

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



May 14, 2014

Summary of Financial Results for Fiscal Year Ended March 31, 2014 [Japan Standards] (Consolidated)

Name of Listed Company: Sanshin Electronics Co., Ltd. Stock Exchange Listed: 1st Section, Tokyo
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 Scheduled date of General Meeting of Shareholders: June 20, 2014
 Scheduled date of filing of Annual Securities Report: June 23, 2014
 Scheduled date of dividend payment: June 23, 2014
 The supplementary explanation document for closing of accounts is created. Yes
 The briefing for closing of accounts is held (for security analysts and institutional investors). Yes

(Amounts are rounded down to the nearest million yen)

1. Consolidated Business Performance for March 2014 Term (April 1, 2013 – March 31, 2014)

(1) Consolidated business performance

(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	%
March 2014 Term	192,240	29.9	2,517	23.9	2,658	63.1	1,806	59.7
March 2013 Term	147,963	2.6	2,032	101.5	1,629	103.2	1,131	119.2

(Note) Comprehensive profit March 2014 Term: 3,385 million yen (66.3%) March 2013 Term: 2,035 million yen (313.2%)

	Net profit per share	Diluted net profit per share	Return on Equity	Ordinary profit to total assets	Operating profit to net sales
	Yen	Yen	%	%	%
March 2014 Term	63.78	—	3.0	3.0	1.3
March 2013 Term	38.67	—	1.9	2.0	1.4

Reference) Investment profit and loss based on the equity method March 2014 Term: - million yen March 2013 Term: - million yen

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
March 2014 Term	93,522	62,255	66.6	2,209.24
March 2013 Term	82,916	59,916	72.3	2,081.88

Reference) Shareholders' equity March 2014 Term: 62,255 million yen March 2013 Term: 59,916 million yen

(3) Consolidated cash flow position

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
March 2014 Term	9,785	260	(322)	21,758
March 2013 Term	(3,475)	758	(1,660)	11,164

2. Dividends

(Record date)	Dividend per share					Total dividends (annual)	Payout ratio (consolidated)	Dividend on net assets (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
March 2013 Term	—	10.00	—	10.00	20.00	580	51.7	1.0
March 2014 Term	—	10.00	—	10.00	20.00	563	31.4	0.9
March 2015 Term (forecast)	—	10.00	—	10.00	20.00		34.2	

3. Forecasts for Consolidated Business Performance for March 2015 Term (April 1, 2014 – March 31, 2015)*(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
First half	91,000	(5.6)	850	(28.1)	800	(34.4)	500	(35.6)	17.74
Full year	195,000	1.4	2,550	1.3	2,450	(7.8)	1,650	(8.7)	58.55

*** Notes**

(1) Changes in consolidated subsidiaries during the term (changes in scope of consolidation): None

Newly added: - Excluded: -

(2) Changes in accounting policies, changes in accounting estimates and restatements

1) Changes caused by revision of accounting standards: Yes

2) Other accounting changes: None

3) Changes in accounting estimates: None

4) Restatements: None

Note: Please refer to “3. Consolidated Financial Statements - (5) Notes on Consolidated Financial Statements (Changes in Accounting Policies)”, on page 13 of [Appendix] for further information.

(3) Number of shares outstanding (ordinary shares)

1) Number of shares outstanding at the end of term (including treasury stock):

March 2014 Term: 29,281,373 shares March 2013 Term: 30,281,373 shares

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

March 2014 Term: 1,101,952 shares March 2013 Term: 1,501,550 shares

3) Number of average stock during the term:

March 2014 Term: 28,322,676 shares March 2013 Term: 29,252,529 shares

(Reference) Overview of Non-consolidated Results**(1) Non-consolidated Business Performance for March 2014 Term (April 1, 2013 – March 31, 2014)***(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	%
March 2014 Term	143,360	27.5	1,267	169.1	1,931	70.0	1,294	60.5
March 2013 Term	112,415	15.9	470	—	1,136	114.6	806	97.6

	Net profit per share	Diluted net profit per share
	Yen	Yen
March 2014 Term	45.71	—
March 2013 Term	27.57	—

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
March 2014 Term	79,800	54,289	68.0	1,926.57
March 2013 Term	71,207	53,260	74.8	1,850.63

Reference) Shareholders' equity March 2014 Term: 54,289 million yen March 2013 Term: 53,260 million yen

*Indication concerning execution condition of auditing procedure

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

* Cautionary statement with respect to forward-looking statements

The above forecast is a forecast for the future based on data currently available and contains potential risks and uncertain factors.

The actual performance may considerably differ from the forecast due to various factors.

See the section “1. Analysis of Business Results and Financial Position – (1) Analysis of Business Results” on page 2 of [Appendix] regarding the relevant matters for the above forecast for the business performance.

The Company is planning to hold a briefing for security analysts and institutional investors on May 21, 2014. As for the issued documents explaining the closing of accounts, it shall promptly be updated on our website after the briefing is held.

