

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



August 3, 2018

**Summary of Financial Results for the First Quarter of the Fiscal Year
Ending March 31, 2019
(Three Months Ended June 30, 2018)
[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: August 7, 2018
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 2019 Term**(April 1, 2018 – June 30, 2018)**

(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 2019 Term	29,387	(16.5)	8	(91.4)	(79)	—	(229)	—
1Q March 2018 Term	35,192	(9.9)	97	—	125	—	(150)	—

(Note) Comprehensive income 1Q March 2019 Term: 206 million yen (—%) 1Q March 2018 Term: -77 million yen (—%)

	Net profit per share	Diluted net profit per share
	Yen	Yen
1Q March 2019 Term	(8.13)	—
1Q March 2018 Term	(5.34)	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
1Q March 2019 Term	101,187	61,342	60.6
March 2018 Term	93,624	61,787	65.9

(Reference) Shareholders' equity 1Q March 2019 Term: 61,298 million yen March 2018 Term: 61,744 million yen

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
March 2018 Term	—	10.00	—	23.00	33.00
March 2019 Term	—	—	—	—	—
March 2019 Term (forecast)	—	15.00	—	55.00	70.00

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

3. Forecasts for Consolidated Business Performance for March 2019 Term (April 1, 2018 – March 31, 2019)*(% 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	73,500	(6.9)	530	(19.9)	450	(28.9)	300	(15.7)	12.63
Full year	166,000	5.6	2,130	20.8	1,900	6.3	1,350	42.5	62.87

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

At the Board of Directors meeting held by the Company on May 14, 2018, a resolution regarding acquisition of treasury stock was reached, and 9 million shares were purchased on July 3, 2018. The effect of the applicable treasury shares on the "net profit per share" within the consolidated business performance forecast has been considered.

*** 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 2019 Term: 29,281,373 shares March 2018 Term: 29,281,373 shares

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

1Q March 2019 Term: 1,102,953 shares March 2018 Term: 1,102,796 shares

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

1Q March 2019 Term: 28,178,489 shares 1Q March 2018 Term: 28,178,740 shares

(Note) The amount of treasury stock at the end of the term includes Company stock (1Q March 2019 term: 139,000 shares, March 2018 term: 139,000 shares) possessed in a trust related to the Performance-Based Stock Compensation Plan for Directors (with the exception of External Directors). Also, Company stock held in the trust is included in treasury stock to be deducted in the calculation of the amount of average stock during the term (1Q March 2019 term: 139,000 shares, 1Q March 2018 term: — shares).

* This summary of quarterly financial results is not subject to quarterly review by certified public accountants or auditing corporations.

* 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

The items related to the future contained in this document are decisions made based on present consolidated financial results as of the end of this quarter.

In addition, from the beginning of the first quarter under review, the Group has adopted the "Partial Amendments to 'Accounting Standard for Tax Effect Accounting'" (Corporate Accounting Standard No. 28, February 16, 2018). Figures are therefore compared with the figures at the end of the previous consolidated fiscal year after retroactive processing of the financial position.

(1) Explanation of Business Results

In the consolidated first three-month period under review, the condition of the global economy was as follows. Europe and the United States transitioned to a recovering trend, while recovery and improvement movements were seen in the Asia region. The trend in the Japanese economy continues to be gradual recovery. On the other hand, there are increasing concerns about trade issues between China and the United States, as well as political instability in Europe, causing uncertainty for the global economy's future.

In the electronics industry, which is the primary area of business of the Group, fields such as cutting-edge automobile driving systems, the internet of things (IoT), artificial intelligence (AI), and machine to machine technology (M2M) continued to grow. Also, investment in IT industry products and services such as cloud systems, big data, and security has strengthened in Japan, and demand for investments in initiatives related to working style reform with the goal of improving companies' productivity increased.

In the midst of these conditions, with the goal of achieving return on equity (ROE) of 5% and ordinary profit of ¥3,000 million, the Group promoted business portfolio reforms to shift to higher value-added projects in its device business while also conducting thorough management of exchange-rate and inventory risk and making efforts to improve the profitability of existing businesses through increasing operation efficiency, all based on the provision of the V70 Medium-Term Management Plan scheduled to end at the conclusion of the 2021 fiscal year. Also, the solution business aimed to solidify the revenue base provided by data centers through efforts to expand the menu of cloud-computing services while also working to create synergy between business units through cross-cell promotions.

