

(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, 2014

**Summary of Financial Results for the First Half of the Fiscal Year**  
**Ending March 31, 2015**  
**(Six Months Ended September 30, 2014)**  
**[Japan Standards] (Consolidated)**

Name of Listed Company: Sanshin Electronics Co., Ltd. Stock Exchange Listed: 1st Section, Tokyo  
 Code No.: 8150 URL: <http://www.sanshin.co.jp>  
 Representative: Toshiro Suzuki (President & COO)  
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 Scheduled date of filing of Quarterly Report: November 10, 2014  
 Scheduled date of dividend payment: December 10, 2014  
 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 2015 Term (April 1, 2014 – September 30, 2014)**

## (1) Consolidated business performance (cumulative)

(% figures represent year-on-year increase or decrease)

	Net sales		Operating profit		Ordinary profit		Net profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
2Q March 2015 Term	100,238	4.0	1,386	17.2	1,232	1.1	794	2.4
2Q March 2014 Term	96,369	39.6	1,182	91.3	1,218	90.4	775	128.6

(Note) Comprehensive income 2Q March 2015 Term: 1,471 million yen (-8.3%); 2Q March 2014 Term: 1,603 million yen (-%)

	Net profit per share		Diluted net profit per share	
	Yen		Yen	
2Q March 2015 Term	28.19		—	
2Q March 2014 Term	27.26		—	

## (2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
2Q March 2015 Term	99,114	63,378	63.9
March 2014 Term	93,522	62,255	66.6

(Reference) Shareholders' equity 2Q March 2015 Term: 63,378 million yen; March 2014 Term: 62,255 million yen

**2. Dividends**

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
March 2014 Term	—	10.00	—	10.00	20.00
March 2015 Term:	—	10.00			
March 2015 Term (forecast)			—	10.00	20.00

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

First half-end dividends are scheduled to be decided at the Meeting of the Board of Directors to be held on November 20.

**3. Forecasts for Consolidated Business Performance for March 2015 Term (April 1, 2014 – March 31, 2015)***(% figures represent year-on-year increase or decrease)*

	Net sales		Operating profit		Ordinary profit		Net profit		Net profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	195,000	1.4	2,550	1.3	2,450	(7.8)	1,650	(8.7)	58.55

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

**\* Annotations**

(1) Significant subsidiary change in the consolidated cumulative period of this quarter (changes in scope of consolidation): None

Newly added: Excluded:

(2) Application of unique accounting to the preparation of quarterly consolidated financial statements: None

(3) Change of accounting principles, change of accounting estimate, and redisplay after revision:

1) Change of accounting principles caused by revision of accounting standards: Yes

2) Change of accounting principles other than 1): None

3) Change of accounting estimate: None

4) Redisplay after revision: None

(Note) For further information, please refer to “2. Matters Concerning Summary Information (Notes) - (3) Change of accounting principles, change of accounting estimate, and redisplay after revision”, on page 3 of [Appendix].

(4) Number of shares outstanding (ordinary shares)

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

2Q March 2015 Term: 29,281,373 shares March 2014 Term: 29,281,373 shares

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

2Q March 2015 Term: 1,102,070 shares March 2014 Term: 1,101,952 shares

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

2Q March 2015 Term: 28,179,346 shares 2Q March 2015 Term: 28,464,996 shares

**\* Indication concerning execution condition of quarterly review procedures**

At the time of disclosure of these quarterly financial statements, the review procedures for the quarterly financial statements pursuant to the Financial Instruments and Exchange Law have not been completed.

**\* Cautionary statement regarding forward-looking statements**

The projected results and forward-looking statements included in this document reflect the Company's expectations based on information available at the time of release, and are not intended as a guarantee that the Company will achieve these targets.

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

See the section “1. Qualitative Information Concerning the Current Quarterly Settlement - (3) Explanation of Forecasts for Consolidated Business Performance and Other Future Prospects” on page 3 of [Appendix] regarding the relevant matters for the above forecast for the business performance.

The Company will hold a briefing session for financial analysts and institutional investors on November 13, 2014. The presentation materials for the business results handed out at this briefing session will be posted on the Company's homepage promptly after the session.

