

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



November 5, 2019

**Summary of Financial Results for the First Half of the Fiscal Year  
Ending March 31, 2020  
(Six Months Ended September 30, 2019)  
[Japan Standards] (Consolidated)**

Name of Listed Company: Sanshin Electronics Co., Ltd. Stock Exchange Listed: 1st Section, Tokyo  
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Manager of Finance & Accounting Division  
Scheduled date of filing of Quarterly Report: November 8, 2019  
Scheduled date of dividend payment: December 2, 2019  
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 2020 Term (April 1, 2019 – September 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	%
2Q March 2020 Term	66,413	(8.3)	1,191	68.9	1,118	103.1	859	98.5
2Q March 2019 Term	72,419	(8.2)	705	6.7	550	(13.0)	433	21.7

(Note) Comprehensive income 2Q March 2020 Term: 358 million yen (-73.0%); 2Q March 2019 Term: 1,327 million yen (115.4%)

	Net profit per share	Diluted net profit per share
	Yen	Yen
2Q March 2020 Term	44.83	—
2Q March 2019 Term	18.24	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
2Q March 2020 Term	81,885	42,010	51.2
March 2019 Term	88,261	42,711	48.3

(Reference) Shareholders' equity 2Q March 2020 Term: 41,959 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	—	15.00			
March 2020 Term (forecast)			—	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
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):

2Q March 2020 Term: 24,281,373 shares                      March 2019 Term: 24,281,373 shares

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

2Q March 2020 Term: 5,101,061 shares                      March 2019 Term: 5,103,188 shares

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

2Q March 2020 Term: 19,178,550 shares                      2Q March 2019 Term: 23,752,220 shares

(Note) The amount of treasury stock at the end of the term includes Company stock (2Q March 2020 term: 136,700 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 (2Q March 2020 term: 138,485 shares, 2Q 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.

The Company will hold a briefing session for securities analysts and institutional investors on November 12, 2019. 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

Uncertainty about the future direction of the global economy grew more palpable during the consolidated first half-period under review. Downside risks such as trade friction between the United States and China, the Brexit question and China's faltering economic growth showed no signs of dissipating, while weakness in exports and production persisted in Japan. In the electronics industry, which is the business domain of Sanshin Electronics Co., Ltd. and the Sanshin Electronics Group, markets related to artificial intelligence (AI), automobile driving-support systems, the internet of things (IoT) and machine-to-machine technology (M2M) continued to grow. In the ICT field in Japan, demand expanded in fields such as cloud systems and security, including investments by businesses in working-style reform to improve labor productivity. Investments related to Big Data continued on a favorable glidepath.

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 fiscal year ending March 31, 2021. 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 half-period was overall strong. Net sales were ¥66,413 million (down 8.3% year-on-year). However, operating profit was ¥1,191 million (up 68.9% year-on-year), thanks to improved gross profit margin and paring of selling, general and administrative expenses. Ordinary profit was ¥1,118 million (up 103.1% year-on-year), as non-operating profit rebounded from commission for purchase of treasury stock appropriated in the same period of the previous fiscal year. Net profit attributable to shareholders of parent company was ¥859 million (up 98.5% 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 first half 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 ¥59,451 million (down 9.5% year-on-year). In earnings terms, progress in overhauling the Group's operating portfolio boosted gross profit margin, while selling, general and administrative expenses declined. Segment profit was ¥488 million (up 81.0% 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 half period under review, the segment achieved modest growth in net sales but a striking increase in segment profit. Although sales in the public-sector field declined against the same period of the previous fiscal year, which was characterized by major projects, sales in other fields trended overall favorably. Net sales were ¥6,961 million (up 3.8% year-on-year). In earnings terms, rising revenues combined with

improved gross profit margin to propel segment profit to ¥629 million (up 124.3% year-on-year).

## (2) Explanation of Financial Position

(Assets)

As of September 30, 2019, assets decreased ¥6,376 million compared with March 31, 2019, to ¥81,885 million. This was mainly attributable to a ¥3,535 million decrease in notes and accounts receivable-trade, a ¥1,374 million decrease in cash and deposits, a ¥712 million decrease in merchandise inventories, and a ¥688 million decrease in consumption taxes receivable.

(Liabilities)

As of September 30, 2019, liabilities decreased ¥5,675 million compared with March 31, 2019, to ¥39,874 million. This was mainly attributable to a ¥4,658 million decrease in short-term loans payable and a ¥536 million decrease in notes and accounts payable-trade.

