

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



August 5, 2019

**Summary of Financial Results for the First Quarter of the Fiscal Year  
Ending March 31, 2020  
(Three Months Ended June 30, 2019)  
[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>  
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Manager of Finance & Accounting Division  
Scheduled date of filing of Quarterly Report: August 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 Quarter of March 2020 Term****(April 1, 2019 – June 30, 2019)**

(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	%
1Q March 2020 Term	27,095	(7.8)	247	—	218	—	(54)	—
1Q March 2019 Term	29,387	(16.5)	8	(91.4)	(79)	—	(229)	—

(Note) Comprehensive income    1Q March 2020 Term: -448 million yen (—%)    1Q March 2019 Term: 206 million yen (—%)

	Net profit per share	Diluted net profit per share
	Yen	Yen
1Q March 2020 Term	(2.85)	—
1Q March 2019 Term	(8.13)	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
1Q March 2020 Term	76,907	41,201	53.5
March 2019 Term	88,261	42,711	48.3

(Reference) Shareholders' equity    1Q March 2020 Term: 41,152 million yen    March 2019 Term: 42,661 million yen

**2. Dividends**

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
March 2019 Term	—	15.00	—	55.00	70.00
March 2020 Term	—	—	—	—	—
March 2020 Term (forecast)	—	15.00	—	55.00	70.00

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

**3. Forecasts for Consolidated Business Performance for March 2020 Term (April 1, 2019 – March 31, 2020)***(% 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
First half	58,000	(19.9)	700	(0.8)	550	(0.1)	430	(0.7)	22.42
Full year	124,000	(16.1)	2,150	9.4	1,900	9.4	1,500	3.5	78.21

(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

(4) Number of shares outstanding (ordinary shares)

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

1Q March 2020 Term: 24,281,373 shares      March 2019 Term: 24,281,373 shares

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

1Q March 2020 Term: 5,103,361 shares      March 2019 Term: 5,103,188 shares

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

1Q March 2020 Term: 19,178,059 shares      1Q March 2019 Term: 28,178,489 shares

(Note) The amount of treasury stock at the end of the term includes Company stock (1Q March 2020 term: 139,000 shares, March 2019 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 (1Q March 2020 term: 139,000 shares, 1Q March 2019 term: 139,000 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.

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## 1. Qualitative Information Concerning the Current Quarterly Settlement

The items related to the future contained in this document are decisions made based on present consolidated financial results as of the end of this quarter.

### (1) Explanation of Business Results

In the consolidated first three-month period under review, the global economy presented a mixed picture. Generally the world proceeded on a recovering path, paced by the developed countries. Japan continued to enjoy a gradual economic recovery. Concerns lingered, however, on issues such as trade friction between the United States and China, the prospect of the United Kingdom leaving the European Union (“Brexit”) and a downshift in economic growth in China. Overall the lack of clarity in prospects for the global economy persisted.

In the electronics industry, which is the primary area of business of Sanshin Electronics Co., Ltd. and the Sanshin Electronics Group, growth extended in markets such as artificial intelligence (AI), automobile driving-support systems, the internet of things (IoT), and machine-to-machine technology (M2M). In the ICT field in Japan, demand rose in areas such as cloud systems and security, including investments by businesses in working-style reform to improve labor productivity. Investments related to Big Data were also firm.

Against this background, the Group strove to achieve return on equity (ROE) of 5% and ordinary profit of ¥3 billion, in the context of the final year of the V70 Medium-Term Management Plan scheduled to end at the conclusion of the 2021 fiscal year. In the device business, the Group concentrated efforts on transforming into a high-profit structure. The Group also focused on boosting net sales in core devices, in view of the potential for high value-added, and in strategic devices, centered on handling of new products from overseas and IoT-related business. In its volume business, which is generally less profitable, the Group moved forward with optimization, keeping a close eye on risk and profitability. In the solutions business, aiming to establish a robust platform for future growth, the Group committed resources to reinforcing its cloud-computing business, centered on Sanshin Data Center, while bolstering initiatives to expand its customer roster.

