

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



August 4, 2017

**Summary of Financial Results for the First Quarter of the Fiscal Year
Ending March 31, 2018
(Three Months Ended June 30, 2017)
[Japan Standards] (Consolidated)**

Name of Listed Company: Sanshin Electronics Co., Ltd. Stock Exchange Listed: 1st Section, Tokyo
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of Finance & Accounting Division
Scheduled date of filing of Quarterly Report: August 8, 2017
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 2018 Term

(April 1, 2017 – June 30, 2017)

(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	%
1Q March 2018 Term	35,192	(9.9)	97	—	125	—	(150)	—
1Q March 2017 Term	39,061	(16.2)	(470)	—	(1,494)	—	(1,066)	—

(Note) Comprehensive income 1Q March 2018 Term: -77 million yen (—%) 1Q March 2017 Term: -2,148 million yen (—%)

	Net profit per share	Diluted net profit per share
	Yen	Yen
1Q March 2018 Term	(5.34)	—
1Q March 2017 Term	(37.86)	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
1Q March 2018 Term	93,477	61,037	65.3
March 2017 Term	94,144	61,537	65.4

(Reference) Shareholders' equity 1Q March 2018 Term: 61,037 million yen March 2017 Term: 61,537 million yen

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
March 2017 Term	—	10.00	—	15.00	25.00
March 2018 Term	—	—	—	—	—
March 2018 Term (forecast)	—	10.00	—	15.00	25.00

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

3. Forecasts for Consolidated Business Performance for March 2018 Term (April 1, 2017 – March 31, 2018)*(% 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
First half	79,000	(7.4)	480	—	450	—	100	—	3.55
Full year	185,000	10.3	1,550	92.7	1,380	—	700	—	24.84

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

For further information, please refer to “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].

*** 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):

1Q March 2018 Term: 29,281,373 shares March 2017 Term: 29,281,373 shares

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

1Q March 2018 Term: 1,102,633 shares March 2017 Term: 1,102,630 shares

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

1Q March 2018 Term: 28,178,740 shares 1Q March 2017 Term: 28,178,897 shares

* This summary of quarterly financial results is not subject to quarterly review.* 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 was beset by unabating future uncertainty due to the policy trends of the new US administration and heightened geopolitical risks despite steady recovery in the European and American economies and improved conditions in emerging countries. The Japanese economy also witnessed a modest recovery, but lacked the strength to eradicate the risks of economic downturn as uncertainty abounded on the global stage.

The electronics industry, which is the primary area of business of the Group, saw continued growth in markets relating to advanced vehicle operation support systems, IoT (Internet of Things), M2M (Machine to Machine) and other fields. Meanwhile, in the domestic IT industry, IT investments increased mostly in the cloud, big data and security fields.

Under these circumstances, in an earnest effort to achieve a return on equity (ROE) of 5% and ¥3,000 million in ordinary profit as stated in the V70 Medium-Term Management Plan (closing on March 31, 2021), the Group, in the device business segment, diligently worked to improve existing business profitability by devoting our operations in fields where future market growth is anticipated, while working to revise our business portfolio with an eye on elevating its proportion of high-profit businesses. In addition, we managed foreign exchange and inventory risks, solicited the retirement of employees to optimize our workforce, streamlined operations, and implemented other initiatives to that end. Meanwhile, in the solution business segment, the Group strove to execute contracts for actualized sales negotiations and build a revenue base geared towards mid- to long-term growth through synergies generated between BUs by broadening our lineup of cloud services and sharing customer assets, among other means.

