

(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, 2015

**Summary of Financial Results for the First Half of the Fiscal Year
Ending March 31, 2016
(Six Months Ended September 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: November 9, 2015
Scheduled date of dividend payment: December 1, 2015
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 2016 Term (April 1, 2015 – September 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 parent company	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
2Q March 2016 Term	103,391	3.1	1,153	(16.8)	1,151	(6.5)	800	0.7
2Q March 2015 Term	100,238	4.0	1,386	17.2	1,232	1.1	794	2.4

(Note) Comprehensive income 2Q March 2016 Term: 320 million yen (-78.2%); 2Q March 2015 Term: 1,471 million yen (-8.3%)

	Net profit per share	Diluted net profit per share
	Yen	Yen
2Q March 2016 Term	28.40	—
2Q March 2015 Term	28.19	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
2Q March 2016 Term	102,059	65,094	63.8
March 2015 Term	101,672	65,619	64.5

(Reference) Shareholders' equity 2Q March 2016 Term: 65,094 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:	—	10.00			
March 2016 Term (forecast)			—	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 parent company		Net profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
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):

2Q March 2016 Term: 29,281,373 shares March 2015 Term: 29,281,373 shares

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

2Q March 2016 Term: 1,102,288 shares March 2015 Term: 1,102,116 shares

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

2Q March 2016 Term: 28,179,200 shares 2Q March 2015 Term: 28,179,346 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.

The Company will hold a briefing session for securities analysts and institutional investors on November 10, 2015. 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 global economy maintained a strong recovery in the United States as well as it entered a gradual recovery trend in Europe. However, due to factors such as the economic slowdown in emerging countries including China, there is still a sense of uncertainty about the future. In Japan, despite the risk of an economic depression due to a lingering overseas economic uncertainty, the economy stayed on a moderate recovery path, supported by factors such as an improvement in corporate earnings and employment conditions.

In the electronics industry, despite a visible slowdown of the smartphone market growth, the demand for semiconductors and electronic components for automobile-related products remained firm. Meanwhile, in the domestic IT industry, with corporate earnings picking up, a pro-active attitude began to emerge also toward IT investment, especially among large and medium-sized enterprises, which had been so far cautious about it.

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, in this consolidated six-month period under review, net sales increased 3.1% to ¥103,391 million, in part reflecting the depreciation of the yen, while operating profit decreased 16.8% to ¥1,153 million, as well as ordinary profit by 6.5% down to ¥1,151 million, all on a year-on-year basis. These decreases were mainly attributable to a decline in gross profit margin accompanying changes in the sales structure. On the other hand, net profit attributable to shareholders of parent company increased 0.7% year-on-year, up to ¥800 million, due to a reduction of the corporate income tax rate in Japan.

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 half 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 favorable, on the back of a stronger yen in exchange rates. Additionally, it was also the sales plan expected to start from the third quarter of current term, but brought forward due to a change in the delivery time, that contributed to the boost of the business performance.

As a result, consolidated segment sales increased 3.1% year-on-year to ¥96,981 million, whereas the segment profit went down 8.6% year-on-year, ending at ¥701 million. This decrease was mainly attributable to a decline in gross profit margin accompanying changes in the sales structure.

Orders received totaled ¥95,004 million, while the order backlog stood at ¥33,792 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 half period under review, although the replacement demand reached its peak due to the digitalization of wireless communication for firefighting and emergency services in local municipalities, embedded systems and transmission equipment updates/portable video transmitters remained solid.

As a result, consolidated segment sales increased 4.3% year-on-year to ¥6,410 million, whereas the segment

profit was limited at ¥450 million, down 3.1% year-on-year, due to an increase in selling, general and administrative expenses, in part because of upfront investments such as the launch of Sanshin Data Center in January this year, in addition to an expansion of personnel meant to strengthen our business power.

Orders received totaled ¥8,502 million, while the order backlog stood at ¥3,278 million.

(2) Explanation of Financial Position

1) Assets, liabilities and net assets

As of September 30, 2015, assets increased ¥387 million compared with March 31, 2015, to ¥102,059 million. This was mainly attributable to a ¥3,186 million increase in cash and deposits, an ¥842 million increase in merchandise inventories, as well as a ¥2,111 million decrease in consumption taxes refund receivable, and a ¥1,588 million decrease in trade notes and accounts receivable.

Liabilities increased ¥912 million compared with March 31, 2015, to ¥36,965 million. This was mainly attributable to a ¥2,831 million increase in short-term loans payable, as well as a ¥1,369 million decrease in trade notes and accounts payable, and a ¥474 million decrease in income taxes payable.

