone shops in Europe and the US

Mobility Now service, a dedicated tool for retailers.

Mobility Now is a service for new mobile phone buyers, with functions such as data migration of phonebooks and photos, data backup and re-writing, and collective management of operation history at headquarters, making it **ideal for** shop management for retailer companies.



## Future work: UFED Touch3

UFEDTouch3 launched as successor to UFED Touch2.

The UFED Touch3 Tablet provides comprehensive laboratory, remote and field data extraction and collection capabilities.

Eliminates the risk of cross-contamination of digital evidence

Dedicated collection hardware for fast and safe data extraction



## Future work: conduct own forensics training

Provide tailored forensic training to public sector sites to share information and develop new clients

\*The Mobile Data Solutions business has changed its name to the Global Data Intelligence business from 1 April 2023.



## Overcoming a tough competitive environment and securing the market Further business expansion

### ▼ Sales in March 2023

The supply shortage of semiconductors, difficulties in procurement of components, and a prolonged rise in component prices have created a difficult situation.

Despite difficult conditions due to prolonged high prices, sales were secured due to demand for migration from 3G to LTE (4G).

### Full-scale development of the platform business

Developing a platform business based on the cloud service SunDMS and the IoT gateway BlueXtender from the existing Rooster series sales-centred business.

### Future approach: evolving platform business

Long-range Bluetooth® devices from different manufacturers with "BlueXtender".

More efficient device management is achieved by combining the communication and device measurement values with the "SunDMS Insight" dashboard, which enables visualisation of device measurement values at a glance, alert settings and a report output function.



# Entertainment business initiatives



## Drawing on long experience and extensive IP assets, Generates stable cash flow



### ▼ Sales in March 2023.

#### Amusement

Strong sales of amusement machines by our main customers, amusement machine manufacturers, led to  
This led to an increase in orders for control boards. Supply fulfilled amid semiconductor shortages and rising costs, contributing to increased sales.

#### Game

**SUNSOFT®**

'SUNSOFT is back !' and declares its revival on its official channel in August 2022 as Release of information on new releases.  
PC game Ikki Unity in February 2023.

Released on Steam. Online co-operative play by up to 16 players.  
online co-operative play by up to 16 players. On the first day of release sales in Japan on the first day of release, and was a good example of our retro

This was a good example of our retro game IP being accepted in the market.

### Future initiatives: amusement

Follow the initiatives of pachinko and pachislot machine manufacturers, whose sales volume is increasing, and continue to provide new value based on know-how accumulated through long experience.  
High quality in all aspects of hardware (design and mass production) and software (planning, video production, programming) for any newly introduced smart game machine.

Provide high quality products in all areas of hardware (design, mass production) and software (planning, video production, programming)

### Future work: Games

**SUNSOFT®**

Trip World DX, a colourised port of the Game Boy software Trip World, and a remake of Hebereke, which was released in 1991 and became a popular Famicom title.

(platform undecided), to be released by the end of FY2023.

Since then, a number of ports and remakes of past retro titles have been developed.