(Net Assets)

As of September 30, 2019, net assets decreased ¥701 million compared with March 31, 2019, to ¥42,010 million. This was mainly attributable to a ¥447 million decrease in foreign currency translation adjustment, and a ¥202 million decrease in retained earnings.

(Cash Flows)

As of September 30, 2019, cash and cash equivalents decreased ¥1,374 million compared with March 31, 2019, to ¥15,689 million. This was due to the repayment of short-term loans, exceeding income as the result of a decrease in notes and accounts receivable-trade.

(Operating activities)

Net cash provided by operating activities during the consolidated first half period under review totaled ¥4,136 million, a decline of ¥5,565 million year-on-year. This result stemmed chiefly from a decrease in notes and accounts receivable-trade, a decrease in inventories and a decrease in consumption taxes refund receivable.

(Investing activities)

Net cash provided by investing activities during the consolidated first half period under review totaled ¥33 million, a drop of ¥128 million year-on-year. This result stemmed chiefly from proceeds from sales of investment securities.

(Financing activities)

Net cash used in financing activities during the consolidated first half period under review totaled ¥5,441 million, a fall of ¥13,932 million year-on-year. This result stemmed chiefly from the repayment of short-term loans and dividend payment.

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

In the consolidated first half period under review, both net sales and profit outstripped the originally forecast figures (published May 13, 2019). For the consolidated business results of the full fiscal year ending March 31, 2020 (FY 2019), lingering uncertainty in the global economy as well as in market and customer trends from the third quarter onward persuade the Group to leave the original forecast unchanged.

Regarding the dividend forecast, the Group's dividend policy aims for a 100% consolidated dividend payout ratio for the FY 2017, 2018, and 2019. In keeping with the decision to leave unchanged the forecast 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).

If any adjustments become necessary due to changes in future business performance, we will immediately disclose related information.

## 2. Quarterly Consolidated Financial Statements and Main Notes

### (1) Quarterly Consolidated Balance Sheets

(Million yen)

	March 2019 Term (As of Mar. 31, 2019)	2Q March 2020 Term (As of Sept. 30, 2019)
<b>Assets</b>		
Current assets		
Cash and deposits	17,064	15,689
Notes and accounts receivable-trade	41,780	37,868
Electronically recorded monetary claims	5,605	5,982
Merchandise inventories	14,580	13,868
Partly-finished work	139	196
Others	3,070	2,329
Allowance for doubtful accounts	(7)	(8)
Total current assets	82,234	75,926
Non-current assets		
Property and equipment	2,490	2,499
Intangible assets	322	346
Investments and other assets		
Others	3,254	3,151
Allowance for doubtful accounts	(39)	(38)
Total investments and other assets	3,215	3,112
Total non-current assets	6,027	5,958
Total assets	88,261	81,885
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	18,462	17,925
Short-term loans payable	24,066	19,408
Current portion of long-term loans payable	6	3
Accrued corporate tax, etc.	463	179
Allowance	509	489
Others	1,652	1,504
Total current liabilities	45,161	39,510
Non-current liabilities		
Net defined benefit liabilities	224	189
Others	163	175
Total non-current liabilities	388	364
Total liabilities	45,549	39,874

(Million yen)

	March 2019 Term (As of Mar. 31, 2019)	2Q March 2020 Term (As of Sept. 30, 2019)
Net assets		
Shareholders' equity		
Capital stock	14,811	14,811
Capital surplus	5,329	5,329
Retained earnings	32,578	32,375
Treasury stock	(10,356)	(10,353)
Total shareholders' equity	42,363	42,163
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	574	525
Deferred hedge gains (losses)	(4)	(7)
Foreign currency translation adjustment	(294)	(742)
Remeasurements of defined benefit plans	22	20
Total accumulated other comprehensive income	298	(203)
Non-controlling interests	50	51
Total net assets	42,711	42,010
Total liabilities and net assets	88,261	81,885