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1. Analysis of Business Results and Financial Position

(1) Analysis of Business Results

1) Business results for the fiscal year ended March 31, 2014

During the consolidated fiscal year under review, the global economy continued to gradually recover in U.S. and it showed signs of improvement also in Europe. Still, Asia maintains its economy solid overall, despite China's economic slowdown. As for Japan's economy, business confidence improved, while supported by fiscal and monetary policies in the government and the Bank of Japan, and the customer spending increased.

In the electronics industry, the demand for car electronics and mobile devices such as smartphones increased, leading to the expansion of semiconductors and electronic components market. Moreover, in the domestic IT industry, despite the severe condition of the competition for acquiring orders, in addition to a turnaround in economic environment and a surge in demand prior to the hike of consumption tax rate, the PC sales to corporations remained steady.

Under these circumstances, we committed to strengthen business power and improve the management foundation and strove to improve sales and earning power.

As a result, in this consolidated fiscal year, sales increased 29.9% year-on-year to 192,240 million yen, operating profit increased 23.9% to 2,517 million yen, ordinary profit increased 63.1% to 2,658 million yen, and net profit increased 59.7% to 1,806 million yen. The return on equity (ROE) was 3.0%.

Consolidated performance by business segment for the term is as follows.

(Device Segment)

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 consolidated fiscal year, while sales for home gaming equipment decreased, those for mobiles, social infrastructure devices and in-vehicle devices increased. Also, there was an increase in sales of semiconductors and electronic components that the Company has been enhancing so far, aided by the positive impact of a weaker yen and launching of new products made by overseas manufacturers.

As a result, consolidated segment sales increased 30.3% year-on-year to 176,047 million yen for the current consolidated fiscal year. Furthermore, the segment profit rose substantially to 1,075 million yen (up 129.9% from the previous term), as a result of net sales growth.

Orders received stood at 178,588 million yen, and the order backlog was 35,272 million yen.

(Solution Segment)

In the solution segment, we are committed to planning and developing infrastructure with information communication network operations at the core, mainly for private companies, government agencies and local municipalities, as well as to their maintenance and operations. Especially, as for our core system, we offer services deriving from provision of package software, such as customization according to individual development. Furthermore, we also provide to broadcast stations and production companies editing and transmitting of video content, as well as establishing of distribution systems, centered on products from vendors abroad.

In the current consolidated fiscal year, in addition to cultivation of a strong relationship with major customers, the increase of the equipment replacement demand in anticipation of the complete digitalization of wireless communication for firefighting and emergency services in local municipalities, and the expansion of PC and software replacement demand, spurred by the consumption tax hike, continued overall to be brisk thanks to business conditions that are starting to look more positive.

As a result, consolidated segment sales increased 26.0% year-on-year to 16,192 million yen for the current consolidated fiscal year. The segment profit ended at 1,582 million yen (up 36.3% from the previous term).

Orders received totaled 12,438 million yen, while the order backlog stood at 1,525 million yen.

2) Outlook for the next fiscal year

We expect that although a sense of uncertainty about the future remains, the global economy will show a modest recovery, especially in the U.S. and Europe. The Japanese economy is also expected to move toward a moderate

recovery, but the increase in the consumption tax rate may have negative impact on the economy. Under such circumstances, we forecast, for the next fiscal year, that while sales in the device segment will continue to hover at a steady level as same as the previous fiscal year, business in the solution segment may slow down due to negative impact by the last-minutes demands before the increase in the consumption tax rate.

As the result, the forecast of consolidated business results for the next fiscal year is as follows:

(Prospect for Consolidated Business Results)

Net sales:	195 billion yen (1.4% increase compared with the previous fiscal year)
Operating profit:	2.55 billion yen (1.3% increase compared with the previous fiscal year)
Ordinary profit:	2.45 billion yen (7.8% decrease compared with the previous fiscal year)
Net profit:	1.65 billion yen (8.7% decrease compared with the previous fiscal year)

(Assumed exchange rate: US\$ 1 = 100 yen)

(2) Qualitative Information Regarding Consolidated Financial Position

1) Assets, liabilities and net assets

As of March 31, 2014, assets increased by 10,606 million yen, compared with March 31, 2013, to 93,522 million yen. This was mainly attributable to an increase of 10,594 million yen in cash and deposits notes, an increase of 9,879 million yen in notes and accounts receivable, and a decrease of 9,269 million yen in merchandise inventories.

Liabilities increased by 8,267 million yen to 31,267 million yen, mainly because of a 7,205 million yen increase in notes and accounts payable.

Net assets increased by 2,338 million yen to 62,255 million yen, mainly because of a 657 million yen in retained earnings, a decrease of 325 million yen in treasury stock, an increase of 429 million in deferred hedge gains/losses, and an increase of 908 million yen in foreign exchange conversion adjustments.

