

(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, 2018

**Summary of Financial Results for the First Three Quarters of the Fiscal Year
Ending March 31, 2018
(Nine Months Ended December 31, 2017)
[Japan Standards] (Consolidated)**

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Scheduled date of filing of Quarterly Report: February 7, 2018
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 2018 Term
(April 1, 2017 – December 31, 2017)**

(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 2018 Term	119,452	(3.6)	1,100	160.5	1,036	—	380	—
3Q March 2017 Term	123,944	(19.3)	422	(70.2)	(1,328)	—	(1,716)	—

(Note) Comprehensive income 3Q March 2018 Term: 886 million yen (— %); 3Q March 2017 Term: -580 million yen (— %)

	Net profit per share	Diluted net profit per share
	Yen	Yen
3Q March 2018 Term	13.49	—
3Q March 2017 Term	(60.92)	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
3Q March 2018 Term	104,171	61,718	59.2
March 2017 Term	94,144	61,537	65.4

(Reference) Shareholders' equity 3Q March 2018 Term: 61,718 million yen; March 2017 Term: 61,537 million yen

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
March 2017 Term	—	10.00	—	15.00	25.00
March 2018 Term:	—	10.00	—		
March 2018 Term (forecast)				15.00	25.00

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

3. Forecasts for Consolidated Business Performance for March 2018 Term (April 1, 2017 – March 31, 2018)*(% 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	153,000	(8.7)	1,600	98.9	1,500	—	800	—	28.39

(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: 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 2018 Term: 29,281,373 shares March 2017 Term: 29,281,373 shares

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

3Q March 2018 Term: 1,102,743 shares March 2017 Term: 1,102,630 shares

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

3Q March 2018 Term: 28,178,689 shares 3Q March 2017 Term: 28,178,878 shares

(Note) Beginning in FY2018 2Q, the Company is introducing the Performance-Based Stock Compensation Plan, a system of remuneration in which directors (excluding external directors) are compensated with Company stock according to business results. As a result of this system, stock in the Company held in a trust is appropriated in shareholders' equity as treasury stock. The amount of treasury stock at the end of the term under review includes Company stock held in the trust (139,000 shares at the end of FY2018 3Q). Also, Company stock held in the trust is included in treasury stock to be deducted in the calculation of the average number of shares outstanding during the term under review (67,225 shares at the end of FY2018 3Q).

* This summary of quarterly financial results is not subject to quarterly review.

*** 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 quarters under review, although concerns over policy trends in the United States and Europe and geopolitical risks remained, overall, global economy progressed on a gradual recovery trajectory mainly in developed countries. The Japanese economy also continued to gradually recover against the background of the government's economic policies, the continued monetary-easing policy of the Bank of Japan, and other favorable developments.

The electronics industry, which is the primary area of business of the Group, saw continued growth in markets relating to advanced vehicle operation support systems, IoT (Internet of Things), M2M (Machine to Machine) and other fields. Also, investment in Japan's IT sector was firm, particularly in cloud computing, Big Data and security.

Under these circumstances, the Company zealously pursued fulfillment of the V70 Medium-Term Management Plan. In the device business, we overhauled our business portfolio, concentrating resources in fields expected to enjoy solid market growth and striving to boost the proportion of sales in high-profit businesses. We also sought to improve profitability in existing businesses, implementing thorough risk management in inventories and foreign exchange and raising efficiency in operations. In the solution business, while making active efforts to expand sales in the existing businesses, the Company expanded its menu of cloud-computing services and fostered synergies across the business units. In all these initiatives, the Company strove to build a profitable foundation for medium-to-long-term growth.

