

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



November 7, 2016

## Summary of Financial Results for the First Half of the Fiscal Year

Ending March 31, 2017

(Six Months Ended September 30, 2016)

[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 8, 2016

Scheduled date of dividend payment: December 1, 2016

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 2017 Term (April 1, 2016 – September 30, 2016)**

#### (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 2017 Term	85,308	(17.5)	(192)	—	(1,684)	—	(1,966)	—
2Q March 2016 Term	103,391	3.1	1,153	(16.8)	1,151	(6.5)	800	0.7

(Note) Comprehensive income 2Q March 2017 Term: -2,654 million yen (−%); 2Q March 2016 Term: 320 million yen (-78.2%)

	Net profit per share		Diluted net profit per share	
	Yen		Yen	
	(69.79)	—	—	—
2Q March 2017 Term				
2Q March 2016 Term				

#### (2) Consolidated financial position

	Total assets		Net assets		Equity ratio	
	Million yen	Million yen	Million yen	Million yen	%	
2Q March 2017 Term	98,324		59,886			60.9
March 2016 Term	95,580		63,385			66.3

(Reference) Shareholders' equity 2Q March 2017 Term: 59,886 million yen; March 2016 Term: 63,385 million yen

### **2. Dividends**

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
March 2016 Term	—	10.00	—	30.00	40.00
March 2017 Term:	—	10.00	—	—	—
March 2017 Term (forecast)	—	—	—	15.00	25.00

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

**3. Forecasts for Consolidated Business Performance for March 2017 Term (April 1, 2016 – March 31, 2017)***(%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	%		
Full year	164,600	(17.3)	350	(81.7)	(1,150)	—	(1,620)	—
								Yen
								(57.49)

(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):

2Q March 2017 Term: 29,281,373 shares      March 2016 Term: 29,281,373 shares

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

2Q March 2017 Term: 1,102,529 shares      March 2016 Term: 1,102,476 shares

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

2Q March 2017 Term: 28,178,896 shares      2Q March 2016 Term: 28,179,200 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 11, 2016. 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.

## Contents of Appendix

1. Qualitative Information Concerning the Current Quarterly Settlement .....	2
(1) Explanation of Business Results .....	2
(2) Explanation of Financial Position .....	3
(3) Explanation of Forecasts for Consolidated Business Performance and Other Future Prospects.....	3
2. Matters Concerning Summary Information (Annotations) .....	4
(1) Significant Subsidiary Change in the Consolidated Cumulative Period of This Quarter.....	4
(2) Application of Unique Accounting to the Preparation of Quarterly Consolidated Financial Statements ....	4
(3) Change of Accounting Principles, Change of Accounting Estimate, and Redisplay after Revision.....	4
(4) Additional Information.....	4
3. Quarterly Consolidated Financial Statements .....	5
(1) Quarterly Consolidated Balance Sheets .....	5
(2) Quarterly Consolidated Profit and Loss Statement, Consolidated Comprehensive Income Statement.....	7
(3) Statements of Quarterly Cash Flows .....	9
(4) Notes on Quarterly Consolidated Financial Statements .....	10
(Notes regarding Going Concern).....	10
(Notes regarding Remarkable Change of Shareholder's Equity).....	10
(Segment Information).....	10

## 1. Qualitative Information Concerning the Current Quarterly Settlement

### (1) Explanation of Business Results

In the consolidated first half period under review, the uncertainty surrounding the global economy has increased with an economic slowdown of the newly-emerging nations including China as well as the problems expected due to the fact that the United Kingdom is leaving the European Union. Amid these adverse economic conditions, economic prospects remained unclear in Japan also with unstable share prices and exchange rates as well as restrained improvement in the corporate earnings.

In the electronics industry, despite a slowdown of the smartphone market growth, the markets related to advanced operation support systems for automobiles and IoT (Internet of Things) have been steadily expanding. Meanwhile, in the domestic IT industry, conditions have been comparatively favorable with the industry's attention increasing focusing on services related to big data and cloud computing.

In these circumstances, based on the V70 Medium-Term Management Plan that starts from this 66th term (term ending March 31, 2017) the Group made a continuous and zealous effort implementing an array of measures to strengthen its business power and consolidate its management foundations. However, the situation for the Group was very difficult. Sales in the device business were sluggish, while profit performance was also markedly worse due to the sudden strengthening of the yen. In the solution business, both net sales and profits were lower than in the corresponding period of last year.

