

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



August 6, 2015

**Summary of Financial Results for the First Quarter of the Fiscal Year
Ending March 31, 2016
(Three Months Ended June 30, 2015)
[Japan Standards] (Consolidated)**

Name of Listed Company: Sanshin Electronics Co., Ltd. Stock Exchange Listed: 1st Section, Tokyo
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Scheduled date of filing of Quarterly Report: August 10, 2015
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 2016 Term (Apr. 1, 2015 – Jun. 30, 2015)

(1) Consolidated business performance (cumulative)

(% figures represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Net profit attributable to shareholders of the parent company	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
1Q March 2016 Term	46,608	14.6	281	(20.6)	174	(42.6)	75	(55.7)
1Q March 2015 Term	40,665	12.6	354	(1.8)	304	(9.2)	169	(17.3)

(Note) Comprehensive income 1Q March 2016 Term: 387 million yen (—%) 1Q March 2015 Term: -210 million yen (—%)

	Net profit per share	Diluted net profit per share
	Yen	Yen
1Q March 2016 Term	2.67	—
1Q March 2015 Term	6.02	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
1Q March 2016 Term	98,534	65,161	66.1
March 2015 Term	101,672	65,619	64.5

(Reference) Shareholders' equity 1Q March 2016 Term: 65,161 million yen March 2015 Term: 65,619 million yen

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
March 2015 Term	—	10.00	—	30.00	40.00
March 2016 Term	—				
March 2016 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 2016 Term (April 1, 2015 – March 31, 2016)

(% figures represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Net profit attributable to shareholders of the parent company		Net profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	102,000	1.8	950	(31.5)	900	(27.0)	650	(18.2)	23.07
Full year	220,000	0.4	3,400	4.3	3,300	5.9	2,300	14.8	81.62

(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):

1Q March 2016 Term: 29,281,373 shares March 2015 Term: 29,281,373 shares

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

1Q March 2016 Term: 1,102,154 shares March 2015 Term: 1,102,116 shares

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

1Q March 2016 Term: 28,179,248 shares 1Q March 2015 Term: 28,179,384 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 maintained a strong recovery in the United States as well as it continued to improve in Europe. However, due to factors including the economic slowdown in China and the debt problems in Greece, a sense of uncertainty about the future remains in the overall business. In Japan, the economy stayed on a moderate recovery path, reflecting improvement in corporate earnings mainly in the manufacturing industry, on the back of a trend toward depreciation of the yen taking hold.

In the electronics industry, despite sluggish growth in the smartphone market, the demand for semiconductors and electronic components for automobile-related products remained firm. Meanwhile, in the domestic IT industry, despite the conservative stance of small and medium enterprises toward IT investment, there is a growing interest in services applying new technologies such as cloud and big data.

In these circumstances, the Group made a continuous effort to increase sales and improve profitability by strengthening its business power and consolidating management foundations.

As a result, net sales increased 14.6% year-on-year to ¥46,608 million, while operating profit decreased 20.6% to ¥281 million, as well as ordinary profit by 42.6% down to ¥174 million, and net profit attributable to shareholders of the parent company by 55.7% down to ¥75 million, all on a year-on-year basis. These decreases were mainly attributable to a decline in gross profit margin and an increase in selling, general and administrative expenses such as personnel costs, accompanying changes in the sales structure, and foreign exchange losses.

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 the electronics manufacturers. We also provide technical support, such as software development and module development.

In the consolidated first three-month period under review, despite a decline in sales for social and industrial/vehicle-mounted systems, which had expanded significantly in the same period last year, those for information and communication sector, such as mobile devices, remained solid.

As a result, consolidated segment sales increased 14.9% year-on-year to ¥44,225 million, whereas the segment profit went down 49.5% year-on-year, ending at ¥133 million. This decrease was mainly attributable to a decline in gross profit margin and an increase in selling, general and administrative expenses such as personnel costs, accompanying changes in the sales structure, and foreign exchange losses.

Orders received totaled ¥40,352 million, while the order backlog stood at ¥31,640 million.

Solution segment

In the solution business segment, we are committed to planning and developing infrastructure with information and telecommunications network operations at the core, mainly for private companies, government agencies and local municipalities, as well as to their maintenance and operations. 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 to broadcast stations and production companies editing and transmitting of video content, as well as establishing of distribution systems, centered on products from suppliers abroad.

In the consolidated first three-month period under review, in addition to program transmission equipment updates for cable TV stations, sales of 4k resolution video cameras to CS broadcasters continued to be brisk.

As a result, consolidated segment sales increased 9.8% year-on-year to ¥2,383 million, whereas the segment profit was limited at ¥41 million, up 1.6% year-on-year, due to an increase in selling, general and administrative expenses accompanying an expansion of personnel.

Orders received totaled ¥4,278 million, while the order backlog stood at ¥3,081 million.

(2) Explanation of Financial Position

Assets, liabilities and net assets

As of June 30, 2015, assets decreased ¥3,137 million compared with March 31, 2015, to ¥98,534 million. This

was mainly attributable to a ¥9,497 million decrease in trade notes and accounts receivable, a ¥3,396 million decrease in consumption taxes refund receivable, a ¥6,328 million increase in cash and deposits, as well as a ¥3,438 million increase in merchandise inventories.