Net assets decreased ¥525 million to ¥65,094 million, because of a ¥45 million decrease in retained earnings, a ¥62 million decrease in valuation difference on available-for-sale securities, a ¥98 million decrease in deferred hedge gains/losses, and a ¥326 million decrease in foreign currency translation adjustment, etc.

2) Cash Flows

As of September 30, 2015, cash and cash equivalents increased ¥3,086 million compared with March 31, 2015, to ¥15,575 million. This was mainly because of a decrease in consumption taxes refund receivable and an increase in short-term loans payable, both of which contributed to an increase in income.

(Operating activities)

Net cash provided by operating activities during the consolidated first half period under review totaled ¥1,312 million. This is due to income resulted from decreases such as those in trade notes and accounts receivable and in consumption taxes refund receivable, exceeding expenses from an increase in inventories and a decrease in trade notes and accounts payable, among other factors. Since the result of the corresponding consolidated first half period of previous fiscal year was an ¥8,158 million worth expenditures, it represents an increase in income of ¥9,471 million.

(Investing activities)

Net cash used in investing activities during the consolidated first half period under review was ¥286 million. This was mainly due to payments into time deposits and purchase of investment securities, among other expenditures. This represented an increase of ¥157 million in expenditures compared with the corresponding consolidated first half period of previous fiscal year.

(Financing activities)

Net cash provided by financing activities during the consolidated first half period under review totaled ¥2,157 million due to factors such as proceeds from short-term loans. Since net cash used in financing activities was ¥388 million, it led to a ¥2,546 million increase in income.

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

As regards the business forecasts for the third quarter ending December 31, 2015, we expect solution segment to generally perform according to our initial plan. Due to seasonal factors as net sales concentrate at the end of March, financial results for the solution segment tend to be strong in the second half of every fiscal year. On the other hand, in the device segment, despite a stronger-than-expected performance due to the depreciation of the yen, the uncertainty over the period starting from the third quarter of current term is increasing. This is mainly attributable to the sales plan being partially brought forward to the first half of the fiscal year, due to a change in the delivery time, and the economic slowdown in other Asian countries.

Under such circumstances, although the consolidated financial results for the first half of current term were above our initial forecasts, we are maintaining the full-year forecasts 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 of current fiscal year. 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 six-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)	2Q March 2016 Term (As of Sept. 30, 2015)
Assets		
Current assets		
Cash and deposits	12,489	15,675
Notes and accounts receivable-trade	59,474	57,886
Merchandise inventories	17,359	18,201
Partly-finished work	0	280
Others	6,024	3,774
Allowance for doubtful accounts	(10)	(9)
Total current assets	95,336	95,809
Non-current assets		
Property and equipment	4,031	3,985
Intangible assets	281	256
Investments and other assets		
Others	2,224	2,139
Allowance for doubtful accounts	(202)	(131)
Total investments and other assets	2,022	2,008
Total non-current assets	6,335	6,250
Total assets	101,672	102,059
Liabilities		
Current liabilities		
Notes and accounts payable-trade	31,264	29,895
Short-term loans payable	1,737	4,568
Accrued corporate tax, etc.	765	291
Allowance	669	606
Others	1,105	1,166
Total current liabilities	35,542	36,527
Non-current liabilities		
Net defined benefit liabilities	123	108
Others	387	329
Total non-current liabilities	510	437
Total liabilities	36,052	36,965

(Million yen)

	March 2015 Term (As of Mar. 31, 2015)	2Q March 2016 Term (As of Sept. 30, 2015)
Net assets		
Shareholders' equity		
Capital stock	14,811	14,811
Capital surplus	15,329	15,329
Retained earnings	34,775	34,730
Treasury stock	(763)	(763)
Total shareholders' equity	64,152	64,107
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	539	476
Deferred hedge gains/losses	72	(25)
Foreign currency translation adjustment	849	522
Remeasurements of defined benefit plans	4	12
Total accumulated other comprehensive income	1,466	986
Total net assets	65,619	65,094
Total liabilities and net assets	101,672	102,059