2) Cash flows

Cash and cash equivalents amounted to 21,758 million yen as of March 31, 2014, an increase of 10,594 million yen compared with March 31, 2013. This was mainly because of a decrease in inventories and an increase in notes and accounts payable, both of which contributed to an increase in income.

(Operating activities)

Net cash provided in operating activities was 9,785 million yen. This was mainly because income caused by a decrease in inventories and an increase in notes and accounts payable surpassed expenditure. This represented an income increase of 13,261 million yen compared with the cash used of 3,475 million yen in the previous consolidated fiscal year.

(Investing activities)

Net cash provided in investing activities was 260 million yen. This was mainly because of an income increase impacted by proceeds from sale of property and equipment, and proceeds from sale of investment securities. This represented an income decrease of 497 million yen compared with the previous consolidated fiscal year.

(Financing activities)

Net cash used in financing activities was 322 million yen. This was mainly due to expenditure caused by purchase of treasury stock and dividend paid. This represented an expenditure decrease of 1,338 million yen compared with the previous consolidated fiscal year.

3) Outlook for assets, liabilities, net assets and cash flow

At the end of March 2015, the Company expects total assets to amount to 95.5 billion yen, 2.0 billion yen increase from the end of March 2014, mainly because of a projected increase in notes and accounts receivable. In addition, the Company expects interest-bearing debt to total about 4.5 billion yen at the end of March 2015.

Cash and cash equivalents at the end of March 2015 are expected to decrease by about 2.8 billion yen from the end of March 2014 to about 19 billion yen. This is mainly because of an expected expenditure increase impacted by a projected increase in notes and accounts receivable.

Performance indicators associated with cash flows are as follows.

	March 2010 Term	March 2011 Term	March 2012 Term	March 2013 Term	March 2014 Term
Ratio of shareholders' equity (%)	68.6	64.5	73.5	72.3	66.6
Ratio of shareholders' equity on current price base (%)	27.6	23.0	25.5	21.8	20.8
Interest-bearing debt to cash flow ratio (year)	0.4	—	0.2	—	0.5
Interest coverage ratio	172.8	—	546.2	—	358.2

Notes: Ratio of shareholders' equity: Shareholders' equity ÷ Total assets

Ratio of shareholders' equity on current price base: Market capitalization ÷ Total assets

Interest-bearing debt to cash flow ratio: Interest-bearing debts ÷ Operating cash flow

Interest coverage ratio: Operating cash flow ÷ Interest paid

* Each indicator is calculated using the consolidated financial figures.

* The market capitalization is calculated as the ending share price at the term end multiplied by the number of shares issued at the term end (after the deduction of treasury stock).

* For the operating cash flow, the "cash flow from operating activities" shown in the consolidated statement of cash flows is used. The interest-bearing debts feature all debts bearing interest among the debts listed in the consolidated balance sheet. For the amount of interest paid, the "interest paid" listed in the consolidated statement of cash flows is used.

* Figures for the interest-bearing debt to cash flow ratio and the interest coverage ratio are not entered when the operating cash flow figure is negative.

2. Basic Policies

(1) Basic management policies

The Company's basic policy is to adhere to the corporate philosophy of "Trust, Faith and Honesty" in order to earn a reputation as an organization to prove its value based on reliability and solutions. Today, manufacturers that supply products to the Company are all focusing their product development and manufacturing resources on fields where they are strongest. As a result, there is a growing need at these manufacturers to reinforce sales activities. In addition, the Company's customers need to use fewer suppliers in order to raise the efficiency of product procurement activities. Sanshin Electronics is dedicated to offering suppliers and customers the optimum solutions for their problems by focusing on excellence in four areas: global management, product range, coordination, and technological strength. The objective is to increase the Company's corporate value by earning a reputation among suppliers and customers as a highly reliable electronics trading company.

(2) Target business indicator

The Company positions the ROE (return on equity) as an important business indicator and will endeavor to improve earnings while maintaining a shareholders' equity ratio of at least 50%.

(3) Medium- to long-term business strategy

In the device business, we managed to recover our business performance as a result of actively promoting sales expansion in growing fields such as information and communication, and social infrastructure and industry, including the automobile-related field. In the future, we will focus on expanding the area of sales promotion, besides leading the various needs in the market to more business negotiations, and we will struggle for moving into full swing the recovery of our business performance, while further strengthening the efforts we have made so far.

In the solution business, we managed to extend steadily our earnings. In the future, we will accelerate the efforts towards the establishment of a stable revenue base that is resilient to changes in business environment. Especially, we are taking into consideration the future effects of performing "Cloud migration" which enables you to perform

operations like storing data, or running a business application through the Internet. We will proceed with preparations, including support for this cloud migration.

