

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



August 4, 2016

**Summary of Financial Results for the First Quarter of the Fiscal Year
Ending March 31, 2017
(Three Months Ended June 30, 2016)
[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: August 8, 2016
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 2017 Term

(April 1, 2016 – June 30, 2016)

(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 2017 Term	39,061	(16.2)	(470)	—	(1,494)	—	(1,066)	—
1Q March 2016 Term	46,608	14.6	281	(20.6)	174	(42.6)	75	(55.7)

(Note) Comprehensive income 1Q March 2017 Term: -2,148 million yen (—%) 1Q March 2016 Term: 387 million yen (—%)

	Net profit per share	Diluted net profit per share
	Yen	Yen
1Q March 2017 Term	(37.86)	—
1Q March 2016 Term	2.67	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
1Q March 2017 Term	89,340	60,392	67.6
March 2016 Term	95,580	63,385	66.3

(Reference) Shareholders' equity 1Q March 2017 Term: 60,392 million yen March 2016 Term: 63,385 million yen

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
March 2016 Term	—	10.00	—	30.00	40.00
March 2017 Term	—	—	—	—	—
March 2017 Term (forecast)	—	10.00	—	30.00	40.00

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

3. Forecasts for Consolidated Business Performance for March 2017 Term (April 1, 2016 – March 31, 2017)*(% 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	83,000	(19.7)	(350)	—	(1,900)	—	(1,800)	—	(63.88)
Full year	—	—	—	—	—	—	—	—	—

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

For further information, please refer to “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].

*** 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 (Annotations) - (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):

1Q March 2017 Term: 29,281,373 shares March 2016 Term: 29,281,373 shares

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

1Q March 2017 Term: 1,102,476 shares March 2016 Term: 1,102,476 shares

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

1Q March 2017 Term: 28,178,897 shares 1Q March 2016 Term: 28,179,248 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.

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1. Qualitative Information Concerning the Current Quarterly Settlement

(1) Explanation of Business Results

In the consolidated first three-month period under review, the global economy was generally firm in the United States as well as it continued to improve in Europe. However, with the economic slowdown in emerging countries including China and a Britain set on leaving the EU, uncertainty is weighing heavily on the overall economy. Such conditions contributed to share prices and foreign currencies to show unstable fluctuations in Japan, causing the national economy to be tinged with a sense of uncertainty over the future, as corporate earnings remain at a standstill.

In the electronics industry, despite a visible slowdown of the smartphone market growth, the demand structure for semiconductors and electronic components is approaching a turning point, as anticipation for advanced driver-assistance systems, including automatic braking, and for IoT (Internet of Things) related markets rises. Meanwhile, in the domestic IT industry, besides continued strong demand particularly for security-related IT investments, there was a growing interest in services applying new technologies such as cloud, big data, or IoT. As a result, performance in this area remained relatively favorable.

Under these circumstances, and in an earnest effort to achieve a return on sales (ROS) of 2% and return on equity (ROE) of 5%, as stated in the V70 Medium-Term Management Plan (closing on March 31, 2021), the Group implemented the necessary measures to strengthen business power and to improve the management foundation. However, during the consolidated first three-month period under review, the Company experienced a significant sales drop in the device business that accounts for a large percentage of the Group's total sales, as well as it was impacted by the rapid appreciation of the yen, causing a decline in profits: net sales decreased by 16.2% to ¥39,061 million, and the operating loss came to ¥470 million, compared with an operating profit of ¥281 million in the same period last fiscal year. In addition, the ordinary loss amounted ¥1,494 million, compared with an ordinary profit of ¥174 million in the same period last fiscal year, a loss arising from foreign exchange losses of ¥1,050 million. We also recorded a net loss attributable to shareholders of parent company of ¥1,066 million, compared with a net profit of ¥75 million in the same period last 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 three-month period under review, sales to information/communication, TOY and digital AV sectors fell overall compared with the same period last fiscal year, resulting in segment sales of ¥36,955 million, a 16.4% decrease year-on-year. In terms of profit and loss, the gross profit margin contracted due to a fall in sales prices and loss on inventory valuation (¥390 million) owing to the yen's sharp appreciation, in addition to the impact of foreign exchange losses (¥1,050 million). As a result, the segment loss came to ¥1,473 million, compared with an overall profit of ¥133 million in the same period last 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.

