

(This notice has been translated from the original notice in Japanese. In the event of any discrepancy, the original in Japanese shall prevail.)



November 6, 2013

**Summary of Financial Results for the First Half of the Fiscal Year
Ending March 31, 2014
(Six Months Ended September 30, 2013)
[Japan Standards] (Consolidated)**

Name of Listed Company: Sanshin Electronics Co., Ltd. Stock Exchange Listed: 1st Section, Tokyo
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Scheduled date of filing of Quarterly Report: November 13, 2013
Scheduled date of dividend payment: December 10, 2013
Supplementary materials for the quarterly financial results: Yes
Investor conference for the quarterly financial results: Yes (for financial analysts and institutional investors)
(Amounts are rounded down to the nearest million yen)

1. Consolidated Business Performance for the First Half of March 2014 Term (April 1, 2013 – September 30, 2013)

(1) Consolidated business performance (consolidated)

(The percentages shown for net sales, operating profit, ordinary profit and net profit represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Net profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
2Q March 2014 Term	96,369	39.6	1,182	91.3	1,218	90.4	775	128.6
2Q March 2013 Term	69,008	(12.6)	618	1.6	640	0.8	339	(15.6)

(Note) Comprehensive profit 2Q March 2014 Term: 1,603 million yen (-%) 2Q March 2013 Term: -142 million yen (-%)

	Net profit per share	Diluted net profit per share
	Yen	Yen
2Q March 2014 Term	27.26	—
2Q March 2013 Term	11.59	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
September 2013 Term	98,102	60,865	62.0
March 2013 Term	82,916	59,916	72.3

Reference) Shareholders' equity 2Q March 2014 Term: 60,865 million yen March 2013 Term: 59,916 million yen

2. Dividends

(Record date)	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
March 2013 Term	—	10.00	—	10.00	20.00
March 2014 Term	—	10.00	—	—	—
March 2014 Term (forecast)	—	—	—	10.00	20.00

(Note) Revision of most recent dividend forecast: None

Second quarter end dividends are scheduled to be decided at the Board of Directors meeting to be held on November 20.

3. Forecasts for Consolidated Business Performance for March 2014 Term (April 1, 2013 – March 31, 2014)*(The percentages represent year-on-year changes)*

	Net sales		Operating profit		Ordinary profit		Net profit		Net profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	183,000	23.7	2,200	8.2	2,300	41.2	1,550	37.0	55.00

(Note) Revision of most recent earnings forecast: Yes

*** Notes**

(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 2014 Term: 30,281,373 shares March 2013 Term: 30,281,373 shares

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

2Q March 2014 Term: 2,101,667 shares March 2013 Term: 1,501,550 shares

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

2Q March 2014 Term: 28,464,996 shares 2Q March 2013 Term: 29,279,956 shares

***Indication concerning execution condition of quarterly review procedure**

The audit procedure of quarterly financial statements based on Financial Instruments and Exchange Law has not finished at the time of indication of this brief quarterly report.

***Cautionary statement with respect to forward-looking statements**

The above forecast is a forecast for the future based on data currently available and the Company does not promise the achievement of the forecast.

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.

The Company will hold a briefing session for financial analysts and institutional investors on November 14, 2013. The presentation materials for the business results briefing handed out at this briefing session will be posted on the Company's homepage promptly.

Contents of Appendix

1. Qualitative Information Concerning the Current Quarterly Settlement.....	2
(1) Explanation of Business Results	2
(2) Explanation of Financial Position	2
(3) Explanation of Forecasts for Consolidated Business Performance and Other Future Prospects.....	3
2. Matters Concerning Summary Information (Notes)	3
(1) Significant Subsidiary Change in the Consolidated Cumulative Period of This Quarter	3
(2) Application of Unique Accounting to the Preparation of Quarterly Consolidated Financial Statements.....	3
(3) Change of Accounting Principles, Change of Accounting Estimate, and Redisplay after Revision.....	4
(4) Additional Information	4
3. Quarterly Consolidated Financial Statements.....	5
(1) Quarterly Consolidated Balance Sheets	5
(2) Quarterly Consolidated Profit and Loss Statement, Consolidated Comprehensive Profit Statement.....	6
(3) Statements of Quarterly Cash Flows	8
(4) Notes on Quarterly Consolidated Financial Statements	9
(Notes regarding Going Concern).....	9
(Notes regarding Remarkable Change of Shareholder's Equity)	9
(Segment Information).....	9

1. Qualitative Information Concerning the Current Quarterly Settlement

(1) Explanation of Business Results

1) Overview for the first half of the consolidated fiscal year ending March 2014

In the current first half of the consolidated cumulative period, the US economy continued to gradually recover despite lingering concern regarding the US financial condition. Signs of recovery were also seen for the prolonged European debt problem. In Asia, some markets were bearish, including stagnating growth in China and India. Although the future of the Japanese economy remained uncertain, business confidence became brighter due to financial and monetary policy implemented by the Japanese government and Bank of Japan.