(4) Important issues

To implement these management strategies, the Group is committed to addressing the following issues:

1) Strengthening business capabilities

a. Further expanding sales of products for existing vendors and new ones (Device business)

As concerns products for vendors that are already the leading products of the Company, we will pursue further strengthening of sales expansion in growing fields, while organizing with suppliers the integration of sales strategies. As for products from new vendors, not only we will supplement the existing vendors, but we will also strengthen the sales expansion in order to attract new customers.

b. Deepening relationships with customers according to the total solution (Device business)

In April this year we unified the Sales Promotion Division which was before divided in two according to product types. At the same time, we established a structure able to propose total solutions that combine the strengths of every vendor in accordance with the reforms undertaken in the sales promotion system of each field of markets. Consequently we will work on making the bond with our customers stronger.

c. Strengthening capabilities to expand overseas businesses (Device business)

As concerns shifting domestic business with major customers to overseas, we will continue and strengthen our cooperation with local subsidiaries and the domestic sales division, in order to ensure our reliability. Also, we will actively tackle development of brand new business models, such as strengthening ways of meeting the increasing local needs of design-in, material processing business, EMS (electronic manufacturing systems), and so on.

d. Expansion of stock businesses (Solution business)

The pillar for making profit in solution business is stock business, such as maintenance or management support services. In pursuit of the further expansion of this stock business, we will expand our lineup of services, including the creation of services giving consideration to Cloud migration, while reviewing our operating system.

We have to increase also the sales of hardware and systems as they are the sources in order to increment stock businesses. We will strengthen sales expansion, not just based on resources within the Group, but also by actively promoting close tie-ups with business partners and vendors.

e. Building a balanced revenue structure (Solution business)

We divide the solution business into six business units: networks, public offices, firefighting and disaster prevention, embedded systems, application software, and image editing. We will further strengthen the efforts towards a balanced revenue structure without heavily depending on a certain business unit. We will endeavor to identify issues that each business unit faces, achieve synergistic effects through our alliances, by sharing customers across business units, along with optimal allocation of resources, and therefore expand benefits of each unit, respectively.

2) Business infrastructure development

a. Reinforcement of risk management

Risk management has become an important issue to improve profitability, as the probability of risk occurrence related to inventory, claims or logistics is increasing, through the growing number of customers and vendors, and regional expansion. We shall thoroughly manage risk by increasing company-wide sharing of precautionary measures and coping methods through regular training organized by the management divisions, in addition to reviewing this Company's internal rules.

b. Infrastructure development

The use of IT infrastructure is important to promote new businesses and risk management. We will work on enhancing operations support system in order to ensure operational efficiency improvement, information sharing,

and thoroughness of minimum loss. Furthermore, in the solution business, ensuring talented human resources has become a crucial issue, along with improving business performance and expanding operations. We are also endeavoring to expand our human resources, by continuing to employ new graduates and by recruiting mid-career professionals with a needed skill.

3. Consolidated Financial Statements
(1) Consolidated Balance Sheets

(Million yen)

	March 2013 Term (As of Mar. 31, 2013)	March 2014 Term (As of Mar. 31, 2014)
Assets		
Current assets		
Cash and deposits	11,164	21,758
Notes and accounts receivable-trade	38,844	48,723
Merchandise inventories	22,704	13,435
Partly-finished work	0	22
Accrued income	114	125
Deferred tax assets	751	473
Others	2,846	2,893
Allowance for doubtful receivables	(36)	(13)
Total current assets	76,391	87,419
Fixed assets		
Property and equipment		
Buildings and structures	6,487	6,151
Accumulated depreciation	(4,505)	(4,330)
Buildings and structures, net	1,982	1,821
Land	2,140	2,053
Lease assets	112	169
Accumulated depreciation	(46)	(75)
Lease assets, net	66	94
Other	673	680
Accumulated depreciation	(616)	(620)
Other, net	56	59
Total property and equipment	4,245	4,029
Intangible fixed assets	177	182
Investments and other assets		
Investment in securities	1,766	1,587
Others	396	439
Allowance for doubtful receivables	(61)	(136)
Total investments and other assets	2,102	1,891
Total fixed assets	6,525	6,103
Total assets	82,916	93,522

(Million yen)

	March 2013 Term (As of Mar. 31, 2013)	March 2014 Term (As of Mar. 31, 2014)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	16,795	24,000
Short-term loans payable	3,357	4,524
Lease obligations	20	30
Accrued corporate tax, etc.	543	520
Allowance for bonuses to employees	514	620
Allowance for bonuses to directors and corporate auditors	27	30
Others	1,488	898
Total current liabilities	22,746	30,623
Fixed liabilities		
Lease obligations	45	64
Deferred tax liabilities	1	57
Provision for retirement benefits	80	-
Net defined benefit liability	-	398
Others	126	123
Total fixed liabilities	253	643
Total liabilities	23,000	31,267
Net assets		
Shareholders' equity		
Capital stock	14,811	14,811
Capital surplus	15,329	15,329
Retained earnings	32,743	33,400
Treasury stock	(1,089)	(763)
Total shareholders' equity	61,795	62,778
Accumulated other comprehensive income		
Unrealized gains on available-for-sale securities	244	485
Deferred hedge gains/losses	(344)	84
Foreign exchange conversion adjustments	(1,778)	(870)
Remeasurements of defined benefit plans	-	(223)
Total Accumulated other comprehensive income	(1,879)	(523)
Total net assets	59,916	62,255
Total liabilities and net assets	82,916	93,522