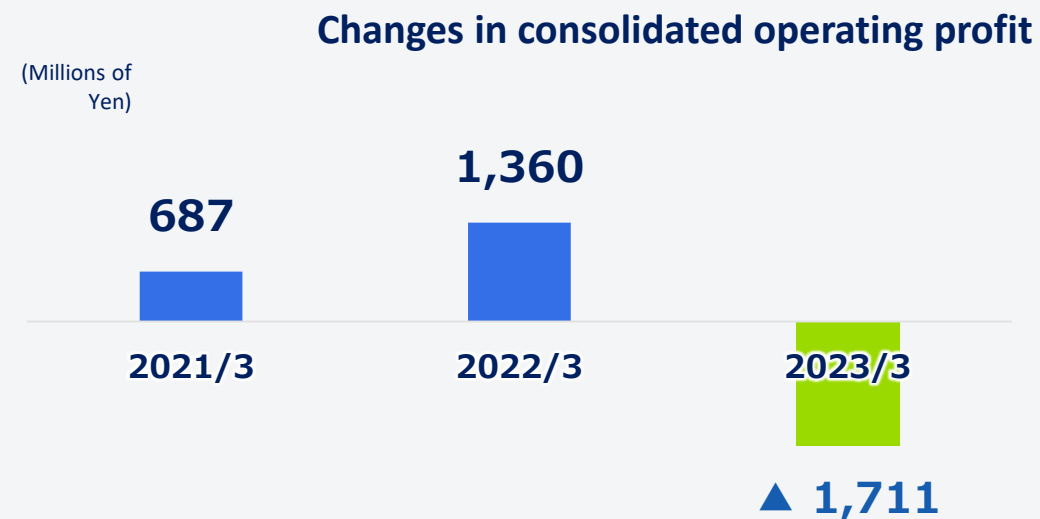
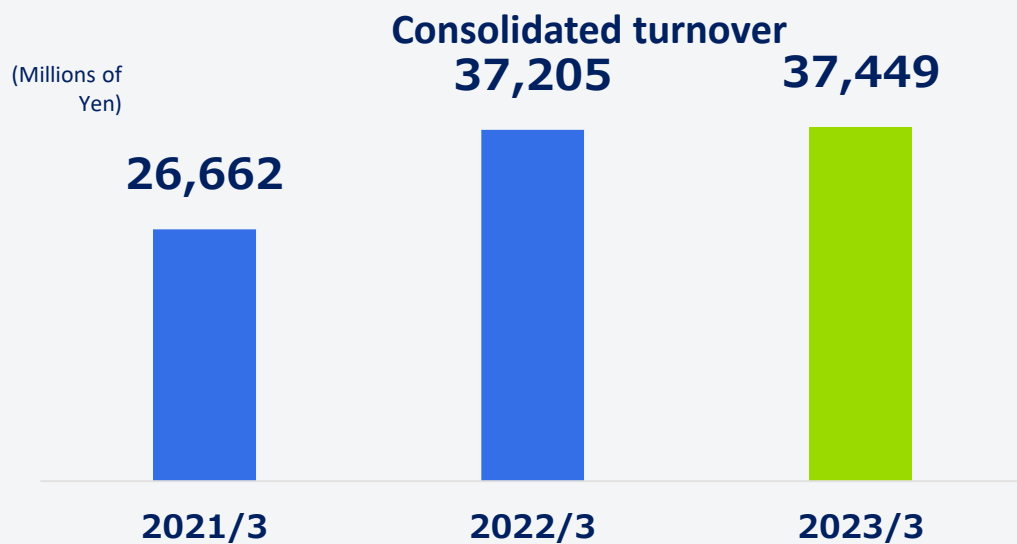


## **Summary of financial results for the year ended 31 March 2023**



## Consolidated financial highlights (consolidated)

- Orders were solid in the Global Data Intelligence (formerly Mobile Data Solutions) business and the Entertainment Orders remained strong in the Global Data Intelligence (formerly Mobile Data Solutions) and Entertainment-related businesses.
- Gross profit decreased by 3.0% year-on-year due to global inflation and other factors.
- Focus on research and development activities as upfront investment for future growth.



## Consolidated income statement (consolidated)

POINT.

Consolidated recurring profit is a foreign exchange gain of JPY 2,895 million, Increase mainly due to a ¥12,107 million gain on valuation of derivatives.

| (Unit: millions of yen)  | 2022/3         | 2023/3         |                       |
|--|----------------|----------------|-----------------------|
|  | Actual results | Actual results | Percentage change (%) |
| Turnover   | 37,205         | 37,449         | +0.7                  |
| Cost of goods sold   | 10,868         | 11,912         | +9.6%                 |
| Gross profit   | 26,337         | 25,537         | -0.3%.                |
| Selling, general and administrative expenses                               | 24,977         | 27,248         | +9.1%                 |
| Operating profit   | 1,360          | ▲1,711         | ---                   |
| Ordinary profit  | 9,674          | 14,175         | +46.5%.               |
| Net profit for the year attributable to shareholders of the parent company | 2,819          | 6,878          | +143.7%               |

