

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

# **Investor Meeting for the year ended March 2014**

May 21, 2014

 **SANSHIN ELECTRONICS CO., LTD.**

Mitsumasa Matsunaga, President

(Stock code: 8150)

## \*Note for Use of This Reference Material

Business forecasts and other statements contained in this reference material regarding the future are predictions based on information available at the time of writing and are not intended as a promise of performance on the part of the Company. Due to various factors, actual results may differ from assessment figures. Major factors affecting actual results are mainly those listed below.

- Economic conditions and consumption trends in Japan, North America and Asia
- Purchaser's production trends and product development
- Supplier's supply situation and product development
- Price drops due to intensifying competition
- Significant fluctuations in exchange rates

# **I. Year Ended March 2014 Performance Summary**

- Net sales increased 30% year on year (TOY/Digital AV Sectors decreased by 28%; Other Sectors increased by 77%)
- Operating/ordinary/net profits increased significantly thanks to an increase in net sales

	03/13 Result	03/14 Result	YoY change	*Forecast	Achievement Ratio
Net Sales	1,479.6	1,922.4	130%	1,830.0	105%
Gross Profit to Sales	7.5% 110.6	6.4% 123.9	112%	6.5% 119.1	104%
SG&A Expenses	6.1% 90.3	5.1% 98.7	109%	5.3% 97.1	102%
Operating Profit	1.4% 20.3	1.3% 25.2	124%	1.2% 22.0	114%
Ordinary Profit	1.1% 16.3	1.4% 26.6	163%	1.3% 23.0	116%
Net Profit	0.8% 11.3	0.9% 18.1	160%	0.8% 15.5	117%
Consolidated ROE	1.9%	3.0%	Increase/decrease +1.1P	2.6%	Increase/decrease +0.4P
Foreign Exchange Rate (US\$1)	¥83.11	¥100.23	Increase/decrease +¥17.12	¥97.00	Increase/decrease +¥3.23

\*Assessment figures announced on November 6, 2013 (First half of the year ended March 2014)

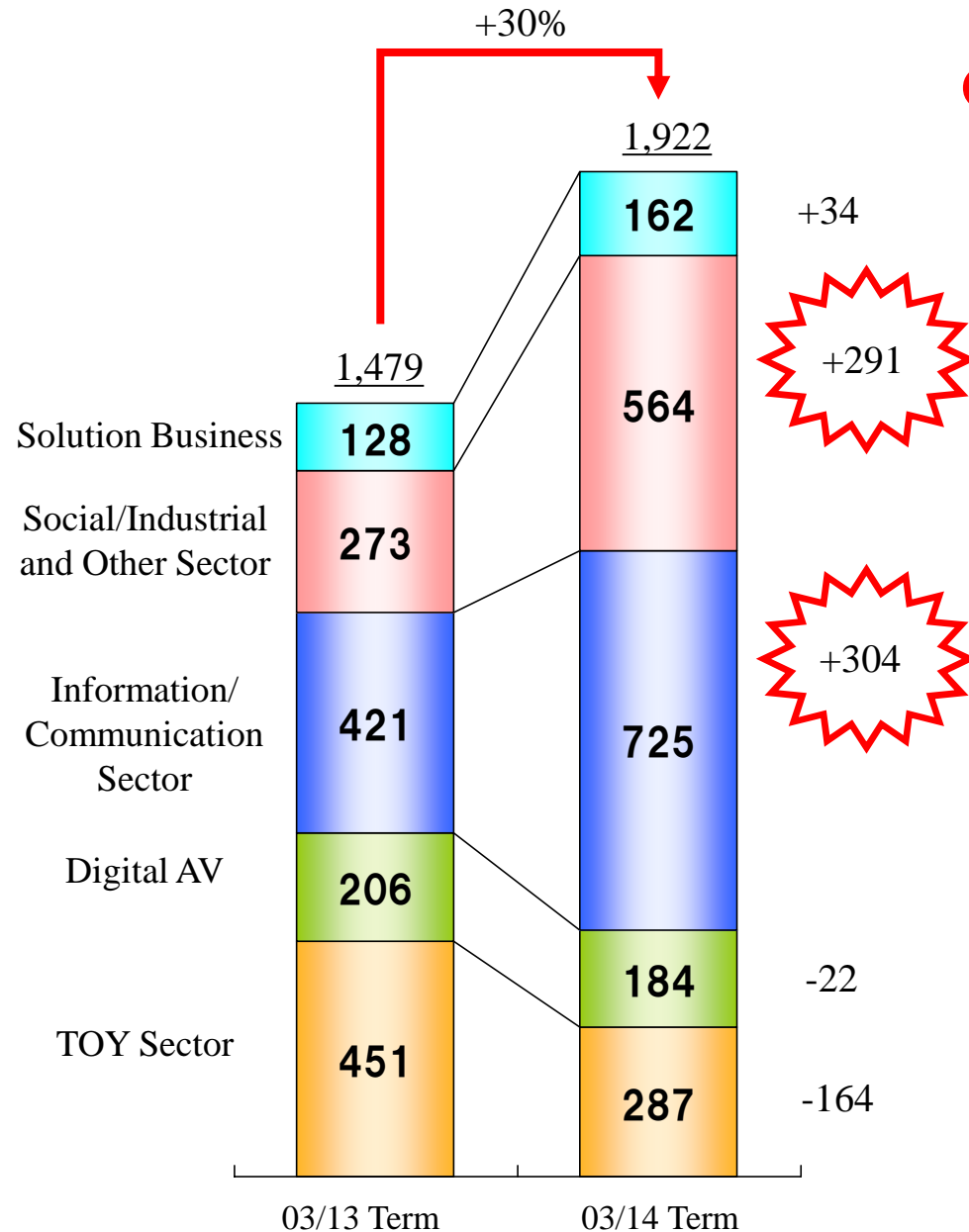
- In the device business, net sales increased by 30% year on year, and segment profit also increased significantly thanks to the revenue growth
  - Net sales increased thanks to the effects produced by strong sales of the products for mobile device, social infrastructure/vehicle-mounted systems and launching of new products made by overseas manufacturers, as well as depreciation of yen.
- In the solution business, net sales increased by 26% year on year, marking the highest segment profit ever posted.
  - The overall business hovered at a steady level thanks to various factors such as deep cultivation of major clients; activation of renewal demand caused by full-digitalization of radio communications across fire safety facilities/ambulance cars; and the last-minute demand before the increase in the consumption tax rate.