As a result, in this consolidated six-month period under review, net sales decreased 17.5% to ¥85,308 million, and the Group posted operating loss of ¥192 million (against operating profit of ¥1,153 million posted in the corresponding period of last year). Furthermore, as the Group recorded foreign exchange losses of ¥1,506 million, ordinary loss was ¥1,684 million (against ordinary profit of ¥1,151 million in the corresponding period of last year), and quarterly net loss attributable to shareholders of parent company was ¥1,966 million (against quarterly net profit attributable to shareholders of parent company posted in the corresponding period of last year of ¥800 million).

The operating results for each business segment are as follows:

#### *Device segment*

In the device business segment, our leading products are semiconductors (including system LSIs, microcomputers, LCD driver ICs, memories, etc.) and electronic components (including connectors, capacitors, circuit boards, etc.). These products are sold mainly to electronics manufacturers. We also provide technical support, such as software development and module development.

In the consolidated first half period under review, despite an increase as compared with the same period last year in sales for social and industrial/vehicle-mounted systems, those for information and communication sector as well as the TOY and some other areas decreased on the whole.

As a result, segment sales decreased 17.5% year-on-year to ¥79,987 million. As for profit and loss, due to the progressing sharp rise of the yen, the sale prices went down, the Group posted a valuation loss of inventories (of ¥313 million), which resulted in a decline of gross profit margin, and, as we also posted ¥1,506 million in foreign exchange losses, the segment recorded a loss of ¥2,003 million (against segment profit of ¥701 million posted in the corresponding period of last year).

#### *Solution segment*

In the solution business segment, we are committed to planning and developing infrastructure with operation of information communication networks at the core, mainly for private companies, government offices and local municipalities, as well as to ensuring its operation and maintenance. Especially, as for our core system, we offer services deriving from provision of package software, such as customization according to individual development. Furthermore, we also provide broadcast stations and production companies with editing and transmission of video content, as well as with distribution systems, centered on products from suppliers abroad.

In the consolidated first half period under review, although the image-related business performed well with portable video transmitters and some other products, on the whole, as embedded systems and some other products showed a weaker performance than in the corresponding period of last year, the segment posted a decrease year-

on-year.

As a result, segment sales decreased 17.0% year-on-year to ¥5,321 million, and the segment profit was limited at ¥319 million, down 29.2% year-on-year, partly due to an increase in selling, general and administrative expenses.

## (2) Explanation of Financial Position

### 1) Assets, liabilities and net assets

As of September 30, 2016, assets increased ¥2,744 million compared with March 31, 2016, to ¥98,324 million. This was mainly attributable to a ¥7,260 million increase in cash and deposits, a ¥4,995 million increase in trade notes and accounts receivable, as well as a ¥7,254 million decrease in merchandise inventories, and a ¥2,599 million decrease in consumption taxes refund receivable.

Liabilities increased ¥6,243 million compared with March 31, 2016, to ¥38,438 million. This was mainly attributable to a ¥6,863 million increase in short-term loans payable.

Net assets decreased ¥3,499 million to ¥59,886 million because of a ¥2,811 million decrease in retained earnings, a ¥507 million increase in deferred hedge gains (losses), and a ¥1,274 million decrease in foreign currency translation adjustment, and other factors.

### 2) Cash Flows

As of September 30, 2016, cash and cash equivalents increased ¥7,360 million compared with March 31, 2016, to ¥17,446 million. This was mainly because of a decrease in inventories and a decrease in consumption taxes refund receivable, 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 ¥1,987 million. This is due to the fact that the income resulting from decreases in inventories and consumption taxes refund receivable exceeded the expenses from trade notes and accounts receivable, which represents an increase in income of ¥674 million compared with the corresponding period of last year.

#### (Investing activities)

Net cash used in investing activities during the consolidated first half period under review totaled ¥637 million due to factors such as purchase of investments securities, which represent an increase in expenses of ¥350 million compared with the corresponding period of last year.

#### (Financing activities)

Net cash provided by financing activities during the consolidated first half period under review totaled ¥6,451 million due to factors such as proceeds from short-term loans, which represent an increase in income of ¥4,294 million compared with the corresponding period of last year.

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

In the Summary of Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2017 (Three Months Ended June 30, 2016) [Japan Standards] (Consolidated), the forecast for the consolidated business performance of the full fiscal year ending March 31, 2017 was listed as undetermined, but we have revised it as follows. For details, please refer to the Notice Regarding Revision of Business Forecast and Dividend Forecast announced today.