As a result, consolidated operating results for the first nine-month period under review revealed ¥119,452 million in net sales (down 3.6% year on year), ¥1,100 million in operating profit (up 160.5% year on year), and ¥1,036 million in ordinary profit (compared with ¥1,328 million in ordinary loss posted for the same period in the previous fiscal year). Net profit attributable to shareholders of parent company, on the other hand, was ¥380 million, marking a turnaround from a net loss of ¥1,716 million attributable to shareholders of parent company in the same period of the previous fiscal year. This was due to the special retirement benefits of ¥229 million paid in connection with the implementation of voluntary retirement in the consolidated first quarter of current fiscal year and loss on valuation of investment securities of ¥215 million posted as extraordinary loss from some investment securities the Company invested in to develop new businesses, an initiative that was continually implemented in the consolidated third quarter of current 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 quarters under review, despite a steady performance by the products for vehicles and an increase in sales of new businesses, sales of LCD-related products continued at a sluggish pace, while sales of some products declined as a result of changes in product strategy by major suppliers.

As a result, segment sales decreased 4.0% year-on-year to ¥111,662 million. However, thanks to an increase in the gross profit margin, a substantial decline of loss on inventory valuation and foreign exchange losses, as well as the effect of reduction of fixed cost made possible by a number of measures including consolidation and integration of business bases, the segment returned a profit of ¥752 million (against a segment loss of ¥1,683 million in the same period of the previous 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.

Aside from slow sales of embedded systems, growth was firm overall in the consolidated first three quarters under review driven by recovery made by the public sector and other favorable developments.

As a result, segment sales increased 2.6% year-on-year to ¥7,789 million, while the segment profit decreased 20.0% year-on-year to ¥283 million. Furthermore, although the segment posted a loss of ¥26 million in the consolidated third quarter under review, as in the consolidated fourth quarter net sales are expected to increase, the performance of the segment is highly likely to improve.

(2) Explanation of Financial Position

(Assets)

As of December 31, 2017, assets increased ¥10,027 million compared with March 31, 2017, to ¥104,171 million. This was mainly attributable to a ¥4,860 million increase in merchandise inventories, a ¥3,320 million increase in notes and accounts receivable-trade, and a ¥1,747 million increase in cash and deposits.

(Liabilities)

As of December 31, 2017, liabilities increased ¥9,846 million compared with March 31, 2017, to ¥42,452 million. This was mainly attributable to a ¥6,975 million increase in short-term loans payable and a ¥2,685 million increase in notes and accounts payable-trade.

(Net Assets)

As of December 31, 2017, net assets increased ¥180 million compared with March 31, 2017, to ¥61,718 million. This was mainly attributable to a ¥226 million increase in foreign currency translation adjustment, a ¥218 million increase in valuation difference on available-for-sale securities, and a ¥325 million decrease in retained earnings.

(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, 2018 (Six Months Ended September 30, 2017) released on November 6, 2017. If a revision is required due to the future business performance, such revision will be made and released promptly.

2. Quarterly Consolidated Financial Statements and Main Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	March 2017 Term (As of Mar. 31, 2017)	3Q March 2018 Term (As of Dec. 31, 2017)
Assets		
Current assets		
Cash and deposits	19,599	21,346
Notes and accounts receivable-trade	43,597	49,352
Electronically recorded monetary claims	9,009	6,575
Merchandise inventories	11,327	16,188
Partly-finished work	1	282
Others	3,559	3,481
Allowance for doubtful accounts	(7)	(14)
Total current assets	87,088	97,211
Non-current assets		
Property and equipment	3,810	3,708
Intangible assets	312	258
Investments and other assets		
Others	2,948	3,008
Allowance for doubtful accounts	(14)	(15)
Total investments and other assets	2,933	2,993
Total non-current assets	7,055	6,960
Total assets	94,144	104,171
Liabilities		
Current liabilities		
Notes and accounts payable-trade	16,717	19,402
Short-term loans payable	13,124	20,099
Accrued corporate tax, etc.	156	289
Allowance	489	263
Others	1,274	1,496
Total current liabilities	31,760	41,551
Non-current liabilities		
Net defined benefit liabilities	465	409
Others	380	491
Total non-current liabilities	845	901
Total liabilities	32,606	42,452

(Million yen)

