

(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, 2018

**Summary of Financial Results for the First Half of the Fiscal Year
Ending March 31, 2019
(Six Months Ended September 30, 2018)
[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: November 7, 2018
Scheduled date of dividend payment: December 3, 2018
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 2019 Term (April 1, 2018 – September 30, 2018)

(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 2019 Term	72,419	(8.2)	705	6.7	550	(13.0)	433	21.7
2Q March 2018 Term	78,906	(7.5)	661	—	633	—	356	—

(Note) Comprehensive income 2Q March 2019 Term: 1,327 million yen (115.4%); 2Q March 2018 Term: 616 million yen (—%)

	Net profit per share		Diluted net profit per share	
	Yen		Yen	
2Q March 2019 Term	18.24		—	
2Q March 2018 Term	12.63		—	

(2) Consolidated financial position

	Total assets		Net assets		Equity ratio	
	Million yen		Million yen		%	
2Q March 2019 Term	81,057		42,744		52.7	
March 2018 Term	93,624		61,787		65.9	

(Reference) Shareholders' equity 2Q March 2019 Term: 42,693 million yen; March 2018 Term: 61,744 million yen

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Annual
	Yen				
March 2018 Term	—	10.00	—	23.00	33.00
March 2019 Term:	—	15.00			
March 2019 Term (forecast)			—	55.00	70.00

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

3. Forecasts for Consolidated Business Performance for March 2019 Term (April 1, 2018 – March 31, 2019)*(% 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	166,000	5.6	2,130	20.8	1,900	6.3	1,350	42.5	62.87

(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):

2Q March 2019 Term: 29,281,373 shares March 2018 Term: 29,281,373 shares

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

2Q March 2019 Term: 10,103,018 shares March 2018 Term: 1,102,796 shares

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

2Q March 2019 Term: 23,752,220 shares 2Q March 2018 Term: 28,178,718 shares

(Note) The amount of treasury stock at the end of the term includes Company stock (2Q March 2019 term: 139,000 shares, March 2018 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 2019 term: 139,000 shares, 2Q March 2018 term: 31,142 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, 2018. 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

In the consolidated first half period under review, the overall global economy was strong. The trend in the Japanese economy continues to be gradual recovery due to factors such as increased corporate earnings and an improved employment environment. On the other hand, there is increased uncertainty for the future of the economies in the United States and Europe. This uncertainty is due mainly to trends in trade policy and financial policy in the United States, and due mainly to increased uncertainty arising from geopolitical risks, etc., in Europe.

In the electronics industry, which is the primary area of business of the Group, fields such as automobile driving systems, the internet of things (IoT), artificial intelligence (AI), and machine to machine technology (M2M) continued to grow. Also, in the domestic IT industry, in addition to strong investment in cloud systems, big data, and security, there is increased investment demand aimed at improving corporate labor productivity through initiatives for working-style reform (teleworking, etc.).

In the midst of these conditions, with the goal of achieving return on equity (ROE) of 5% and ordinary profit of ¥3,000 million, the Group promoted business portfolio reforms to focus on growth fields and shift to higher value-added projects in its device business while also conducting thorough management of exchange-rate and inventory risk and making efforts to improve the profitability of existing businesses through increasing operation efficiency, all based on the provision of the V70 Medium-Term Management Plan scheduled to end at the conclusion of the 2021 fiscal year. Also, the solution business aimed to solidify the revenue base provided by data centers through efforts to expand the menu of cloud-computing services while also working to create synergy between business units through cross-cell promotions.

As a result of these initiatives, business performance in the consolidated first half period was as follows: Net sales were ¥72,419 million (down 8.2% year-on-year), but operating profit was ¥705 million (up 6.7% year-on-year) due to factors such as an improved gross profit margin and reduction of selling, general and administrative expenses. Ordinary profit was ¥550 million (down 13.0% year-on-year) due to factors such as an increase in non-operating expenses including an increase in interest expenses and posting of commission for purchase of treasury stock. In addition, due to a year-on-year decrease in extraordinary losses caused by posting of special retirement benefits in conjunction with the implementation of voluntary retirement, net profit attributable to shareholders of parent company was ¥433 million (up 21.7% 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 consolidated first half period under review, the effect of a decrease in sales targeted to information/communications fields and social/industrial fields compared to the same period in the previous fiscal year led to net sales of ¥65,710 million (down 10.6% year-on-year). In terms of profit and loss as well, efforts to improve the gross profit margin and limit the selling, general and administrative expenses were insufficient to compensate for the effect of reduced net sales, and as a result of both this and the increase in interest expenses due to rising interest rates overseas, segment profit was ¥270 million (down 16.5% 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, strong sales in public areas compared to the same period of the previous fiscal year led to net sales of ¥6,709 million (up 24.0% year-on-year). On the other hand, in terms of profit and loss, gross profit margin decreased due to changes in sales mechanisms, the delivery period for large projects with high profit margins were changed to the second half of the consolidated fiscal year, and selling, general and administrative expenses increased due to an increase in personnel, resulting in segment profit of ¥280 million (down 9.4% year-on-year).