Business performance in the consolidated first quarter was as follows. Net sales were ¥27,095 million (down 7.8% year-on-year). Operating profit was ¥247 million (against ¥8 million in the same period of the previous fiscal year), lifted by improved gross profit margin and reduced selling, general and administrative expenses, while ordinary profit was ¥218 million (contrasting with ordinary loss of ¥79 million in the same period of the previous fiscal year). As a result of a drawdown of deferred tax assets due to deduction in the consolidated first quarter of deductible temporary difference from the previous consolidated fiscal year, net loss attributable to shareholders of parent company was ¥54 million (compared with ¥229 million posted for the same period in the previous 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, capacitors and circuit boards). These products are sold mainly to electronics manufacturers. We also provide technical support such as software development and module development.

In the first quarter of the consolidated fiscal year, volume business contracted year-on-year, while the core-device business was impacted by factors such as the termination of production of certain products handled by the Group and a decline in consumer-game devices. Net sales were ¥23,965 million (down 11.5% year-on-year). In terms of profit, improvement in gross profit margin and reduced selling, general and administrative expenses enabled segment profit of ¥59 million (contrasting with segment profit of ¥5 million in the same period of the previous fiscal 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 first quarter of the consolidated fiscal year, the embedded-systems business trended downward while other categories in the segment remained firm. Net sales were ¥3,130 million (up 35.2% year-on-year), segment profit was ¥158 million (compared with a segment loss of ¥84 million in the same period of the previous fiscal year).

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

### **(Assets)**

As of June 30, 2019, assets decreased ¥11,354 million compared with March 31, 2019, to ¥76,907 million. This was mainly attributable to a ¥10,497 million decrease in notes and accounts receivable-trade, a ¥1,806 million decrease in consumption taxes receivable, a ¥1,135 million increase in cash and deposits, and a ¥74 million increase in merchandise inventories.

### **(Liabilities)**

As of June 30, 2019, liabilities decreased ¥9,843 million compared with March 31, 2019, to ¥35,706 million. This was mainly attributable to a ¥5,333 million decrease in notes and accounts payable-trade and a ¥4,108 million decrease in short-term loans payable.

### **(Net Assets)**

As of June 30, 2019, net assets decreased ¥1,510 million compared with March 31, 2019, to ¥41,201 million. This was mainly attributable to a ¥1,117 million decrease in retained earnings and a ¥402 million decrease in foreign currency translation adjustment.

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

Net sales, operating profit and ordinary profit are all progressing as forecast. In the forecast of quarterly and full-year net profit attributable to shareholders of parent company, with respect to the second and subsequent quarters, net profit before tax and other adjustments is forecast to increase, while deferred tax assets are forecast to accumulate. As such, the forecast values for both the second quarter (cumulative) and the year as a whole are unchanged from those announced in the Summary of Financial Results for Fiscal Year Ended March 31, 2019 (May 13, 2019).

**2. Quarterly Consolidated Financial Statements and Main Notes****(1) Quarterly Consolidated Balance Sheets**

(Million yen)

	March 2019 Term (As of Mar. 31, 2019)	1Q March 2020 Term (As of Jun. 30, 2019)
<b>Assets</b>		
Current assets		
Cash and deposits	17,064	18,199
Notes and accounts receivable-trade	41,780	30,684
Electronically recorded monetary claims	5,605	6,204
Merchandise inventories	14,580	14,655
Partly-finished work	139	160
Others	3,070	1,180
Allowance for doubtful accounts	(7)	(7)
Total current assets	82,234	71,077
Non-current assets		
Property and equipment	2,490	2,490
Intangible assets	322	313
Investments and other assets		
Others	3,254	3,063
Allowance for doubtful accounts	(39)	(38)
Total investments and other assets	3,215	3,024
Total non-current assets	6,027	5,829
Total assets	88,261	76,907
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	18,462	13,128
Short-term loans payable	24,066	19,958
Current portion of long-term loans payable	6	5
Accrued corporate tax, etc.	463	162
Allowance	509	245
Others	1,652	1,836
Total current liabilities	45,161	35,337
Non-current liabilities		
Net defined benefit liabilities	224	206
Others	163	162
Total non-current liabilities	388	369
Total liabilities	45,549	35,706