# Segmental overview (consolidated)



## Global Data Intelligence (Formerly Mobile Data Solutions)

Turnover **29,152 million.**  
Composition ratio **77.8%.**

### Outline

Despite strong orders for mobile forensic equipment and related services, sales and profits declined due to the deconsolidation of Cellebrite from the fourth period under review and the absence of sales from the fourth period, which had the highest sales.



## Entertainment related (Amusement and gaming)

Turnover **6,259 million.**  
Composition ratio **16.7%.**

### Outline

Despite higher costs due to higher prices for parts and materials due to semiconductor shortages and other factors, higher contracted development and new product orders resulted in higher revenues and lower profits.



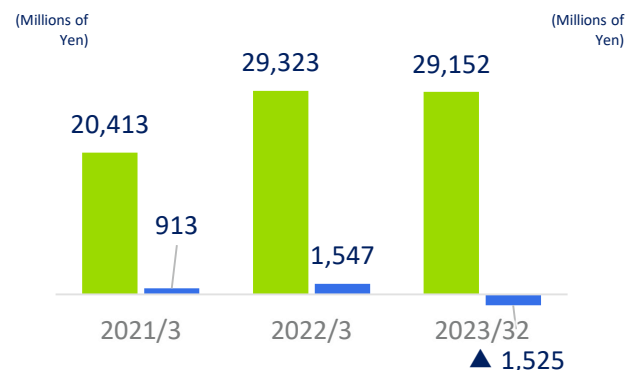
## New IT-related (M2M/IoT)

Turnover **2,064 million**  
Composition ratio **5.5%.**

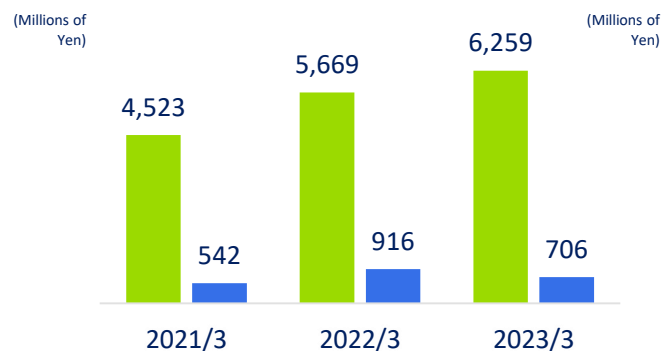
### Outline

Shipment volumes fell due to difficulties in procuring components. Furthermore, the impact of rising raw material prices has led to a decline in sales and Profit decrease.

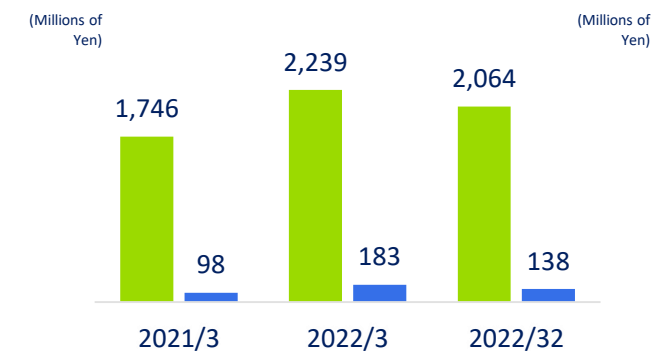
■ Sales by segment ■ Profit by segment



■ Sales by segment ■ Profit by segment



■ Sales by segment ■ Profit by segment



\*The Mobile Data Solutions business has changed its name to the Global Data Intelligence business from 1 April 2023.