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.....	3
3. Quarterly Consolidated Financial Statements.....	5
(1) Quarterly Consolidated Balance Sheets .....	5
(2) Quarterly Consolidated Profit and Loss Statement, Consolidated Comprehensive Profit Statement.....	7
(3) Statements of Quarterly Cash Flows .....	9
(4) Notes on Quarterly Consolidated Financial Statements .....	10
(Notes regarding Going Concern).....	10
(Notes regarding Remarkable Change of Shareholder's Equity) .....	10
(Segment Information).....	10

## 1. Qualitative Information Concerning the Current Quarterly Settlement

### (1) Explanation of Business Results

In the consolidated first half period under review, the global economy was solid overall. The U.S. economy continued to recover and signs of a pick-up were seen overall in Europe as well. Moreover, in China, where concerns over an economic slowdown had risen, recovery continued to progress, albeit gradually. Also, the Japanese economy continued to recover slightly, despite some signs of weakness due to reaction to the last-minute rush of demand accompanying the consumption tax hike.

In the electronics industry, the strong demand for mobile devices, including smartphones and tablet PCs, as well as for automobiles and social infrastructure continued to drive the semiconductor and electronic component markets. On the other hand, the demand situation in the domestic IT industry remained tough, with stagnant corporate IT investments and other aspects upon a blind spot in renewal demand of hardwares, including PCs.

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, the consolidated business performance during the six months ended September 30, 2014, included year-on-year increases in: net sales - up 4.0% to ¥100,238 million, operating profit - up 17.2% to ¥1,386 million, ordinary profit - up 1.1% to ¥1,232 million, and net profit - up 2.4% to ¥794 million.

The operating results for each business segment are 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 consolidated first half period under review, sales for the TOY sector declined, and sales for information and telecommunications sector, including mobile devices, were sluggish compared to the sudden expansion showed in the same period of the previous term. However, there was a significant increase in sales for social/industrial/vehicle-mounted systems. Also, sales for digital AV equipments headed toward recovery.

As a result, consolidated segment sales increased 4.3% year-on-year to ¥94,093 million. The segment profit ended at ¥767 million, up 7.3% year-on-year.

Orders received totaled ¥104,607 million, while the order backlog stood at ¥47,419 million.

#### *Solution segment*

In the solution segment, we are committed to planning and developing infrastructure with information and telecommunications 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 suppliers abroad.

In the consolidated first half period under review, sales to public institutions remained favorable due to increased orders for IT investment projects in schools and local municipalities. However, except for the sector dedicated to public institutions, there were also signs of the negative impact in demand following the pre-tax hike purchasing rush, resulting generally in low sales.

As a result, consolidated segment sales decreased 0.1% year-on-year to ¥6,145 million. The segment profit ended at ¥465 million, down 7.8% year-on-year.

Orders received totaled ¥9,728 million, while the order backlog stood at ¥5,108 million.

### (2) Explanation of Financial Position

#### 1) Assets, liabilities and net assets

As of September 30, 2014, assets totaled ¥99,114 million. This represented an increase of ¥5,591 million, compared to March 31, 2014. This was mainly attributable to a ¥9,551 million increase in notes and accounts receivable-trade, a ¥4,613 million increase in merchandise inventories, as well as an ¥8,556 million decrease in cash and deposits, etc.

Liabilities totaled ¥35,735 million. This represented an increase of ¥4,468 million, compared to March 31, 2014. This was mainly attributable to a ¥4,421 million increase in notes and accounts payable-trade, etc.

Net assets increased ¥1,123 million to ¥63,378 million, because of a ¥446 million increase in retained earnings, and a ¥674 million increase in foreign currency translation adjustment, etc.

## 2) Cash Flows

As of September 30, 2014, cash and cash equivalents decreased ¥8,556 million compared to March 31, 2014, to ¥13,202 million due to increased expenses attributable to increases in notes and accounts receivable-trade, inventories, etc.

### (Operating activities)

Net cash used in operating activities during the consolidated first half period under review totaled ¥8,158 million. This is due to factors such as expenses resulted from increases such as those in notes and accounts receivable-trade, and inventories, exceeding income from increases in notes and accounts payable-trade, etc. Since the result of the corresponding first half period of previous consolidated fiscal year was an income of ¥2,213, it represents an increase in expenses of ¥10,372 million.

### (Investing activities)

Net cash used in investing activities during the consolidated first half period under review totaled ¥128 million due to factors such as purchase of software, etc. Since the result of the corresponding consolidated first half period of previous fiscal year was an income of ¥159 million, it represents an increase in expenses of ¥287 million.

### (Financing activities)

Net cash used in financing activities during the consolidated first half period under review totaled ¥388 million due to factors such as payments of cash dividends, etc. Since the result of the corresponding consolidated first half period of previous fiscal year was an income of ¥1,031 million, it represents an increase in expenses of ¥1,420 million.

