

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



February 5, 2019

**Summary of Financial Results for the First Three Quarters of the Fiscal Year  
Ending March 31, 2019  
(Nine Months Ended December 31, 2018)  
[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: February 7, 2019  
Scheduled date of dividend payment: —  
Supplementary materials for the quarterly financial results: None  
Investor conference for the quarterly financial results: None

(Amounts are rounded down to the nearest million yen)

**1. Consolidated Business Performance for the First Three Quarters of March 2019 Term  
(April 1, 2018 – December 31, 2018)**

(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	%
3Q March 2019 Term	115,139	(3.6)	1,263	14.8	1,101	6.3	747	96.7
3Q March 2018 Term	119,452	(3.6)	1,100	160.5	1,036	—	380	—

(Note) Comprehensive income 3Q March 2019 Term: 950 million yen (7.2%); 3Q March 2018 Term: 886 million yen (—%)

	Net profit per share	Diluted net profit per share
	Yen	Yen
3Q March 2019 Term	33.65	—
3Q March 2018 Term	13.49	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
3Q March 2019 Term	94,966	42,077	44.3
March 2018 Term	93,624	61,787	65.9

(Reference) Shareholders' equity 3Q March 2019 Term: 42,024 million yen; March 2018 Term: 61,744 million yen

**2. Dividends**

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
March 2018 Term	—	10.00	—	23.00	33.00
March 2019 Term:	—	15.00	—		
March 2019 Term (forecast)				55.00	70.00

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

**3. Forecasts for Consolidated Business Performance for March 2019 Term (April 1, 2018 – March 31, 2019)***(% 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	150,000	(4.6)	1,850	4.9	1,600	(10.5)	1,350	42.5	62.87

(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):

3Q March 2019 Term: 29,281,373 shares                      March 2018 Term: 29,281,373 shares

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

3Q March 2019 Term: 10,103,188 shares                      March 2018 Term: 1,102,796 shares

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

3Q March 2019 Term: 22,222,025 shares                      3Q March 2018 Term: 28,178,689 shares

(Note) The amount of treasury stock at the end of the term includes Company stock (3Q March 2019 term: 139,000 shares, March 2018 term: 139,000 shares) possessed in a trust related to the Performance-Based Stock Compensation Plan for Directors (with the exception of External Directors). Also, Company stock held in the trust is included in treasury stock to be deducted in the calculation of the amount of average stock during the term (3Q March 2019 term: 139,000 shares, 3Q March 2018 term: 67,225 shares).

\* This summary of quarterly financial results is not subject to quarterly review by certified public accountants or auditing corporations.

**\* 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.

Contents of Appendix

1. Qualitative Information Concerning the Current Quarterly Settlement .....	2
(1) Explanation of Business Results .....	2
(2) Explanation of Financial Position .....	3
(3) Explanation of Forecasts for Consolidated Business Performance and Other Future Prospects .....	3
2. Quarterly Consolidated Financial Statements and Main Notes.....	4
(1) Quarterly Consolidated Balance Sheets .....	4
(2) Quarterly Consolidated Profit and Loss Statement, Consolidated Comprehensive Income Statement.....	6
(3) Notes on Quarterly Consolidated Financial Statements .....	8
(Notes Regarding Going Concern) .....	8
(Notes Regarding Remarkable Change of Shareholders' Equity).....	8
(Additional Information).....	9
(Segment Information).....	10
(Important Later Event) .....	10

## 1. Qualitative Information Concerning the Current Quarterly Settlement

### (1) Explanation of Business Results

In the consolidated first three quarters under review, the overall global economy was strong. The trend in the Japanese economy continues to be gradual recovery due to factors such as increased corporate earnings and an improved employment environment. On the other hand, due to factors such as trade friction between the United States and China and geopolitical risks in Europe, there is increasing uncertainty in the global economy, and as a result, future economic trends inside and outside of Japan are more unclear than ever.

In the electronics industry, which is the primary area of business of the Group, fields such as automobile driving systems, the internet of things (IoT), artificial intelligence (AI), and machine to machine technology (M2M) continued to grow. In Japan's domestic IT industry as well, in addition to cloud technology, big data, and security, companies are also increasing their investments for labor efficiency improvement goals.