As a result, consolidated operating results for the first three-month period under review revealed ¥35,192 million in net sales (down 9.9% year on year), ¥97 million in operating profit (compared with a ¥470 million operating loss posted for the same period in the previous fiscal year), and ¥125 million in ordinary profit (compared with ¥1,494 million in ordinary loss posted year on year). In addition, due to the posting of special retirement benefits stemming from retirement solicitation (¥229 million) as extraordinary loss, net loss attributable to shareholders of parent company amounted to ¥150 million (compared with that of ¥1,066 million posted for the same period in the previous fiscal 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, 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 three-month period under review, social and industrial field sales declined compared with the same period in the previous fiscal year due to low materials sales, with TOY field sales also down as a result of changes in product strategies by major suppliers, leading to net sales of ¥32,993 million (a 10.7% year-on-year decrease). Please note that, in terms of profit and loss, segment profit amounted to ¥137 million (compared with a ¥1,473 million loss recorded for the same period in the previous fiscal year) due to an improved gross profit margin and sharp decreases in foreign exchange losses and loss on inventory valuation incurred in the same period of the previous fiscal 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 three-month period under review, while embedded systems sales were low, others generally fared well resulting in net sales of ¥2,199 million (a 4.4% year-on-year hike), with a segment loss of ¥12 million (compared with a ¥21 million loss recorded for the same period in the previous fiscal year). Please note that, in the solution business segment, due to a planned overemphasis on net sales in Q2 and Q4, the Company anticipates the foregoing segment loss to turn positive from Q2 onward.

(2) Explanation of Financial Position

(Assets)

As of June 30, 2017, assets decreased ¥666 million compared with March 31, 2017, to ¥93,477 million. This was mainly attributable to a ¥5,397 million decrease in notes and accounts receivable-trade, a ¥1,946 million decrease in consumption taxes refund receivable, a ¥4,014 million increase in merchandise inventories, and a ¥2,571 million increase in cash and deposits.

(Liabilities)

As of June 30, 2017, liabilities decreased ¥166 million compared with March 31, 2017, to ¥32,440 million. This was mainly attributable to a ¥272 million decrease in notes and accounts payable-trade, a ¥254 million decrease in allowance for bonuses to employees, a ¥189 million decrease in short-term loans payable, and a ¥541 million increase in other current liabilities.

(Net Assets)

As of June 30, 2017, net assets decreased ¥500 million compared with March 31, 2017, to 61,037 million. This was mainly attributable to a ¥573 million decrease in retained earnings, and a ¥62 million increase in valuation difference on available-for-sale securities.

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

The Company has revised its forecast for the consolidated results of the first half year ending September 30, 2017, from the one announced on May 15, 2017, as detailed below. The forecast for the full consolidated fiscal year business performance remains unchanged at this stage, however, any necessary revision will be disclosed immediately based on a thorough investigation of market and customer trends and planned SG&A expenses. Furthermore, the initially projected annual dividend of ¥25 per share (¥10 interim dividend and ¥15 fiscal year-end dividend) has not changed. For more information, please refer to “Notice Regarding Revision of Business Forecast” released today.

(Prospect for Consolidated Business Results of the First Half Ending Sept. 30, 2017)

Net sales:	¥79,000 million	(down 7.4% YoY)
Operating profit:	¥480 million	(compared with operating loss of ¥192 million in H1/FY2017)
Ordinary profit:	¥450 million	(compared with ordinary loss of ¥1,684 million in H1/FY2017)
Net profit attributable to shareholders of parent company:	¥100 million	(compared with net loss attributable to shareholders of parent company of ¥1,966 million in H1/FY2017)

2. Quarterly Consolidated Financial Statements and Main Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	March 2017 Term (As of Mar. 31, 2017)	1Q March 2018 Term (As of Jun. 30, 2017)
Assets		
Current assets		
Cash and deposits	19,599	22,170
Notes and accounts receivable-trade	43,597	38,312
Electronically recorded monetary claims	9,009	8,897
Merchandise inventories	11,327	15,342
Partly-finished work	1	37
Others	3,559	1,670
Allowance for doubtful accounts	(7)	(13)
Total current assets	87,088	86,416
Non-current assets		
Property and equipment	3,810	3,775
Intangible assets	312	293
Investments and other assets		
Others	2,948	3,006
Allowance for doubtful accounts	(14)	(14)
Total investments and other assets	2,933	2,991
Total non-current assets	7,055	7,060
Total assets	94,144	93,477
Liabilities		
Current liabilities		
Notes and accounts payable-trade	16,717	16,444
Short-term loans payable	13,124	12,934
Accrued corporate tax, etc.	156	151
Allowance	489	239
Others	1,274	1,815
Total current liabilities	31,760	31,586
Non-current liabilities		
Net defined benefit liabilities	465	443
Others	380	410
Total non-current liabilities	845	854
Total liabilities	32,606	32,440

