

Translation

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## Summary of Consolidated Financial Results for the Six Months Ended September 30, 2017 (Based on Japanese GAAP)

November 6, 2017

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 to file Quarterly Securities Report: November 14, 2017  
 Scheduled date to commence dividend payments: –  
 Preparation of supplementary material on quarterly financial results: Yes  
 Holding of quarterly financial results meeting: Yes (for analysts and institutional investors)

(Amounts less than one million yen are rounded down)

### 1. Consolidated financial results for the six months ended September 30, 2017 (from April 1, 2017 to September 30, 2017)

#### (1) Consolidated operating results (cumulative)

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	%
Six months ended September 30, 2017	44,070	0.8	4,113	208.8	4,355	619.9	3,553	643.2
Six months ended September 30, 2016	43,724	–	1,331	–	604	–	478	–

Note: Comprehensive income Six months ended September 30, 2017 ¥3,740 million [–%]  
 Six months ended September 30, 2016 ¥(2,474) million [–%]

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended September 30, 2017	344.97		–	
Six months ended September 30, 2016	46.41		–	

\* 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 six months ended September 30, 2016 are those after retrospective application. Year-on-year changes are not shown.

#### (2) Consolidated financial position

	Total assets		Net assets		Equity ratio	
	Millions of yen		Millions of yen		%	
As of September 30, 2017	130,620		56,455		43.2	
As of March 31, 2017	128,530		54,004		42.0	

Reference: Equity As of September 30, 2017 ¥56,455 million  
 As of March 31, 2017 ¥54,004 million

## 2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2017	–	0.00	–	12.50	12.50
Year ending March 31, 2018	–	0.00			
Year ending March 31, 2018 (Forecast)			–	125.00	125.00

Note: Revision of cash dividend forecast most recently announced: No

\* 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 ending March 31, 2018 (Forecast) reflects the impact of the said share consolidation. The year-end dividend per share for the fiscal year ending March 31, 2018 (Forecast) without factoring in the share consolidation is ¥12.50. For the details, please refer to “Explanation of proper use of financial results forecast, and other special matters.”

## 3. Forecast of consolidated financial results for the year ending March 31, 2018 (from April 1, 2017 to March 31, 2018)

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
Full year	91,000	0.6	6,500	27.4	6,700	45.5	5,400	59.3	524.21

Note: Revision of consolidated financial results forecast most recently announced: Yes

\* The earnings per share in the consolidated financial results forecast reflects the impact of the share consolidation. For the details, please refer to “Explanation of proper use of financial results forecast, and other special matters.”

\* Year-on-year changes are those after retrospective application due to changes in accounting policies.

## 4. Notes

- (1) Changes in significant subsidiaries during the six months ended September 30, 2017  
(changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (2) Application of special accounting methods for preparing quarterly consolidated financial statements: No
- (3) 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  |

### (4) Number of issued shares (common shares)

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

As of September 30, 2017	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 September 30, 2017	37,805 shares	As of March 31, 2017	37,527 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended September 30, 2017	10,301,241 shares	Six months ended September 30, 2016	10,301,983 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.

\* Quarterly financial results reports are not required to be subjected to quarterly reviews.

\* 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.

(Regarding the financial results forecast and dividend after share consolidation)

At the 93rd Ordinary General Meeting of Shareholders held on June 29, 2017, approval was obtained for a share consolidation. Accordingly, effective October 1, 2017, the Company consolidated its common shares at the ratio of 10 shares to 1 share.

Financial results forecast and dividend forecast for the fiscal year ending March 31, 2018 without factoring in the share consolidation are as follows.

- Consolidated financial results forecast for the fiscal year ending March 31, 2018 (earnings per share): ¥52.42

- Dividend forecast for the fiscal year ending March 31, 2018 (year-end dividend per share): ¥12.50

**Quarterly consolidated financial statements**  
**Consolidated balance sheets**

(Millions of yen)

	As of March 31, 2017	As of September 30, 2017
Assets		
Current assets		
Cash and deposits	33,691	35,164
Notes and accounts receivable - trade	19,257	17,407
Securities	5,000	7,000
Merchandise and finished goods	6,615	6,827
Work in process	3,810	4,048
Raw materials and supplies	8,386	9,112
Deferred tax assets	719	1,042
Other	3,733	2,492
Allowance for doubtful accounts	(21)	(21)
Total current assets	81,192	83,073
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	8,878	8,528
Machinery, equipment and vehicles, net	7,490	7,105
Land	6,011	5,959
Leased assets, net	571	795
Construction in progress	680	909
Other, net	1,385	1,386
Total property, plant and equipment	25,017	24,685
Intangible assets		
Goodwill	14	–
Software	676	922
Leased assets	16	10
Other	583	637
Total intangible assets	1,292	1,570
Investments and other assets		
Investment securities	14,334	15,075
Deferred tax assets	6,021	5,568
Other	722	696
Allowance for doubtful accounts	(50)	(49)
Total investments and other assets	21,028	21,291
Total non-current assets	47,338	47,547
Total assets	128,530	130,620