# Consolidated balance sheet (consolidated)

## POINT.

Decreased by 28 billion cash and 49 billion liability respectively, following the transfer of Cellebrite to the equity method, 4.3 billion market value of rights granted under price adjustment clauses, and approximately 7 billion investment in investment trusts, Investments and other assets increased by JPY 13.5 billion.

|   |  | 2022/3         | 2023/3         |                         |
|---|--|----------------|----------------|-------------------------|
|   |  | Actual results | Actual results | Year-on-year change (%) |
| (In millions)                           |  |                |                |                         |
| Cash on hand and in banks               |  | 31,679         | 3,139          | 9.9%.                   |
| Other current assets                    |  | 40,785         | 20,697         | 50.7%                   |
| property, plant and equipment           |  | 3,468          | 1,629          | 47.0%.                  |
| Intangible fixed assets                 |  | 4,197          | 775            | 18.5%.                  |
| Investments and other assets            |  | 1,957          | 15,518         | 792.9%                  |
| <b>Total assets</b>                     |  | <b>82,088</b>  | <b>41,758</b>  | <b>50.9%.</b>           |
| Current liabilities                     |  | 38,961         | 4,025          | 10.3%                   |
| Fixed liabilities                       |  | 16,086         | 2,720          | 16.9%.                  |
| <b>Total liabilities</b>                |  | <b>55,047</b>  | <b>6,744</b>   | <b>12.3%</b>            |
| Capital stock                           |  | 23,865         | 33,374         | 139.8%                  |
| Accumulated other comprehensive income  |  | 512            | 1,534          | 299.6%                  |
| Share warrant                           |  | 2,663          | 79             | 3.0%                    |
| Non-controlling interests               |  | -              | -              | -                       |
| <b>Total net assets</b>                 |  | <b>27,040</b>  | <b>35,014</b>  | <b>129.5%.</b>          |
| <b>Total liabilities and net assets</b> |  | <b>82,088</b>  | <b>41,758</b>  | <b>50.9%.</b>           |

## Consolidated statement of cash flows (consolidated)

POINT.

13,960 million in net income and 11,513 million in acquisition of investment securities, 30,514 million in proceeds from the sale of shares in subsidiaries.

| (In millions)  | 2022/3       | 2023/3       |   |
|--|--------------|--------------|---|
|  | Track record | Track record | Comment.  |
| Operating activities<br>Cash flow  | 3,633        | ▲13,519      | Cash outflow of approx. 11.9 bn yen due to income tax payment and approx. 3.6 bn yen due to an increase in accounts receivable 3.6 billion due to an increase in accounts receivable. |
| Investing activities<br>Cash flow  | 4,021        | ▲25,131      | 18.5 billion acquisition of investment securities.<br>10,900 million from the acquisition of money held in trust<br>3,387 million in proceeds from redemption of securities.          |
| Financing activities<br>Cash flow  | ▲3,037       | 25,574       | 30,514 million in proceeds from sale of shares in subsidiaries<br>3,339 million decrease in short-term borrowings<br>2,742 million from the acquisition of treasury shares            |
| Cash and cash<br>equivalents.<br>balance at the beginning<br>of the period | 21,113       | 27,438       |   |
| Cash and cash<br>equivalents.<br>Balance at end of year                    | 27,438       | 2,934        | Decrease due to the deconsolidation of Cellegrie, Sun Electronics' income tax payment and<br>Decrease due to investments in financial instruments.                                    |
| Free cash flow   | 7,654        | ▲38,650      | 11.9 billion in income tax payments and ¥18.5 billion in acquisition of investment securities,<br>Decrease due to acquisition of money held in trust of ¥10.9 billion, etc.           |

## 2024 Financial Forecast

For the forecast of results for the year ending 2024,  
The uncertain impact of recent geopolitical risks and financial instability,  
Also recognised in the company's equity-method affiliate Cellebrite DI.Ltd.  
On price adjustment matters, certain restricted shares and, derivative warrant liabilities,  
The impact of changes in fair value on the company's performance cannot be reasonably  
calculated at this time.

