

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



February 5, 2020

**Summary of Financial Results for the First Three Quarters of the Fiscal Year
Ending March 31, 2020
(Nine Months Ended December 31, 2019)
[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: February 7, 2020
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 2020 Term
(April 1, 2019 – December 31, 2019)**

(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 2020 Term	96,362	(16.3)	1,390	10.1	1,270	15.3	859	14.9
3Q March 2019 Term	115,139	(3.6)	1,263	14.8	1,101	6.3	747	96.7

(Note) Comprehensive income 3Q March 2020 Term: 684 million yen (-28.0%); 3Q March 2019 Term: 950 million yen (7.2%)

	Net profit per share	Diluted net profit per share
	Yen	Yen
3Q March 2020 Term	44.81	—
3Q March 2019 Term	33.65	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
3Q March 2020 Term	79,314	42,047	53.0
March 2019 Term	88,261	42,711	48.3

(Reference) Shareholders' equity 3Q March 2020 Term: 41,998 million yen; March 2019 Term: 42,661 million yen

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
March 2019 Term	—	15.00	—	55.00	70.00
March 2020 Term	—	15.00	—		
March 2020 Term (forecast)				55.00	70.00

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

3. Forecasts for Consolidated Business Performance for March 2020 Term (April 1, 2019 – March 31, 2020)*(% 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	124,000	(16.1)	2,150	9.4	1,900	9.4	1,500	3.5	78.21

(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

(4) Number of shares outstanding (ordinary shares)

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

3Q March 2020 Term: 24,281,373 shares March 2019 Term: 24,281,373 shares

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

3Q March 2020 Term: 5,101,110 shares March 2019 Term: 5,103,188 shares

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

3Q March 2020 Term: 19,179,134 shares 3Q March 2019 Term: 22,222,025 shares

(Note) The amount of treasury stock at the end of the term includes Company stock (3Q March 2020 term: 136,700 shares, March 2019 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 (3Q March 2020 term: 137,888 shares, 3Q March 2019 term: 139,000 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

(1) Explanation of Business Results

In the consolidated first three quarters under review, although the global economy showed gradual improvement overall, there are risk factors for a major economic downturn such as the trade frictions between the US and China, slowed growth in the Chinese market, and increasingly severe conditions in the Middle East. There is increasing uncertainty for Japan's economic future as well due to issues such as continuing poor export and manufacturing performance. In the electronics industry, which is the business domain of Sanshin Electronics Co., Ltd. and the Sanshin Electronics Group, markets related to artificial intelligence (AI), automobile driving-support systems, the internet of things (IoT) and machine-to-machine technology (M2M) continued to grow. In the ICT field in Japan, demand expanded in fields such as cloud systems and security, including investments by businesses in working-style reform to improve labor productivity. Investments related to Big Data continued on a favorable glidepath.

Against this background, the Group strove to achieve return on equity (ROE) of 5% and ordinary profit of ¥3 billion, in the context of the final year of the V70 Medium-Term Management Plan scheduled to end at the conclusion of the fiscal year ending March 31, 2021. In the device business, the Group concentrated efforts on transforming into a high-profit structure. The Group also focused on boosting net sales in core devices, in view of the potential for high value-added, and in strategic devices, centered on handling of new products from overseas and IoT-related business. In its volume business, which is generally less profitable, the Group moved forward with optimization, keeping a close eye on risk and profitability. In the solutions business, aiming to establish a robust platform for future growth, the Group committed resources to reinforcing its cloud-computing business, centered on Sanshin Data Center, while bolstering initiatives to expand its customer roster.