As a result of these initiatives, business performance in the consolidated first quarter was as follows. Net sales were ¥29,387 million (down 16.5% year-on-year) and operating profit was ¥8 million (down 91.4% year-on-year). Due to increases in non-operating expenses such as interest expenses, ordinary loss was ¥79 million (compared with ¥125 million in ordinary profit posted for the same period in the previous fiscal year). Also, although extraordinary losses decreased compared with the same period of the previous fiscal year in which ¥229 million in special retirement benefits were paid in connection with the implementation of voluntary retirement, there was also a decrease in deductible temporary differences due to the attribution period such as allowances for bonuses to employees in the first quarter of the consolidated fiscal year. In addition, due to the effects of the temporary reversal of deferred tax assets, net loss attributable to shareholders of parent company was ¥229 million (compared with ¥150 million posted for the same period in the previous 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 and memory) and electronic components (including connectors, capacitors and circuit boards). These products are sold mainly to electronics manufacturers. We also provide technical support such as software development and module development.

In the first quarter of the consolidated fiscal year, the effect of a decrease in sales targeted to information and communications fields, especially those marketed to mobile devices, compared to the same period in the previous fiscal year led to net sales of ¥27,072 million (down 17.9% year-on-year). In terms of profit and loss as well, improving the gross profit margin and limiting the selling, general and administrative expenses was insufficient to mitigate the effect of reduced net sales, and as a result of both this and the increase in interest expenses due to rising interest rates overseas, segment profit was ¥5 million (down 96.3% year-on-year).

Solution segment

In the solution business segment, we are committed to design, construction, operation and maintenance of infrastructure for private companies as well as government offices and municipalities, focusing on communication networks. For Line-of-Business systems, we offer services deriving from provision of package software, such as individually developed and customized solutions. We also provide broadcast stations and production companies with systems for editing, transmission and distribution of video content, centered on products from suppliers abroad.

In the first quarter of the consolidated fiscal year, although the sales of video-targeted services and Line-of-Business applications decreased compared to the same period of the previous fiscal year, because most other categories remained strong, net sales were ¥2,315 million (up 5.3% year-on-year). On the other hand, in terms of profit and loss, gross profit margin decreased due to changes in sales mechanisms and selling, general and administrative expenses increased as well, resulting in segment loss of ¥84 million (compared with a segment loss of ¥12 million in the same period of the previous fiscal year). Please note that in the solution business segment, since net sales tend to be concentrated in the second and fourth quarters of the fiscal year, the segment is expected to achieve profit in the second quarter and beyond.

(2) Explanation of Financial Position**(Assets)**

As of June 30, 2018, assets increased ¥7,563 million compared with March 31, 2018, to ¥101,187 million. This was mainly attributable to a ¥14,236 million increase in cash and deposits, a ¥3,995 million increase in merchandise inventories, an ¥8,181 million decrease in notes and accounts receivable-trade, and a ¥2,438 million decrease in consumption taxes refund receivable.

(Liabilities)

As of June 30, 2018, liabilities increased ¥8,008 million compared with March 31, 2018, to ¥39,845 million. This was mainly attributable to a ¥7,154 million increase in short-term loans payable and a ¥651 million increase in notes and accounts payable-trade.

(Net Assets)

As of June 30, 2018, net assets decreased ¥445 million compared with March 31, 2018, to 61,342 million. This was mainly attributable to an ¥880 million decrease in retained earnings and a ¥374 million increase in foreign currency translation adjustment.

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

In the consolidated earnings forecast, because of expected increases in net sales for the device business, especially products for mobile devices, in the second quarter and beyond and the tendency for solution business net sales to be concentrated in the second and fourth quarters, the forecast values for both the second quarter (cumulative) and the year as a whole are unchanged from those announced on May 14, 2018.

On the other hand, regarding the dividend forecast, the Company acquired 9 million shares (30.74% of the total number of issued shares) of treasury stock through the tender offer conducted from May 15, 2018 to June 11, 2018. As a result, the number of dividend-applicable shares has decreased from the initially assumed number in the dividend forecast and the expected values for mid-term and end-of-term dividends announced on May 14, 2018 have been revised in accordance with the dividend policy aiming for 100% consolidated dividend payout ratio for the 2018, 2019, and 2020 fiscal years. For details, please see the "Notice Regarding Revision of Dividend Forecast for the Fiscal Year Ending March 2019 (68th Fiscal Year)" release which was made public today.