As soon as it becomes possible to disclose consolidated forecasts due to the  
difficulties involved.

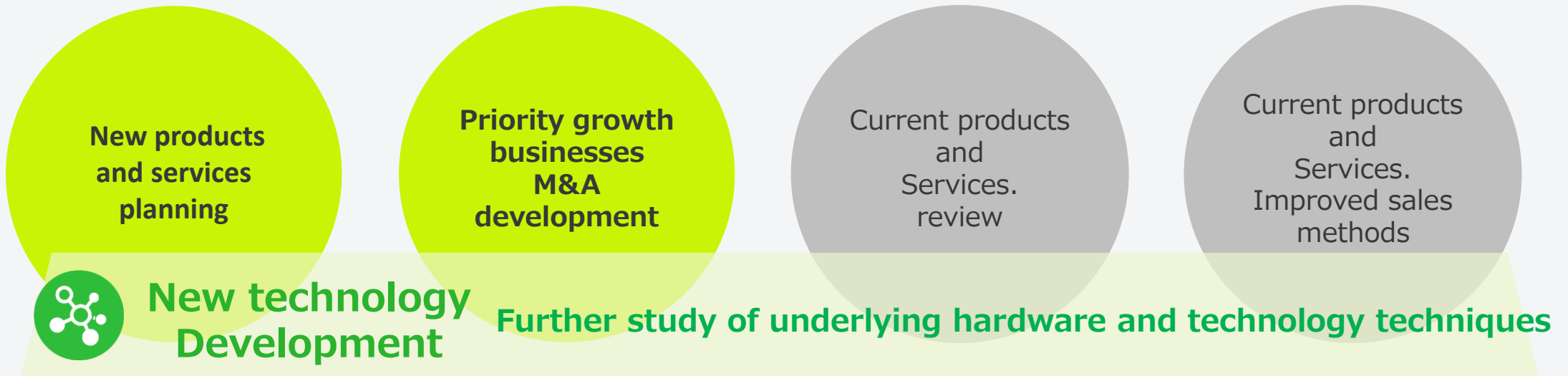
The forecast will be made public as soon as it becomes possible to  
disclose the consolidated forecast.



## **Initiatives for sustainable growth**



### Strategic direction.



### Measures to be implemented

**Inauguration of the  
Research and  
Development Department**

**Investment in related  
businesses**

# Growth strategy

Marketing and Technology Development Departments are merged to form the Research and Development Department.

Responsible for developing the technology on which Sun Electronics' products are based and supporting the expansion of related businesses.

## POINT 1.

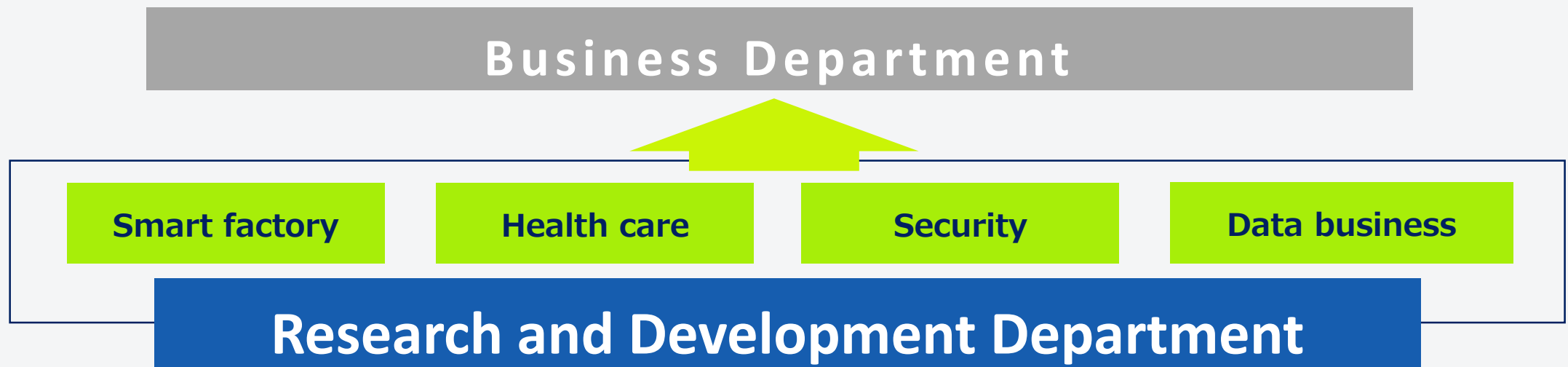
### Role of the Research and Development Department