(2) Consolidated Profit and Loss Statement, Consolidated Comprehensive Profit Statement
(Consolidated Profit and Loss Statement)

(Million yen)

	March 2013 Term (Apr. 1, 2012 – Mar. 31, 2013)	March 2014 Term (Apr. 1, 2013 – Mar. 31, 2014)
Net sales	147,963	192,240
Cost of sales	136,905	179,850
Gross profit on sales	11,058	12,389
Selling, general and administrative expenses	9,025	9,871
Operating profit	2,032	2,517
Non-operating profit		
Interest income	24	13
Dividend income	99	233
Others	65	88
Total non-operating profit	189	336
Non-operating expenses		
Interest expenses	18	27
Sales discounts	26	37
Foreign exchange loss	530	51
Loss on sales of electronically recorded monetary claims	10	71
Others	6	8
Total non-operating expenses	592	196
Ordinary profit	1,629	2,658
Extraordinary profits		
Gain on sale of fixed assets	0	1
Gain on sale of investment securities	299	109
Total extraordinary profits	299	111
Extraordinary losses		
Loss on sales of fixed assets	0	65
Loss on disposition of fixed assets	2	2
Loss on sales of investment securities	111	-
Loss on valuation of investment securities	11	-
Loss on valuation of club membership	0	0
Settlement package	81	-
Total extraordinary losses	207	68
Net profit before tax and adjustments	1,722	2,700
Corporate, resident and enterprise taxes	668	824
Adjustment for corporate tax, etc.	(77)	69
Total income taxes	590	894
Income before minority interest	1,131	1,806
Net profit	1,131	1,806

(Consolidated Comprehensive Profit Statement)

(Million yen)

	March 2013 Term (Apr. 1, 2012 – Mar. 31, 2013)	March 2014 Term (Apr. 1, 2013 – Mar. 31, 2014)
Income before minority interest	1,131	1,806
Other comprehensive incomes		
Valuation difference on available-for-sale securities	138	240
Deferred hedge gains/losses	(351)	429
Foreign currency translation adjustment	1,117	908
Total of other comprehensive incomes	904	1,579
Comprehensive profit	2,035	3,385
(Details)		
Comprehensive income relating to parental company	2,035	3,385
Comprehensive income relating to minority shareholders	-	-

(3) Consolidated Statements of Changes in Shareholders' Equity

Fiscal year ended March 31, 2013 (From April 1, 2012 to March 31, 2013)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of the year	14,811	15,329	32,125	(767)	61,499
Changes of items during the period					
Dividends from surplus			(585)		(585)
Net income			1,131		1,131
Purchase of treasury stock				(321)	(321)
Retirement of treasury stocks					
Change of scope of consolidation			71		71
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	-	617	(321)	295
Balance at the end of current period	14,811	15,329	32,743	(1,089)	61,795

(Millions of yen)

	Accumulated other comprehensive income					Total net assets
	Other valuation difference on available-for-sale securities	Deferred hedge gains/losses	Foreign exchange conversion adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of the year	105	6	(2,895)	-	(2,783)	58,716
Changes of items during the period						
Dividends from surplus						(585)
Net income						1,131
Purchase of treasury stock						(321)
Retirement of treasury stock						
Change of scope of consolidation						71
Net changes of items other than shareholders' equity	138	(351)	1,117	-	904	904
Total changes of items during the period	138	(351)	1,117	-	904	1,199
Balance at the end of current period	244	(344)	(1,778)	-	(1,879)	59,916

Fiscal year ended March 31, 2014 (From April 1, 2013 to March 31, 2014)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of the year	14,811	15,329	32,743	(1,089)	61,795
Changes of items during the period					
Dividends from surplus			(569)		(569)
Net income			1,806		1,806
Purchase of treasury stock				(366)	(366)
Retirement of treasury stock			(692)	692	-
Change of scope of consolidation			113		113
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	-	657	325	983
Balance at the end of current period	14,811	15,329	33,400	(763)	62,778

(Millions of yen)

	Accumulated other comprehensive income					Total net assets
	Other valuation difference on available-for-sale securities	Deferred hedge gains/losses	Foreign exchange conversion adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of the year	244	(344)	(1,778)	-	(1,879)	59,916
Changes of items during the period						
Dividends from surplus						(569)
Net income						1,806
Purchase of treasury stock						(366)
Retirement of treasury stock						-
Change of scope of consolidation						113
Net changes of items other than shareholders' equity	240	429	908	(223)	1,355	1,355
Total changes of items during the period	240	429	908	(223)	1,355	2,338
Balance at the end of current period	485	84	(870)	(223)	(523)	62,255