In the electronics industry, increased demand for mobile devices such as smartphones and tablet PCs continued to drive the semiconductor and electronic component markets. Although the domestic IT industry showed gradual improvement due to a favorable shift in the economic environment, the business environment continues to be tough due to fierce price competition and a strongly cautious stance which continues to be taken by many companies.

In these circumstances, the Group made a continuous effort to increase sales and improve profitability by strengthening its business power and consolidating management foundations.

As a result, net sales increased 39.6% year-on-year to 96,369 million yen, operating profit increased 91.3% to 1,182 million yen, ordinary profit increased 90.4% to 1,218 million yen, and net profit increased 128.6% to 775 million yen in the first half of the consolidated cumulative period.

2) Overview of performance by business segment

(Device business)

In the device segment, our leading products are semiconductors (including system LSIs, microcomputers, LCD driver ICs, and memories, etc.) and electronic components (including connectors, capacitors, and circuit boards, etc.). These products are sold mainly to the electronics manufacturers. We also provide technical support, such as software development and ASIC designs.

In the current first half of the consolidated cumulative period, sales of both semiconductors and electronic components increased compared to the same period a year ago thanks to increased sales for mobile devices and devices for social infrastructure, the launch of new products, and a weaker yen.

As a result, consolidated segment sales increased 41.3% year-on-year to 90,215 million yen. The segment profit ended at 714 million yen (up 301.8% from the previous term).

Orders received totaled 97,723 million yen, while the order backlog stood at 40,239 million yen.

(Solution business)

In the solution segment, the Company develops business related to network and image editing systems. In the network system business, we offer services including sales, maintenance, and support of the information communication network and enterprise resource planning (ERP) systems, mainly targeting companies, medical institutions, and national and local government agencies. In the image editing system business, we provide systems and software products for editing, transmitting, and distribution of video content to customers including the broadcast stations and video production companies.

In the current first half of the consolidated cumulative period, sales increased compared to the same period a year ago because sales of embedded systems, network systems and public systems remained favorable.

As a result, consolidated segment sales increased 19.0% year-on-year to 6,154 million yen. The segment profit ended at 504 million yen (up 9.1% from the previous term).

Orders received totaled 9,056 million yen, while the order backlog stood at 8,181 million yen.

(2) Explanation of Financial Position

1) Assets, liabilities and net assets

As of September 30, 2013, assets totaled 98,102 million yen. This represented an increase of 15,186 million yen compared with March 31, 2013. This was mainly attributable to an increase in notes and accounts receivable of 21,830 million yen, an increase in cash and deposits of 3,509 million yen, and a decrease in merchandise inventories of 8,654 million yen.

Liabilities increased 14,236 million yen to 37,237 million yen, mainly because of a 13,001 million yen increase in notes and accounts payable and a 1,689 million yen increase in short-term loans payable.

Net assets increased 949 million yen to 60,865 million yen, mainly because of a 366 million yen increase in treasury stock, and a 363 million yen increase in foreign exchange conversion adjustments.

2) Cash flows

As of September 30, 2013, cash and cash equivalents increased 3,509 million yen compared with March 31, 2013 to 14,673 million yen. This is attributable to an increase in incomes due to an increase in notes and accounts payable, a decrease in inventories and some other factors.

(Operating activities)

Net cash provided by operating activities during the first half period totaled 2,213 million yen. This is due to the fact that the incomes resulting from an increase in notes and accounts payable, a decrease in inventories, and a decrease in consumption and other taxes receivable, etc. exceeded the expenses such as those resulting from an increase in notes and accounts receivable. Since the result of the previous first half of the consolidated cumulative period was an expense of 3,530 million yen, it represents an increase in incomes by 5,743 million yen.

(Investment activities)

Net cash provided by investing activities during the first half period totaled 159 million yen, mainly due to proceeds from sale of property and equipment and proceeds from sale of investment securities. This represented an income decrease of 539 million yen compared with the previous first half of the consolidated cumulative period.

(Financing activities)

Net cash provided by financing activities during the first half period totaled 1,031 million yen, mainly due to proceeds from short-term loans. Since the result of the previous first half of the consolidated cumulative period was an expense of 450 million yen, it represents an increase in incomes by 1,481 million yen.