		03/13 Result	03/14 Result	YoY change	*Forecast	Achievement ratio
Device Business	Net Sales	1,351.1	1,760.5	130%	1,690.0	104%
	Segment Profit	0.3% 4.7	0.6% 10.8	230%	0.7% 11.0	98%
Solution Business	Net Sales	128.5	161.9	126%	140.0	116%
	Segment Profit	9.0% 11.6	9.8% 15.8	136%	8.6% 12.0	132%
Foreign Exchange Rate (US\$1)		¥83.11	¥100.23	Increase/decrease +¥17.12	¥97.00	Increase/decrease +¥3.23

Notes:

\*1) The total amount of segment profit adjustments such as costs related to the management division has been allocated to each business since the fiscal year ended March 2014. For comparison purposes, results for the fiscal year ended March 2013 are also allocated to each business in this presentation.

\* 2) Assessment figures announced on November 14, 2013 (Investor meeting for the first half of the year ended March 2014)



● Net sales expanded in the information/communication sector and social/industrial and other sector.

■ Solution Business

○ Overall performance hovered at a steady level

■ Social/Industrial and Other Sector

○ Those for social infrastructure/vehicle-mounted systems, and new businesses increase

■ Information /Communication Sector

○ Those of systems for mobile devices increase

■ Digital AV

● Those for TVs/BDs decrease

■ TOY Sector

● Those for gaming consoles decrease

# **II. Year Ending March 2015 Full-Year Business Forecasts**

- Sales will increase 1% year on year (TOY/Digital AV Sectors will decrease by 13%; Other Sectors will increase by 6%).
- While operating profit is forecasted to increase slightly, ordinary /net profits are forecasted to decrease due to weak sales in solution business.

