

Translation

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Summary of Consolidated Financial Results for the Three Months Ended June 30, 2017 (Based on Japanese GAAP)

August 8, 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: August 10, 2017
 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 three months ended June 30, 2017 (from April 1, 2017 to June 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	%
Three months ended June 30, 2017	22,208	(0.3)	2,295	119.6	2,476	329.1	2,135	392.1
Three months ended June 30, 2016	22,280	–	1,045	–	577	–	433	–

Note: Comprehensive income Three months ended June 30, 2017 ¥ 1,516 million [–%]
 Three months ended June 30, 2016 ¥(1,724) million [–%]

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended June 30, 2017	20.73		–	
Three months ended June 30, 2016	4.21		–	

Note: Since the results have been retrospectively adjusted due to changes in accounting policies, financial results for the three months ended June 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 June 30, 2017	125,412		54,233		43.2	
As of March 31, 2017	128,530		54,004		42.0	

Reference: Equity As of June 30, 2017 ¥54,233 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				
Year ended March 31, 2017	–	0.00	–	12.50	12.50
Year ending March 31, 2018	–				
Year ending March 31, 2018 (Forecast)		0.00	–	125.00	125.00

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

* Effective October 1, 2017, the Company plans to consolidate 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. 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
Six months ending September 30, 2017	44,300	1.3	3,400	155.3	3,600	495.1	3,000	527.4	291.22
Full year	91,200	0.9	5,800	13.7	6,000	30.3	4,800	41.6	465.96

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 three months ended June 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 June 30, 2017	103,388,848 shares	As of March 31, 2017	103,388,848 shares
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Number of treasury shares at the end of the period

As of June 30, 2017	375,271 shares	As of March 31, 2017	375,271 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Three months ended June 30, 2017	103,013,577 shares	Three months ended June 30, 2016	103,020,729 shares
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* 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 plans to consolidate 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 calculated without factoring in the share consolidation are as follows.

- Consolidated financial results forecast for the fiscal year ending March 31, 2018 (earnings per share): ¥46.60

- 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 June 30, 2017
Assets		
Current assets		
Cash and deposits	33,691	30,861
Notes and accounts receivable - trade	19,257	16,898
Securities	5,000	7,000
Merchandise and finished goods	6,615	6,692
Work in process	3,810	3,997
Raw materials and supplies	8,386	8,320
Deferred tax assets	719	809
Other	3,733	4,319
Allowance for doubtful accounts	(21)	(20)
Total current assets	81,192	78,879
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	8,878	8,653
Machinery, equipment and vehicles, net	7,490	7,080
Land	6,011	5,973
Leased assets, net	571	774
Construction in progress	680	653
Other, net	1,385	1,364
Total property, plant and equipment	25,017	24,499
Intangible assets		
Goodwill	14	5
Software	676	655
Leased assets	16	13
Other	583	677
Total intangible assets	1,292	1,353
Investments and other assets		
Investment securities	14,334	14,072
Deferred tax assets	6,021	5,937
Other	722	720
Allowance for doubtful accounts	(50)	(49)
Total investments and other assets	21,028	20,680
Total non-current assets	47,338	46,533
Total assets	128,530	125,412

(Millions of yen)

	As of March 31, 2017	As of June 30, 2017
Liabilities		
Current liabilities		
Notes and accounts payable - trade	14,282	13,598
Short-term loans payable	7,293	7,177
Current portion of bonds	150	175
Lease obligations	211	235
Income taxes payable	340	160
Provision for bonuses	928	–
Other	4,989	5,718
Total current liabilities	28,195	27,065
Non-current liabilities		
Bonds payable	2,775	2,725
Long-term loans payable	20,950	19,237
Lease obligations	433	619
Deferred tax liabilities	89	89
Net defined benefit liability	16,447	16,417
Provision for product warranties	5,469	4,855
Asset retirement obligations	142	142
Other	22	27
Total non-current liabilities	46,330	44,114
Total liabilities	74,526	71,179
Net assets		
Shareholders' equity		
Capital stock	17,823	17,823
Capital surplus	7,738	7,738
Retained earnings	29,100	29,947
Treasury shares	(132)	(132)
Total shareholders' equity	54,529	55,376
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,653	2,404
Foreign currency translation adjustment	(556)	(999)
Remeasurements of defined benefit plans	(2,621)	(2,549)
Total accumulated other comprehensive income	(524)	(1,143)
Total net assets	54,004	54,233
Total liabilities and net assets	128,530	125,412

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

(Millions of yen)

	Three months ended June 30, 2016	Three months ended June 30, 2017
Net sales	22,280	22,208
Cost of sales	18,263	16,855
Gross profit	4,016	5,353
Selling, general and administrative expenses	2,970	3,057
Operating profit	1,045	2,295
Non-operating income		
Interest income	14	20
Dividend income	98	109
Royalty income	72	50
Share of profit of entities accounted for using equity method	61	105
Other	43	44
Total non-operating income	291	329
Non-operating expenses		
Interest expenses	113	83
Foreign exchange losses	602	37
Other	44	28
Total non-operating expenses	759	149
Ordinary profit	577	2,476
Profit before income taxes	577	2,476
Income taxes - current	107	269
Income taxes - deferred	35	71
Total income taxes	143	340
Profit	433	2,135
Profit attributable to		
Profit attributable to owners of parent	433	2,135
Profit attributable to non-controlling interests	–	–
Other comprehensive income		
Valuation difference on available-for-sale securities	(981)	(248)
Foreign currency translation adjustment	(1,064)	(442)
Remeasurements of defined benefit plans, net of tax	30	72
Share of other comprehensive income of entities accounted for using equity method	(143)	0
Total other comprehensive income	(2,158)	(618)
Comprehensive income	(1,724)	1,516
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(1,724)	1,516
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 first quarter of the previous fiscal year and financial statements for the year ended March 31, 2017.

As a result, net sales have increased by ¥355 million, operating income has increased by ¥20 million, ordinary income has increased by ¥15 million, net income before income taxes has increased by ¥15 million, and net income attributable to owners of parent has increased by ¥12 million in the first 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 are described in the segment information section.

Segment Information

Year ended June 30, 2017 (April 1, 2017 to June 30, 2017)

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

Millions of yen								
Year ended June 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	¥ 8,374	¥ 12,142	¥ 1,384	¥ 21,901	¥ 307	¥ 22,208	¥ —	¥ 22,208
Inter-segment	1,351	3	—	1,355	—	1,355	(1,355)	—
Total	9,725	12,146	1,384	23,256	307	23,563	(1,355)	22,208
Segment income (loss)	¥ 1,240	¥ 2,281	¥ (433)	¥ 3,088	¥ 17	¥ 3,106	¥ (810)	¥ 2,295

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

2. ¥ (810) 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 first quarter of the previous fiscal year.

As a result, compared to before retroactive application, during the first quarter of the previous fiscal year net sales and segment income have increased by ¥90 million and ¥0 million, respectively, in the “Devices Business”, net sales and segment income have increased by ¥265 million and ¥20 million, respectively, in the “Car Electronics Business”, net sales and segment loss have increased by ¥0 million and ¥0 million, respectively, in the “New Generation Energy Business”, net sales and segment income have increased by ¥0 million and ¥0 million, respectively, in the “Other”.