As a result of these initiatives, business performance in the consolidated first nine-month period was as follows: Net sales were ¥96,362 million (down 16.3% year-on-year). However, operating profit was ¥1,390 million (up 10.1% year-on-year), thanks to improved gross profit margin and paring of selling, general and administrative expenses. Ordinary profit was ¥1,270 million (up 15.3% year-on-year), as non-operating profit rebounded from commission for purchase of treasury stock appropriated in the same period of the previous fiscal year. Net profit attributable to shareholders of parent company was ¥859 million (up 14.9% year-on-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 and capacitors). These products are sold mainly to electronics manufacturers. We also provide technical support such as software development and module development.

In the consolidated first three quarters under review, volume business contracted year-on-year, while the core-device business was impacted by factors such as the termination of production of certain products handled by the Group and a decline in consumer-game devices. Net sales were ¥86,867 million (down 17.8% year-on-year). In terms of profit and losses as well, although the business portfolio reforms sought to improve gross profit margin and reduce selling, general and administrative expenses, these efforts were unable to compensate for the decline in net sales, resulting in segment profit of ¥571 million (down 7.5% 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 consolidated first three quarters under review, although sales in the public-sector field declined against the same period of the previous fiscal year, which was characterized by major projects, sales in other fields

trended overall favorably. Net sales were ¥9,495 million (down 0.2% year-on-year). On the other hand, in terms of profit and losses, due to the increased gross profit margin, segment profit was ¥699 million (up 44.3% year-on-year).

(2) Explanation of Financial Position

(Assets)

As of December 31, 2019, assets decreased ¥8,947 million compared with March 31, 2019, to ¥79,314 million. This was mainly attributable to a ¥7,266 million decrease in notes and accounts receivable-trade, a ¥2,482 million decrease in cash and deposits, and a ¥667 million increase in consumption taxes receivable.

(Liabilities)

As of December 31, 2019, liabilities decreased ¥8,282 million compared with March 31, 2019, to ¥37,267 million. This was mainly attributable to a ¥5,666 million decrease in notes and accounts payable-trade, a ¥2,298 million decrease in short-term loans payable, and a ¥385 million decrease in accrued corporate tax, etc.

(Net Assets)

As of December 31, 2019, net assets decreased ¥664 million compared with March 31, 2019, to ¥42,047 million. This was mainly attributable to a ¥492 million decrease in retained earnings and a ¥184 million decrease in foreign currency translation adjustments.

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

Regarding the consolidated business performance forecast for the full fiscal year, the Group has not revised the forecast figures set forth in the Summary of Financial Results for Fiscal Year Ended March 31, 2019 released on May 13, 2019.

2. Quarterly Consolidated Financial Statements and Main Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	March 2019 Term (As of Mar. 31, 2019)	3Q March 2020 Term (As of Dec. 31, 2019)
Assets		
Current assets		
Cash and deposits	17,064	14,581
Notes and accounts receivable-trade	41,780	32,394
Electronically recorded monetary claims	5,605	7,724
Merchandise inventories	14,580	14,588
Partly-finished work	139	302
Others	3,070	3,654
Allowance for doubtful accounts	(7)	(6)
Total current assets	82,234	73,240
Non-current assets		
Property and equipment	2,490	2,553
Intangible assets	322	384
Investments and other assets		
Others	3,254	3,171
Allowance for doubtful accounts	(39)	(35)
Total investments and other assets	3,215	3,135
Total non-current assets	6,027	6,074
Total assets	88,261	79,314
Liabilities		
Current liabilities		
Notes and accounts payable-trade	18,462	12,796
Short-term loans payable	24,066	21,768
Current portion of long-term loans payable	6	2
Accrued corporate tax, etc.	463	78
Allowance	509	254
Others	1,652	1,955
Total current liabilities	45,161	36,855
Non-current liabilities		
Net defined benefit liabilities	224	175
Others	163	236
Total non-current liabilities	388	412
Total liabilities	45,549	37,267

(Million yen)