In the midst of these conditions, with the goal of achieving return on equity (ROE) of 5% and ordinary profit of ¥3,000 million, the Group promoted business portfolio reforms to focus on growth fields and shift to higher value-added projects in its device business while also conducting thorough management of exchange-rate and inventory risk and making efforts to improve the profitability of existing businesses through increasing operation efficiency, all based on the provision of the V70 Medium-Term Management Plan scheduled to end at the conclusion of the 2021 fiscal year. Also, the solution business aimed to solidify the revenue base provided by data centers through efforts to expand the menu of cloud-computing services while also working to create synergy between business units through cross-cell promotions.

As a result of these initiatives, business performance in the consolidated first nine-month period was as follows: Net sales were ¥115,139 million (down 3.6% year-on-year), but operating profit was ¥1,263 million (up 14.8% year-on-year) due to factors such as an improved gross profit margin and reduction of selling, general and administrative expenses. Ordinary profit was ¥1,101 million (up 6.3% year-on-year) due to factors such as an increase in non-operating expenses including an increase in interest expenses and posting of commission for purchase of treasury stock. In addition, due to a year-on-year decrease in extraordinary losses caused by posting of special retirement benefits in conjunction with the implementation of voluntary retirement, net profit attributable to shareholders of parent company was ¥747 million (up 96.7% year-on-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 and memory) and electronic components (including connectors and capacitors). These products are sold mainly to electronics manufacturers. We also provide technical support such as software development and module development.

In the consolidated first three quarters under review, although automotive electronics showed stronger performance than the same period of the previous year and new business also increased, due to the impact of factors such as declining sales in both the information and communications field and the social and industrial field, net sales were ¥105,622 million (down 5.4% year-on-year). In terms of profit and loss, although we made efforts to improve gross profit margin and reduce selling, general and administrative expenses, these efforts were insufficient to recoup the loss in net sales, and segment profit was ¥617 million (down 18.0% year-on-year).

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

In the solution business segment, we are committed to design, construction, operation and maintenance of infrastructure for private companies as well as government offices and municipalities, focusing on communication networks. For Line-of-Business systems, we offer services deriving from provision of package software, such as individually developed and customized solutions. We also provide broadcast stations and production companies with systems for editing, transmission and distribution of video content, centered on products from suppliers abroad.

In the consolidated first three quarters under review, as a result of more favorable public works and video field

targeted sales results than the same period of the previous year, net sales were ¥9,517 million (up 22.2% year-on-year). In terms of profit and loss, although selling, general and administrative expenses increased as a result of factors such as the increase in staff numbers, we also secured high-profitability large-scale projects, resulting in segment profit of ¥484 million (up 70.8% year-on-year).

## (2) Explanation of Financial Position

### (Assets)

As of December 31, 2018, assets increased ¥1,341 million compared with March 31, 2018, to ¥94,966 million. This was mainly attributable to a ¥7,452 million increase in notes and accounts receivable-trade, a ¥3,502 million decrease in cash and deposits, a ¥950 million decrease in consumption taxes refund receivable, a ¥610 million decrease in merchandise inventories, and a ¥476 million decrease in partly-finished work.

### (Liabilities)

As of December 31, 2018, liabilities increased ¥21,051 million compared with March 31, 2018, to ¥52,888 million. This was mainly attributable to a ¥16,512 million increase in short-term loans payable and a ¥4,445 million increase in notes and accounts payable-trade.

### (Net Assets)

As of December 31, 2018, net assets decreased ¥19,710 million compared with March 31, 2018, to ¥42,077 million. This was mainly attributable to a decrease of ¥19,719 million due to the purchase of treasury stock, a ¥193 million decrease in retained earnings, and a ¥365 million increase in foreign currency translation adjustment.

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

In consideration for the results of the consolidated first three quarters under review and the recent business environment, the performance forecast for the consolidated fiscal year announced on May 14, 2018 has been adjusted as shown below. In addition, the forecast for net profit attributable to shareholders of parent company is unchanged.

Regarding the dividend forecast, the Company dividend policy aims for a 100% consolidated dividend payout ratio for the 2018, 2019, and 2020 fiscal years. Therefore, in conjunction with maintaining the same forecast values for net profit attributable to shareholders of parent company during the term, term-end dividends have not been changed from the forecast value of ¥55 per share (annual dividends of ¥70) as adjusted on August 3, 2018.