	March 2017 Term (As of Mar. 31, 2017)	3Q March 2018 Term (As of Dec. 31, 2017)
Net assets		
Shareholders' equity		
Capital stock	14,811	14,811
Capital surplus	15,329	15,432
Retained earnings	31,923	31,597
Treasury stock	(764)	(867)
Total shareholders' equity	61,300	60,974
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	654	873
Deferred hedge gains (losses)	(7)	(18)
Foreign currency translation adjustment	(241)	(14)
Remeasurements of defined benefit plans	(168)	(96)
Total accumulated other comprehensive income	237	743
Total net assets	61,537	61,718
Total liabilities and net assets	94,144	104,171

(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 2017 Term (Apr. 1, 2016 – Dec. 31, 2016)	3Q March 2018 Term (Apr. 1, 2017 – Dec. 31, 2017)
Net sales	123,944	119,452
Cost of sales	116,183	111,142
Gross profit on sales	7,760	8,310
Selling, general and administrative expenses	7,338	7,209
Operating profit	422	1,100
Non-operating profit		
Interest income	9	17
Dividend income	26	52
Foreign exchange gains	—	15
Others	56	35
Total non-operating profit	93	120
Non-operating expenses		
Interest expenses	61	159
Sales discounts	23	13
Foreign exchange losses	1,749	—
Others	9	11
Total non-operating expenses	1,844	184
Ordinary profit (loss)	(1,328)	1,036
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	15	0
Extraordinary losses		
Loss on retirement of non-current assets	2	—
Loss on sales of investment securities	0	—
Loss on valuation of investment securities	—	215
Impairment loss	34	—
Special retirement benefits	—	229
Total extraordinary losses	37	444
Net profit (loss) before tax and other adjustments	(1,350)	591
Corporate, resident and enterprise taxes	266	187
Adjustment for corporate tax, etc.	99	24
Total corporate taxes	366	211
Net profit (loss)	(1,716)	380
Net profit (loss) attributable to shareholders of parent company	(1,716)	380

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

(Million yen)

	3Q March 2017 Term (Apr. 1, 2016 – Dec. 31, 2016)	3Q March 2018 Term (Apr. 1, 2017 – Dec. 31, 2017)
Net profit (loss)	(1,716)	380
Other comprehensive income		
Valuation difference on available-for-sale securities	251	218
Deferred hedge gains (losses)	455	(11)
Foreign currency translation adjustment	346	226
Remeasurements of defined benefit plans, net of tax	83	72
Total other comprehensive income	1,136	506
Comprehensive income	(580)	886
(Details)		
Comprehensive income attributable to shareholders of parental company	(580)	886
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.

(Additional Information)

Performance-Based Stock Compensation Plan for Directors

The Company has announced that, beginning in the second quarter of this consolidated fiscal year, it is introducing a Performance-Based Stock Compensation Plan for Directors, for the purpose of further clarifying the link between the compensation to the Company's directors (excluding external directors) and the value of its shares. With the introduction of the Performance-Based Stock Compensation Plan, directors will not only enjoy the advantages when the Company's share price rises but also bear the risks when the share price declines, sharing with shareholders the benefits and risks of fluctuations in share prices. This move is intended ultimately to incentivize directors to increase medium-to-long-term business results and increase enterprise value.

1) Overview of Transactions

In the Performance-Based Stock Compensation Plan, a trust that is funded by Company expenditures acquires shares in the Company. The Board of Directors establishes regulations for the granting of shares, according to which each director is awarded points for his or her degree of accomplishment of numerical targets based on management indices. Each director is then awarded the Company's shares in proportion to the points awarded, through the trust. In principle, the shares are awarded to directors at the time of their resignation or retirement.

2) Accounting treatment of Company shares remaining in the trust

Shares remaining in the trust are appropriated under net assets as treasury stock, according to the book value of the trust (net of ancillary expenses). The book value of treasury stock and the number of shares as of the end of the consolidated third quarter under review are ¥199 million and 139,000 shares respectively.

(Segment Information)

I. 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.

II. 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.