

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



February 4, 2016

**Summary of Financial Results for the First Three Quarters of the Fiscal Year  
Ending March 31, 2016  
(Nine Months Ended December 31, 2015)  
[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 (President & COO)  
Enquiries to: Akio Misono, Director and General Manager of Finance Headquarters Tel.: +81-3-3453-5111  
Scheduled date of filing of Quarterly Report: February 9, 2016  
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 2016 Term  
(April 1, 2015 – December 31, 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   | %      |
| 3Q March 2016 Term | 153,680     | (1.8) | 1,418            | (37.8) | 1,346           | (38.2) | 906   | (37.3) |
| 3Q March 2015 Term | 156,419     | 7.9   | 2,279            | 44.1   | 2,177           | 33.5   | 1,445   | 36.8   |

(Note) Comprehensive income 3Q March 2016 Term: 578 million yen (-81.1%); 3Q March 2015 Term: 3,066 million yen (8.2%)

|                    | Net profit per share | Diluted net profit per share |
|--------------------|----------------------|------------------------------|
|                    | Yen                  | Yen                          |
| 3Q March 2016 Term | 32.16                | —                            |
| 3Q March 2015 Term | 51.28                | —                            |

(2) Consolidated financial position

|                    | Total assets | Net assets  | Equity ratio |
|--------------------|--------------|-------------|--------------|
|                    | Million yen  | Million yen | %            |
| 3Q March 2016 Term | 103,320      | 65,070      | 63.0         |
| March 2015 Term    | 101,672      | 65,619      | 64.5         |

(Reference) Shareholders' equity 3Q March 2016 Term: 65,070 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 | 200,000     | (8.7) | 2,100            | (35.6) | 2,000           | (35.8) | 1,300   | (35.1) | 46.13                |

(Note) Revision of most recent forecast on earnings: Yes

**\* 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 4 of [Appendix].

(4) Number of shares outstanding (ordinary shares)

1) Number of shares outstanding at the end of term (including treasury stock):

3Q March 2016 Term: 29,281,373 shares                      March 2015 Term: 29,281,373 shares

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

3Q March 2016 Term: 1,102,441 shares                      March 2015 Term: 1,102,116 shares

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

3Q March 2016 Term: 28,179,135 shares                      3Q March 2015 Term: 28,179,324 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 nine-month period under review, with the United States moving toward monetary policy normalization on the back of a steady economic growth, the global economy recovered at a gradual pace, despite concerns over the geopolitical risks in Europe. However, with the already obvious effects of economic slowdown in emerging countries including China, the sense of uncertainty about the future of the global economy is increasing. In Japan, despite a continued moderate recovery trend, the economy came to a standstill due to factors such as the heightened risk of an economic downturn overseas, and the higher consumer prices owing to the lower yen.

In the electronics industry, although the demand for semiconductors and electronic components for automobile-related products remained firm, there was a visible slowdown of the smartphone market growth. This was mainly due to the heightened order and price competition and the economic slowdown in emerging countries, but also to the market's maturity. Meanwhile, in the domestic IT industry, IT investment especially among large and medium-sized enterprises continued to be strong, backed by improvement in corporate earnings.

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

However, during the consolidated first nine-month period under review, overall net sales decreased 1.8% year-on-year to ¥153,680 million, due to the impact of a sales drop in the device business. Regarding earnings, although efforts were made to reduce selling, general and administrative expenses, operating profit decreased 37.8% to ¥1,418 million, as well as ordinary profit by 38.2% down to ¥1,346 million, and net profit attributable to shareholders of the parent company by 37.3% down to ¥906 million, all on a year-on-year basis. These decreases were mainly attributable to a decline in gross profit margin accompanying the decrease in net sales and changes in sales structure.

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 nine-month period under review, we recorded a decline in sales for social and industrial/vehicle-mounted systems, which had expanded significantly in the same period last fiscal year. In addition, sales for the information and communication sector, including mobile devices, decreased sharply in the third quarter, compared to their strong growth until the second quarter.

As a result, consolidated segment sales decreased 1.9% year-on-year to ¥144,627 million. Segment profit went down 48.4% year-on-year to ¥831 million, due to a decrease in net sales and changes in sales structure, as well as to the impact of a fall in return ratio on businesses denominated in U.S. dollars as a result of exchange rate fluctuations.