Supporting the business growth of Sun Electronics' divisions with technological capabilities

## POINT 2.

### Cooperation with external companies and universities

Elemental technology development and advanced technology development.



# Promote mergers and acquisitions into related businesses, Actively invest in human resources

### POINT 1.

#### Promotion of mergers and acquisitions into related businesses

Expansion of global markets  
Acquisition of proprietary technologies  
Improving business efficiency



### POINT 2.

#### Investment in human resources

Review of training and education system  
Use of talent management systems.

#### FY2023 M&A acquisitions

#### Acquisition of shares in EK Tech Holdings Sdn. Bhd (made a consolidated subsidiary)

area

ASEAN  
(Malaysia).

Objective.

with IoT/M2M  
projects.  
synergy effect

## M&A Acquisition: acquisition of shares in EK Tech Holdings Sdn. Bhd (made a consolidated subsidiary)

**Synergies with IoT/M2M business expected**  
**Providing new value and expanding the business base into the ASEAN region**



New IT-related  
Businesses

IoT

Mobile  
Number  
Portability

Synergy Effect

### EK Tech company profile.

|                         |   |
|-------------------------|---|
| Company name            | EKTech Holdings Sdn Bhd   |
| Location.               | Petaling Jaya, Selangor, Malaysia<br>(50-minute drive from Kuala Lumpur International Airport,<br>Approximately 30 minutes drive from central Kuala Lumpur).  |
| Business activities     | Information and communication technology,<br>3G/4G/LTE (wireless communication) network monitoring services.  |
| Consolidated subsidiary | EKTech Communications Sdn Bhd (ECS)<br>Communication solutions and services.<br>EKTech Systems Engineering Sdn Bhd (ESE)<br>System integration & security system services<br>EKTech Eureka MSC Sdn Bhd (EEM)<br>Provides network monitoring services for the group. |



### EK Tech Features.

Since its establishment in March 2002, EEM has been in the business of providing secure enterprise wireless communication systems using mobile phone technology to companies in Malaysia, as well as helping them connect to peripheral devices connected to wireless routers, and EEM was established in June 2016 to provide 24 hour monitoring services. This business accounts for 80% of the EKTech Group's sales and is highly trusted by customers. A director from Sun Electronics will be stationed at the company to work on strengthening synergies.