	(Million yen)	
	March 2017 Term (As of Mar. 31, 2017)	1Q March 2018 Term (As of Jun. 30, 2017)
Net assets		
Shareholders' equity		
Capital stock	14,811	14,811
Capital surplus	15,329	15,329
Retained earnings	31,923	31,350
Treasury stock	(764)	(764)
Total shareholders' equity	61,300	60,727
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	654	716
Deferred hedge gains (losses)	(7)	(10)
Foreign currency translation adjustment	(241)	(252)
Remeasurements of defined benefit plans	(168)	(144)
Total accumulated other comprehensive income	237	309
Total net assets	61,537	61,037
Total liabilities and net assets	94,144	93,477

(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 2017 Term (Apr. 1, 2016 – Jun. 30, 2016)	1Q March 2018 Term (Apr. 1, 2017 – Jun. 30, 2017)
Net sales	39,061	35,192
Cost of sales	37,103	32,677
Gross profit on sales	1,958	2,514
Selling, general and administrative expenses	2,428	2,417
Operating profit (loss)	(470)	97
Non-operating profit		
Interest income	3	3
Dividend income	13	35
Foreign exchange gains	–	27
Others	27	12
Total non-operating profit	44	78
Non-operating expenses		
Interest expenses	9	40
Sales discounts	7	5
Foreign exchange losses	1,050	–
Others	0	4
Total non-operating expenses	1,068	51
Ordinary profit (loss)	(1,494)	125
Extraordinary profits		
Gain on sales of non-current assets	–	0
Gain on sales of investment securities	–	0
Gain on sales of memberships	16	–
Total extraordinary profits	16	0
Extraordinary losses		
Loss on retirement of non-current assets	0	–
Special retirement benefits	–	229
Total extraordinary losses	0	229
Net profit (loss) before tax and other adjustments	(1,478)	(104)
Corporate, resident and enterprise taxes	92	56
Adjustment for corporate tax, etc.	(504)	(10)
Total corporate taxes	(411)	45
Net profit (loss)	(1,066)	(150)
Net profit (loss) attributable to shareholders of parent company	(1,066)	(150)

(Quarterly Consolidated Comprehensive Income Statement of the First Quarter)

	1Q March 2017 Term (Apr. 1, 2016 – Jun. 30, 2016)	1Q March 2018 Term (Apr. 1, 2017 – Jun. 30, 2017)
Net profit (loss)	(1,066)	(150)
Other comprehensive income		
Valuation difference on available-for-sale securities	(86)	62
Deferred hedge gains (losses)	76	(2)
Foreign currency translation adjustment	(1,099)	(10)
Remeasurements of defined benefit plans, net of tax	27	24
Total other comprehensive income	(1,081)	72
Comprehensive income	(2,148)	(77)
(Details)		
Comprehensive income attributable to shareholders of parental company	(2,148)	(77)
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, 2016 (Apr. 1, 2016 - Jun. 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	36,955	2,105	39,061
Inter-segment sales or transfers	—	—	—
Total	36,955	2,105	39,061
Segment profit (loss)	(1,473)	(21)	(1,494)

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

II. Three months ended June 30, 2017 (Apr. 1, 2017 - Jun. 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	32,993	2,199	35,192
Inter-segment sales or transfers	—	—	—
Total	32,993	2,199	35,192
Segment profit (loss)	137	(12)	125

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