(Million yen)

	March 2019 Term (As of Mar. 31, 2019)	1Q March 2020 Term (As of Jun. 30, 2019)
Net assets		
Shareholders' equity		
Capital stock	14,811	14,811
Capital surplus	5,329	5,329
Retained earnings	32,578	31,460
Treasury stock	(10,356)	(10,356)
Total shareholders' equity	42,363	41,245
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	574	546
Deferred hedge gains (losses)	(4)	36
Foreign currency translation adjustment	(294)	(697)
Remeasurements of defined benefit plans	22	21
Total accumulated other comprehensive income	298	(93)
Non-controlling interests	50	48
Total net assets	42,711	41,201
Total liabilities and net assets	88,261	76,907

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

(Million yen)

	1Q March 2019 Term (Apr. 1, 2018 – Jun. 30, 2018)	1Q March 2020 Term (Apr. 1, 2019 – Jun. 30, 2019)
Net sales	29,387	27,095
Cost of sales	27,029	24,586
Gross profit on sales	2,357	2,508
Selling, general and administrative expenses	2,349	2,261
Operating profit	8	247
Non-operating profit		
Interest income	4	6
Dividend income	17	15
Foreign exchange gains	—	57
Others	17	24
Total non-operating profit	39	105
Non-operating expenses		
Interest expenses	67	89
Sales discounts	3	3
Foreign exchange losses	36	—
Others	20	42
Total non-operating expenses	127	135
Ordinary profit (loss)	(79)	218
Extraordinary profits		
Gain on sales of non-current assets	0	0
Gain on sales of investment securities	0	17
Total extraordinary profits	0	17
Extraordinary losses		
Loss on retirement of non-current assets	—	0
Loss on sales of investment securities	0	—
Loss on valuation of investment securities	0	—
Total extraordinary losses	0	0
Net profit (loss) before tax and other adjustments	(80)	235
Corporate, resident and enterprise taxes	53	65
Adjustment for corporate tax, etc.	94	226
Total corporate taxes	147	291
Net profit (loss)	(228)	(56)
Net profit (loss) attributable to non-controlling interest	0	(1)
Net profit (loss) attributable to shareholders of parent company	(229)	(54)

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

	1Q March 2019 Term (Apr. 1, 2018 – Jun. 30, 2018)	1Q March 2020 Term (Apr. 1, 2019 – Jun. 30, 2019)
Net profit (loss)	(228)	(56)
Other comprehensive income		
Valuation difference on available-for-sale securities	(8)	(28)
Deferred hedge gains (losses)	57	40
Foreign currency translation adjustment	374	(402)
Remeasurements of defined benefit plans, net of tax	11	(1)
Total other comprehensive income	434	(391)
Comprehensive income	206	(448)
(Details)		
Comprehensive income attributable to shareholders of parental company	205	(446)
Comprehensive income attributable to non-controlling interests	0	(1)

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

(Notes Regarding Going Concern)

None.

(Notes Regarding Remarkable Change of Shareholders' Equity)

None.

(Changes in Accounting Principles)

Adoption of IFRS 16, "Leases"

From the beginning of the first quarter of this fiscal year, some of the Group's overseas consolidated subsidiaries have adopted IFRS 16, "Leases," a part of the International Financial Reporting Standards (IFRS). These accounting standards require in principle that all leases be appropriated as assets and liabilities of the lessee.

The effect of application of this accounting standard on the consolidated financial statements for the first quarter of the consolidated fiscal year is negligible.

(Segment Information)

I. Three months ended June 30, 2018 (Apr. 1, 2018 - Jun. 30, 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	27,072	2,315	29,387
Inter-segment sales or transfers	—	—	—
Total	27,072	2,315	29,387
Segment profit (loss)	5	(84)	(79)

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

II. Three months ended June 30, 2019 (Apr. 1, 2019 - Jun. 30, 2019)

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	23,965	3,130	27,095
Inter-segment sales or transfers	—	—	—
Total	23,965	3,130	27,095
Segment profit	59	159	218

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