For details, please see the “Notice Regarding Revision of Business Forecast” release which was made public today (February 5, 2019).

### Performance forecast for the consolidated fiscal year

Net sales:	¥150,000 million (down 4.6% YoY)
Operating profit:	¥1,850 million (up 4.9% YoY)
Ordinary profit:	¥1,600 million (down 10.5% YoY)
Net profit attributable to shareholders of parent company:	¥1,350 million (up 42.5% YoY)

## 2. Quarterly Consolidated Financial Statements and Main Notes

### (1) Quarterly Consolidated Balance Sheets

(Million yen)

	March 2018 Term (As of Mar. 31, 2018)	3Q March 2019 Term (As of Dec. 31, 2018)
<b>Assets</b>		
Current assets		
Cash and deposits	17,176	13,674
Notes and accounts receivable-trade	41,734	50,871
Electronically recorded monetary claims	6,335	4,650
Merchandise inventories	16,119	15,509
Partly-finished work	772	296
Others	3,888	2,620
Allowance for doubtful accounts	(12)	(13)
Total current assets	86,016	87,610
Non-current assets		
Property and equipment	3,681	3,637
Intangible assets	361	356
Investments and other assets		
Others	3,579	3,409
Allowance for doubtful accounts	(14)	(47)
Total investments and other assets	3,564	3,361
Total non-current assets	7,608	7,355
Total assets	93,624	94,966
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	15,633	20,078
Short-term loans payable	13,809	30,322
Current portion of long-term loans payable	16	9
Accrued corporate tax, etc.	186	134
Allowance	498	262
Others	1,267	1,739
Total current liabilities	31,411	52,546
Non-current liabilities		
Net defined benefit liabilities	256	191
Others	168	150
Total non-current liabilities	425	341
Total liabilities	31,836	52,888

(Million yen)

	March 2018 Term (As of Mar. 31, 2018)	3Q March 2019 Term (As of Dec. 31, 2018)
Net assets		
Shareholders' equity		
Capital stock	14,811	14,811
Capital surplus	15,432	15,432
Retained earnings	32,197	32,004
Treasury stock	(867)	(20,586)
Total shareholders' equity	61,574	41,661
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	781	624
Deferred hedge gains (losses)	80	31
Foreign currency translation adjustment	(708)	(343)
Remeasurements of defined benefit plans	16	49
Total accumulated other comprehensive income	169	362
Non-controlling interests	43	52
Total net assets	61,787	42,077
Total liabilities and net assets	93,624	94,966

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

(Million yen)

	3Q March 2018 Term (Apr. 1, 2017 – Dec. 31, 2017)	3Q March 2019 Term (Apr. 1, 2018 – Dec. 31, 2018)
Net sales	119,452	115,139
Cost of sales	111,142	106,831
Gross profit on sales	8,310	8,308
Selling, general and administrative expenses	7,209	7,045
Operating profit	1,100	1,263
Non-operating profit		
Interest income	17	10
Dividend income	52	34
Foreign exchange gains	15	87
Others	35	52
Total non-operating profit	120	185
Non-operating expenses		
Interest expenses	159	260
Sales discounts	13	11
Commission for purchase of treasury stock	—	55
Others	11	18
Total non-operating expenses	184	346
Ordinary profit	1,036	1,101
Extraordinary profits		
Gain on sales of non-current assets	0	0
Gain on sales of investment securities	0	0
Total extraordinary profits	0	0
Extraordinary losses		
Loss on retirement of non-current assets	—	0
Loss on sales of investment securities	—	0
Loss on valuation of investment securities	215	5
Special retirement benefits	229	38
Office transfer expenses	—	22
Total extraordinary losses	444	67
Net profit before tax and other adjustments	591	1,034
Corporate, resident and enterprise taxes	187	233
Adjustment for corporate tax, etc.	24	43
Total corporate taxes	211	277
Net profit	380	757
Net profit attributable to non-controlling interests	—	9
Net profit attributable to shareholders of parent company	380	747