(Millions of yen)

	As of March 31, 2017	As of September 30, 2017
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	14,282	13,561
Short-term loans payable	7,293	7,452
Current portion of bonds	150	300
Lease obligations	211	237
Income taxes payable	340	608
Provision for bonuses	928	949
Other	4,989	4,688
<b>Total current liabilities</b>	<b>28,195</b>	<b>27,798</b>
<b>Non-current liabilities</b>		
Bonds payable	2,775	5,075
Long-term loans payable	20,950	19,325
Lease obligations	433	634
Deferred tax liabilities	89	91
Net defined benefit liability	16,447	16,368
Provision for product warranties	5,469	4,701
Asset retirement obligations	142	142
Other	22	28
<b>Total non-current liabilities</b>	<b>46,330</b>	<b>46,366</b>
<b>Total liabilities</b>	<b>74,526</b>	<b>74,164</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	17,823	17,823
Capital surplus	7,738	7,738
Retained earnings	29,100	31,366
Treasury shares	(132)	(134)
<b>Total shareholders' equity</b>	<b>54,529</b>	<b>56,793</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	2,653	3,052
Foreign currency translation adjustment	(556)	(900)
Remeasurements of defined benefit plans	(2,621)	(2,489)
<b>Total accumulated other comprehensive income</b>	<b>(524)</b>	<b>(337)</b>
<b>Total net assets</b>	<b>54,004</b>	<b>56,455</b>
<b>Total liabilities and net assets</b>	<b>128,530</b>	<b>130,620</b>

**Consolidated statements of income (cumulative) and consolidated statements of comprehensive income (cumulative)**

(Millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Net sales	43,724	44,070
Cost of sales	36,477	33,866
Gross profit	7,247	10,203
Selling, general and administrative expenses	5,915	6,090
Operating profit	1,331	4,113
Non-operating income		
Interest income	47	51
Dividend income	151	166
Royalty income	72	50
Share of profit of entities accounted for using equity method	119	186
Other	97	96
Total non-operating income	488	551
Non-operating expenses		
Interest expenses	222	157
Foreign exchange losses	798	16
Other	193	135
Total non-operating expenses	1,214	309
Ordinary profit	604	4,355
Profit before income taxes	604	4,355
Income taxes - current	259	901
Income taxes - deferred	(132)	(100)
Total income taxes	126	801
Profit	478	3,553
Profit attributable to		
Profit attributable to owners of parent	478	3,553
Profit attributable to non-controlling interests	–	–
Other comprehensive income		
Valuation difference on available-for-sale securities	(342)	398
Foreign currency translation adjustment	(2,571)	(333)
Remeasurements of defined benefit plans, net of tax	113	131
Share of other comprehensive income of entities accounted for using equity method	(152)	(9)
Total other comprehensive income	(2,953)	187
Comprehensive income	(2,474)	3,740
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(2,474)	3,740
Comprehensive income attributable to non-controlling interests	–	–

## 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 first quarter of 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 second quarter of the previous fiscal year and financial statements for the year ended March 31, 2017.

As a result, net sales have increased by ¥1,915 million, operating income has increased by ¥93 million, ordinary income has increased by ¥59 million, net income before income taxes has increased by ¥59 million, and net income attributable to owners of parent has increased by ¥50 million in the second quarter of 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, the effects of this accounting policy change for 2016 were as follows consolidated balance sheet as of March 31, 2016—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 September 30, 2017 (April 1, 2017 to September 30, 2017)

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

Millions of yen								
Year ended September 30, 2017								
	Devices Business	Car Electronics Business	Next Generation Energy Business	Total	Other (Notes 1)	Total	Adjustments (Notes 2)	Quarterly Consolidated Statements of Income and Comprehensive Income (Notes 3)
Net Sales								
Outside customers	¥ 16,725	¥ 23,326	¥3,402	¥43,454	¥ 615	¥ 44,070	¥ —	¥ 44,070
Inter-segment	2,726	9	—	2,735	—	2,735	(2,735)	—
Total	19,451	23,335	3,402	46,189	615	46,805	(2,735)	44,070
Segment income (loss)	¥ 2,225	¥ 4,227	¥ (746)	¥ 5,706	¥ 36	¥ 5,743	¥ (1,630)	¥ 4,113

Notes: 1. The “Other” category includes activities not included in the reporting segments, such as solenoids.

2. ¥ (1,630) 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.
3. 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 first quarter of 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 second quarter of the previous fiscal year.

As a result, compared to before retroactive application, during the second quarter of the previous fiscal year net sales and segment income have increased by ¥479 million and ¥11 million, respectively, in the “Devices Business”, net sales and segment income have increased by ¥1,429 million and ¥81 million, respectively, in the “Car Electronics Business”, net sales and segment loss have decreased by ¥0 million and ¥0 million, respectively, in the “New Generation Energy Business”, net sales and segment income have increased by ¥6 million and ¥0 million, respectively, in the “Other”.