

(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, 2017

**Summary of Financial Results for the First Half of the Fiscal Year  
Ending March 31, 2018  
(Six Months Ended September 30, 2017)  
[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 (Representative Director & COO)  
Enquiries to: Akio Misono, Director, Operating Officer and Senior General Manager Tel.: +81-3-3453-5111  
of Finance & Accounting Division  
Scheduled date of filing of Quarterly Report: November 7, 2017  
Scheduled date of dividend payment: December 1, 2017  
Supplementary materials for the quarterly financial results: Yes  
Investor conference for the quarterly financial results: Yes (for securities analysts and institutional investors)

(Amounts are rounded down to the nearest million yen)

**1. Consolidated Business Performance for the First Half of March 2018 Term (April 1, 2017 – September 30, 2017)**

## (1) Consolidated business performance (cumulative)

(% figures represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Net profit attributable to shareholders of parent company	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
2Q March 2018 Term	78,906	(7.5)	661	—	633	—	356	—
2Q March 2017 Term	85,308	(17.5)	(192)	—	(1,684)	—	(1,966)	—

(Note) Comprehensive income 2Q March 2018 Term: 616 million yen (—%); 2Q March 2017 Term: -2,654 million yen (—%)

	Net profit per share	Diluted net profit per share
	Yen	Yen
2Q March 2018 Term	12.63	—
2Q March 2017 Term	(69.79)	—

## (2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
2Q March 2018 Term	92,926	61,731	66.4
March 2017 Term	94,144	61,537	65.4

(Reference) Shareholders' equity 2Q March 2018 Term: 61,731 million yen; March 2017 Term: 61,537 million yen

**2. Dividends**

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
March 2017 Term	—	10.00	—	15.00	25.00
March 2018 Term:	—	10.00			
March 2018 Term (forecast)			—	15.00	25.00

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

**3. Forecasts for Consolidated Business Performance for March 2018 Term (April 1, 2017 – March 31, 2018)***(% figures represent year-on-year changes)*

	Net sales		Operating profit		Ordinary profit		Net profit attributable to shareholders of parent company		Net profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	153,000	(8.7)	1,600	98.9	1,500	—	800	—	28.39

(Note) Revision of most recent forecast on earnings: Yes

**\* 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: 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 2018 Term: 29,281,373 shares      March 2017 Term: 29,281,373 shares

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

2Q March 2018 Term: 1,102,743 shares      March 2017 Term: 1,102,630 shares

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

2Q March 2018 Term: 28,178,718 shares      2Q March 2017 Term: 28,178,896 shares

(Note) Beginning in FY2018 2Q, the Company is introducing the Performance-Based Stock Compensation Plan, a system of remuneration in which directors (excluding external directors) are compensated with Company stock according to business results. As a result of this system, stock in the Company held in a trust is appropriated in shareholders' equity as treasury stock. The amount of treasury stock at the end of the term under review includes Company stock held in the trust (139,000 shares at the end of FY2018 2Q). Also, Company stock held in the trust is included in treasury stock to be deducted in the calculation of the average number of shares outstanding during the term under review (31,142 shares at the end of FY2018 2Q).

\* This summary of quarterly financial results is not subject to quarterly review.

**\* 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 securities analysts and institutional investors on November 15, 2017. The presentation materials for the business results to be handed out at this briefing session will be posted on the Company's homepage promptly after the session.

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## 1. Qualitative Information Concerning the Current Quarterly Settlement

### (1) Explanation of Business Results

In the consolidated first half period under review, prospects for the global economy remained unclear. While trends were overall steady, concerns heightened over policy trends in the United States and major European countries and geopolitical risks. In the Japanese economy, conditions improved against the background of the government's economic policies and the continued monetary-easing policy of the Bank of Japan, but economic performance lacked vigor against the background of uncertainties in the global economy.

The electronics industry, which is the primary area of business of the Group, saw continued growth in markets relating to advanced vehicle operation support systems, IoT (Internet of Things), M2M (Machine to Machine) and other fields. Also, investment in Japan's IT sector was firm, particularly in cloud computing, Big Data and security.

Under these circumstances, the Company zealously pursued fulfillment of the V70 Medium-Term Management Plan. In the device business, we overhauled our business portfolio, concentrating resources in fields expected to enjoy solid market growth and striving to boost the proportion of sales in high-profit businesses. We also sought to improve profitability in existing businesses, implementing thorough risk management in inventories and foreign exchange and raising efficiency in operations. In the solution business, the Company worked to bring sales negotiations to successful conclusions, expanded its menu of cloud-computing services and fostered synergies across business units. In all these initiatives, the Company strove to build a profitable foundation for medium-to-long-term growth.