(Prospect for Consolidated Business Results of the Fiscal Year Ending March 31, 2017)

Net sales:	¥164,600 million (down 17.3% YoY)
Operating loss:	¥350 million (down 81.7% YoY)
Ordinary loss:	¥1,150 million (compared with ordinary profit of ¥1,500 million in FY2016)
Net loss attributable to shareholders of parent company:	¥1,620 million (compared with net profit attributable to shareholders of parent company of ¥977 million in FY2016)

## 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 Practical Solutions on Accounting for Changes in the Depreciation Method Related to Revisions to the FY2016 Tax Law

In accordance with revisions to the Corporate Tax Law, we have adopted the “Practical Solutions on Accounting for Changes in the Depreciation Method Related to Revisions to the FY2016 Tax Law” (Practical Issues Task Force No. 32 of June 17, 2016), effective from the consolidated first quarter of current fiscal year. Accordingly, we have changed the depreciation method for equipment/installations and structures acquired on or after April 1, 2016, from the declining-balance method to the straight-line method.

This measure is expected to have a negligible effect on the Company's earnings.

### (4) Additional Information

Implementation of the Application Guidelines for Collectability of Deferred Tax Assets

We have adopted the “Application Guidelines for Collectability of Deferred Tax Assets” (Corporate Accounting Standards No. 26 of March 28, 2016), effective from the consolidated first quarter of current fiscal year.

### 3. Quarterly Consolidated Financial Statements

#### (1) Quarterly Consolidated Balance Sheets

	(Million yen)	
	March 2016 Term (As of Mar. 31, 2016)	2Q March 2017 Term (As of Sept. 30, 2016)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	10,186	17,446
Notes and accounts receivable-trade	44,852	48,009
Electronically recorded monetary claims	10,272	12,110
Merchandise inventories	18,405	11,150
Partly-finished work	3	43
Others	5,641	2,851
Allowance for doubtful accounts	(7)	(6)
<b>Total current assets</b>	<b>89,353</b>	<b>91,606</b>
<b>Non-current assets</b>		
Property and equipment	3,985	3,972
Intangible assets	345	301
Investments and other assets		
Others	2,013	2,543
Allowance for doubtful accounts	(117)	(100)
<b>Total investments and other assets</b>	<b>1,895</b>	<b>2,443</b>
<b>Total non-current assets</b>	<b>6,226</b>	<b>6,717</b>
<b>Total assets</b>	<b>95,580</b>	<b>98,324</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	22,282	22,401
Short-term loans payable	6,408	13,272
Accrued corporate tax, etc.	180	169
Allowance	554	494
Others	1,925	1,253
<b>Total current liabilities</b>	<b>31,350</b>	<b>37,590</b>
<b>Non-current liabilities</b>		
Net defined benefit liabilities	651	613
Others	192	234
<b>Total non-current liabilities</b>	<b>843</b>	<b>848</b>
<b>Total liabilities</b>	<b>32,194</b>	<b>38,438</b>

(Million yen)

	March 2016 Term (As of Mar. 31, 2016)	2Q March 2017 Term (As of Sept. 30, 2016)
Net assets		
Shareholders' equity		
Capital stock	14,811	14,811
Capital surplus	15,329	15,329
Retained earnings	34,625	31,813
Treasury stock	(763)	(763)
Total shareholders' equity	64,003	61,191
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	398	423
Deferred hedge gains (losses)	(493)	13
Foreign currency translation adjustment	(158)	(1,432)
Remeasurements of defined benefit plans	(364)	(309)
Total accumulated other comprehensive income	(617)	(1,305)
Total net assets	63,385	59,886
Total liabilities and net assets	95,580	98,324

