

Translation

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## Summary of Consolidated Financial Results for the Year Ended March 31, 2018 (Based on Japanese GAAP)

May 14, 2018

Company name: Shindengen Electric Manufacturing Co., Ltd.  
 Stock exchange listing: Tokyo  
 Stock code: 6844 URL <http://www.shindengen.co.jp/>  
 Representative: President Yoshinori Suzuki  
 Inquiries: Manager of Corporate Planning Group, Yoshiaki Matsumoto TEL 03-3279-4431  
 Planning Dept.  
 Scheduled date of ordinary general meeting of shareholders: June 28, 2018  
 Scheduled date to file Securities Report: June 29, 2018  
 Scheduled date to commence dividend payments: June 29, 2018  
 Preparation of supplementary material on financial results: Yes  
 Holding of financial results meeting: Yes (for analysts and institutional investors)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)

(1) Consolidated operating results

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2018	92,177	1.9	6,853	34.3	7,164	55.6	5,293	56.2
Year ended March 31, 2017	90,415	—	5,103	—	4,603	—	3,388	—

Note: Comprehensive income Year ended March 31, 2018 ¥6,463 million [42.2%]  
 Year ended March 31, 2017 ¥4,543 million [-%]

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Year ended March 31, 2018	513.91	—	9.4	5.5	7.4
Year ended March 31, 2017	328.97	—	6.5	3.5	5.6

Reference: Share of loss (profit) of entities accounted for using equity method

Year ended March 31, 2018 ¥410 million  
 Year ended March 31, 2017 ¥267 million

\* Effective October 1, 2017, the Company consolidated its common shares at the ratio of 10 shares to 1 share. Accordingly, earnings per share have been calculated as if this consolidation of common shares was conducted at the beginning of the previous fiscal year.

\* Since the results have been retrospectively adjusted due to changes in accounting policies, financial results for the year ended March 31, 2017 are those after retrospective application. Year-on-year changes are not shown.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2018	133,706	59,169	44.3	5,744.60
As of March 31, 2017	128,530	54,004	42.0	5,242.45

Reference: Equity As of March 31, 2018 ¥59,169 million  
 As of March 31, 2017 ¥54,004 million

\* Effective October 1, 2017, the Company consolidated its common shares at the ratio of 10 shares to 1 share. Accordingly, net assets per share have been calculated as if this consolidation of common shares was conducted at the beginning of the previous fiscal year.

## (3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31, 2018	9,335	(4,823)	(3,025)	39,625
Year ended March 31, 2017	7,612	(3,537)	(4,430)	38,271

## 2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended March 31, 2017	–	0.00	–	12.50	12.50	1,287	38.0	2.5
Year ended March 31, 2018	–	0.00	–	125.00	125.00	1,287	24.3	2.3
Year ending March 31, 2019 (Forecast)	–	0.00	–	125.00	125.00		26.8	

\* Effective October 1, 2017, the Company consolidated its common shares at the ratio of 10 shares to 1 share. Accordingly, the year-end dividend per share shown for the fiscal year ended March 31, 2018 reflects the impact of the said share consolidation. The year-end dividend per share for the fiscal year ended March 31, 2017 with factoring in the share consolidation is ¥125.

\* Since the results have been retrospectively adjusted due to changes in accounting policies, dividend payout ratio (Consolidated) and ratio of dividends to net assets (Consolidated) of year ended March 31, 2017 are those after retrospective application.

## 3. Forecast of consolidated financial results for the year ending March 31, 2019 (from April 1, 2018 to March 31, 2019)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2018	47,000	6.6	2,900	(29.5)	3,200	(26.5)	2,400	(32.5)	233.01
Full year	96,700	4.9	5,800	(15.4)	6,300	(12.1)	4,800	(9.3)	466.02

## 4. Notes

(1) Changes in significant subsidiaries during the year ended March 31, 2018

(changes in specified subsidiaries resulting in the change in scope of consolidation): No

(2) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

Changes in accounting policies due to revisions to accounting standards and other regulations: No

Changes in accounting policies due to other reasons: Yes

Changes in accounting estimates: No

Restatement of prior period financial statements: No

(3) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of March 31, 2018	∴	10,338,884 shares	As of March 31, 2017	∴	10,338,884 shares
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Number of treasury shares at the end of the period

As of March 31, 2018	∴	38,934 shares	As of March 31, 2017	∴	37,527 shares
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Average number of shares during the period

Year ended March 31, 2018	∴	10,300,842 shares	Year ended March 31, 2017	∴	10,301,754 shares
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\* Effective October 1, 2017, the Company consolidated its common shares at the ratio of 10 shares to 1 share. Accordingly, total number of issued shares at the end of the period, number of treasury shares at the end of the period and average number of shares during the period have been calculated as if this consolidation of common shares was conducted at the beginning of the previous fiscal year.