## Shareholder returns (non-consolidated)

### Basic Policy

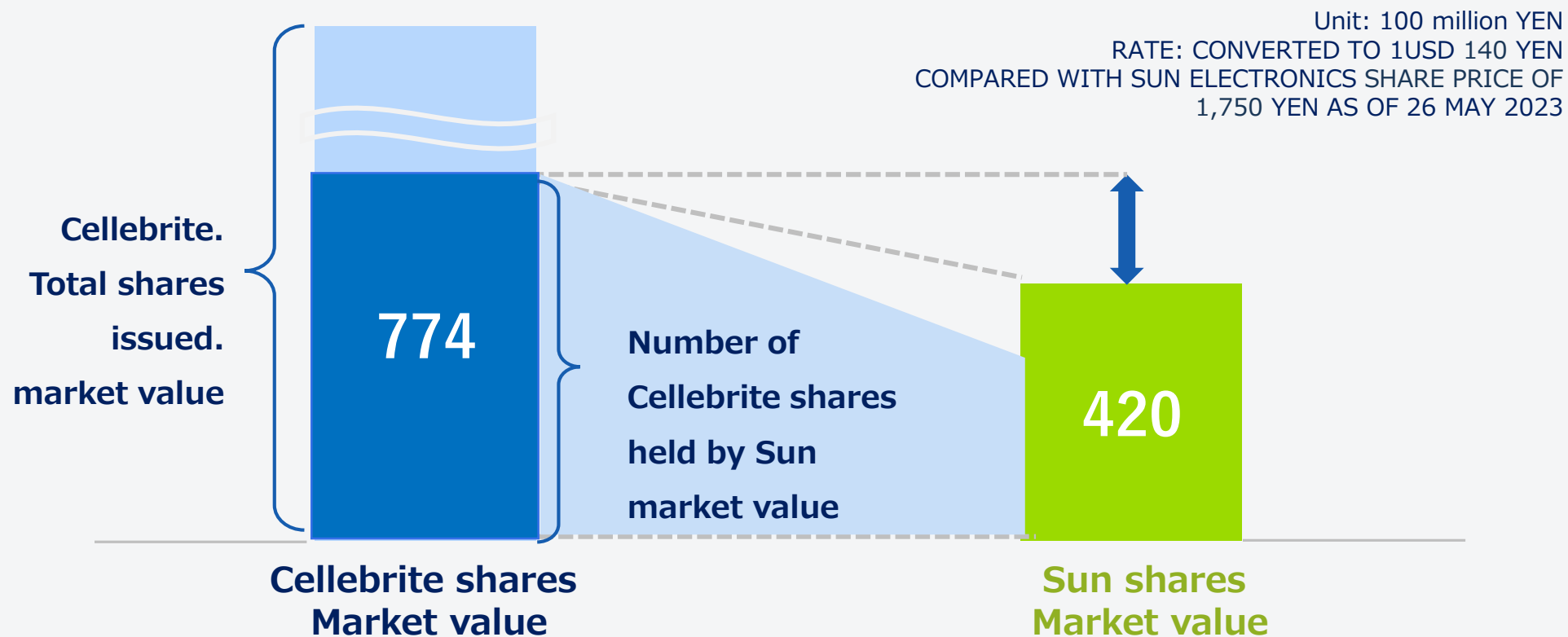
While taking into account the medium- and long-term business revenue base,  
The company will actively and flexibly distribute profit according to performance.

|                                      |                 | 2022/3    | 2023/3    |
|--------------------------------------|-----------------|-----------|-----------|
| Dividend                             | (Annual)        | 40.00     | JPY 20.00 |
|                                      | (End of period) | JPY 20.00 | JPY 20.00 |
|                                      | (End of Q2)     | JPY 20.00 | 0 yen     |
| Dividend payout ratio (consolidated) |                 | 33.9%.    | 6.8%.     |

\*The dividend for the year ending 31 March 2024 has not yet been determined at this time.

## Market value of the SUNCORPORATION Group.

Cellebrite, which is a holding company of SUNCORPORATION listed on the NASDAQ market (95,597,718 shares held). The market capitalisation of Sun' shareholdings is approximately 77.4 billion yen, and Sun Electronics' market capitalisation valuation is only about 42 billion yen. The share price is undervalued .



## disclamer



**The purpose of this document is to provide information on the company's business, management strategy and performance,**

**It is not intended to solicit investment in securities issued by the Company.**

**This document is also based on data as at 15 May 2023 for financial and company data.**

**The opinions and forecasts expressed in this material are based on the company's judgment at the time the material was prepared,**

**It does not guarantee or promise the accuracy or completeness of the information and may change in the future without notice.**

IR contact: SUNCORPORATION IR contact

E-mail : [ir@sun-denshi.co.jp](mailto:ir@sun-denshi.co.jp)