2. Quarterly Consolidated Financial Statements and Main Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	March 2018 Term (As of Mar. 31, 2018)	1Q March 2019 Term (As of Jun. 30, 2018)
Assets		
Current assets		
Cash and deposits	17,176	31,413
Notes and accounts receivable-trade	41,734	32,634
Electronically recorded monetary claims	6,335	7,253
Merchandise inventories	16,119	20,115
Partly-finished work	772	842
Others	3,888	1,427
Allowance for doubtful accounts	(12)	(13)
Total current assets	86,016	93,672
Non-current assets		
Property and equipment	3,681	3,650
Intangible assets	361	346
Investments and other assets		
Others	3,579	3,531
Allowance for doubtful accounts	(14)	(14)
Total investments and other assets	3,564	3,517
Total non-current assets	7,608	7,515
Total assets	93,624	101,187
Liabilities		
Current liabilities		
Notes and accounts payable-trade	15,633	16,284
Short-term loans payable	13,809	20,964
Current portion of long-term loans payable	16	14
Accrued corporate tax, etc.	186	79
Allowance	498	242
Others	1,267	1,780
Total current liabilities	31,411	39,366
Non-current liabilities		
Net defined benefit liabilities	256	235
Others	168	244
Total non-current liabilities	425	479
Total liabilities	31,836	39,845

(Million yen)

	March 2018 Term (As of Mar. 31, 2018)	1Q March 2019 Term (As of Jun. 30, 2018)
Net assets		
Shareholders' equity		
Capital stock	14,811	14,811
Capital surplus	15,432	15,432
Retained earnings	32,197	31,317
Treasury stock	(867)	(867)
Total shareholders' equity	61,574	60,694
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	781	772
Deferred hedge gains (losses)	80	137
Foreign currency translation adjustment	(708)	(333)
Remeasurements of defined benefit plans	16	27
Total accumulated other comprehensive income	169	604
Non-controlling interests	43	44
Total net assets	61,787	61,342
Total liabilities and net assets	93,624	101,187

(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 2018 Term (Apr. 1, 2017 – Jun. 30, 2017)	1Q March 2019 Term (Apr. 1, 2018 – Jun. 30, 2018)
Net sales	35,192	29,387
Cost of sales	32,677	27,029
Gross profit on sales	2,514	2,357
Selling, general and administrative expenses	2,417	2,349
Operating profit	97	8
Non-operating profit		
Interest income	3	4
Dividend income	35	17
Foreign exchange gains	27	–
Others	12	17
Total non-operating profit	78	39
Non-operating expenses		
Interest expenses	40	67
Sales discounts	5	3
Foreign exchange losses	–	36
Others	4	20
Total non-operating expenses	51	127
Ordinary profit (loss)	125	(79)
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 investment securities	–	0
Loss on valuation of investment securities	–	0
Special retirement benefits	229	–
Total extraordinary losses	229	0
Net profit (loss) before tax and other adjustments	(104)	(80)
Corporate, resident and enterprise taxes	56	53
Adjustment for corporate tax, etc.	(10)	94
Total corporate taxes	45	147
Net profit (loss)	(150)	(228)
Net profit attributable to non-controlling interest	–	0
Net profit (loss) attributable to shareholders of parent company	(150)	(229)

(Quarterly Consolidated Comprehensive Income Statement of the First Quarter)

	1Q March 2018 Term (Apr. 1, 2017 – Jun. 30, 2017)	1Q March 2019 Term (Apr. 1, 2018 – Jun. 30, 2018)
Net profit (loss)	(150)	(228)
Other comprehensive income		
Valuation difference on available-for-sale securities	62	(8)
Deferred hedge gains (losses)	(2)	57
Foreign currency translation adjustment	(10)	374
Remeasurements of defined benefit plans, net of tax	24	11
Total other comprehensive income	72	434
Comprehensive income	(77)	206
(Details)		
Comprehensive income attributable to shareholders of parental company	(77)	205
Comprehensive income attributable to non-controlling interests	—	0

(3) Notes on Quarterly Consolidated Financial Statements

(Notes Regarding Going Concern)

None.

