

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



February 3, 2017

**Summary of Financial Results for the First Three Quarters of the Fiscal Year
Ending March 31, 2017
(Nine Months Ended December 31, 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: February 7, 2017
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 2017 Term
(April 1, 2016 – December 31, 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	%
3Q March 2017 Term	123,944	(19.3)	422	(70.2)	(1,328)	—	(1,716)	—
3Q March 2016 Term	153,680	(1.8)	1,418	(37.8)	1,346	(38.2)	906	(37.3)

(Note) Comprehensive income 3Q March 2017 Term: -580 million yen (— %); 3Q March 2016 Term: 578 million yen (-81.1%)

	Net profit per share	Diluted net profit per share
	Yen	Yen
3Q March 2017 Term	(60.92)	—
3Q March 2016 Term	32.16	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
3Q March 2017 Term	98,576	61,677	62.6
March 2016 Term	95,580	63,385	66.3

(Reference) Shareholders' equity 3Q March 2017 Term: 61,677 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:	—	10.00	—		
March 2017 Term (forecast)				15.00	25.00

(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
Full year	164,600	(17.3)	350	(81.7)	(1,150)	—	(1,620)	—	(57.49)

(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

(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):

3Q March 2017 Term: 29,281,373 shares March 2016 Term: 29,281,373 shares

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

3Q March 2017 Term: 1,102,529 shares March 2016 Term: 1,102,476 shares

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

3Q March 2017 Term: 28,178,878 shares 3Q March 2016 Term: 28,179,135 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.

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. Matters Concerning Summary Information (Annotations)	3
(1) Significant Subsidiary Change in the Consolidated Cumulative Period of This Quarter	3
(2) Application of Unique Accounting to the Preparation of Quarterly Consolidated Financial Statements	3
(3) Change of Accounting Principles, Change of Accounting Estimate, and Redisplay after Revision	3
(4) Additional Information	3
3. Quarterly Consolidated Financial Statements	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 Shareholder's Equity)	8
(Segment Information)	8

1. Qualitative Information Concerning the Current Quarterly Settlement

(1) Explanation of Business Results

In the consolidated first three quarters under review, the sense of anxiety over the decision of the United Kingdom to leave the European Union, the transition to a new administration in the U.S., as well as the economic slowdown of the newly-emerging nations including China resulted in the situation continuing to be highly unpredictable. Although moderate recovery trend continued in Japan, the economy still showed a lackluster performance due to rapid changes in both the exchange market and the financial market and downside risks to the overseas economies.

In the electronics industry, which is the primary area of business of the Group, the expansion of markets related to advanced operation support systems for automobiles, IoT (Internet of Things), and M2M (Machine to Machine) came much closer to reality, but the smartphone market has entered the period of maturity and hit a plateau. Meanwhile, in the domestic IT industry, services related to cloud computing and big data have become increasingly popular and there are reasons to expect them to find further use in businesses, so in this area, the Group operated in a comparatively favorable environment.

In these circumstances, based on the V70 Medium-Term Management Plan that starts from this 66th term (term ending March 31, 2017) the Group made a continuous and zealous effort implementing an array of measures to strengthen its business power and consolidate its management foundations. In the device business, however, there was deterioration in earnings as sales were sluggish and the exchange rates continued in favor of the yen all through the term under review, while in the solution business also earnings were lower than in the corresponding period of last year.

As a result, in this consolidated first three quarters under review, net sales decreased 19.3% year-on-year to ¥123,944 million, and operating profit decreased 70.2% year-on-year to ¥422 million yen. Furthermore, as the Group recorded foreign exchange losses of ¥1,749 million, ordinary loss was ¥1,328 million (against ordinary profit of ¥1,346 million in the corresponding period of last year), and quarterly net loss attributable to shareholders of parent company was ¥1,716 million (against quarterly net profit attributable to shareholders of parent company posted in the corresponding period of last year of ¥906 million).

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 quarters under review, despite a steady sales performance by the vehicle-mounted systems, sales in other areas starting with the information and communication sector as well as the TOY on the whole decreased.

As a result, segment sales decreased 19.6% year-on-year to ¥116,350 million. As for profit and loss, in addition to a decrease in sales, the Group also posted foreign exchange losses, and the segment recorded loss of ¥1,683 million (against segment profit of ¥831 million posted in the corresponding period of last 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 quarters under review, although the image-related business performed well with portable video transmitters and some other video-related products, sales for embedded systems and the public sector decreased.

As a result, segment sales decreased 16.1% year-on-year to ¥7,594 million. As for profit and loss, although gross profit margin improved, the segment profit was ¥354 million, down 31.1% year-on-year, due to a decrease in sales and an increase in selling, general and administrative expenses.

(2) Explanation of Financial Position

Assets, liabilities and net assets

As of December 31, 2016, assets increased ¥2,996 million compared with March 31, 2016, to ¥98,576 million. This was mainly attributable to a ¥10,992 million increase in cash and deposits, and a ¥7,896 million decrease in merchandise inventories.

Liabilities increased ¥4,703 million compared with March 31, 2016, to ¥36,898 million. This was mainly attributable to a ¥10,773 million increase in short-term loans payable, and a ¥5,402 million decrease in notes and accounts payable-trade.