	03/12 Term Result	03/13 Term Result	03/14 Term Result	Forecast for		YoY change
				1st Half	2nd Half	
Net Sales	1,441.6	1,479.6	1,922.4	910.0	1,040.0	101%
Gross Profit to Net Sale	7.2% 104.4	7.5% 110.6	6.4% 123.9	6.6% 60.2	6.7% 69.5	105%
SG&A Expenses	6.5% 94.3	6.1% 90.3	5.1% 98.7	5.7% 51.7	5.0% 52.5	106%
Operating Profit	0.7% 10.1	1.4% 20.3	1.3% 25.2	0.9% 8.5	1.6% 17.0	101%
Ordinary Profit	0.6% 8.0	1.1% 16.3	1.4% 26.6	0.9% 8.0	1.6% 16.5	92%
Net Income	0.4% 5.2	0.8% 11.3	0.9% 18.1	0.5% 5.0	1.1% 11.5	91%
Consolidated ROE	0.9%	1.9%	3.0%	-	-	Increase/decrease -0.4P
Foreign Exchange Rate (US\$1)	¥79.07	¥83.11	¥100.23	¥100.00	¥100.00	Increase/decrease - ¥0.23

\*1) 1st half: April 1 to September 30, 2nd half: October 1 to March 31



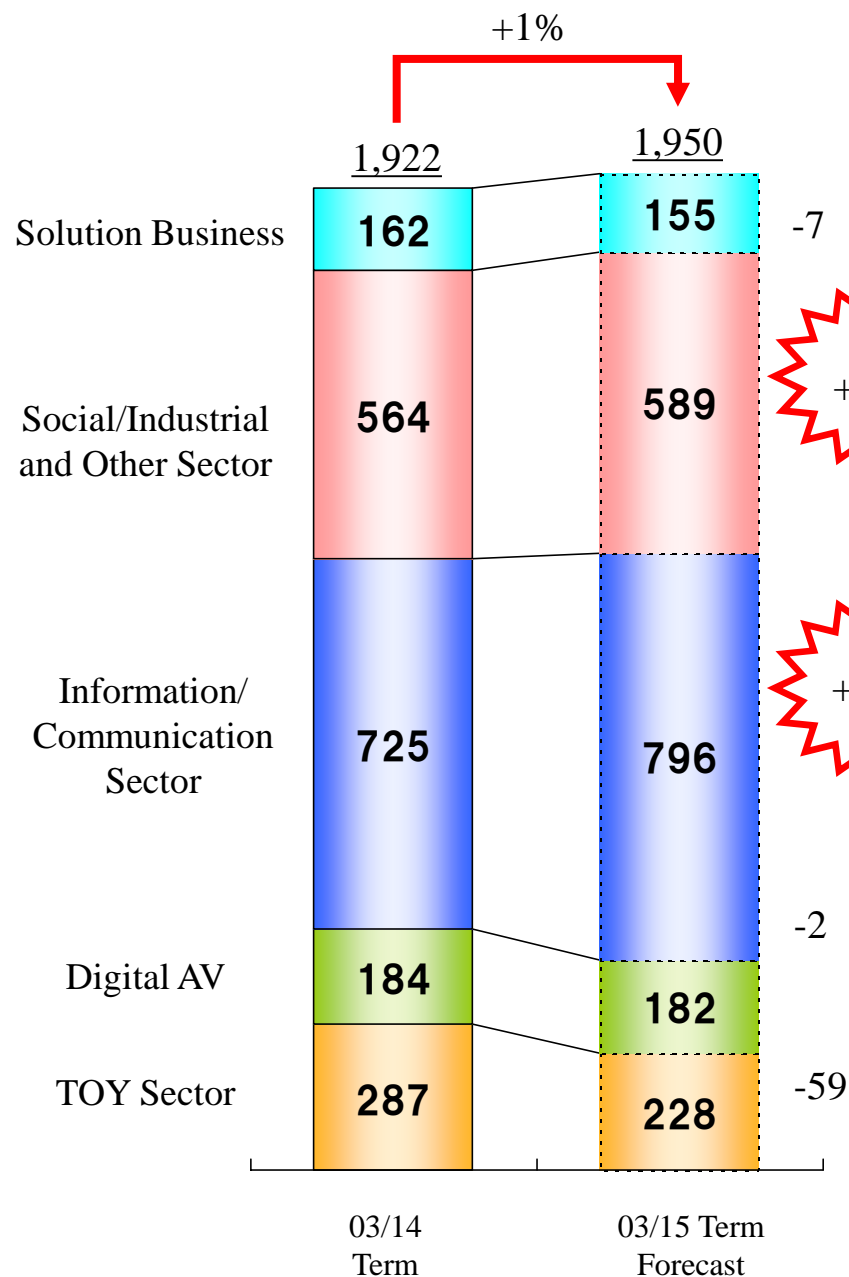
- The device business is forecasted to recover from the second half of the fiscal year, and to attain increase in both sales and profit in the full fiscal year.
- In the solution business, both sales and profit are forecasted to decrease due to negative impact by the last-minute demand before the increase in the consumption tax rate.