	March 2019 Term (As of Mar. 31, 2019)	3Q March 2020 Term (As of Dec. 31, 2019)
Net assets		
Shareholders' equity		
Capital stock	14,811	14,811
Capital surplus	5,329	5,329
Retained earnings	32,578	32,085
Treasury stock	(10,356)	(10,353)
Total shareholders' equity	42,363	41,873
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	574	596
Deferred hedge gains (losses)	(4)	(10)
Foreign currency translation adjustment	(294)	(479)
Remeasurements of defined benefit plans	22	19
Total accumulated other comprehensive income	298	125
Non-controlling interests	50	48
Total net assets	42,711	42,047
Total liabilities and net assets	88,261	79,314

(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 2019 Term (Apr. 1, 2018 – Dec. 31, 2018)	3Q March 2020 Term (Apr. 1, 2019 – Dec. 31, 2019)
Net sales	115,139	96,362
Cost of sales	106,831	88,030
Gross profit on sales	8,308	8,332
Selling, general and administrative expenses	7,045	6,942
Operating profit	1,263	1,390
Non-operating profit		
Interest income	10	16
Dividend income	34	32
Foreign exchange gains	87	55
Others	52	62
Total non-operating profit	185	166
Non-operating expenses		
Interest expenses	260	228
Sales discounts	11	7
Commission for purchase of treasury stock	55	—
Others	18	50
Total non-operating expenses	346	286
Ordinary profit	1,101	1,270
Extraordinary profits		
Gain on sales of non-current assets	0	0
Gain on sales of investment securities	0	40
Total extraordinary profits	0	40
Extraordinary losses		
Loss on retirement of non-current assets	0	0
Loss on sales of investment securities	0	—
Loss on valuation of investment securities	5	—
Loss on valuation of membership	—	2
Special retirement benefits	38	—
Office transfer expenses	22	—
Total extraordinary losses	67	3
Net profit before tax and other adjustments	1,034	1,308
Corporate, resident and enterprise taxes	233	212
Adjustment for corporate tax, etc.	43	237
Total corporate taxes	277	450
Net profit	757	857
Net profit (loss) attributable to non-controlling interests	9	(1)
Net profit attributable to shareholders of parent company	747	859

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

	3Q March 2019 Term (Apr. 1, 2018 – Dec. 31, 2018)	3Q March 2020 Term (Apr. 1, 2019 – Dec. 31, 2019)
Net profit	757	857
Other comprehensive income		
Valuation difference on available-for-sale securities	(157)	21
Deferred hedge gains (losses)	(48)	(6)
Foreign currency translation adjustment	365	(184)
Remeasurements of defined benefit plans, net of tax	33	(3)
Total other comprehensive income	193	(172)
Comprehensive income	950	684
(Details)		
Comprehensive income attributable to shareholders of parental company	941	686
Comprehensive income attributable to non-controlling interests	9	(1)

(3) Notes on Quarterly Consolidated Financial Statements

(Notes Regarding Going Concern)

None.

(Notes Regarding Remarkable Change of Shareholders' Equity)

None.

(Changes in Accounting Principles)

Adoption of IFRS 16, "Leases"

From the beginning of the first quarter of this fiscal year, some of the Group's overseas consolidated subsidiaries have adopted IFRS 16, "Leases," a part of the International Financial Reporting Standards (IFRS). These accounting standards require in principle that all leases be appropriated as assets and liabilities of the lessee.

The effect of application of this accounting standard on the consolidated financial statements for the first three quarters of the consolidated fiscal year is negligible.

(Segment Information)

I. Nine months ended December 31, 2018 (Apr. 1, 2018 – Dec. 31, 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	105,622	9,517	115,139
Inter-segment sales or transfers	—	—	—
Total	105,622	9,517	115,139
Segment profit	617	484	1,101

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

II. Nine months ended December 31, 2019 (Apr. 1, 2019 – Dec. 31, 2019)

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	86,867	9,495	96,362
Inter-segment sales or transfers	—	—	—
Total	86,867	9,495	96,362
Segment profit	571	699	1,270

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