**(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 2019 Term (Apr. 1, 2018 - Sept. 30, 2018)	2Q March 2020 Term (Apr. 1, 2019 - Sept. 30, 2019)
Net sales	72,419	66,413
Cost of sales	66,997	60,616
Gross profit on sales	5,421	5,796
Selling, general and administrative expenses	4,715	4,604
Operating profit	705	1,191
Non-operating profit		
Interest income	7	12
Dividend income	23	20
Foreign exchange gains	—	63
Others	40	47
Total non-operating profit	71	143
Non-operating expenses		
Interest expenses	143	161
Sales discounts	8	5
Commission for purchase of treasury stock	55	—
Foreign exchange losses	0	—
Others	18	50
Total non-operating expenses	226	217
Ordinary profit	550	1,118
Extraordinary profits		
Gain on sales of non-current assets	0	0
Gain on sales of investment securities	0	40
Total extraordinary profits	0	40
Extraordinary losses		
Loss on retirement of non-current assets	0	0
Loss on sales of investment securities	0	—
Loss on valuation of investment securities	0	—
Special retirement benefits	39	—
Total extraordinary losses	40	0
Net profit before tax and other adjustments	510	1,158
Corporate, resident and enterprise taxes	152	159
Adjustment for corporate tax, etc.	(83)	138
Total corporate taxes	68	298
Net profit	441	860
Net profit attributable to non-controlling interests	8	0
Net profit attributable to shareholders of parent company	433	859

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

	2Q March 2019 Term (Apr. 1, 2018 - Sept. 30, 2018)	2Q March 2020 Term (Apr. 1, 2019 - Sept. 30, 2019)
Net profit	441	860
Other comprehensive income		
Valuation difference on available-for-sale securities	125	(49)
Deferred hedge gains (losses)	(8)	(3)
Foreign currency translation adjustment	746	(447)
Remeasurements of defined benefit plans, net of tax	22	(2)
Total other comprehensive income	886	(502)
Comprehensive income	1,327	358
(Details)		
Comprehensive income attributable to shareholders of parental company	1,319	357
Comprehensive income attributable to non-controlling interests	8	0

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

(Million yen)

	2Q March 2019 Term (Apr. 1, 2018 - Sept. 30, 2018)	2Q March 2020 Term (Apr. 1, 2019 - Sept. 30, 2019)
<b>Operating activities</b>		
Net profit before tax and other adjustments	510	1,158
Depreciation and amortization	81	84
Amortization of goodwill	20	3
Increase (decrease) in allowance for doubtful accounts	34	1
Increase (decrease) in allowance for stock compensation	0	1
Increase (decrease) in net defined benefit liabilities	(11)	(26)
Interest and dividend income	(30)	(32)
Interest expenses	143	161
Loss (gain) on sales of non-current assets	(0)	(0)
Loss (gain) on sales of investment securities	(0)	(40)
Loss (gain) on valuation of investment securities	0	—
Decrease (increase) in notes and accounts receivable-trade	2,915	2,697
Decrease (increase) in inventories	616	503
Increase (decrease) in notes and accounts payable-trade	3,999	(201)
Decrease (increase) in consumption taxes refund receivable	1,767	688
Increase (decrease) in accrued consumption taxes	(12)	(4)
Others	(74)	(324)
Subtotal	9,961	4,668
Interest and dividend income received	30	35
Interest expenses paid	(143)	(161)
Income taxes (paid) refund	(146)	(405)
Net cash provided by operating activities	9,701	4,136
<b>Investing activities</b>		
Purchase of property and equipment	(6)	(15)
Proceeds from sales of property and equipment	175	0
Purchase of software	(6)	(4)
Purchase of investment securities	(0)	(98)
Proceeds from sales of investment securities	0	161
Others	0	(9)
Net cash provided by investing activities	162	33
<b>Financing activities</b>		
Increase (decrease) in short-term loans payable	1,021	(4,349)
Repayment of long-term loans	(7)	(3)
Repayments of lease obligations	(18)	(29)
Net decrease (increase) in treasury stock	(19,719)	(0)
Cash dividends paid	(650)	(1,058)
Net cash used in financing activities	(19,373)	(5,441)
Effect of exchange rate change on cash and cash equivalents	50	(103)
Net increase (decrease) in cash and cash equivalents	(9,458)	(1,374)
Balance of cash and cash equivalents, beginning of the period	17,176	17,064
Balance of cash and cash equivalents, end of the period	7,718	15,689

**(4) 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 half of the consolidated fiscal year is negligible.

(Segment Information)

I. Six months ended September 30, 2018 (Apr. 1, 2018 - Sept. 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	65,710	6,709	72,419
Inter-segment sales or transfers	—	—	—
Total	65,710	6,709	72,419
Segment profit	270	280	550

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

II. Six months ended September 30, 2019 (Apr. 1, 2019 - Sept. 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	59,451	6,961	66,413
Inter-segment sales or transfers	—	—	—
Total	59,451	6,961	66,413
Segment profit	488	629	1,118

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