		3/12 Term Result	3/13 Term Result	3/14 Term Result	Forecast for		YoY change	
					1st Half	2nd Half		03/15 Full-year
Device Business	Net Sales	1,331.3	1,351.1	1,760.5	851.0	944.0	1,795.0	102%
	Segment Profit	-0.1% -0.7	0.3% 4.7	0.6% 10.8	0.5% 4.0	0.8% 7.5	0.6% 11.5	107%
Solution Business	Net Sales	110.3	128.5	161.9	59.0	96.0	155.0	96%
	Segment Profit	7.9% 8.7	9.0% 11.6	9.8% 15.8	6.8% 4.0	9.4% 9.0	8.4% 13.0	82%
Foreign Exchange Rate (US\$1)		¥79.07	¥83.11	¥100.23	¥100.00	¥100.00	¥100.00	Increase/decrease - ¥0.23

Notes:

\*1) The total amount of segment profit adjustments such as costs related to the management division has been allocated to each business since the fiscal year ended March 2014. For comparison purposes, results from 03/12 term through 03/13 term are also allocated to each business in this presentation.

\*2) 1st half: April 1 to September 30, 2nd half: October 1 to March 31



● Forecast growth in the information, communication, social and industrial and other sectors

- Solution Business
  - While those for public sector hover at a steady level, those for others, as a whole, are expected to decrease
- Social/Industrial and Other Sector
  - Those for household electrical appliances/vehicle-mounted systems, and for new businesses increase
- Information/Communication Sector
  - Those for mobile devices increase steadily
- Digital AV
  - Those for TV/BD decrease
- TOY Sector
  - Those for gaming consoles decrease

# **III. Business Policies / Priority Issues**

Establishing a solid revenue base by absorbing risk and attaining substantial growth

## The Group's Situation

**<Segment Profit>**

- Solution business exceeds the device business
  - Slumping revenue in device business due to decrease in certain fields
  - Steady reform of revenue structure in solution business