Orders received totaled ¥139,398 million, while the order backlog stood at ¥30,532 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 nine-month period under review, although the replacement demand toward the digitalization of wireless communication for firefighting and emergency services in local municipalities reached

its peak, sales of embedded systems remained solid.

As a result, consolidated segment sales increased 1.5% year-on-year to ¥9,052 million, whereas the segment profit was limited at ¥514 million, down 9.0% 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 last year, in addition to an expansion of personnel meant to strengthen our business power.

Orders received totaled ¥11,446 million, while the order backlog stood at ¥3,579 million.

## (2) Explanation of Financial Position

Assets, liabilities and net assets

As of December 31, 2015, assets increased ¥1,648 million compared with March 31, 2015, to ¥103,320 million. This was mainly attributable to a ¥3,213 million increase in merchandise inventories, a ¥1,103 million increase in cash and deposits, as well as a ¥1,960 million decrease in trade notes and accounts receivable, and a ¥788 million decrease in consumption taxes refund receivable.

Liabilities increased ¥2,197 million compared with March 31, 2015, to ¥38,250 million. This was mainly attributable to an ¥8,828 million increase in short-term loans payable, as well as a ¥5,889 million decrease in trade notes and accounts payable, and a ¥666 million decrease in income taxes payable.

Net assets decreased ¥549 million to ¥65,070 million, because of a ¥220 million decrease in retained earnings, a ¥108 million decrease in deferred hedge gains (losses), and a ¥249 million decrease in foreign currency translation adjustment, etc.

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

The Company has revised its forecasts for the consolidated business performance for the full fiscal year ending March 31, 2016, from the ones announced on November 5, 2015, as detailed below. For more information, please refer to “Notice Regarding Revision of Business Forecast” released today.

(Prospects for Consolidated Business Results)

|   |                               |
|---|-------------------------------|
| Net sales:  | ¥200 billion (down 8.7% YoY)  |
| Operating profit:   | ¥2.1 billion (down 35.6% YoY) |
| Ordinary profit:  | ¥2 billion (down 35.8% YoY)   |
| Net profit attributable to shareholders<br>of parent company: | ¥1.3 billion (down 35.1% YoY) |

## **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 nine-month period ended December 31, 2014, and the fiscal year ended March 31, 2015.

### 3. Quarterly Consolidated Financial Statements

#### (1) Quarterly Consolidated Balance Sheets

(Million yen)

|                                     | March 2015 Term<br>(As of Mar. 31, 2015) | 3Q March 2016 Term<br>(As of Dec. 31, 2015) |
|-------------------------------------|--|---|
| <b>Assets</b>                       |  |   |
| Current assets                      |  |   |
| Cash and deposits                   | 12,489                                   | 13,592                                      |
| Notes and accounts receivable-trade | 59,474                                   | 57,514                                      |
| Merchandise inventories             | 17,359                                   | 20,572                                      |
| Partly-finished work                | 0  | 453   |
| Others                              | 6,024                                    | 4,722                                       |
| Allowance for doubtful accounts     | (10)                                     | (9)   |
| Total current assets                | 95,336                                   | 96,845                                      |
| Non-current assets                  |  |   |
| Property and equipment              | 4,031                                    | 3,979                                       |
| Intangible assets                   | 281                                      | 365   |
| Investments and other assets        |  |   |
| Others                              | 2,224                                    | 2,258                                       |
| Allowance for doubtful accounts     | (202)                                    | (128)                                       |
| Total investments and other assets  | 2,022                                    | 2,129                                       |
| Total non-current assets            | 6,335                                    | 6,474                                       |
| Total assets                        | 101,672                                  | 103,320                                     |
| <b>Liabilities</b>                  |  |   |
| Current liabilities                 |  |   |
| Notes and accounts payable-trade    | 31,264                                   | 25,375                                      |
| Short-term loans payable            | 1,737                                    | 10,566                                      |
| Accrued corporate tax, etc.         | 765                                      | 99  |
| Allowance                           | 669                                      | 302   |
| Others                              | 1,105                                    | 1,420                                       |
| Total current liabilities           | 35,542                                   | 37,763                                      |
| Non-current liabilities             |  |   |
| Net defined benefit liabilities     | 123                                      | 103   |
| Others                              | 387                                      | 383   |
| Total non-current liabilities       | 510                                      | 486   |
| Total liabilities                   | 36,052                                   | 38,250                                      |