(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 2015 Term (Apr. 1, 2014 - Sept. 30, 2014)	2Q March 2016 Term (Apr. 1 2015 - Sept. 30, 2015)
Net sales	100,238	103,391
Cost of sales	93,779	97,034
Gross profit on sales	6,458	6,357
Selling, general and administrative expenses	5,072	5,203
Operating profit	1,386	1,153
Non-operating profit		
Interest income	6	4
Dividend income	13	14
Foreign exchange gains	—	33
Others	34	29
Total non-operating profit	55	83
Non-operating expenses		
Interest expenses	10	8
Sales discounts	29	22
Foreign exchange losses	101	—
Loss on sales of electronically recorded monetary claims	65	46
Others	3	7
Total non-operating expenses	209	84
Ordinary profit	1,232	1,151
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 sales of non-current assets	—	0
Loss on retirement of non-current assets	2	0
Loss on valuation of investment securities	—	1
Total extraordinary losses	2	2
Net profit before tax and other adjustments	1,229	1,150
Corporate, resident and enterprise taxes	397	293
Adjustment for corporate tax, etc.	37	56
Total corporate taxes	435	350
Net profit	794	800
Net profit attributable to shareholders of parent company	794	800

(Quarterly Consolidated Comprehensive Income Statement of the First Half)

	2Q March 2015 Term (Apr. 1, 2014 - Sept. 30, 2014)	2Q March 2016 Term (Apr. 1 2015 - Sept. 30, 2015)
Net profit	794	800
Other comprehensive income		
Valuation difference on available-for-sale securities	38	(62)
Deferred hedge gains/losses	(8)	(98)
Foreign currency translation adjustment	674	(326)
Remeasurements of defined benefit plans, net of tax	(27)	8
Total other comprehensive income	676	(479)
Comprehensive income	1,471	320
(Details)		
Comprehensive income attributable to shareholders of parental company	1,471	320
Comprehensive income attributable to non-controlling interests	—	—

(3) Statements of Quarterly Cash Flows

(Million yen)

	2Q March 2015 Term (Apr. 1, 2014 - Sept. 30, 2014)	2Q March 2016 Term (Apr. 1 2015 - Sept. 30, 2015)
Operating activities		
Net profit before tax and other adjustments	1,229	1,150
Depreciation and amortization	93	109
Amortization of goodwill	7	6
Increase (decrease) in allowance for doubtful accounts	32	(40)
Increase (decrease) in net defined benefit liabilities	(45)	0
Interest and dividend income	(20)	(19)
Interest expenses	10	8
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	—	1
Decrease (increase) in notes and accounts receivable-trade	(8,280)	816
Decrease (increase) in inventories	(4,336)	(1,248)
Increase (decrease) in notes and accounts payable-trade	3,587	(859)
Decrease (increase) in consumption taxes refund receivable	185	2,111
Increase (decrease) in accrued consumption taxes	4	(11)
Others	(104)	46
Subtotal	(7,634)	2,072
Interest and dividend income received	20	19
Interest expenses paid	(10)	(8)
Income taxes (paid) refund	(533)	(770)
Net cash provided by (used in) operating activities	(8,158)	1,312
Investing activities		
Net decrease (increase) in time deposits	—	(100)
Purchase of property and equipment	(31)	(46)
Proceeds from sales of property and equipment	0	0
Purchase of software	(113)	(25)
Purchase of investments securities	(9)	(96)
Proceeds from sales of investment securities	2	0
Others	22	(19)
Net cash provided by (used in) investing activities	(128)	(286)
Financing activities		
Proceeds from short-term loans	8,494	14,699
Repayment of short-term loans	(8,585)	(11,675)
Repayments of lease obligations	(16)	(23)
Net decrease (increase) in treasury stock	(0)	(0)
Cash dividends paid	(281)	(843)
Net cash provided by (used in) financing activities	(388)	2,157
Effect of exchange rate change on cash and cash equivalents	120	(97)
Net increase (decrease) in cash and cash equivalents	(8,556)	3,086
Balance of cash and cash equivalents, beginning of the period	21,758	12,489
Balance of cash and cash equivalents, end of the period	13,202	15,575

(4) Notes on Quarterly Consolidated Financial Statements

(Notes regarding Going Concern)

None.

(Notes regarding Remarkable Change of Shareholder's Equity)

None.

(Segment Information)

I. Six months ended September 30, 2014 (Apr. 1, 2014 - Sept. 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	94,093	6,145	100,238
Inter-segment sales or transfers	—	—	—
Total	94,093	6,145	100,238
Segment profit	767	465	1,232

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

II. Six months ended September 30, 2015 (Apr. 1, 2015 - Sept. 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	96,981	6,410	103,391
Inter-segment sales or transfers	—	—	—
Total	96,981	6,410	103,391
Segment profit	701	450	1,151

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