In the consolidated first three-month period under review, in addition to a reduction of the number of large investment projects related to video systems from the same period last fiscal year, sales of embedded systems also fell, resulting in segment sales of ¥2,105 million, an 11.6% decrease year-on-year. In terms of profit and loss, the gross profit margin came above the figure reported in the same period last fiscal year, but the effects

were insufficient to compensate for the sales drop and the increase in selling, general and administrative expenses accompanying the expansion of personnel. As a result, the segment loss came to ¥21 million, compared with an overall profit of ¥41 million in the same period last fiscal year.

(2) Explanation of Financial Position

Assets, liabilities and net assets

As of June 30, 2016, assets decreased ¥6,239 million compared with March 31, 2016, to ¥89,340 million. This was mainly attributable to a ¥3,643 million decrease in merchandise inventories, a ¥3,413 million decrease in consumption taxes refund receivable, a ¥2,988 million decrease in trade notes and accounts receivable, as well as a ¥3,143 million increase in cash and deposits.

Liabilities decreased ¥3,245 million compared with March 31, 2016, to ¥28,948 million. This was mainly attributable to a ¥1,802 million decrease in trade notes and accounts payable, a ¥705 million decrease in short-term loans payable, and a ¥292 million decrease in allowance for bonuses to employees.

Net assets decreased ¥2,993 million to ¥60,392 million because of a ¥1,912 million decrease in retained earnings, a ¥1,099 million decrease in foreign currency translation adjustment, and other factors.

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

The Company has revised its forecast for the consolidated results of the first half year ending September 30, 2016, from the one announced on May 13, 2016, as detailed below. However, the forecast for the consolidated business performance of the full fiscal year ending March 31, 2017 is undetermined at this stage, as there are still many uncertain factors. This will be disclosed immediately upon its determination based on a thorough investigation of market and customer trends. For more information, please refer to “Notice Regarding Revision of Business Forecast” released today.

(Prospect for Consolidated Business Results of the First Half Ending Sept. 30, 2016)

Net sales:	¥83,000 million	(down 19.7% YoY)
Operating loss:	¥350 million	(compared with operating profit of ¥1,153 million in H1/FY2016)
Ordinary loss:	¥1,900 million	(compared with ordinary profit of ¥1,151 million in H1/FY2016)
Net loss attributable to shareholders of parent company:	¥1,800 million	(compared with net profit attributable to shareholders of parent company of ¥800 million in H1/FY2016)

2. Matters Concerning Summary Information (Annotations)

(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 Practical Solutions on Accounting for Changes in the Depreciation Method Related to Revisions to the FY2016 Tax Law

In accordance with revisions to the Corporate Tax Law, we have adopted the “Practical Solutions on Accounting for Changes in the Depreciation Method Related to Revisions to the FY2016 Tax Law” (Practical Issues Task Force No. 32 of June 17, 2016), effective from the consolidated first quarter of current fiscal year. Accordingly, we have changed the depreciation method for equipment/installations and structures acquired on or after April 1, 2016, from the declining-balance method to the straight-line method.

This measure is expected to have a negligible effect on the Company’s earnings.

(4) Additional Information

Implementation of the Application Guidelines for Collectability of Deferred Tax Assets

We have adopted the “Application Guidelines for Collectability of Deferred Tax Assets” (Corporate Accounting Standards No. 26 of March 28, 2016), effective from the consolidated first quarter of current fiscal year.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	March 2016 Term (As of Mar. 31, 2016)	1Q March 2017 Term (As of Jun. 30, 2016)
Assets		
Current assets		
Cash and deposits	10,186	13,330
Notes and accounts receivable-trade	44,852	41,568
Electronically recorded monetary claims	10,272	10,567
Merchandise inventories	18,405	14,762
Partly-finished work	3	21
Others	5,641	2,122
Allowance for doubtful accounts	(7)	(5)
Total current assets	89,353	82,367
Non-current assets		
Property and equipment	3,985	3,978
Intangible assets	345	321
Investments and other assets		
Others	2,013	2,777
Allowance for doubtful accounts	(117)	(105)
Total investments and other assets	1,895	2,672
Total non-current assets	6,226	6,973
Total assets	95,580	89,340
Liabilities		
Current liabilities		
Notes and accounts payable-trade	22,282	20,480
Short-term loans payable	6,408	5,703
Accrued corporate tax, etc.	180	144
Allowance	554	243
Others	1,925	1,560
Total current liabilities	31,350	28,131
Non-current liabilities		
Net defined benefit liabilities	651	629
Others	192	188
Total non-current liabilities	843	817
Total liabilities	32,194	28,948