03/14 Term Result

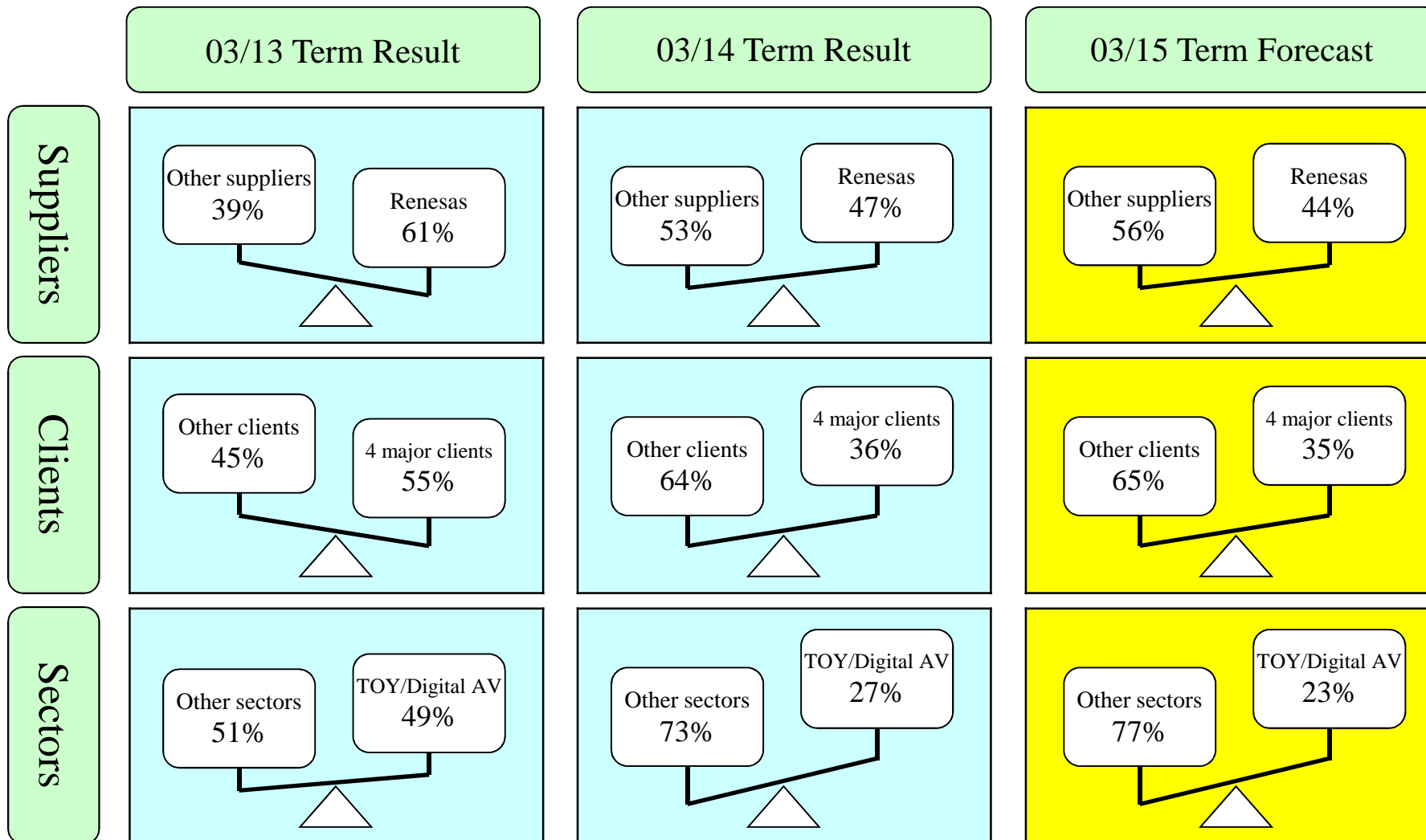
## Future Business Policies

Full-fledged recovery in the device business

Goal for profit structure (Digital biz.)2:1(Solution biz.)

Development of stable revenue base in the solution business

● Development of strong and balanced profit structure  
 → Creation of business opportunities by expanding sales territories and deep cultivation of clients