As a result, consolidated operating results for the first six-month period under review revealed ¥78,906 million in net sales (down 7.5% year on year), ¥661 million in operating profit (compared with a ¥192 million operating loss posted for the same period in the previous fiscal year), and ¥633 million in ordinary profit (compared with ¥1,684 million in ordinary loss posted for the same period in the previous fiscal year). The special retirement benefits for voluntary early retirement (¥229 million) were appropriated as an extraordinary loss. Net profit attributable to shareholders of parent company was ¥356 million, marking a turnaround from a net loss of ¥1,966 million attributable to shareholders of parent company in the same period of the previous fiscal year.

The operating results for each business segment are as follows:

#### ***Device segment***

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

In the consolidated first half period under review, sales of LCD-related products were sluggish, while sales of some products declined due to changes in product strategy by major suppliers.

As a result, segment sales decreased 8.1% year-on-year to ¥73,496 million. However, gross profit margin increased and loss on inventory valuation and foreign exchange losses declined dramatically. In all this segment returned a profit of ¥323 million (against a segment loss of ¥2,003 million in the same period of the previous fiscal year).

#### ***Solution segment***

In the solution business segment, we are committed to planning and developing infrastructure with operation of information communication networks at the core, mainly for private companies, government offices and local municipalities, as well as to ensuring its operation and maintenance. 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 broadcast stations and production companies with editing and transmission of video content, as well as with distribution systems, centered on products from suppliers abroad.

Aside from slow sales of embedded systems, growth was overall firm in other business in the consolidated first half period under review.

As a result, segment sales increased 1.7% year-on-year to ¥5,410 million, while the segment profit decreased

3.0% year-on-year to ¥309 million.

## **(2) Explanation of Financial Position**

### (Assets)

As of September 30, 2017, assets decreased ¥1,218 million compared with March 31, 2017, to ¥92,926 million. This was mainly attributable to a ¥4,861 million decrease in cash and deposits, and a ¥3,411 million increase in merchandise inventories.

### (Liabilities)

As of September 30, 2017, liabilities decreased ¥1,411 million compared with March 31, 2017, to ¥31,194 million. This was mainly attributable to a ¥4,836 million decrease in short-term loans payable, and a ¥3,112 million increase in notes and accounts payable-trade.

### (Net Assets)

As of September 30, 2017, net assets increased ¥193 million compared with March 31, 2017, to ¥61,731 million. This was mainly attributable to a ¥121 million increase in foreign currency translation adjustment, and a ¥114 million increase in valuation difference on available-for-sale securities.

### (Cash Flows)

As of September 30, 2017, cash and cash equivalents decreased ¥4,861 million compared with March 31, 2017, to ¥14,738 million. This result was mainly due to repayment of short-term loans, which contributed to an increase in expenses.

#### (Operating activities)

Net cash provided by operating activities during the consolidated first half period under review totaled ¥318 million. This is due to the fact that the income resulting from an increase in notes and accounts payable-trade and a decrease in consumption taxes refund receivable exceeded the expenses from an increase in inventories, etc., which represents a decrease in income of ¥1,668 million compared with the corresponding period of last year.

#### (Investing activities)

Net cash provided by investing activities during the consolidated first half period under review totaled ¥30 million due to factors such as sales of property and equipment. Since the figure for the corresponding period of the previous fiscal year was expenses of ¥637 million, this result represents an income rise of ¥667 million.

#### (Financing activities)

Net cash used in financing activities during the consolidated first half period under review totaled ¥5,262 million due to factors such as repayment of short-term loans. Since the figure for the corresponding period of the previous fiscal year was an income of ¥6,451 million, this result represents an expense increase of ¥667 million.

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

In consideration of business results and the recent business environment in the first half period under review, the Company has revised its forecast for consolidated business performance in the full fiscal year ending March 31, 2018, originally announced on August 4, 2017, as follows. For details, please refer to “Notice Regarding Revision of Business Forecast” released today.