## (Quarterly Consolidated Comprehensive Income Statement of the First Three Quarters)

	3Q March 2018 Term (Apr. 1, 2017 – Dec. 31, 2017)	3Q March 2019 Term (Apr. 1, 2018 – Dec. 31, 2018)
Net profit	380	757
Other comprehensive income		
Valuation difference on available-for-sale securities	218	(157)
Deferred hedge gains (losses)	(11)	(48)
Foreign currency translation adjustment	226	365
Remeasurements of defined benefit plans, net of tax	72	33
Total other comprehensive income	506	193
Comprehensive income	886	950
(Details)		
Comprehensive income attributable to shareholders of parental company	886	941
Comprehensive income attributable to non-controlling interests	—	9

### (3) Notes on Quarterly Consolidated Financial Statements

(Notes Regarding Going Concern)

None.

(Notes Regarding Remarkable Change of Shareholders' Equity)

Reduction of Capital Reserve

At the 67th Ordinary General Meeting of Shareholders held on June 22, 2018, the Company passed a resolution to reduce the amount of capital reserve, with the amount of this reduction to be transferred to other capital surplus on June 30, 2018.

i) Objective of Reduction of Capital Reserve

In order to secure flexibility and mobility in the Company's future capital policy, the Company reduced its capital reserve based on the stipulations of Paragraph 1 of Article 448 in the Companies Act of Japan and transferred the reduced amount to other capital surplus.

ii) Reduction Method of Capital Reserve

All of the reduced amount was transferred to other capital surplus.

iii) Reduced Amount of Capital Reserve

The reserve of ¥15,329,906,456 (as of the end of March 2018) was reduced by ¥10,000 million to ¥5,329,906,456.

Acquisition of Treasury Stock and Tender Offer of Treasury Stock

The Company hereby announces that its Board of Directors meeting held on May 14, 2018 resolved the acquisition of the Company's treasury stock based on the provisions of Paragraph 1 of Article 156 in the Companies Act (Act No. 86 of 2005, including the amendments made later on) of Japan which is applied mutatis mutandis pursuant to Paragraph 3 of Article 165 in the same Act and stipulations of the Company's Articles of Incorporation, with the use of a tender offer for treasury stock as the specific acquisition method of treasury stock. The acquisition was carried out on July 3, 2018.

i) Objectives of the Acquisition and Tender Offer

The Company is currently in the process of implementing its V70 Medium-Term Management Plan (hereinafter referred to as "V70"), a five-year medium-term management plan to be concluded in the Company's 70th term (the fiscal year ending March 31, 2021). One of the ultimate goals of this plan is attaining return on equity (ROE) of 5%. In order to ensure this goal is achieved, the Company is implementing dividends with a goal consolidated payout ratio of 100% for the 3-year period from the 67th (2018) fiscal year to the 69th (2020) fiscal year as a means of both strengthening its business and improving capital efficiency. In addition, the Company has decided to implement purchasing of treasury stock shares with maximums for total acquisition cost set at ¥20,000 million and for total shares set at 10 million within this same 3-year period. Under these circumstances, The Company verified the V70 promotion conditions and outlook on achievement, and although this confirmed a positive performance trend in business profitability, these efforts concluded that improvement of capital efficiency for achieving ROE of 5%, the ultimate goal of the medium-term management plan, is an urgent task.

Based on these results, the Company determined that the acquisition of a fixed volume of treasury stock within a relatively short time period could be expected to improve earnings per share (EPS), ROE, and return of profits to our shareholders. In addition, the decision was made to avoid actions which would have a major impact on the Company's financial status and dividend policy. In addition, from the perspective of fairness among shareholders and transparency of transactions, the Company decided that a tender offer would be an appropriate method for this acquisition.

ii) Contents of Resolution of the Board of Directors Meeting

- (1) Type of Shares to Acquire: Ordinary shares
- (2) Total Number of Shares to Acquire: 9,000,100 shares (maximum)
- (3) Type of Funds Used for Exchange in Acquisitions: Cash
- (4) Total Funds Used for Exchange in Acquisitions: ¥19,719,219,100 (maximum)
- (5) Period Acquisitions can be Carried Out: May 15, 2018 to July 31, 2018