(2) Explanation of Financial Position

(Assets)

As of September 30, 2018, assets decreased ¥12,566 million compared with March 31, 2018, to ¥81,057 million. This was mainly attributable to a ¥9,458 million decrease in cash and deposits, a ¥1,767 million decrease in consumption taxes refund receivable, and a ¥1,141 million decrease in notes and accounts receivable-trade.

(Liabilities)

As of September 30, 2018, liabilities increased ¥6,476 million compared with March 31, 2018, to ¥38,312 million. This was mainly attributable to a ¥4,640 million increase in notes and accounts payable-trade and a ¥1,633 million increase in short-term loans payable.

(Net Assets)

As of September 30, 2018, net assets decreased ¥19,042 million compared with March 31, 2018, to ¥42,744 million. This was mainly attributable to a decrease of ¥19,719 million due to the purchase of treasury stock, a ¥218 million decrease in retained earnings, and a ¥746 million increase in foreign currency translation adjustment

(Cash Flows)

As of September 30, 2018, cash and cash equivalents decreased ¥9,458 million compared with March 31, 2018, to ¥7,718 million. This result was mainly due to the purchase of treasury stock, which contributed to an increase in expenses.

(Operating activities)

Net cash provided by operating activities during the consolidated first half period under review totaled ¥9,701 million. This was mainly due to a decrease in notes and accounts receivable-trade, an increase in notes and accounts payable-trade, and a decrease in consumption taxes refund receivable. This represented an income increase of ¥9,383 million compared with the corresponding period of last year.

(Investing activities)

Net cash provided by investing activities during the consolidated first half period under review totaled ¥162 million due to factors such as the sales of property and equipment. This represented an income increase of ¥131 million compared with the corresponding period of last year.

(Financing activities)

Net cash used in financing activities during the consolidated first half period under review totaled ¥19,373 million due to factors such as the purchase of treasury stock and dividend payments. This represented an expense increase of ¥14,111 million compared with the corresponding period of last year.

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

Both the device business and solution business performed mainly according to the initial plan. However, due to remaining uncertainty regarding future trends in area such as the market, customers, exchange rates, and interest, the forecast values for net sales, operating profit, and ordinary profit for the fiscal year as a whole are unchanged from those announced on May 14, 2018.

On the other hand, regarding net profit attributable to shareholders of parent company during the term, as announced on September 19, 2018, capital gains are expected on the transfer of land and buildings at the Company's Atsugi facility, which is the location of the Company's Atsugi Distribution Center. However, in addition to expenses for migrating the distribution function in conjunction with the transfer and the special retirement benefits related to the closure of the Atsugi facility, as stated in the Notice Regarding Withdrawal from the Corporate Pension Fund that was released today, expenditures for withdrawal contributions resulting from the withdrawal of the Tokyoto Electric Industry Corporate Pension Fund are scheduled to be recorded as an extraordinary loss. As a result, the forecast values for net profit are unchanged. Regarding the dividend forecast, the Company dividend policy aims for a 100% consolidated dividend payout ratio for the 2018, 2019, and 2020 fiscal years. Therefore, in conjunction with maintaining the same forecast values 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) as adjusted on August 3, 2018.