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

The Company has not changed the forecasts for consolidated business performance for the full year from the ones stated in the "Summary of Financial Results for Fiscal Year Ended March 31, 2014" (announced on May 14, 2014). This is due to some uncertainties that still remain after examining market trends and customer trends starting from the third quarter, despite a satisfactory performance up until the second quarter. In case it is determined that revisions are necessary, announcements thereof shall be made immediately.

## **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**

Change of Accounting Principles

Application of the Accounting Standards for Retirement Benefits

We have adopted "Accounting Standards regarding Retirement Benefits" (Application Guidance of Corporate

Accounting Standards, No. 26, May 17, 2012; hereinafter referred to as the "Accounting Standard for Retirement Benefits") and "Application Guidelines for Accounting Standard regarding Retirement Benefits" (Application Guidance of Corporate Accounting Standards, No. 25, May 17, 2012; hereinafter referred to as the "Application Guidelines for Retirement Benefits") from the consolidated first quarter on provisions stipulated in the texts of the Sector 35 of the Accounting Standards for Retirement Benefits and of the Section 67 of the Application Guidelines for Retirement Benefits: we have revised the accounting method for retirement benefit obligations and service liabilities, and we have changed our method of attributing projected retirement benefits from a fixed amount standard to a payment calculation standard along with changing the method of discount determination to a method that uses single-weighted average discount rate reflecting timing and amounts, either than the discount rate based on the average remaining years of service.

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 changes of accounting method for retirement benefit obligations and service expenses, financial effects are added to or subtracted from retained earnings, at the beginning of the consolidated first half period under review.

As a result, net defined benefit liabilities increased by ¥102 million, while retained earnings decreased by ¥65 million, as of the beginning of the consolidated first half period under review. Also, in the consolidated first half period under review, operating profit, ordinary profit and **net profit before tax and other adjustments** decreased by ¥9 million, respectively.

### 3. Quarterly Consolidated Financial Statements

#### (1) Quarterly Consolidated Balance Sheets

(Million yen)

	March 2014 Term (As of Mar. 31, 2014)	2Q March 2015 Term (As of Sept. 30, 2014)
<b>Assets</b>		
Current assets		
Cash and deposits	21,758	13,202
Notes and accounts receivable-trade	48,723	58,274
Merchandise inventories	13,435	18,048
Partly-finished work	22	95
Others	3,492	3,249
Allowance for doubtful accounts	(13)	(10)
Total current assets	87,419	92,859
Fixed assets		
Property and equipment	4,029	3,988
Intangible fixed assets		
Goodwill	37	29
Others	145	227
Total intangible fixed assets	182	256
Investments and other assets		
Others	2,027	2,187
Allowance for doubtful accounts	(136)	(177)
Total investments and other assets	1,891	2,010
Total fixed assets	6,103	6,255
Total assets	93,522	99,114
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	24,000	28,421
Short-term loans payable	4,524	4,608
Accrued corporate tax, etc.	520	369
Allowance	650	586
Others	928	1,028
Total current liabilities	30,623	35,013
Fixed liabilities		
Net defined benefit liabilities	398	501
Others	245	220
Total fixed liabilities	643	721
Total liabilities	31,267	35,735

	(Million yen)	
	March 2014 Term (As of Mar. 31, 2014)	2Q March 2015 Term (As of Sept. 30, 2014)
Net assets		
Shareholders' equity		
Capital stock	14,811	14,811
Capital surplus	15,329	15,329
Retained earnings	33,400	33,847
Treasury stock	(763)	(763)
Total shareholders' equity	62,778	63,225
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	485	523
Deferred hedge gains/losses	84	76
Foreign currency translation adjustment	(870)	(196)
Remeasurements of defined benefit plans	(223)	(250)
Total Accumulated other comprehensive income	(523)	153
Total net assets	62,255	63,378
Total liabilities and net assets	93,522	99,114

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

(Million yen)