(4) Consolidated Statement of Cash Flows

(Million yen)

	March 2013 Term (Apr. 1, 2012 – Mar. 31, 2013)	March 2014 Term (Apr. 1, 2013 – Mar. 31, 2014)
Operating activities		
Net profit before tax and adjustments	1,722	2,700
Depreciation and amortization	251	180
Amortization of goodwill	13	14
Increase (decrease) in provision for retirement benefits	45	-
Decrease (increase) of prepaid pension expenses	34	-
Increase (decrease) of allowance for doubtful receivables	(8)	45
Increase (decrease) of Net defined benefit liability	-	(32)
Interest and dividends income	(123)	(247)
Interest expense	18	27
Loss (gain) on sale of fixed assets	0	64
Loss (gain) on sales of investment securities	(187)	(109)
Loss (gain) on valuation of investment securities	11	-
Decrease (increase) of notes and accounts receivable	2,114	(8,366)
Decrease (increase) of inventories	(5,521)	10,094
Increase (decrease) of notes and accounts payable	(102)	6,291
Decrease (increase) of consumption and other taxes receivable	(1,028)	112
Increase (decrease) of consumption and other taxes payable	0	0
Others	(627)	(177)
Sub-total	(3,387)	10,597
Interest and dividend received	167	92
Interest paid	(18)	(27)
Corporate and other taxes paid	(237)	(876)
Net cash provided by operating activities	(3,475)	9,785
Investing activities		
Purchase of property and equipment	(30)	(42)
Proceeds from sale of property and equipment	0	113
Purchase of software	(62)	(52)
Purchase of investment securities	(0)	(8)
Proceeds from sale of investment securities	766	209
Others	84	40
Net cash used in investing activities	758	260
Financing activities		
Proceeds from short-term loans	4,215	14,765
Repayment of short-term loans	(4,947)	(14,124)
Repayments of lease obligations	(23)	(28)
Net decrease (increase) of treasury stock	(321)	(366)
Dividend paid	(584)	(568)
Net cash used in financing activities	(1,660)	(322)
Foreign currency conversion adjustments for cash and cash equivalents	287	215
Increase (decrease) of cash and cash equivalents	(4,090)	9,939
Balance of cash and cash equivalents, beginning of the period	15,235	11,164
Increase in cash and cash equivalents from newly consolidated subsidiary	20	654
Balance of cash and cash equivalents, end of the period	11,164	21,758

(5) Notes on Consolidated Financial Statements
(Notes Regarding Going Concern)

There are no relevant matters.

(Basis for Preparation of Consolidated Financial Statements)

(Scope of Consolidation)

SANSHIN ELECTRONICS (SHANGHAI) CO., LTD., which was a non-consolidated subsidiary at the end of the previous fiscal year, has been included in the scope of consolidation from the current fiscal year due to its increased materiality.

(Changes in Accounting Policies)

(Application of the Accounting Standard for Retirement Benefits)

The Company adopted "Accounting Standard for Retirement Benefits" (Corporate Accounting Standards No. 26 of May 17, 2012, hereinafter referred to as "Retirement Benefits Accounting Standards") and "Implementation Guidance on Accounting Standard for Retirement Benefits" (Corporate Accounting Standards No. 25 of May 17, 2012, hereinafter referred to as "Implementation Guidance on Retirement Benefits") from this consolidated fiscal year on (provided, however, that provisions stipulated in the texts of the Section 35 of the Retirement Benefits Accounting Standards and of the Section 67 of the Implementation Guidance on Retirement Benefits shall be excluded): we have employed the method to book the amount calculated by deducting pension assets from retirement benefit obligations and to book the difference as net defined benefit liability, so that unrecognized actuarial losses for the current period and unrecognized past service liability may be booked as net defined benefit liability.

To apply the Retirement Benefits Accounting Standards, we comply with the transitional handling stipulated in the Section 37 of Retirement Benefits Accounting Standards, and effect of the accounting change is added to or subtracted from remeasurements of defined benefit plans listed as other comprehensive income at the end of this consolidated fiscal year.

As the result, 398 million yen is booked as net defined benefit liability as of March 31, 2014. In addition, other comprehensive income decreased by 223 million yen.

Please take note that the net assets per share decreased by 7.93 yen.

(Changes in Presentation Method)

(Consolidated Statement of Income)

The "Loss on sale of electronically recorded monetary claims" which included in the "Others" category under non-operating expenses in the previous fiscal year, is shown as a separate line item in the current fiscal year, since its increased importance in monetary terms. In this regard, the amount of "Loss on sale of electronically recorded monetary claims" in the previous consolidated fiscal year was ¥10 million.