(Reference)

(Amounts less than one million yen are rounded down)

1. Non-consolidated financial results for the year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)

(1) Non-consolidated operating results

Percentages indicate year-on-year changes

	Net Sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year Ended March 31, 2018	78,180	2.2	2,300	517.3	4,274	144.2	3,238	92.5
Year Ended March 31, 2017	76,530	(6.7)	372	—	1,750	—	1,682	—

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Year Ended March 31, 2018	314.38		—	
Year Ended March 31, 2017	163.28		—	

\* Effective October 1, 2017, the Company consolidated its common shares at the ratio of 10 shares to 1 share. Accordingly, earnings per share have been calculated as if this consolidation of common shares was conducted at the beginning of the previous fiscal year.

(2) Non-consolidated financial position

	Total assets		Net assets		Equity ratio		Net assets per share	
	Millions of yen		Millions of yen		%		Yen	
As of March 31, 2018	107,760		45,353		42.1		4,403.26	
As of March 31, 2017	105,528		42,433		40.2		4,119.26	

Reference: Equity As of March 31, 2018 ¥45,353 million  
As of March 31, 2017 ¥42,433 million

\* Effective October 1, 2017, the Company consolidated its common shares at the ratio of 10 shares to 1 share. Accordingly, net assets per share have been calculated as if this consolidation of common shares was conducted at the beginning of the previous fiscal year.

\* Financial results reports are exempt from audit conducted by certified public accountants or an audit corporation.

\* Explanation of proper use of financial results forecast, and other special matters

(Caution concerning forward-looking statements)

The forward-looking statements, including the financial results forecast shown in this document, are based on information currently available to the Company and on certain assumptions deemed to be reasonable by the Company. As such, they do not constitute guarantees by the Company of future performance. Actual performance and other results may differ materially due to various factors.

(How to obtain a copy of the supplementary material on financial results and earnings results briefing materials)

The Company plans to hold a presentation for securities analysts and institutional investors on May 18, 2018 (Friday). The earnings results briefing materials distributed at the meeting will be posted promptly on the Company website after the meeting is held.

**Consolidated financial statements**  
**Consolidated balance sheets**

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Assets		
Current assets		
Cash and deposits	33,691	33,058
Notes and accounts receivable - trade	19,257	19,336
Securities	5,000	7,000
Merchandise and finished goods	6,615	7,243
Work in process	3,810	3,709
Raw materials and supplies	8,386	9,094
Deferred tax assets	719	1,058
Other	3,733	3,981
Allowance for doubtful accounts	(21)	(20)
Total current assets	81,192	84,461
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	8,878	8,295
Machinery, equipment and vehicles, net	7,490	7,642
Land	6,011	5,878
Leased assets, net	571	836
Construction in progress	680	1,540
Other, net	1,385	1,742
Total property, plant and equipment	25,017	25,936
Intangible assets		
Goodwill	14	–
Software	676	972
Leased assets	16	6
Other	583	696
Total intangible assets	1,292	1,675
Investments and other assets		
Investment securities	14,334	16,032
Deferred tax assets	6,021	4,957
Other	722	688
Allowance for doubtful accounts	(50)	(46)
Total investments and other assets	21,028	21,632
Total non-current assets	47,338	49,244
Total assets	128,530	133,706