## iii) Overview of Tender Offer for Treasury Stock

- (1) Number of Shares Planned for Purchase: 9,000,000 shares
- (2) Purchasing Price: ¥2,191 per share
- (3) Tender Offer Period: From May 15, 2018 to June 11, 2018
- (4) Publication Date for Commencing the Tender Offer: May 15, 2018
- (5) Settlement Start Date: July 3, 2018

## iv) Result of Treasury Stock Acquisition

- (1) Total Number of Shares Acquired: 9,000,000 shares
- (2) Total Acquisition Cost: ¥19,719,000,000
- (3) Acquisition Date: July 3, 2018

## (Additional Information)

Adoption of "Partial Amendments to 'Accounting Standard for Tax Effect Accounting'", etc.

From the beginning of the first quarter of the current fiscal year, the Group has adopted the "Partial Amendments to 'Accounting Standard for Tax Effect Accounting'" (Corporate Accounting Standard No. 28, February 16, 2018), displaying deferred tax assets in the investments and other assets, and deferred tax liabilities in the non-current liabilities.

## Transfer of Non-Current Assets

At the Board of Directors meeting held on September 19, 2018, the decision was made to transfer ownership of the land and buildings at the Company's Atsugi facility, which is the location of the Company's Atsugi Distribution Center.

## i) Reason for Transfer

The Company's distribution center is being transferred from the Atsugi facility to an external distribution company's facilities. As a result, the applicable land and building will become idle assets, so the decision has been made to transfer their ownership.

## ii) Content of Transfer Assets

Address and Content of Assets	Capital Gains	Present Use
1-1-4 and 1-1129-7 Kawaraguchi, Ebina-shi, Kanagawa Land: 6,019.98 m <sup>2</sup> / Building: 6,563.30 m <sup>2</sup>	Approx. ¥588 million	Atsugi Distribution Center

(Note) The transfer price was determined through bidding, and was an appropriate price which reflected market conditions. The capital gains value above is the transfer price with the book value at the time of sale and miscellaneous expenses deducted.

## iii) Transfer Schedule

- Date of Board of Directors meeting resolution: September 19, 2018  
Date of contract execution: September 28, 2018  
Date of property transfer: February 28, 2019 (scheduled)

## (Segment Information)

## I. Nine months ended December 31, 2017 (Apr. 1, 2017 - Dec. 31, 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	111,662	7,789	119,452
Inter-segment sales or transfers	—	—	—
Total	111,662	7,789	119,452
Segment profit	752	283	1,036

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

## II. Nine months ended December 31, 2018 (Apr. 1, 2018 - Dec. 31, 2018)

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	105,622	9,517	115,139
Inter-segment sales or transfers	—	—	—
Total	105,622	9,517	115,139
Segment profit	617	484	1,101

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

## (Important Later Event)

## Withdrawal from the Corporate Pension Fund

The Company and our domestic subsidiaries are members of the Tokyoto Electric Industry Corporate Pension Fund Organization. At a meeting of the board of delegates held by this organization on January 22, 2019, the withdrawal of the Company and two of our domestic subsidiaries from this fund was approved.

## i) Reason for Withdrawal

Although the Company and our two applicable domestic subsidiaries currently remain enrolled, the decision to withdraw was made due to concern about future financial risks related to the asset management of the pension fund.

## ii) Expenditures for Withdrawal Contribution

The withdrawal of the Company and the two applicable domestic subsidiaries is scheduled for March 31, 2019. As part of the withdrawal process, we anticipate a withdrawal contribution payment of approximately ¥420 million, and we are planning to include this payment in our extraordinary loss calculations for the 2019 fiscal year.

The Company and our two domestic subsidiaries plan to implement a new defined contribution pension plan in order to maintain the corporate pension of our employees.

## Retirement of treasury stock

At the Board of Directors meeting held on February 5, 2019, the Company passed a resolution to retire treasury stock pursuant to Article 178 of the Companies Act.

## i) Type of stock to be retired: ordinary shares of company stock

ii) Number of shares to be retired: 5,000,000 shares (ratio of total outstanding shares prior to retirement: 17.08%)

iii) Scheduled retirement date: February 26, 2019

iv) Total outstanding shares following retirement: 24,281,373 shares