(Additional Information)

(Change of the number of years for the actuarial gains and losses involving retirement benefits and for the amortization of the past service liabilities)

In the past, the actuarial differences and prior service liabilities were amortized within 13 years. However, from the current fiscal year it changed to 10 years amortization period, as the employees' average remaining period of service shortened.

The change caused an increase of ¥79 million in operating income, ordinary income, and net income before taxes for the current consolidated fiscal year, compared to the previous method.

(Segment Information, etc.)

a. Segment Information

1. Outline of Report Segments

The report segments are composition units of the Company for which separate financial information is available and that are reviewed periodically by the board of directors to determine the allotment of managerial resources and evaluate the financial results.

The Company has business headquarters for individual merchandise and services. The business headquarters work out domestic and overseas comprehensive strategies about their merchandise and services and do business activities according to the strategies.

Therefore, the Company is organized from two segments by merchandise and services based on business headquarters. They are device segment and solution segment.

In the device segment, the Company mainly sells semiconductor devices (system LSIs, microcomputers, LCD display driver ICs, memories, etc.) and electronic components (connectors, capacitors, circuit boards, etc.) to electronic product manufacturers. The Company also provides technical support for software development, ASIC design, and other.

In the solution segment, the Company is mainly engaged in business related to network systems, such as selling, maintaining, and supporting information & communications networks and key business systems mainly for companies, medical institutions, governmental agencies, and local governments. The Company is also engaged in business related to video systems, such as selling systems and software to broadcast stations and video productions for editing, sending, and distributing video contents.

2. Amount calculation methods for sales, profit or loss, assets, liabilities, and other items in each report segment

The accounting method in the reported business segments is almost the same as that for creating consolidated financial statements.

Profit in the report segments are based on ordinary income.

3. Information regarding the amounts of sales, profit or loss, assets, liabilities, and other items in each report segment

March 2013 Term (Apr. 1, 2012 – Mar. 31, 2013)

(Million yen)

	Reported segment			Adjustment amount (Note 1)	Amount accounted on consolidated profit and loss statement (Note 2)
	Device segment	Solution segment	Total		
Net sales					
Sales to outside customers	135,111	12,851	147,963	-	147,963
Inter-segment sales or transfers	-	-	-	-	-
Total	135,111	12,851	147,963	-	147,963
Segment profit	467	1,161	1,629	-	1,629
Segment assets	62,716	6,801	69,518	13,398	82,916
Other items					
Depreciation expenses (Note 3)	205	46	251	-	251
Increase of tangible fixed assets and intangible fixed assets	46	3	49	104	154

Notes: 1. The adjustment amount of segment assets includes investment capital (cash, deposits, and securities), long-term investment (investment on securities), and assets related to the management divisions of the Company.

2. The segment income coincides with the ordinary income in the consolidated profit and loss statement.

3. The depreciation expenses do not include the amortization of goodwill.

March 2014 Term (Apr. 1, 2013 – Mar. 31, 2014)

(Million yen)

	Reported segment			Adjustment amount (Note 1)	Amount accounted on consolidated profit and loss statement (Note 2)
	Device segment	Solution segment	Total		
Net sales					
Sales to outside customers	176,047	16,192	192,240	-	192,240
Inter-segment sales or transfers	-	-	-	-	-
Total	176,047	16,192	192,240	-	192,240
Segment profit	1,075	1,582	2,658	-	2,658
Segment assets	63,627	7,375	71,002	22,520	93,522
Other items					
Depreciation expenses (Note 3)	147	33	180	-	180
Increase of tangible fixed assets and intangible fixed assets	58	13	72	62	135

Notes: 1. The adjustment amount of segment assets includes investment capital (cash, deposits, and securities), long-term investment (investment on securities), and assets related to the management divisions of the Company.

2. The segment income coincides with the ordinary income in the consolidated profit and loss statement.

3. The depreciation expenses do not include the amortization of goodwill.

4. Information on Modification in Report Segments

(Modification in Rule for Calculation of Profit / Loss of Each Report Segment)

In order to figure out performance of each report segment in a more accurate manner, the Company has started to modify the rule to allocate expenditure of each report segment from this consolidated fiscal year.

In response to this modification, the new calculation rule was applied to the segment profits in the previous

consolidated fiscal year.

b. Related information

March 2013 Term (Apr. 1, 2012 – Mar. 31, 2013)

1. Information of regions

(1) Net sales

(Million yen)

Japan	Asia	North America	Others	Total
63,003	81,749	2,150	1,059	147,963

(2)Property and equipment

As the amount of property and equipment in Japan excess 90% of the amount stated in the consolidated balance sheet, description is omitted.