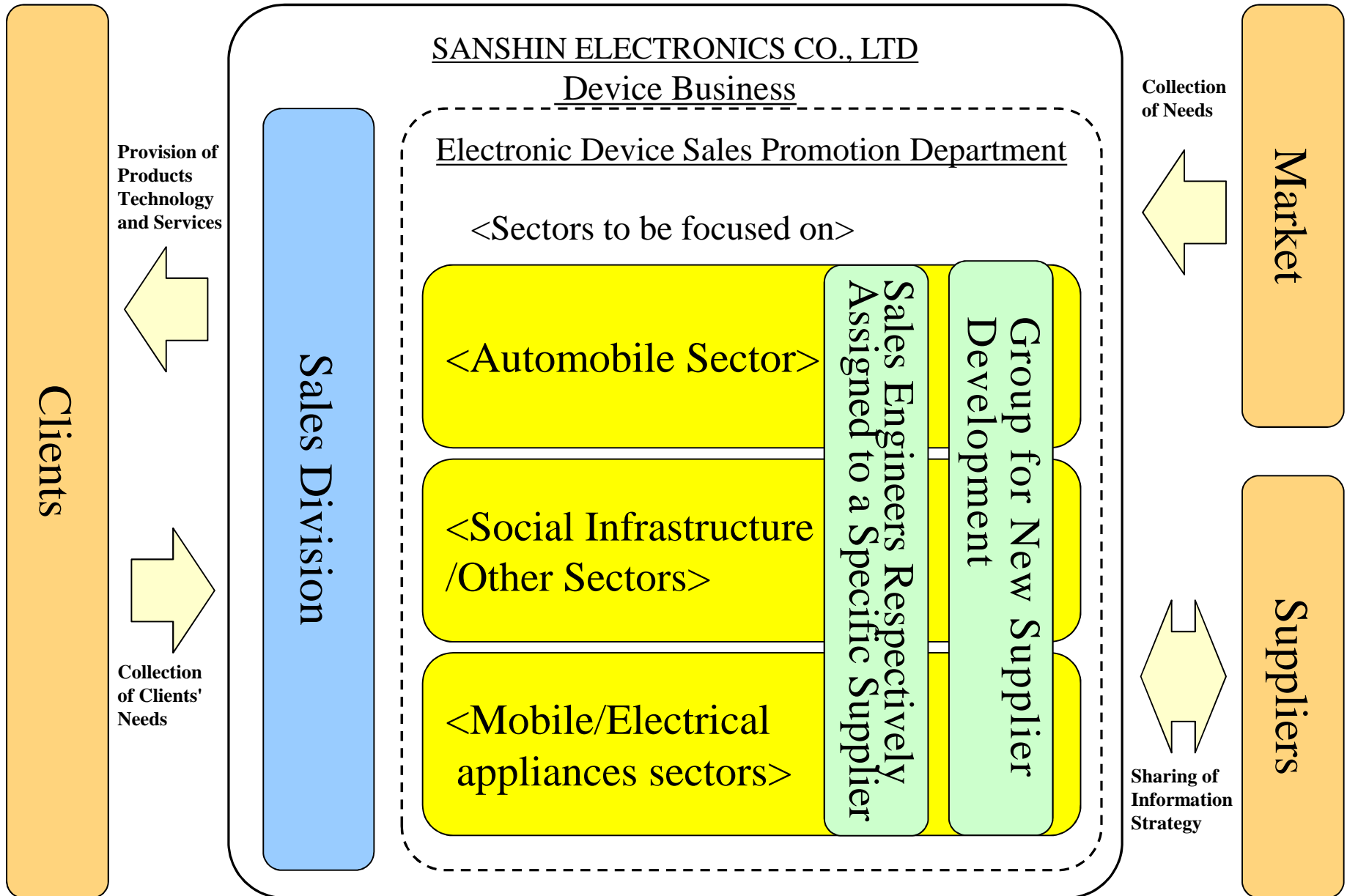


## 1. Sales expansion and strengthening of the products procured from both existing and new suppliers

- ① Sales expansion to growing sectors by aligning suppliers with sales strategies
- ② Strengthening and expansion of the products provided by new suppliers including overseas manufacturers
  - Products to complement ones from existing suppliers
  - Attracting new customers by introducing new products provided by new suppliers

## 2. Deep cultivation of customers through total solution

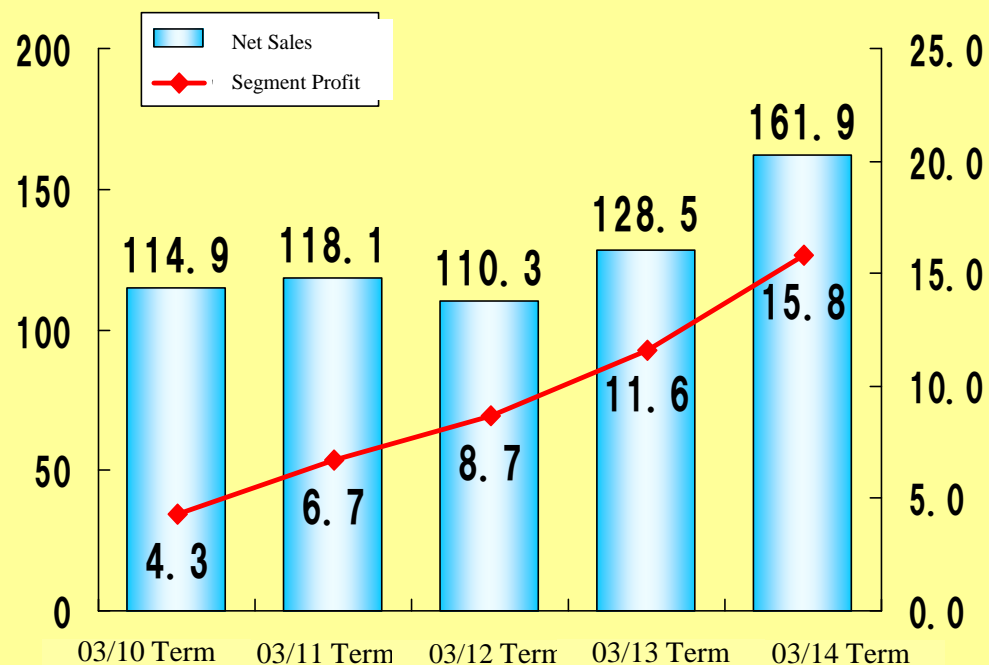
- ① Integration of the Sales Promotion Department to transform to the sales structure enabling market-by-market responses
  - Development of the total solution to combine strength of each supplier in an optimal way
- ② Strengthening of collaboration between local subsidiaries and HQ' Sales Department in the business transferred to overseas countries
- ③ Strengthening of responses to the increased needs for design-ins in overseas countries
- ④ Development of new business models such as material process/EMS



## Condition of the Solution Business

<Changes in net sales and segment profit>

\*Unit: ¥100 million



Segment profit is in an increasing trend thanks to the steady expansion of stock businesses such as maintenance/support.