(Prospect for Consolidated Business Results of the Fiscal Year Ending March 31, 2018)

Net sales:	¥153,000 million	(down 8.7% YoY)
Operating profit:	¥1,600 million	(up 98.9% YoY)
Ordinary profit:	¥1,500 million	(compared with ordinary loss of ¥952 million in FY2017)
Net profit attributable to shareholders of parent company:	¥800 million	(compared with net loss attributable to shareholders of parent company of ¥1,575 million in FY2017)

## 2. Quarterly Consolidated Financial Statements and Main Notes

### (1) Quarterly Consolidated Balance Sheets

(Million yen)

	March 2017 Term (As of Mar. 31, 2017)	2Q March 2018 Term (As of Sept. 30, 2017)
<b>Assets</b>		
Current assets		
Cash and deposits	19,599	14,738
Notes and accounts receivable-trade	43,597	47,973
Electronically recorded monetary claims	9,009	5,670
Merchandise inventories	11,327	14,739
Partly-finished work	1	125
Others	3,559	2,603
Allowance for doubtful accounts	(7)	(14)
Total current assets	87,088	85,836
Non-current assets		
Property and equipment	3,810	3,740
Intangible assets	312	276
Investments and other assets		
Others	2,948	3,087
Allowance for doubtful accounts	(14)	(14)
Total investments and other assets	2,933	3,072
Total non-current assets	7,055	7,089
Total assets	94,144	92,926
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	16,717	19,829
Short-term loans payable	13,124	8,287
Accrued corporate tax, etc.	156	270
Allowance	489	489
Others	1,274	1,450
Total current liabilities	31,760	30,326
Non-current liabilities		
Net defined benefit liabilities	465	425
Others	380	442
Total non-current liabilities	845	868
Total liabilities	32,606	31,194

(Million yen)

	March 2017 Term (As of Mar. 31, 2017)	2Q March 2018 Term (As of Sept. 30, 2017)
Net assets		
Shareholders' equity		
Capital stock	14,811	14,811
Capital surplus	15,329	15,432
Retained earnings	31,923	31,856
Treasury stock	(764)	(867)
Total shareholders' equity	61,300	61,233
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	654	768
Deferred hedge gains (losses)	(7)	(30)
Foreign currency translation adjustment	(241)	(120)
Remeasurements of defined benefit plans	(168)	(120)
Total accumulated other comprehensive income	237	497
Total net assets	61,537	61,731
Total liabilities and net assets	94,144	92,926

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

(Million yen)

	2Q March 2017 Term (Apr. 1, 2016 - Sept. 30, 2016)	2Q March 2018 Term (Apr. 1 2017 - Sept. 30, 2017)
Net sales	85,308	78,906
Cost of sales	80,553	73,398
Gross profit on sales	4,755	5,508
Selling, general and administrative expenses	4,947	4,846
Operating profit (loss)	(192)	661
Non-operating profit		
Interest income	5	8
Dividend income	17	41
Foreign exchange gains	—	8
Others	45	25
Total non-operating profit	68	85
Non-operating expenses		
Interest expenses	28	94
Sales discounts	19	11
Foreign exchange losses	1,506	—
Others	5	8
Total non-operating expenses	1,560	113
Ordinary profit (loss)	(1,684)	633
Extraordinary profits		
Gain on sales of non-current assets	0	0
Gain on sales of investment securities	—	0
Gain on sales of memberships	14	—
Total extraordinary profits	14	0
Extraordinary losses		
Loss on retirement of non-current assets	0	—
Impairment loss	34	—
Special retirement benefits	—	229
Total extraordinary losses	34	229
Net profit (loss) before tax and other adjustments	(1,704)	403
Corporate, resident and enterprise taxes	173	127
Adjustment for corporate tax, etc.	88	(79)
Total corporate taxes	262	47
Net profit (loss)	(1,966)	356
Net profit (loss) attributable to shareholders of parent company	(1,966)	356

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

	2Q March 2017 Term (Apr. 1, 2016 - Sept. 30, 2016)	2Q March 2018 Term (Apr. 1 2017 - Sept. 30, 2017)
Net profit (loss)	(1,966)	356
Other comprehensive income		
Valuation difference on available-for-sale securities	24	114
Deferred hedge gains (losses)	507	(23)
Foreign currency translation adjustment	(1,274)	121
Remeasurements of defined benefit plans, net of tax	55	48
Total other comprehensive income	(687)	260
Comprehensive income	(2,654)	616
(Details)		
Comprehensive income attributable to shareholders of parental company	(2,654)	616
Comprehensive income attributable to non-controlling interests	—	—