Liabilities decreased ¥2,679 million compared to March 31, 2015, to ¥33,373 million. This was mainly attributable to a ¥5,179 million decrease in trade notes and accounts payable, and a ¥3,154 million increase in short-term loans payable.

Net assets decreased ¥458 million to ¥65,161 million, because of a ¥770 million decrease in retained earnings, a ¥130 million increase in valuation difference on available-for-sale securities, and a ¥204 million increase in foreign currency translation adjustment.

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

The Company has not changed the forecasts for consolidated business performance for the full and half year from the ones stated in the “Summary of Financial Results for Fiscal Year Ended March 31, 2015” (announced on May 13, 2015).

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 the Accounting Standards for Business Combinations

We have adopted the “Accounting Standards for Business Combinations” (Corporate Accounting Standards No. 21, September 13, 2013), the “Accounting Standards for Consolidated Financial Statements” (Corporate Accounting Standards No. 22, September 13, 2013), and the “Accounting Standards for Business Divestitures” (Corporate Accounting Standards No. 7, September 13, 2013), effective from the consolidated first quarter under review. Accordingly, we have made changes in the disclosure of the net profit, as well as in the reporting for minority interests, which appear now as “non-controlling interests.” To reflect this change, we have restated the consolidated financial statements for both the first three-month period ended June 30, 2014, and the fiscal year ended March 31, 2015.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	March 2015 Term (As of Mar. 31, 2015)	1Q March 2016 Term (As of Jun. 30, 2015)
Assets		
Current assets		
Cash and deposits	12,489	18,817
Notes and accounts receivable-trade	59,474	49,976
Merchandise inventories	17,359	20,798
Partly-finished work	0	22
Others	6,024	2,355
Allowance for doubtful accounts	(10)	(10)
Total current assets	95,336	91,960
Non-current assets		
Property and equipment	4,031	4,016
Intangible assets	281	269
Investments and other assets		
Others	2,224	2,488
Allowance for doubtful accounts	(202)	(199)
Total investments and other assets	2,022	2,288
Total non-current assets	6,335	6,574
Total assets	101,672	98,534
Liabilities		
Current liabilities		
Notes and accounts payable-trade	31,264	26,085
Short-term loans payable	1,737	4,891
Accrued corporate tax, etc.	765	140
Allowance	669	314
Others	1,105	1,375
Total current liabilities	35,542	32,807
Non-current liabilities		
Net defined benefit liabilities	123	118
Others	387	446
Total non-current liabilities	510	565
Total liabilities	36,052	33,373

(Million yen)

	March 2015 Term (As of Mar. 31, 2015)	1Q March 2016 Term (As of Jun. 30, 2015)
Net assets		
Shareholders' equity		
Capital stock	14,811	14,811
Capital surplus	15,329	15,329
Retained earnings	34,775	34,005
Treasury stock	(763)	(763)
Total shareholders' equity	64,152	63,382
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	539	670
Deferred hedge gains/losses	72	45
Foreign currency translation adjustment	849	1,053
Remeasurements of defined benefit plans	4	8
Total accumulated other comprehensive income	1,466	1,778
Total net assets	65,619	65,161
Total liabilities and net assets	101,672	98,534

(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 2015 Term (Apr. 1, 2014 – Jun. 30, 2014)	1Q March 2016 Term (Apr. 1, 2015 – Jun. 30, 2015)
Net sales	40,665	46,608
Cost of sales	37,905	43,711
Gross profit on sales	2,760	2,897
Selling, general and administrative expenses	2,405	2,615
Operating profit	354	281
Non-operating profit		
Interest income	4	2
Dividend income	10	12
Others	12	10
Total non-operating profit	26	25
Non-operating expenses		
Interest expenses	5	4
Sales discounts	13	7
Foreign exchange losses	31	87
Loss on sales of electronically recorded monetary claims	25	31
Others	1	2
Total non-operating expenses	77	132
Ordinary profit	304	174
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 valuation of investment securities	–	1
Total extraordinary losses	0	1
Net profit before tax and other adjustments	304	173
Corporate, resident and enterprise taxes	110	85
Adjustment for corporate tax, etc.	23	12
Total corporate taxes	134	98
Net profit	169	75
Net profit attributable to shareholders of the parent company	169	75

(Quarterly Consolidated Comprehensive Income Statement of the First Quarter)

	1Q March 2015 Term (Apr. 1, 2014 – Jun. 30, 2014)	1Q March 2016 Term (Apr. 1, 2015 – Jun. 30, 2015)
Net profit	169	75
Other comprehensive income		
Valuation difference on available-for-sale securities	(47)	130
Deferred hedge gains/losses	(120)	(27)
Foreign currency translation adjustment	(180)	204
Remeasurements of defined benefit plans, net of tax	(32)	4
Total other comprehensive income	(380)	312
Comprehensive income	(210)	387
(Details)		
Comprehensive income attributable to shareholders of parental company	(210)	387
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, 2014 (Apr. 1, 2014 - Jun. 30, 2014)

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	38,494	2,171	40,665
Inter-segment sales or transfers	—	—	—
Total	38,494	2,171	40,665
Segment profit	263	40	304

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

II. 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.