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	14,282	14,495
Short-term loans payable	7,293	7,425
Current portion of bonds	150	500
Lease obligations	211	257
Income taxes payable	340	933
Provision for bonuses	928	1,132
Other	4,989	6,564
Total current liabilities	28,195	31,308
Non-current liabilities		
Bonds payable	2,775	4,775
Long-term loans payable	20,950	17,025
Lease obligations	433	658
Deferred tax liabilities	89	100
Net defined benefit liability	16,447	16,084
Provision for product warranties	5,469	4,414
Asset retirement obligations	142	142
Other	22	29
Total non-current liabilities	46,330	43,228
Total liabilities	74,526	74,537
<b>Net assets</b>		
Shareholders' equity		
Capital stock	17,823	17,823
Capital surplus	7,738	7,738
Retained earnings	29,100	33,106
Treasury shares	(132)	(143)
Total shareholders' equity	54,529	58,524
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,653	3,632
Foreign currency translation adjustment	(556)	(710)
Remeasurements of defined benefit plans	(2,621)	(2,278)
Total accumulated other comprehensive income	(524)	644
Total net assets	54,004	59,169
<b>Total liabilities and net assets</b>	<b>128,530</b>	<b>133,706</b>

## Consolidated statements of income and consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Net sales	90,415	92,177
Cost of sales	73,223	72,630
Gross profit	17,191	19,546
Selling, general and administrative expenses	12,088	12,693
Operating profit	5,103	6,853
Non-operating income		
Interest income	89	122
Dividend income	296	323
Royalty income	74	52
Share of profit of entities accounted for using equity method	267	410
Other	173	233
Total non-operating income	901	1,142
Non-operating expenses		
Interest expenses	410	312
Foreign exchange losses	621	254
Other	370	265
Total non-operating expenses	1,401	832
Ordinary profit	4,603	7,164
Extraordinary income		
Gain on sales of non-current assets	223	–
Total extraordinary income	223	–
Extraordinary losses		
Impairment loss	14	65
Total extraordinary losses	14	65
Profit before income taxes	4,812	7,098
Income taxes - current	776	1,656
Income taxes - deferred	647	148
Total income taxes	1,423	1,804
Profit	3,388	5,293
Profit attributable to		
Profit attributable to owners of parent	3,388	5,293
Other comprehensive income		
Valuation difference on available-for-sale securities	886	979
Foreign currency translation adjustment	(472)	(46)
Remeasurements of defined benefit plans, net of tax	705	343
Share of other comprehensive income of entities accounted for using equity method	34	(106)
Total other comprehensive income	1,154	1,169
Comprehensive income	4,543	6,463
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,543	6,463
Comprehensive income attributable to non-controlling interests	–	–

## Consolidated statements of changes in equity

Fiscal year ended March 31, 2017

(Millions of yen)

	Shareholders' equity					Accumulated other comprehensive income				Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of current period	17,823	7,738	26,922	(129)	52,354	1,766	(42)	(3,326)	(1,603)	50,751
Cumulative effects of changes in accounting policies			76		76		(76)		(76)	0
Restated balance	17,823	7,738	26,998	(129)	52,431	1,766	(119)	(3,326)	(1,679)	50,751
Changes of items during period										
Dividends of surplus			(1,287)		(1,287)					(1,287)
Profit attributable to owners of parent			3,388		3,388					3,388
Purchase of treasury shares				(3)	(3)					(3)
Net changes of items other than shareholders' equity						886	(437)	705	1,154	1,154
Total changes of items during period	–	–	2,101	(3)	2,097	886	(437)	705	1,154	3,252
Balance at end of current period	17,823	7,738	29,100	(132)	54,529	2,653	(556)	(2,621)	(524)	54,004

Fiscal year ended March 31, 2018

(Millions of yen)

	Shareholders' equity					Accumulated other comprehensive income				Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of current period	17,823	7,738	29,100	(132)	54,529	2,653	(556)	(2,621)	(524)	54,004
Cumulative effects of changes in accounting policies					–				–	–
Restated balance	17,823	7,738	29,100	(132)	54,529	2,653	(556)	(2,621)	(524)	54,004
Changes of items during period										
Dividends of surplus			(1,287)		(1,287)					(1,287)
Profit attributable to owners of parent			5,293		5,293					5,293
Purchase of treasury shares				(10)	(10)					(10)
Net changes of items other than shareholders' equity						979	(153)	343	1,169	1,169
Total changes of items during period	–	–	4,006	(10)	3,995	979	(153)	343	1,169	5,164
Balance at end of current period	17,823	7,738	33,106	(143)	58,524	3,632	(710)	(2,278)	644	59,169



## Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Cash flows from operating activities		
Profit before income taxes	4,812	7,098
Depreciation	4,764	4,519
Bond issuance cost	43	63
Impairment loss	14	65
Increase (decrease) in provision for bonuses	(17)	204
Increase (decrease) in provision for product warranties	(714)	(1,055)
Increase (decrease) in net defined benefit liability	(134)	125
Interest and dividend income	(386)	(445)
Interest expenses	410	312
Decrease (increase) in notes and accounts receivable - trade	63	(150)
Decrease (increase) in inventories	986	(1,847)
Decrease (increase) in consumption taxes refund receivable	401	(282)
Decrease (increase) in accounts receivable - other	131	(127)
Increase (decrease) in notes and accounts payable - trade	(1,033)	406
Loss on retirement of property, plant and equipment	89	21
Other, net	(1,599)	1,197
Subtotal	7,833	10,106
Interest and dividend income received	380	458
Interest expenses paid	(420)	(305)
Income taxes paid	(181)	(923)
Net cash provided by (used in) operating activities	7,612	9,335
Cash flows from investing activities		
Purchase of investment securities	–	(20)
Proceeds from sales of investment securities	–	3
Purchase of property, plant and equipment	(3,192)	(4,091)
Proceeds from sales of property, plant and equipment	467	37
Purchase of intangible assets	(646)	(751)
Other, net	(164)	(1)
Net cash provided by (used in) investing activities	(3,537)	(4,823)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(0)	–
Proceeds from long-term loans payable	5,000	3,500
Repayments of long-term loans payable	(7,419)	(7,289)
Proceeds from issuance of bonds	1,956	2,436
Redemption of bonds	(2,475)	(150)
Purchase of treasury shares	(3)	(8)
Repayments of lease obligations	(201)	(226)
Cash dividends paid	(1,287)	(1,287)
Net cash provided by (used in) financing activities	(4,430)	(3,025)
Effect of exchange rate change on cash and cash equivalents	(278)	(132)
Net increase (decrease) in cash and cash equivalents	(633)	1,353
Cash and cash equivalents at beginning of period	38,905	38,271
Cash and cash equivalents at end of period	38,271	39,625

## Notes Pertaining to Going Concern Assumption

None

## Notes on significant changes in shareholders' equity (if any)

None

## Changes in accounting policies

While the revenues and expenses of overseas consolidated subsidiaries have been converted to Japanese yen using the current exchange rate on the date of closing of the relevant foreign subsidiary, we will adopt a method of conversion to Japanese yen based on the average annual exchange rate from the current fiscal year.

This change has been made as it has been deemed that using the average exchange rate for the period rather than the exchange rate at a set point in time would contribute to more appropriate information disclosure in consideration of the possibility of significant fluctuations in exchange rates over a short period of time accompanying the recent changes in the international economic situation as the materiality of the revenues and expenses of overseas consolidated subsidiaries has grown in recent years, which is a trend that is expected to continue. This accounting policy change was applied retrospectively and figures after the retroactive application of this change in accounting policies are stated for the previous fiscal year and financial statements for the year ended March 31, 2017.

As a result, net sales have decreased by ¥2,273 million, operating income has decreased by ¥135 million, ordinary income has decreased by ¥135 million, net income before income taxes has decreased by ¥146 million, and net income attributable to owners of parent has decreased by ¥120 million in the previous fiscal year compared to before retroactive application.

In addition, after the cumulative impact on net assets at the beginning of the previous fiscal year is reflected, retained earnings increased by ¥76 million, while the “foreign currency translation adjustments” balance decreased by the same amount.

The effects on segment information and per share information are described in the segment information section.

## Segment Information

**Year ended March 31, 2018 (April 1, 2017 to March 31, 2018)**

### **1. Reporting segment overview**

The Company's reportable operating segments are components of an entity for which separate financial information is available and evaluated regularly by the board of directors in determining the allocation of management resources and in assessing performance.

The Shindengen Group formulates comprehensive domestic and overseas strategies for the products that its business divisions provide.

The Shindengen Group's business is organized into three reportable segments—Device Business, Car Electronics Business and Next Generation Energy Business—which form the base of its business divisions.