## 03/15 Term Forecast

**Net Sales:**

**15.5 billion yen (YOY change: 96%)**

**Segment Profit:**

**1.3 billion yen (YOY change: 82%)**

◆ Acceleration of efforts to develop a stable revenue base that is not affected by change of environment

Note: The total amount of segment profit adjustments such as costs related to the management division has been allocated to each business since the fiscal year ended March 2014. For comparison purposes, results from 03/10 term through 03/13 term are also allocated to each business in this presentation.



## 1. Development of strong and balanced profit structure

- ① Collaboration and customer sharing across all the business units to provide synergy effects

NW	Deep cultivation of key accounts, and adaptation to cloud computing to meet specific needs
Public	Deep cultivation for government offices, capture demand for fire safety and disaster prevention
Embedded Systems	Unearthing of demand through deep cultivation of customers
AP Software	Satisfactory result in cloud computing business, and strengthening of CTI business
Moving Picture	Develop new IPTV market

\* AP software: application software

- ② Expansion and strengthening of sales through collaboration with suppliers/collaboration partners

## 2. Expansion of service provision business

- ① Expansion of Sanshin's original menu for the future adaptation of cloud computing
- ② Re-examination of maintenance structure by consolidated management of construction works and call center integration
- ③ Strengthening of collaboration with collaboration partners, increase in technological capability by acquiring technical certification

# IV. Financial Situation

## Consolidated Financial Situation (Balance Sheet)

Unit: ¥100 million

	FY ended Mar. 13 Result (A)	FY ended Mar. 14 Result (B)	B-A Increase/ Decrease	FY ending Mar. 15 Forecast (C)	C-B Increase/ Decrease
Cash and Deposits	111.6	217.6	105.9	190.0	-27.6
Accounts Receivable	388.4	487.2	98.8	530.0	42.8
Inventories	227.0	134.6	-92.5	140.0	5.4
Other Assets	102.0	95.8	-6.2	95.0	-0.8
Total Assets	829.2	935.2	106.1	955.0	19.8
Accounts Payable	168.0	240.0	72.1	250.0	10.0
Interest Bearing Liabilities	33.6	45.2	11.7	45.2	0.0
Other Liabilities	28.5	27.4	-1.0	24.2	-3.3
Total Net Assets	599.2	622.6	23.4	635.6	13.1
Total Liabilities and Net Assets	829.2	935.2	106.1	955.0	19.8
Ratio of Net Worth to Total Capital	72.3%	66.6%	-5.7P	66.6%	±0.0P

## Consolidated Financial Situation (Cash Flow)

Unit: ¥100 million

	03/13 Term Result	03/14 Term Result	03/15 Term Forecast
Decrease (increase) in accounts receivable-trade	21.1	-83.7	-42.8
Decrease (increase) in inventories	-52.2	100.9	-5.4
Increase (decrease) in accounts payable-trade	-1.0	62.9	10.0
Others	-2.7	17.7	19.1
Operating C/F	-34.8	97.9	-19.1
Investing C/F	7.6	2.6	-2.5
Financing C/F	-16.6	-3.2	-6.0
Foreign currency conversion adjustments	2.9	2.2	
Increase/decrease in cash and deposits	-40.9	99.4	-27.6
Increase in cash and deposits from newly consolidated subsidiary	0.2	6.6	
Balance of cash and deposits at term end	111.6	217.6	190.0