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

(Million yen)

	2Q March 2017Term (Apr. 1, 2016- Sept. 30, 2016)	2Q March 2018Term (Apr. 1 2017- Sept. 30, 2017)
<b>Operating activities</b>		
Net profit (loss) before tax and other adjustments	(1,704)	403
Depreciation and amortization	112	96
Impairment loss	34	—
Amortization of goodwill	16	17
Increase (decrease) in allowance for doubtful accounts	(6)	6
Increase (decrease) in net defined benefit liabilities	47	29
Interest and dividend income	(23)	(50)
Interest expenses	28	94
Loss (gain) on sales of non-current assets	(0)	(0)
Loss (gain) on sales of investment securities	—	(0)
Decrease (increase) in notes and accounts receivable-trade	(6,984)	(787)
Decrease (increase) in inventories	6,390	(3,457)
Increase (decrease) in notes and accounts payable-trade	1,647	2,966
Decrease (increase) in consumption taxes refund receivable	2,599	1,156
Increase (decrease) in accrued consumption taxes	(2)	(1)
Others	13	(50)
Subtotal	2,170	424
Interest and dividend income received	23	50
Interest expenses paid	(28)	(93)
Income taxes (paid) refund	(177)	(62)
Net cash provided by operating activities	1,987	318
<b>Investing activities</b>		
Net decrease (increase) in time deposits	100	—
Purchase of property and equipment	(99)	(7)
Proceeds from sales of property and equipment	0	19
Purchase of software	(6)	(2)
Purchase of investments securities	(613)	(0)
Proceeds from sales of investment securities	—	0
Others	(17)	21
Net cash provided by (used in) investing activities	(637)	30
<b>Financing activities</b>		
Proceeds from short-term loans	20,810	8,848
Repayment of short-term loans	(13,494)	(13,668)
Repayments of lease obligations	(21)	(21)
Net decrease (increase) in treasury stock	(0)	(0)
Cash dividends paid	(843)	(421)
Net cash provided by (used in) financing activities	6,451	(5,262)
Effect of exchange rate change on cash and cash equivalents	(440)	51
Net increase (decrease) in cash and cash equivalents	7,360	(4,861)
Balance of cash and cash equivalents, beginning of the period	10,086	19,599
Balance of cash and cash equivalents, end of the period	17,446	14,738

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

(Notes Regarding Going Concern)

None.

(Notes Regarding Remarkable Change of Shareholders' Equity)

None.

(Additional Information)

**Performance-Based Stock Compensation Plan for Directors**

The Company has announced that, beginning in the second quarter of the consolidated fiscal year under review, it is introducing a Performance-Based Stock Compensation Plan for Directors, for the purpose of further clarifying the link between the compensation to the Company's directors (excluding external directors) and the value of its shares. With the introduction of the Performance-Based Stock Compensation Plan, directors will not only enjoy the advantages when the Company's share price rises but also bear the risks when the share price declines, sharing with shareholders the benefits and risks of fluctuations in share prices. This move is intended ultimately to incentivize directors to increase medium-to-long-term business results and increase enterprise value.

**1) Overview of Transactions**

In the Performance-Based Stock Compensation Plan, a trust that is funded by Company expenditures acquires shares in the Company. The Board of Directors establishes regulations for the granting of shares, according to which each director is awarded points for his or her degree of accomplishment of numerical targets based on management indices. Each director is then awarded the Company's shares in proportion to the points awarded, through the trust. In principle, the shares are awarded to directors at the time of their resignation or retirement.

**2) Accounting treatment of Company shares remaining in the trust**

Shares remaining in the trust are appropriated under net assets as treasury stock, according to the book value of the trust (net of ancillary expenses). The book value of treasury stock and the number of shares as of the end of the consolidated second quarter under review are ¥199 million and 139,000 shares respectively.

(Segment Information)

**I. Six months ended September 30, 2016 (Apr. 1, 2016 - Sept. 30, 2016)**

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	79,987	5,321	85,308
Inter-segment sales or transfers	—	—	—
Total	79,987	5,321	85,308
Segment profit (loss)	(2,003)	319	(1,684)

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

**II. Six months ended September 30, 2017 (Apr. 1, 2017 - Sept. 30, 2017)**

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	73,496	5,410	78,906
Inter-segment sales or transfers	—	—	—
Total	73,496	5,410	78,906
Segment profit	323	309	633

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