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 2018 Term (As of Mar. 31, 2018)	2Q March 2019 Term (As of Sept. 30, 2018)
Assets		
Current assets		
Cash and deposits	17,176	7,718
Notes and accounts receivable-trade	41,734	45,611
Electronically recorded monetary claims	6,335	1,316
Merchandise inventories	16,119	16,458
Partly-finished work	772	201
Others	3,888	2,017
Allowance for doubtful accounts	(12)	(15)
Total current assets	86,016	73,308
Non-current assets		
Property and equipment	3,681	3,627
Intangible assets	361	345
Investments and other assets		
Others	3,579	3,824
Allowance for doubtful accounts	(14)	(48)
Total investments and other assets	3,564	3,775
Total non-current assets	7,608	7,749
Total assets	93,624	81,057
Liabilities		
Current liabilities		
Notes and accounts payable-trade	15,633	20,274
Short-term loans payable	13,809	15,443
Current portion of long-term loans payable	16	11
Accrued corporate tax, etc.	186	173
Allowance	498	478
Others	1,267	1,560
Total current liabilities	31,411	37,941
Non-current liabilities		
Net defined benefit liabilities	256	215
Others	168	155
Total non-current liabilities	425	371
Total liabilities	31,836	38,312

(Million yen)

	March 2018 Term (As of Mar. 31, 2018)	2Q March 2019 Term (As of Sept. 30, 2018)
Net assets		
Shareholders' equity		
Capital stock	14,811	14,811
Capital surplus	15,432	15,432
Retained earnings	32,197	31,979
Treasury stock	(867)	(20,586)
Total shareholders' equity	61,574	41,637
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	781	907
Deferred hedge gains (losses)	80	72
Foreign currency translation adjustment	(708)	38
Remeasurements of defined benefit plans	16	38
Total accumulated other comprehensive income	169	1,056
Non-controlling interests	43	51
Total net assets	61,787	42,744
Total liabilities and net assets	93,624	81,057

(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 2018 Term (Apr. 1, 2017 - Sept. 30, 2017)	2Q March 2019 Term (Apr. 1, 2018 - Sept. 30, 2018)
Net sales	78,906	72,419
Cost of sales	73,398	66,997
Gross profit on sales	5,508	5,421
Selling, general and administrative expenses	4,846	4,715
Operating profit	661	705
Non-operating profit		
Interest income	8	7
Dividend income	41	23
Foreign exchange gains	8	—
Others	25	40
Total non-operating profit	85	71
Non-operating expenses		
Interest expenses	94	143
Sales discounts	11	8
Commission for purchase of treasury stock	—	55
Foreign exchange losses	—	0
Others	8	18
Total non-operating expenses	113	226
Ordinary profit	633	550
Extraordinary profits		
Gain on sales of non-current assets	0	0
Gain on sales of investment securities	0	0
Total extraordinary profits	0	0
Extraordinary losses		
Loss on retirement of non-current assets	—	0
Loss on sales of investment securities	—	0
Loss on valuation of investment securities	—	0
Special retirement benefits	229	39
Total extraordinary losses	229	40
Net profit before tax and other adjustments	403	510
Corporate, resident and enterprise taxes	127	152
Adjustment for corporate tax, etc.	(79)	(83)
Total corporate taxes	47	68
Net profit	356	441
Net profit attributable to non-controlling interests	—	8
Net profit attributable to shareholders of parent company	356	433

(Quarterly Consolidated Comprehensive Income Statement of the First Half)

	2Q March 2018 Term (Apr. 1, 2017 - Sept. 30, 2017)	2Q March 2019 Term (Apr. 1, 2018 - Sept. 30, 2018)
Net profit	356	441
Other comprehensive income		
Valuation difference on available-for-sale securities	114	125
Deferred hedge gains (losses)	(23)	(8)
Foreign currency translation adjustment	121	746
Remeasurements of defined benefit plans, net of tax	48	22
Total other comprehensive income	260	886
Comprehensive income	616	1,327
(Details)		
Comprehensive income attributable to shareholders of parental company	616	1,319
Comprehensive income attributable to non-controlling interests	—	8

(3) Statement of Quarterly Cash Flows

(Million yen)