2. Information of major clients

(Million yen)

Name of client	Net sales	Related segments
Nintendo Co., Ltd.	25,679	Mainly device segment

March 2014 Term (Apr. 1, 2013 – Mar. 31, 2014)

1. Information of regions

(1) Net sales

(Million yen)

Japan	Asia	North America	Others	Total
98,436	91,537	887	1,378	192,240

(2)Property and equipment

As the amount of property and equipment in Japan excess 90% of the amount stated in the consolidated balance sheet, description is omitted.

2. Information of major clients

(Million yen)

Name of client	Net sales	Related segments
Sharp Corporation	37,704	Mainly device segment

c. Information regarding the amount of amortization of goodwill and the balance in each report segment

March 2013 Term (Apr. 1, 2012 – Mar. 31, 2013)

(Million yen)

	Device segment	Solution segment	Elimination/Corporate	Total
Amount of amortization	13	-	-	13
Balance at the end of current period	39	-	-	39

March 2014 Term (Apr. 1, 2013 – Mar. 31, 2014)

(Million yen)

	Device segment	Solution segment	Elimination/Corporate	Total
Amount of amortization	14	-	-	14
Balance at the end of current period	37	-	-	37

(Per Share Information)

(Yen)

	March 2013 Term (Apr. 1, 2012 – Mar. 31, 2013)	March 2014 Term (Apr. 1, 2013 – Mar. 31, 2014)
Net assets per share	2,081.88	2,209.24
Net profit per share	38.67	63.78

Notes: 1. Diluted net profit per share is not presented since the Company has no outstanding securities.

2. Basis for calculation of net profit per share is as follows.

(Million yen)

	March 2013 Term (Apr. 1, 2012 – Mar. 31, 2013)	March 2014 Term (Apr. 1, 2013 – Mar. 31, 2014)
Net profit	1,131	1,806
Amount not available to common shareholders	—	—
Net profit available to ordinary shares	1,131	1,806
Average shares outstanding available to ordinary shares (Thousand shares)	29,252	28,322

(Important Later Event)

There are no relevant matters.

4. Other

(1) Changes in Officers (Scheduled for June 20, 2014)

1) Changes in Representative Director

New Position	Name	Current position
Chairman and Representative Director	Mitsumasa Matsunaga	President and Representative Director In charge of Audit Department
President and Representative Director In charge of Audit Department and General Manager of Corporate Strategy Department	Toshiro Suzuki	Associate Senior Vice President, Senior General Manager of Administration Division and General Manager of Corporate Strategy Department

2) Changes in Other Directors

• Nominee as new director

New Position	Name	Current position
Associate Senior Vice President Deputy Senior General Manager and General Manager of 1st Business Development Department of International Operations Division	Fumihide Kitamura	Vice President Deputy Senior General Manager and General Manager of 1st Business Development Department of International Operations Division
Associate Senior Vice President Deputy General Manager of Solution Marketing & Sales Division	Nobuyuki Hatano	Vice President Deputy General Manager of Solution Marketing & Sales Division
Associate Senior Vice President Senior General Manager and General Manager of Finance Department of Finance & Accounting Division	Akio Misono	Deputy Senior General Manager and General Manager of Finance Department of Finance & Accounting Division
External Vice President	Shun-ichi Nakagawa	-

• Director scheduled to resign

New Position	Name	Current position
Managing Executive Officer and Senior General Manager of 1st Marketing & Sales Division	Yoshihiro Masada	Senior Vice President Senior General Manager of 1st Marketing & Sales Division
Managing Executive Officer Senior General Manager of Western Japan Sales Division	Hiroshi Ishii	Senior Vice President Senior General Manager of Western Japan Sales Division
Managing Executive Officer Senior General Manager of International Operations Division	Fumiaki Urase	Senior Vice President Senior General Manager of International Operations Division
Corporate Auditor (Full-time)	Keiji Nishio	Associate Senior Vice President Senior General Manager of Finance & Accounting Division

• Directors to be promoted

New Position	Name	Current position
Senior Vice President Senior General Manager of Solution Marketing & Sales Division	Mitsuo Kamoshita	Associate Senior Vice President Senior General Manager of Solution Marketing & Sales Division
Senior Vice President and Senior General Manager of 2nd Marketing & Sales Division	Yasuhiko Ota	Associate Senior Vice President Senior General Manager of 2nd Marketing & Sales Division

• Nominees as new corporate auditors

New Position	Name	Current position
Corporate Auditor (Full-time)	Keiji Nishio	Associate Senior Vice President Senior General Manager of Finance & Accounting Division
external auditor	Minoru Matsumoto	-

• Directors to resign

New Position	Name	Current position
-	Taro Yonekawa	Corporate Auditor (Full-time)
-	Yutaka Suzuki	external auditor

(2) Other Changes (Scheduled for June 20, 2014)

New Position	Name	Current position
Vice President Senior General Manager and General Manager of Personnel Department of Administration Division	Koji Sakamoto	Deputy Senior General Manager and General Manager of Personnel Department of Administration vision