Net assets decreased ¥1,707 million to ¥61,677 million because of a ¥2,843 million decrease in retained earnings, a ¥251 million increase in valuation difference on available-for-sale securities, a ¥455 million increase in deferred hedge gains (losses), a ¥346 million increase in foreign currency translation adjustment, and other factors.

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

Regarding the consolidated business performance forecast for full fiscal year, the Group has not this time revised the forecast figures set forth in the Summary of Financial Results for the First Half of the Fiscal Year Ending March 31, 2017 (Six Months Ended September 30, 2016) released on November 7, 2016. If a revision is required due to the future business performance, such revision will be made and released promptly.

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)	3Q March 2017 Term (As of Dec. 31, 2016)
Assets		
Current assets		
Cash and deposits	10,186	21,178
Notes and accounts receivable-trade	44,852	46,684
Electronically recorded monetary claims	10,272	9,692
Merchandise inventories	18,405	10,508
Partly-finished work	3	132
Others	5,641	3,277
Allowance for doubtful accounts	(7)	(12)
Total current assets	89,353	91,462
Non-current assets		
Property and equipment	3,985	3,853
Intangible assets	345	333
Investments and other assets		
Others	2,013	3,039
Allowance for doubtful accounts	(117)	(113)
Total investments and other assets	1,895	2,926
Total non-current assets	6,226	7,114
Total assets	95,580	98,576
Liabilities		
Current liabilities		
Notes and accounts payable-trade	22,282	16,879
Short-term loans payable	6,408	17,181
Accrued corporate tax, etc.	180	155
Allowance	554	244
Others	1,925	1,503
Total current liabilities	31,350	35,964
Non-current liabilities		
Net defined benefit liabilities	651	603
Others	192	330
Total non-current liabilities	843	934
Total liabilities	32,194	36,898

(Million yen)

	March 2016 Term (As of Mar. 31, 2016)	3Q March 2017 Term (As of Dec. 31, 2016)
Net assets		
Shareholders' equity		
Capital stock	14,811	14,811
Capital surplus	15,329	15,329
Retained earnings	34,625	31,782
Treasury stock	(763)	(763)
Total shareholders' equity	64,003	61,159
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	398	649
Deferred hedge gains (losses)	(493)	(37)
Foreign currency translation adjustment	(158)	187
Remeasurements of defined benefit plans	(364)	(281)
Total accumulated other comprehensive income	(617)	518
Total net assets	63,385	61,677
Total liabilities and net assets	95,580	98,576

(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 2016 Term (Apr. 1, 2015 – Dec. 31, 2015)	3Q March 2017 Term (Apr. 1 2016 – Dec. 31, 2016)
Net sales	153,680	123,944
Cost of sales	144,483	116,183
Gross profit on sales	9,197	7,760
Selling, general and administrative expenses	7,778	7,338
Operating profit	1,418	422
Non-operating profit		
Interest income	7	9
Dividend income	25	26
Others	39	56
Total non-operating profit	72	93
Non-operating expenses		
Interest expenses	17	61
Sales discounts	27	23
Foreign exchange losses	22	1,749
Loss on sales of electronically recorded monetary claims	65	—
Others	11	9
Total non-operating expenses	144	1,844
Ordinary profit (loss)	1,346	(1,328)
Extraordinary profits		
Gain on sales of non-current assets	0	0
Gain on sales of investment securities	0	0
Gain on sales of memberships	—	15
Total extraordinary profits	0	15
Extraordinary losses		
Loss on sales of non-current assets	0	—
Loss on retirement of non-current assets	0	2
Loss on sales of investment securities	—	0
Loss on valuation of investment securities	2	—
Impairment loss	—	34
Total extraordinary losses	2	37
Net profit (loss) before tax and other adjustments	1,344	(1,350)
Corporate, resident and enterprise taxes	243	266
Adjustment for corporate tax, etc.	194	99
Total corporate taxes	438	366
Net profit (loss)	906	(1,716)
Net profit (loss) attributable to shareholders of parent company	906	(1,716)

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

	3Q March 2016 Term (Apr. 1, 2015 – Dec. 31, 2015)	3Q March 2017 Term (Apr. 1 2016 – Dec. 31, 2016)
Net profit (loss)	906	(1,716)
Other comprehensive income		
Valuation difference on available-for-sale securities	17	251
Deferred hedge gains (losses)	(108)	455
Foreign currency translation adjustment	(249)	346
Remeasurements of defined benefit plans, net of tax	12	83
Total other comprehensive income	(327)	1,136
Comprehensive income	578	(580)
(Details)		
Comprehensive income attributable to shareholders of parental company	578	(580)
Comprehensive income attributable to non-controlling interests	—	—

(3) Notes on Quarterly Consolidated Financial Statements

(Notes regarding Going Concern)

None.

(Notes regarding Remarkable Change of Shareholder's Equity)

None.

(Segment Information)

I. Nine months ended December 31, 2015 (Apr. 1, 2015 – Dec. 31, 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	144,627	9,052	153,680
Inter-segment sales or transfers	—	—	—
Total	144,627	9,052	153,680
Segment profit	831	514	1,346

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

II. Nine months ended December 31, 2016 (Apr. 1, 2016 – Dec. 31, 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	116,350	7,594	123,944
Inter-segment sales or transfers	—	—	—
Total	116,350	7,594	123,944
Segment profit (loss)	(1,683)	354	(1,328)

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