	2Q March 2018Term (Apr. 1, 2017- Sept. 30, 2017)	2Q March 2019Term (Apr. 1, 2018- Sept. 30, 2018)
Operating activities		
Net profit before tax and other adjustments	403	510
Depreciation and amortization	96	81
Amortization of goodwill	17	20
Increase (decrease) in allowance for doubtful accounts	6	34
Increase (decrease) in allowance for stock compensation	—	0
Increase (decrease) in net defined benefit liabilities	29	(11)
Interest and dividend income	(50)	(30)
Interest expenses	94	143
Loss (gain) on sales of non-current assets	(0)	(0)
Loss (gain) on sales of investment securities	(0)	(0)
Loss (gain) on valuation of investment securities	—	0
Decrease (increase) in notes and accounts receivable-trade	(787)	2,915
Decrease (increase) in inventories	(3,457)	616
Increase (decrease) in notes and accounts payable-trade	2,966	3,999
Decrease (increase) in consumption taxes refund receivable	1,156	1,767
Increase (decrease) in accrued consumption taxes	(1)	(12)
Others	(50)	(74)
Subtotal	424	9,961
Interest and dividend income received	50	30
Interest expenses paid	(93)	(143)
Income taxes (paid) refund	(62)	(146)
Net cash provided by operating activities	318	9,701
Investing activities		
Purchase of property and equipment	(7)	(6)
Proceeds from sales of property and equipment	19	175
Purchase of software	(2)	(6)
Purchase of investments securities	(0)	(0)
Proceeds from sales of investment securities	0	0
Others	21	0
Net cash provided by investing activities	30	162
Financing activities		
Proceeds from short-term loans	8,848	20,413
Repayment of short-term loans	(13,668)	(19,391)
Repayment of long-term loans	—	(7)
Repayments of lease obligations	(21)	(18)
Net decrease (increase) in treasury stock	(0)	(19,719)
Cash dividends paid	(421)	(650)
Net cash used in financing activities	(5,262)	(19,373)
Effect of exchange rate change on cash and cash equivalents	51	50
Net increase (decrease) in cash and cash equivalents	(4,861)	(9,458)
Balance of cash and cash equivalents, beginning of the period	19,599	17,176
Balance of cash and cash equivalents, end of the period	14,738	7,718

(4) Notes on Quarterly Consolidated Financial Statements

(Notes Regarding Going Concern)

None.

(Notes Regarding Remarkable Change of Shareholders' Equity)

Reduction of Capital Reserve

At the 67th Ordinary General Meeting of Shareholders held on June 22, 2018, the Company passed a resolution to reduce the amount of capital reserve, with the amount of this reduction to be transferred to other capital surplus on June 30, 2018.

i) Objective of Reduction of Capital Reserve

In order to secure flexibility and mobility in the Company's future capital policy, the Company reduced its capital reserve based on the stipulations of Paragraph 1 of Article 448 in the Companies Act of Japan and transferred the reduced amount to other capital surplus.

ii) Reduction Method of Capital Reserve

All of the reduced amount was transferred to other capital surplus.

iii) Reduced Amount of Capital Reserve

The reserve of ¥15,329,906,456 (as of the end of March 2018) was reduced by ¥10,000 million to ¥5,329,906,456.

Acquisition of Treasury Stock and Tender Offer of Treasury Stock

The Company hereby announces that its Board of Directors meeting held on May 14, 2018 resolved the acquisition of the Company's treasury stock based on the provisions of Paragraph 1 of Article 156 in the Companies Act (Act No. 86 of 2005, including the amendments made later on) of Japan which is applied mutatis mutandis pursuant to Paragraph 3 of Article 165 in the same Act and stipulations of the Company's Articles of Incorporation, with the use of a tender offer for treasury stock as the specific acquisition method of treasury stock. The acquisition was carried out on July 3, 2018.

i) Objectives of the Acquisition and Tender Offer

The Company is currently in the process of implementing its V70 Medium-Term Management Plan (hereinafter referred to as "V70"), a five-year medium-term management plan to be concluded in the Company's 70th term (the fiscal year ending March 31, 2021). One of the ultimate goals of this plan is attaining return on equity (ROE) of 5%. In order to ensure this goal is achieved, the Company is implementing dividends with a goal consolidated payout ratio of 100% for the 3-year period from the 67th (2018) fiscal year to the 69th (2020) fiscal year as a means of both strengthening its business and improving capital efficiency. In addition, the Company has decided to implement purchasing of treasury stock shares with maximums for total acquisition cost set at ¥20,000 million and for total shares set at 10 million within this same 3-year period. Under these circumstances, The Company verified the V70 promotion conditions and outlook on achievement, and although this confirmed a positive performance trend in business profitability, these efforts concluded that improvement of capital efficiency for achieving ROE of 5%, the ultimate goal of the medium-term management plan, is an urgent task.