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

Sales for mobile devices are expected to decrease during the second half, but business was strong during the first half and the predicted exchange rate changed due to a weakened yen. As a result, the consolidated business forecast for the full fiscal year is expected to exceed the forecast announced in the Summary of Financial Results for Fiscal Year Ended March 31, 2013 (released on May 15, 2013).

Based on the above, the Group is hereby revising the consolidated earnings forecast for the full fiscal year as stated below. Please note that the yearly average exchange rate this forecast is based on is 1 U.S. dollar = 97 yen.

(Consolidated business forecast for the full fiscal year)

Net sales 183,000 million yen (Year-on-year change: 23.7% increase)

Operating profit 2,200 million yen (Year-on-year change: 8.2% increase)

Ordinary profit 2,300 million yen (Year-on-year change: 41.2% increase)

Net profit 1,550 million yen (Year-on-year change: 37.0% increase)

2. Matters Concerning Summary Information (Notes)

(1) Significant Subsidiary Change in the Consolidated Cumulative Period of This Quarter

None

(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

None

(4) Additional Information

(Changes in years over which actuarial gain or loss and prior service cost are amortized related to the provision for retirement benefits)

Effective from the first quarter of the consolidated accounting period, the Company has changed the years over which actuarial gain or loss and prior service cost are amortized from the previous figure of 13 years to 10 years since the average remaining service period of employees became shorter.

As a result of the above change, operating profit, ordinary profit, and net profit before tax and adjustments for the current first half of the consolidated cumulative period increased by 39 million yen, respectively, from those under the previous method.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	March 2013 Term (As of Mar. 31, 2013)	2Q March 2014 Term (As of Sep. 30, 2013)
Assets		
Current assets		
Cash and deposits	11,164	14,673
Notes and accounts receivable-trade	38,844	60,674
Merchandise inventories	22,704	14,050
Partly-finished work	0	51
Others	3,712	2,248
Allowance for doubtful receivables	(36)	(12)
Total current assets	76,391	91,685
Fixed assets		
Property and equipment	4,245	4,059
Intangible fixed assets		
Goodwill	39	44
Others	138	138
Total intangible fixed assets	177	183
Investments and other assets		
Others	2,163	2,230
Allowance for doubtful receivables	(61)	(56)
Total investments and other assets	2,102	2,173
Total fixed assets	6,525	6,416
Total assets	82,916	98,102
Liabilities		
Current liabilities		
Notes and accounts payable-trade	16,795	29,796
Short-term loans payable	3,357	5,046
Accrued corporate tax, etc.	543	398
Allowance	541	598
Others	1,509	1,046
Total current liabilities	22,746	36,886
Fixed liabilities		
Provision for retirement benefits	80	67
Others	173	284
Total fixed liabilities	253	351
Total liabilities	23,000	37,237
Net assets		
Shareholders' equity		
Capital stock	14,811	14,811
Capital surplus	15,329	15,329
Retained earnings	32,743	33,231
Treasury stock	(1,089)	(1,455)
Total shareholders' equity	61,795	61,916
Accumulated other comprehensive income		
Unrealized gains on available-for-sale securities	244	375
Deferred hedge gains/losses	(344)	(12)
Foreign exchange conversion adjustments	(1,778)	(1,414)
Total Accumulated other comprehensive income	(1,879)	(1,051)
Total net assets	59,916	60,865
Total liabilities and net assets	82,916	98,102

(2) Quarterly Consolidated Profit and Loss Statement, Consolidated Comprehensive Profit Statement
 (Quarterly Consolidated Profit and Loss Statement for the First Half)

(Million yen)

	2Q March 2013 Term (Apr. 1, 2012 – Sep. 30, 2012)	2Q March 2014 Term (Apr. 1, 2013 – Sep. 30, 2013)
Net sales	69,008	96,369
Cost of sales	63,942	90,433
Gross profit on sales	5,065	5,935
Selling, general and administrative expenses	4,447	4,752
Operating profit	618	1,182
Non-operating profit		
Interest income	11	7
Dividend income	53	68
Others	34	36
Total non-operating profit	99	112
Non-operating expenses		
Interest expenses	7	12
Sales discounts	7	18
Foreign exchange loss	61	23
Loss on sales of electronically recorded monetary claims	—	20
Others	0	2
Total non-operating expenses	77	76
Ordinary profit	640	1,218
Extraordinary profits		
Gain on sale of fixed assets	0	1
Gain on sale of investment securities	299	1
Total extraordinary profits	299	3
Extraordinary losses		
Loss on sales of fixed assets	—	65
Loss on disposition of fixed assets	0	0
Loss on valuation of investment securities	206	—
Loss on valuation of membership	0	—
Settlement package	81	—
Total extraordinary losses	288	65
Net profit before tax and adjustments	651	1,156
Corporate, resident and enterprise taxes	293	378
Adjustment for corporate tax, etc.	19	1
Total income taxes	312	380
Income before minority interest	339	775
Net profit	339	775