(Notes Regarding Remarkable Change of Shareholders' Equity)

At the 67th Ordinary General Meeting of Shareholders held on June 22, 2018, the Company passed a resolution to reduce the amount of capital reserve, with the amount of this reduction to be transferred to other capital surplus on June 30, 2018.

i) Objective of Reduction of Capital Reserve

In order to secure flexibility and mobility in the Company's future capital policy, the Company will reduce its capital reserve based on the stipulations of Paragraph 1 of Article 448 in the Companies Act of Japan and transfer the reduced amount to other capital surplus.

ii) Reduction Method of Capital Reserve

All of the reduced amount will be transferred to other capital surplus.

iii) Reduced Amount of Capital Reserve

The reserve of ¥15,329,906,456 (as of the end of March 2018) was reduced by ¥10,000 million to ¥5,329,906,456.

(Additional Information)

Adoption of "Partial Amendments to 'Accounting Standard for Tax Effect Accounting'", etc.

From the beginning of the first quarter under review, the Group has adopted the "Partial Amendments to 'Accounting Standard for Tax Effect Accounting'" (Corporate Accounting Standard No. 28, February 16, 2018), displaying deferred tax assets in the investments and other assets, and deferred tax liabilities in the non-current liabilities.

(Segment Information)

I. 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.

II. Three months ended June 30, 2018 (Apr. 1, 2018 - Jun. 30, 2018)

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	27,072	2,315	29,387
Inter-segment sales or transfers	—	—	—
Total	27,072	2,315	29,387
Segment profit (loss)	5	(84)	(79)

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

(Important Later Event)**Acquisition of Treasury Stock and Tender Offer of Treasury Stock**

The Company hereby announces that its Board of Directors meeting held on May 14, 2018 resolved the acquisition of the Company's treasury stock based on the provisions of Paragraph 1 of Article 156 in the Companies Act (Act No. 86 of 2005, including the amendments made later on) of Japan which is applied mutatis mutandis pursuant to Paragraph 3 of Article 165 in the same Act and stipulations of the Company's Articles of Incorporation, with the use of a tender offer for treasury stock as the specific acquisition method of treasury stock. The acquisition was carried out on July 3, 2018.

i) Objectives of the Acquisition and Tender Offer

The Company is currently in the process of implementing its V70 Medium-Term Management Plan (hereinafter referred to as "V70"), a five-year medium-term management plan to be concluded in the Company's 70th term (the fiscal year ending March 31, 2021). One of the ultimate goals of this plan is attaining return on equity (ROE) of 5%. In order to ensure this goal is achieved, the Company is implementing dividends with a goal consolidated payout ratio of 100% for the 3-year period from the 67th (2018) fiscal year to the 69th (2020) fiscal year as a means of both strengthening its business and improving capital efficiency. In addition, the Company has decided to implement purchasing of treasury stock shares with maximums for total acquisition cost set at ¥20,000 million and for total shares set at 10 million within this same 3-year period. Under these circumstances, The Company verified the V70 promotion conditions and outlook on achievement, and although this confirmed a positive performance trend in business profitability, these efforts concluded that improvement of capital efficiency for achieving ROE of 5%, the ultimate goal of the medium-term management plan, is an urgent task.

Based on these results, the Company determined that the acquisition of a fixed volume of treasury stock within a relatively short time period could be expected to improve earnings per share (EPS), ROE, and return of profits to our shareholders. In addition, the decision was made to avoid actions which would have a major impact on the Company's financial status and dividend policy. In addition, from the perspective of fairness among shareholders and transparency of transactions, the Company decided that a tender offer would be an appropriate method for this acquisition.

ii) Contents of Resolution of the Board of Directors Meeting

- (1) Type of Shares to Acquire: Ordinary shares
- (2) Total Number of Shares to Acquire: 9,000,100 shares (maximum)
- (3) Type of Funds Used for Exchange in Acquisitions: Cash
- (4) Total Funds Used for Exchange in Acquisitions: ¥19,719,219,100 (maximum)
- (5) Period Acquisitions can be Carried Out: May 15, 2018 to July 31, 2018

iii) Overview of Tender Offer for Treasury Stock

- (1) Number of Shares Planned for Purchase: 9,000,000 shares
- (2) Purchasing Price: ¥2,191 per share
- (3) Tender Offer Period: From May 15, 2018 to June 11, 2018
- (4) Publication Date for Commencing the Tender Offer: May 15, 2018
- (5) Settlement Start Date: July 3, 2018

iv) Result of Treasury Stock Acquisition

- (1) Total Number of Shares Acquired: 9,000,000 shares
- (2) Total Acquisition Cost: ¥19,719,000,000
- (3) Acquisition Date: July 3, 2018