The Device Business manufactures diodes, thyristors, MOSFET, high-withstand voltage power ICs and power modules.

The Car Electronics Business mainly manufactures electronics components for motorcycles and automobiles, along with general purpose inverters. The Next Generation Energy Business primarily manufactures power conditioners for photovoltaic generators, power storage systems, recharging stands for electric vehicles, and power supplies for information and communication equipment.

### **2. Method of calculating sales, income (loss), identifiable assets/liabilities and other items by reporting segment**

The accounting method for business segments reported is based on the same method applied to consolidated financial statements. Income by reporting segment is the amount based on operating income. In addition, inter-segment sales and transfers are primarily based on market prices or manufacturing costs.

### **3. Net sales, income (loss), identifiable assets/liabilities and other items by reporting segment**

	Millions of yen							
	Year ended March 31, 2018							
	Devices Business	Car Electronics Business	Next Generation Energy Business	Total	Other (Notes 2)	Total	Adjustments (Notes 3)	Financial Statement Amount (Notes 4)
Net Sales								
Outside customers	¥ 34,275	¥ 49,090	¥ 7,595	¥90,962	¥ 1,214	¥ 92,177	¥ —	¥ 92,177
Inter-segment	5,669	19	—	5,688	—	5,688	(5,688)	—
Total	39,945	49,109	7,595	96,650	1,214	97,865	(5,688)	92,177
Segment income (loss)	¥ 4,315	¥ 7,716	¥ (1,944)	¥10,087	¥ 66	¥ 10,154	¥ (3,300)	¥ 6,853
Segment assets	¥36,283	¥ 30,344	¥ 5,922	¥ 72,550	¥ 387	¥ 72,937	¥ 60,769	¥133,706
Other items								
Depreciation and amortization	2,208	1,571	283	4,063	0	4,063	456	4,519
Increases in property, plant and equipment and intangible assets	3,205	912	174	4,292	—	4,292	1,761	6,053

- Notes:
1. Amounts under one million yen are omitted.
  2. The “Other” category includes activities not included in the reporting segments, such as solenoids.
  3. Details of adjustments are below:
    - (1) ¥(3,300) million posted under “Adjustments” includes “Corporate expenses” that have not been allocated to each reporting segment. “Corporate expenses” are primarily general and administrative expenses that cannot be attributed to any reporting segment.
    - (2) Segment assets totaling ¥60,769 million posted under “Adjustments” comprise corporate assets of ¥60,543 million not allocated to each reporting segment and other adjustments of ¥225 million.
    - (3) Depreciation and amortization totaling ¥456 million posted under “Adjustments” mainly comprises corporate expenses not attributable to each reporting segment.
    - (4) The increases in property, plant and equipment and intangible assets amounting to ¥1,761 million posted under “Adjustments” primarily comprises corporate assets not attributable to each reporting segment.
  4. Segment income (loss) is adjusted to the operating income stated on the consolidated statements of income and consolidated statements of comprehensive income.

## 2. Changes in reporting segments, etc.

(Change in the method of translating revenue and expense of foreign subsidiaries)

As stated in “Changes in accounting policies”, while the revenues and expenses of overseas consolidated subsidiaries have been converted to Japanese yen at the spot exchange rate at the fiscal year end date up until now, we will adopt a method of conversion to Japanese yen based on the average annual exchange rate from the current fiscal year.

As stated in the “Changes in accounting policies,” prior to April 1, 2017, the revenue and expenses of foreign subsidiaries are translated into Japanese yen using the current exchange rate on the date of closing of the relevant foreign subsidiary. Effective April 1, 2017, however, the Company changed the above method to a method of translation into yen using the average foreign exchange rate for the fiscal year. This accounting policy change was applied retrospectively and figures after the retroactive application of this change in accounting policies are stated for the previous fiscal year.

As a result, compared to before the retroactive application, during the previous fiscal year net sales and segment income have decreased by ¥607 million and ¥19 million, respectively, in the “Devices Business”, net sales and segment income have decreased by ¥1,662 million and ¥116 million, respectively, in the “Car Electronics Business”, net sales and segment loss has decreased by ¥0 million and ¥0 million, respectively, in the “New Generation Energy Business”, net sales and segment income have decreased by ¥3 million and ¥0 million, respectively, in the “Other”.