(Quarterly Consolidated Comprehensive Profit Statement)
(Consolidated cumulative period of the first half)

	2Q March 2013 Term (Apr. 1, 2012 – Sep. 30, 2012)	2Q March 2014 Term (Apr. 1, 2013 – Sep. 30, 2013)
Income before minority interest	339	775
Other comprehensive incomes		
Valuation difference on available-for-sale securities	24	131
Deferred hedge gains/losses	21	332
Foreign currency translation adjustment	(527)	363
Total of other comprehensive incomes	(481)	827
Comprehensive profit	(142)	1,603
(Details)		
Comprehensive income relating to parental company	(142)	1,603
Comprehensive income relating to minority shareholders	—	—

(3) Statements of Quarterly Cash Flows

	2Q March 2013 Term (Apr. 1, 2012 – Sep. 30, 2012)	2Q March 2014 Term (Apr. 1, 2013 – Sep. 30, 2013)
Operating activities		
Net profit before tax and adjustments	651	1,156
Depreciation and amortization	123	90
Amortization of goodwill	6	6
Increase (decrease) in provision for retirement benefits	9	(15)
Decrease (increase) of prepaid pension expenses	34	—
Increase (decrease) of allowance for doubtful receivables	(0)	(29)
Interest and dividends income	(64)	(75)
Interest expense	7	12
Loss (gain) on sale of fixed assets	(0)	64
Loss (gain) on sales of investment securities	(299)	(1)
Loss (gain) on valuation of investment securities	206	—
Decrease (increase) of notes and accounts receivable	(9,854)	(21,312)
Decrease (increase) of inventories	(1,893)	8,771
Increase (decrease) of notes and accounts payable	7,326	12,721
Decrease (increase) of consumption and other taxes receivable	402	1,395
Increase (decrease) of consumption and other taxes payable	0	(1)
Others	(151)	(54)
Sub-total	(3,495)	2,726
Interest and dividend received	106	20
Interest paid	(7)	(12)
Income taxes (paid) refund	(134)	(521)
Net cash provided by (used in) operating activities	(3,530)	2,213
Investing activities		
Purchase of property and equipment	(11)	(28)
Proceeds from sale of property and equipment	0	113
Purchase of software	(22)	(42)
Purchase of investment securities	(0)	(7)
Proceeds from sale of investment securities	703	101
Others	29	22
Net cash provided by (used in) investing activities	698	159
Financing activities		
Proceeds from short-term loans	2,560	6,850
Repayment of short-term loans	(2,706)	(5,151)
Repayments of lease obligations	(12)	(13)
Net decrease (increase) of treasury stock	(0)	(366)
Dividend paid	(292)	(287)
Net cash used in financing activities	(450)	1,031
Foreign currency conversion adjustments for cash and cash equivalents	(79)	104
Increase (decrease) of cash and cash equivalents	(3,361)	3,509
Balance of cash and cash equivalents, beginning of the period	15,235	11,164
Balance of cash and cash equivalents, end of the period	11,873	14,673

(4) Notes on Quarterly Consolidated Financial Statements

(Notes regarding Going Concern)

There are no relevant matters.

(Notes regarding Remarkable Change of Shareholder's Equity)

None

(Segment Information)

I. 2Q March 2013 Term (Apr. 1, 2012 – Sep. 30, 2012)

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	63,867	5,171	69,008
Inter-segment sales or transfers	-	-	-
Total	63,837	5,171	69,008
Segment profit	177	462	640

Notes: The segment profit is consistent with the ordinary profit in the quarterly consolidated profit and loss statement.

II. 2Q March 2014 Term (Apr. 1, 2013 – Sep. 30, 2013)

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	90,215	6,154	96,369
Inter-segment sales or transfers	-	-	-
Total	90,215	6,154	96,369
Segment profit	714	504	1,218

Notes: The segment profit is consistent with the ordinary profit in the quarterly consolidated profit and loss statement.

2. Matters concerning changes in report segments

(Changes in methods calculating the profit or loss of report segments)

Effective from the first quarter of the consolidated accounting period, the methods of allocating expenses to each business segment have changed in order to manage the performance of each segment more precisely. Based on the above changes, the segment profit for the previous first half of the consolidated cumulative period was prepared in accordance with the amended calculation methods.