

Translation

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## Summary of Consolidated Financial Results for the Nine Months Ended December 31, 2017 (Based on Japanese GAAP)

February 9, 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  
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 Planning Dept.  
 Scheduled date to file Quarterly Securities Report: February 14, 2018  
 Scheduled date to commence dividend payments: –  
 Preparation of supplementary material on quarterly financial results: No  
 Holding of quarterly financial results meeting: No

(Amounts less than one million yen are rounded down)

### 1. Consolidated financial results for the nine months ended December 31, 2017 (from April 1, 2017 to December 31, 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	%
Nine months ended December 31, 2017	67,901	4.0	6,052	140.0	6,435	217.7	4,952	219.9
Nine months ended December 31, 2016	65,313	–	2,521	–	2,025	–	1,548	–

Note: Comprehensive income  
 Nine months ended December 31, 2017 ¥6,524 million [–%]  
 Nine months ended December 31, 2016 ¥236 million [–%]

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Nine months ended December 31, 2017	480.76		–	
Nine months ended December 31, 2016	150.28		–	

\* 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.

\* Since the results have been retrospectively adjusted due to changes in accounting policies, financial results for the nine months ended December 31, 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 December 31, 2017	133,589		59,235		44.3	
As of March 31, 2017	128,530		54,004		42.0	

Reference: Equity  
 As of December 31, 2017 ¥59,235 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: No

\* 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 nine months ended December 31, 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 December 31, 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 December 31, 2017	∴	38,349 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)

Nine months ended December 31, 2017	∴	10,301,047 shares	Nine months ended December 31, 2016	∴	10,301,877 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 December 31, 2017
Assets		
Current assets		
Cash and deposits	33,691	34,736
Notes and accounts receivable - trade	19,257	18,539
Securities	5,000	7,000
Merchandise and finished goods	6,615	7,140
Work in process	3,810	4,092
Raw materials and supplies	8,386	8,781
Deferred tax assets	719	786
Other	3,733	3,405
Allowance for doubtful accounts	(21)	(19)
Total current assets	81,192	84,462
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	8,878	8,427
Machinery, equipment and vehicles, net	7,490	7,282
Land	6,011	5,956
Leased assets, net	571	751
Construction in progress	680	1,334
Other, net	1,385	1,522
Total property, plant and equipment	25,017	25,274
Intangible assets		
Goodwill	14	–
Software	676	887
Leased assets	16	8
Other	583	655
Total intangible assets	1,292	1,551
Investments and other assets		
Investment securities	14,334	16,595
Deferred tax assets	6,021	5,075
Other	722	680
Allowance for doubtful accounts	(50)	(50)
Total investments and other assets	21,028	22,301
Total non-current assets	47,338	49,127
Total assets	128,530	133,589

(Millions of yen)

	As of March 31, 2017	As of December 31, 2017
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	14,282	14,274
Short-term loans payable	7,293	7,475
Current portion of bonds	150	400
Lease obligations	211	232
Income taxes payable	340	697
Provision for bonuses	928	–
Other	4,989	6,204
<b>Total current liabilities</b>	<b>28,195</b>	<b>29,284</b>
<b>Non-current liabilities</b>		
Bonds payable	2,775	4,925
Long-term loans payable	20,950	18,387
Lease obligations	433	588
Deferred tax liabilities	89	94
Net defined benefit liability	16,447	16,375
Provision for product warranties	5,469	4,523
Asset retirement obligations	142	143
Other	22	31
<b>Total non-current liabilities</b>	<b>46,330</b>	<b>45,069</b>
<b>Total liabilities</b>	<b>74,526</b>	<b>74,354</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	32,764
Treasury shares	(132)	(138)
<b>Total shareholders' equity</b>	<b>54,529</b>	<b>58,188</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	2,653	4,007
Foreign currency translation adjustment	(556)	(527)
Remeasurements of defined benefit plans	(2,621)	(2,432)
<b>Total accumulated other comprehensive income</b>	<b>(524)</b>	<b>1,047</b>
<b>Total net assets</b>	<b>54,004</b>	<b>59,235</b>
<b>Total liabilities and net assets</b>	<b>128,530</b>	<b>133,589</b>

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

(Millions of yen)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Net sales	65,313	67,901
Cost of sales	53,903	52,541
Gross profit	11,409	15,360
Selling, general and administrative expenses	8,887	9,307
Operating profit	2,521	6,052
Non-operating income		
Interest income	64	80
Dividend income	239	264
Royalty income	72	50
Share of profit of entities accounted for using equity method	178	289
Other	131	137
Total non-operating income	686	822
Non-operating expenses		
Interest expenses	318	240
Foreign exchange losses	618	22
Other	246	176
Total non-operating expenses	1,182	439
Ordinary profit	2,025	6,435
Profit before income taxes	2,025	6,435
Income taxes - current	394	1,284
Income taxes - deferred	83	198
Total income taxes	477	1,483
Profit	1,548	4,952
Profit attributable to		
Profit attributable to owners of parent	1,548	4,952
Profit attributable to non-controlling interests	-	-
Other comprehensive income		
Valuation difference on available-for-sale securities	935	1,353
Foreign currency translation adjustment	(2,464)	(11)
Remeasurements of defined benefit plans, net of tax	193	189
Share of other comprehensive income of entities accounted for using equity method	23	40
Total other comprehensive income	(1,311)	1,572
Comprehensive income	236	6,524
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	236	6,524
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 third quarter of the previous fiscal year and financial statements for the year ended March 31, 2017.

As a result, net sales have increased by ¥2,044 million, operating income has increased by ¥105 million, ordinary income has increased by ¥74 million, net income before income taxes has increased by ¥74 million, and net income attributable to owners of parent has increased by ¥66 million in the third 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 December 31, 2017 (April 1, 2017 to December 31, 2017)

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

Millions of yen								
Year ended December 31, 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	¥25,631	¥ 36,083	¥5,277	¥66,993	¥ 907	¥ 67,901	¥ —	¥ 67,901
Inter-segment	4,188	14	—	4,202	—	4,202	(4,202)	—
Total	29,819	36,098	5,277	71,195	907	72,103	(4,202)	67,901
Segment income (loss)	¥ 3,412	¥ 6,428	¥ (1,347)	¥ 8,493	¥ 51	¥ 8,545	¥ (2,492)	¥ 6,052

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

2. ¥ (2,492) 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 third quarter of the previous fiscal year.

As a result, compared to before retroactive application, during the third quarter of the previous fiscal year net sales and segment income have increased by ¥656 million and ¥20 million, respectively, in the “Devices Business”, net sales and segment income have increased by ¥1,380 million and ¥84 million, respectively, in the “Car Electronics Business”, net sales has increased by ¥0 million and segment loss has decreased by ¥0 million, in the “New Generation Energy Business”, net sales and segment income have increased by ¥7 million and ¥0 million, respectively, in the “Other”.