	(Million yen)	
	March 2016 Term (As of Mar. 31, 2016)	1Q March 2017 Term (As of Jun. 30, 2016)
Net assets		
Shareholders' equity		
Capital stock	14,811	14,811
Capital surplus	15,329	15,329
Retained earnings	34,625	32,713
Treasury stock	(763)	(763)
Total shareholders' equity	64,003	62,091
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	398	311
Deferred hedge gains (losses)	(493)	(416)
Foreign currency translation adjustment	(158)	(1,257)
Remeasurements of defined benefit plans	(364)	(336)
Total accumulated other comprehensive income	(617)	(1,699)
Total net assets	63,385	60,392
Total liabilities and net assets	95,580	89,340

(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 2016 Term (Apr. 1, 2015 – Jun. 30, 2015)	1Q March 2017 Term (Apr. 1, 2016 – Jun. 30, 2016)
Net sales	46,608	39,061
Cost of sales	43,711	37,103
Gross profit on sales	2,897	1,958
Selling, general and administrative expenses	2,615	2,428
Operating profit (loss)	281	(470)
Non-operating profit		
Interest income	2	3
Dividend income	12	13
Others	10	27
Total non-operating profit	25	44
Non-operating expenses		
Interest expenses	4	9
Sales discounts	7	7
Foreign exchange losses	87	1,050
Loss on sales of electronically recorded monetary claims	31	–
Others	2	0
Total non-operating expenses	132	1,068
Ordinary profit (loss)	174	(1,494)
Extraordinary profits		
Gain on sales of non-current assets	0	–
Gain on sales of investment securities	0	–
Gain on sales of memberships	–	16
Total extraordinary profits	0	16
Extraordinary losses		
Loss on retirement of non-current assets	–	0
Loss on valuation of investment securities	1	–
Total extraordinary losses	1	0
Net profit (loss) before tax and other adjustments	173	(1,478)
Corporate, resident and enterprise taxes	85	92
Adjustment for corporate tax, etc.	12	(504)
Total corporate taxes	98	(411)
Net profit (loss)	75	(1,066)
Net profit (loss) attributable to shareholders of parent company	75	(1,066)

(Quarterly Consolidated Comprehensive Income Statement of the First Quarter)

	1Q March 2016 Term (Apr. 1, 2015 – Jun. 30, 2015)	1Q March 2017 Term (Apr. 1, 2016 – Jun. 30, 2016)
Net profit (loss)	75	(1,066)
Other comprehensive income		
Valuation difference on available-for-sale securities	130	(86)
Deferred hedge gains (losses)	(27)	76
Foreign currency translation adjustment	204	(1,099)
Remeasurements of defined benefit plans, net of tax	4	27
Total other comprehensive income	312	(1,081)
Comprehensive income	387	(2,148)
(Details)		
Comprehensive income attributable to shareholders of parental company	387	(2,148)
Comprehensive income attributable to non-controlling interests	—	—

(3) Notes on Quarterly Consolidated Financial Statements

(Notes Regarding Going Concern)

None.

(Notes Regarding Remarkable Change of Shareholders' Equity)

None.

(Segment Information)

I. Three months ended June 30, 2015 (Apr. 1, 2015 - Jun. 30, 2015)

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	44,225	2,383	46,608
Inter-segment sales or transfers	—	—	—
Total	44,225	2,383	46,608
Segment profit	133	41	174

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

II. Three months ended June 30, 2016 (Apr. 1, 2016 - Jun. 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	36,955	2,105	39,061
Inter-segment sales or transfers	—	—	—
Total	36,955	2,105	39,061
Segment profit (loss)	(1,473)	(21)	(1,494)

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