**(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 2016 Term (Apr. 1, 2015 - Sept. 30, 2015)	2Q March 2017 Term (Apr. 1 2016 - Sept. 30, 2016)
Net sales	103,391	85,308
Cost of sales	97,034	80,553
Gross profit on sales	6,357	4,755
Selling, general and administrative expenses	5,203	4,947
Operating profit (loss)	1,153	(192)
Non-operating profit		
Interest income	4	5
Dividend income	14	17
Foreign exchange gains	33	—
Others	29	45
Total non-operating profit	83	68
Non-operating expenses		
Interest expenses	8	28
Sales discounts	22	19
Foreign exchange losses	—	1,506
Loss on sales of electronically recorded monetary claims	46	—
Others	7	5
Total non-operating expenses	84	1,560
Ordinary profit (loss)	1,151	(1,684)
Extraordinary profits		
Gain on sales of non-current assets	0	0
Gain on sales of investment securities	0	—
Gain on sales of memberships	—	14
Total extraordinary profits	0	14
Extraordinary losses		
Loss on sales of non-current assets	0	—
Loss on retirement of non-current assets	0	0
Loss on valuation of investment securities	1	—
Impairment loss	—	34
Total extraordinary losses	2	34
Net profit (loss) before tax and other adjustments	1,150	(1,704)
Corporate, resident and enterprise taxes	293	173
Adjustment for corporate tax, etc.	56	88
Total corporate taxes	350	262
Net profit (loss)	800	(1,966)
Net profit (loss) attributable to shareholders of parent company	800	(1,966)

## (Quarterly Consolidated Comprehensive Income Statement of the First Half)

	2Q March 2016 Term (Apr. 1, 2015 - Sept. 30, 2015)	2Q March 2017 Term (Apr. 1 2016 - Sept. 30, 2016)
Net profit (loss)	800	(1,966)
Other comprehensive income		
Valuation difference on available-for-sale securities	(62)	24
Deferred hedge gains (losses)	(98)	507
Foreign currency translation adjustment	(326)	(1,274)
Remeasurements of defined benefit plans, net of tax	8	55
Total other comprehensive income	<u>(479)</u>	<u>(687)</u>
Comprehensive income	320	(2,654)
(Details)		
Comprehensive income attributable to shareholders of parental company	320	(2,654)
Comprehensive income attributable to non-controlling interests	—	—

**(3) Statements of Quarterly Cash Flows**

	(Million yen)	
	2Q March 2016 Term (Apr. 1, 2015 - Sept. 30, 2015)	2Q March 2017 Term (Apr. 1 2016 - Sept. 30, 2016)
Operating activities		
Net profit (loss) before tax and other adjustments	1,150	(1,704)
Depreciation and amortization	109	112
Impairment loss	—	34
Amortization of goodwill	6	16
Increase (decrease) in allowance for doubtful accounts	(40)	(6)
Increase (decrease) in net defined benefit liabilities	0	47
Interest and dividend income	(19)	(23)
Interest expenses	8	28
Loss (gain) on sales of non-current assets	(0)	(0)
Loss (gain) on sales of investment securities	(0)	—
Loss (gain) on valuation of investment securities	1	—
Decrease (increase) in notes and accounts receivable-trade	816	(6,984)
Decrease (increase) in inventories	(1,248)	6,390
Increase (decrease) in notes and accounts payable-trade	(859)	1,647
Decrease (increase) in consumption taxes refund receivable	2,111	2,599
Increase (decrease) in accrued consumption taxes	(11)	(2)
Others	46	13
Subtotal	2,072	2,170
Interest and dividend income received	19	23
Interest expenses paid	(8)	(28)
Income taxes (paid) refund	(770)	(177)
Net cash provided by operating activities	1,312	1,987
Investing activities		
Net decrease (increase) in time deposits	(100)	100
Purchase of property and equipment	(46)	(99)
Proceeds from sales of property and equipment	0	0
Purchase of software	(25)	(6)
Purchase of investments securities	(96)	(613)
Proceeds from sales of investment securities	0	—
Others	(19)	(17)
Net cash used in investing activities	(286)	(637)
Financing activities		
Proceeds from short-term loans	14,699	20,810
Repayment of short-term loans	(11,675)	(13,494)
Repayments of lease obligations	(23)	(21)
Net decrease (increase) in treasury stock	(0)	(0)
Cash dividends paid	(843)	(843)
Net cash provided by financing activities	2,157	6,451
Effect of exchange rate change on cash and cash equivalents	(97)	(440)
Net increase (decrease) in cash and cash equivalents	3,086	7,360
Balance of cash and cash equivalents, beginning of the period	12,489	10,086
Balance of cash and cash equivalents, end of the period	15,575	17,446

**(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, 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.

II. Six months ended September 30, 2016 (Apr. 1, 2016 - Sept. 30, 2016)

Information regarding the amounts of sales, profit or loss in each report segment

(Million yen)

	Device segment	Solution segment	Total
Net sales			
Sales to outside customers	79,987	5,321	85,308
Inter-segment sales or transfers	—	—	—
Total	79,987	5,321	85,308
Segment profit (loss)	(2,003)	319	(1,684)

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