	2Q March 2014 Term (Apr. 1, 2013 - Sept. 30, 2013)	2Q March 2015 Term (Apr. 1 2014 - Sept. 30, 2014)
Net sales	96,369	100,238
Cost of sales	90,433	93,779
Gross profit on sales	5,935	6,458
Selling, general and administrative expenses	4,752	5,072
Operating profit	1,182	1,386
Non-operating profit		
Interest income	7	6
Dividend income	68	13
Others	36	34
Total non-operating profit	112	55
Non-operating expenses		
Interest expenses	12	10
Sales discounts	18	29
Foreign exchange loss	23	101
Loss on sales of electronically recorded monetary claims	20	65
Others	2	3
Total non-operating expenses	76	209
Ordinary profit	1,218	1,232
Extraordinary profits		
Gain on sale of fixed assets	1	0
Gain on sale of investment securities	1	0
Total extraordinary profits	3	0
Extraordinary losses		
Loss on sales of fixed assets	65	—
Loss on sales of noncurrent assets	0	2
Total extraordinary losses	65	2
<b>Net profit before tax and other adjustments</b>	<b>1,156</b>	<b>1,229</b>
Corporate, resident and enterprise taxes	378	397
Adjustment for corporate tax, etc.	1	37
Total income taxes	380	435
Income (loss) before minority interest	775	794
Net profit	775	794

## (Quarterly Consolidated Comprehensive Profit Statement of the First Half)

	2Q March 2014 Term (Apr. 1, 2013 - Sept. 30, 2013)	2Q March 2015 Term (Apr. 1 2014 - Sept. 30, 2014)
Income (loss) before minority interest	775	794
Other comprehensive income		
Valuation difference on available-for-sale securities	131	38
Deferred hedge gains/losses	332	(8)
Foreign currency translation adjustment	363	674
Remeasurements of defined benefit plans, net of tax	—	(27)
Total other comprehensive income	827	676
Comprehensive profit	1,603	1,471
(Details)		
Comprehensive income relating to parental company	1,603	1,471
Comprehensive income relating to minority shareholders	—	—

**(3) Statements of Quarterly Cash Flows**

(Million yen)

	2Q March 2014 Term (Apr. 1, 2013 - Sept. 30, 2013)	2Q March 2015 Term (Apr. 1 2014 - Sept. 30, 2014)
<b>Operating Cash Flow</b>		
Net profit before tax and other adjustments	1,156	1,229
Depreciation and amortization	90	93
Amortization of goodwill	6	7
Increase (decrease) in provision for retirement benefits	(15)	—
Increase (decrease) in allowance for doubtful accounts	(29)	32
Increase (decrease) in net defined benefit liabilities	—	(45)
Interest and dividend income	(75)	(20)
Interest expenses	12	10
Loss (gain) on sale of fixed assets	64	(0)
Loss (gain) on sale of investment securities	(1)	(0)
Decrease (increase) in notes and accounts receivable-trade	(21,312)	(8,280)
Decrease (increase) in inventories	8,771	(4,336)
Increase (decrease) in notes and accounts payable-trade	12,721	3,587
Decrease (increase) in consumption taxes refund receivable	1,395	185
Increase (decrease) in accrued consumption taxes	(1)	4
Others	(54)	(104)
Subtotal	2,726	(7,634)
Interest and dividend income received	20	20
Interest expenses paid	(12)	(10)
Income taxes (paid) refund	(521)	(533)
Net cash provided by (used in) operating activities	2,213	(8,158)
<b>Investing activities</b>		
Purchase of property and equipment	(28)	(31)
Proceeds from sale of property and equipment	113	0
Purchase of software	(42)	(113)
Purchase of investments securities	(7)	(9)
Proceeds from sale of investment securities	101	2
Others	22	22
Net cash provided by (used in) investing activities	159	(128)
<b>Financing activities</b>		
Proceeds from short-term loans	6,850	8,494
Repayment of short-term loans	(5,151)	(8,585)
Repayments of lease obligations	(13)	(16)
Net decrease (increase) in treasury stock	(366)	(0)
Cash dividends paid	(287)	(281)
Net cash provided by (used in) financing activities	1,031	(388)
Effect of exchange rate change on cash and cash equivalents	104	120
Net increase (decrease) in cash and cash equivalents	3,509	(8,556)
Balance of cash and cash equivalents, beginning of the period	11,164	21,758
Balance of cash and cash equivalents, end of the period	14,673	13,202

**(4) Notes on Quarterly Consolidated Financial Statements**

(Notes regarding Going Concern)

None.

(Notes regarding Remarkable Change of Shareholder's Equity)

None.

(Segment Information)

I. Six months ended September 30, 2013 (Apr. 1, 2013 - Sept. 30, 2013)

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

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

II. Six months ended September 30, 2014 (Apr. 1, 2014 - Sept. 30, 2014)

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	94,093	6,145	100,238
Inter-segment sales or transfers	—	—	—
Total	94,093	6,145	100,238
Segment profit	767	465	1,232

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