(Million yen)

|   | March 2015 Term<br>(As of Mar. 31, 2015) | 3Q March 2016 Term<br>(As of Dec. 31, 2015) |
|---|--|---|
| Net assets  |  |   |
| Shareholders' equity                                  |  |   |
| Capital stock   | 14,811                                   | 14,811                                      |
| Capital surplus                                       | 15,329                                   | 15,329                                      |
| Retained earnings                                     | 34,775                                   | 34,554                                      |
| Treasury stock  | (763)                                    | (763)                                       |
| Total shareholders' equity                            | 64,152                                   | 63,931                                      |
| Accumulated other comprehensive income                |  |   |
| Valuation difference on available-for-sale securities | 539                                      | 557   |
| Deferred hedge gains (losses)                         | 72                                       | (36)  |
| Foreign currency translation adjustment               | 849                                      | 600   |
| Remeasurements of defined benefit plans               | 4  | 17  |
| Total accumulated other comprehensive income          | 1,466                                    | 1,138                                       |
| Total net assets                                      | 65,619                                   | 65,070                                      |
| Total liabilities and net assets                      | 101,672                                  | 103,320                                     |



**(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 2015 Term<br>(Apr. 1, 2014 - Dec. 31, 2014) | 3Q March 2016 Term<br>(Apr. 1 2015 - Dec. 31, 2015) |
|---|--|---|
| Net sales   | 156,419  | 153,680   |
| Cost of sales   | 146,426  | 144,483   |
| Gross profit on sales                                     | 9,993  | 9,197   |
| Selling, general and administrative expenses              | 7,713  | 7,778   |
| Operating profit  | 2,279  | 1,418   |
| Non-operating profit                                      |  |   |
| Interest income   | 8  | 7   |
| Dividend income   | 20   | 25  |
| Others  | 57   | 39  |
| Total non-operating profit                                | 87   | 72  |
| Non-operating expenses                                    |  |   |
| Interest expenses   | 17   | 17  |
| Sales discounts   | 35   | 27  |
| Foreign exchange losses                                   | 23   | 22  |
| Loss on sales of electronically recorded monetary claims  | 108  | 65  |
| Others  | 3  | 11  |
| Total non-operating expenses                              | 189  | 144   |
| Ordinary profit   | 2,177  | 1,346   |
| 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                  | 3  | 0   |
| Loss on valuation of investment securities                | —  | 2   |
| Total extraordinary losses                                | 3  | 2   |
| Net profit before tax and other adjustments               | 2,174  | 1,344   |
| Corporate, resident and enterprise taxes                  | 592  | 243   |
| Adjustment for corporate tax, etc.                        | 137  | 194   |
| Total corporate taxes                                     | 729  | 438   |
| Net profit  | 1,445  | 906   |
| Net profit attributable to shareholders of parent company | 1,445  | 906   |

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

|   | 3Q March 2015 Term<br>(Apr. 1, 2014 - Dec. 31, 2014) | 3Q March 2016 Term<br>(Apr. 1 2015 - Dec. 31, 2015) |
|---|--|---|
| Net profit  | 1,445  | 906   |
| Other comprehensive income  |  |   |
| Valuation difference on available-for-sale securities                 | 8  | 17  |
| Deferred hedge gains (losses)   | (51)   | (108)   |
| Foreign currency translation adjustment                               | 1,687  | (249)   |
| Remeasurements of defined benefit plans, net of tax                   | (22)   | 12  |
| Total other comprehensive income                                      | 1,621  | (327)   |
| Comprehensive income  | 3,066  | 578   |
| (Details)   |  |   |
| Comprehensive income attributable to shareholders of parental company | 3,066  | 578   |
| 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, 2014 (Apr. 1, 2014 - Dec. 31, 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       | 147,496        | 8,923            | 156,419 |
| Inter-segment sales or transfers | —              | —                | —       |
| Total                            | 147,496        | 8,923            | 156,419 |
| Segment profit                   | 1,612          | 565              | 2,177   |

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

II. 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.