Based on these results, the Company determined that the acquisition of a fixed volume of treasury stock within a relatively short time period could be expected to improve earnings per share (EPS), ROE, and return of profits to our shareholders. In addition, the decision was made to avoid actions which would have a major impact on the Company's financial status and dividend policy. In addition, from the perspective of fairness among shareholders and transparency of transactions, the Company decided that a tender offer would be an appropriate method for this acquisition.

ii) Contents of Resolution of the Board of Directors Meeting

- (1) Type of Shares to Acquire: Ordinary shares
- (2) Total Number of Shares to Acquire: 9,000,100 shares (maximum)
- (3) Type of Funds Used for Exchange in Acquisitions: Cash
- (4) Total Funds Used for Exchange in Acquisitions: ¥19,719,219,100 (maximum)

(5) Period Acquisitions can be Carried Out: May 15, 2018 to July 31, 2018

iii) Overview of Tender Offer for Treasury Stock

- (1) Number of Shares Planned for Purchase: 9,000,000 shares
- (2) Purchasing Price: ¥2,191 per share
- (3) Tender Offer Period: From May 15, 2018 to June 11, 2018
- (4) Publication Date for Commencing the Tender Offer: May 15, 2018
- (5) Settlement Start Date: July 3, 2018

iv) Result of Treasury Stock Acquisition

- (1) Total Number of Shares Acquired: 9,000,000 shares
- (2) Total Acquisition Cost: ¥19,719,000,000
- (3) Acquisition Date: July 3, 2018

(Additional Information)

Adoption of "Partial Amendments to 'Accounting Standard for Tax Effect Accounting'", etc.

From the beginning of the first quarter of the current fiscal year, the Group has adopted the "Partial Amendments to 'Accounting Standard for Tax Effect Accounting'" (Corporate Accounting Standard No. 28, February 16, 2018), displaying deferred tax assets in the investments and other assets, and deferred tax liabilities in the non-current liabilities.

Transfer of Non-Current Assets

At the Board of Directors meeting held on September 19, 2018, the decision was made to transfer ownership of the land and buildings at the Company's Atsugi facility, which is the location of the Company's Atsugi Distribution Center.

i) Reason for Transfer

The Company's distribution center is being transferred from the Atsugi facility to an external distribution company's facilities. As a result, the applicable land and building will become idle assets, so the decision has been made to transfer their ownership.

ii) Content of Transfer Assets

Address and Content of Assets	Capital Gains	Present Use
1-1-4 and 1-1129-7 Kawaraguchi, Ebina-shi, Kanagawa Land: 6,019.98 m ² / Building: 6,563.30 m ²	Approx. ¥588 million	Atsugi Distribution Center

(Note) The transfer price was determined through bidding, and was an appropriate price which reflected market conditions. The capital gains value above is the transfer price with the book value at the time of sale and miscellaneous expenses deducted.

iii) Transfer Schedule

- Date of Board of Directors meeting resolution: September 19, 2018
- Date of contract execution: September 28, 2018
- Date of property transfer: February 2019 (scheduled)

(Segment Information)

I. Six months ended September 30, 2017 (Apr. 1, 2017 - Sept. 30, 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	73,496	5,410	78,906
Inter-segment sales or transfers	—	—	—
Total	73,496	5,410	78,906
Segment profit	323	309	633

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

II. 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.

(Important Later Event)

Withdrawal from the Corporate Pension Fund

At the Board of Directors meeting held on November 5, 2018, the decision was made for the Company and our two domestic subsidiaries to withdraw from the Tokyo Electric Industry Corporate Pension Fund in which the Company and our domestic subsidiaries are enrolled.

i) Reason for Withdrawal

The Company and our two domestic subsidiaries are enrolled in the Tokyo Electric Industry Corporate Pension Fund (hereinafter, "the Fund"). However, the decision was made to withdraw from the Fund due to concern for future financial risks caused by operation of fund assets, etc., moving forward.

ii) Expenditures for Withdrawal Contribution

Withdrawal from the Fund by the Company and our two subsidiaries is scheduled for April 1, 2019. This assumes approval at the Board of Representatives meeting of the Fund, which is scheduled to be held on January 22, 2019. If withdrawal from the Fund is approved, expenditures of approximately ¥420 million will occur as withdrawal contributions. These withdrawal contributions are scheduled to be recorded as an extraordinary loss for the fiscal year ending March 31, 2019.

The Company and our two domestic subsidiaries plan to implement a new defined contribution pension plan in order to maintain the corporate pension of our employees.