## Forecast of Shareholder Returns

	03/11 Term Result	03/12 Term Result	03/13 Term Result	03/14 Term Result	03/15 Term Forecast
1)Consolidated net profit	¥1,448 million	¥516 million	¥1,131 million	¥1,806 million	¥1,650 million
2)Comprehensive profit	¥637 million	¥492 million	¥2,035 million	¥3,385 million	—
3)Consolidated equity ratio	64.5%	73.5%	72.3%	66.6%	66.6%
4)Total dividend (Dividend per share)	¥605 million (¥20)	¥595 million (¥20)	¥580 million (¥20)	¥563 million (¥20)	¥563 million (¥20)
5)Consolidated payout ratio	41.8%	117.0%	51.7%	31.4%	34.2%
6)Value of treasury stocks acquired (Number of shares acquired)	—	¥766 million (1,000,000 shares)	¥321 million (500,000 shares)	¥366 million (600,000 shares)	Suspense
7)Total payout ratio (4+6)÷1	41.8%	263.9%	79.7%	51.4%	Suspense
8)Cancellation of treasury stocks	—	—	—	1,000,000 shares	Suspense
9)Total number of shares issued (Excluding treasury stocks) (Shares)	30,281,000 shares (30,280,000 shares)	30,281,000 shares (29,280,000 shares)	30,281,000 shares (28,779,000 shares)	29,281,000 shares (28,179,000 shares)	Suspense
10)Net profit per share	¥47.81	¥17.10	¥38.67	¥63.78	¥58.55
11)Net assets per share	¥1,968.14	¥2,005.34	¥2,081.88	¥2,209.24	¥2,255.5

\*1) Those acquired along with purchase requests for odd shares are not included in acquisition of own shares.

2) Net profit per share is calculated based on the average number of issued shares (shares other than treasury shares) during the period.

3) Net assets per share is calculated based on the total number of shares issued (excluding treasury stocks) at fiscal year end.

4) The forecast for net profit per share and net assets per share for 03/15 term is calculated based on the total number of shares issued (excluding treasury stocks) as of March 31, 2014.

## ● Basic Policies

- Expanding profit returns and enhancing internal reserves

## ● Predicted Dividends for the Year Ending March 2015

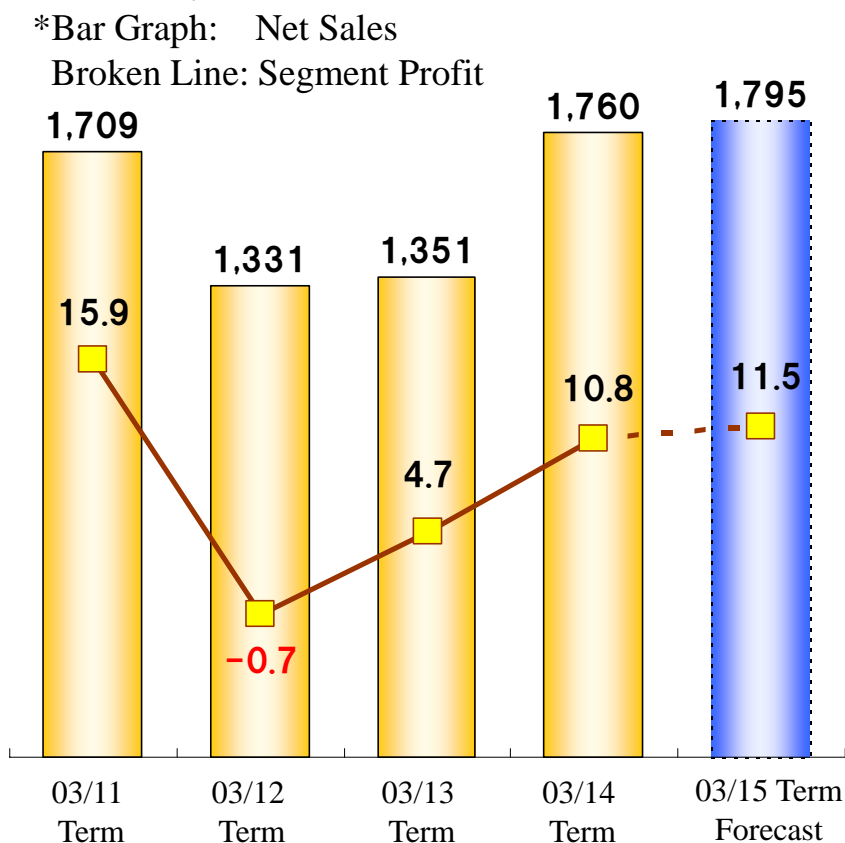
- Although sales and profits are forecasted to decrease in the next fiscal year, we will maintain the stable-dividends policy.
- An annual dividend of ¥20 per share, the same amount of the previous fiscal year (¥10 at both the midterm and term end points)
- Consolidated dividend payout ratio of 34.2%
- Average consolidated dividend payout ratio from the term ended Mar. 2011 to the term ending Mar. 2015: 44.4%

Supplemental Materials 1)

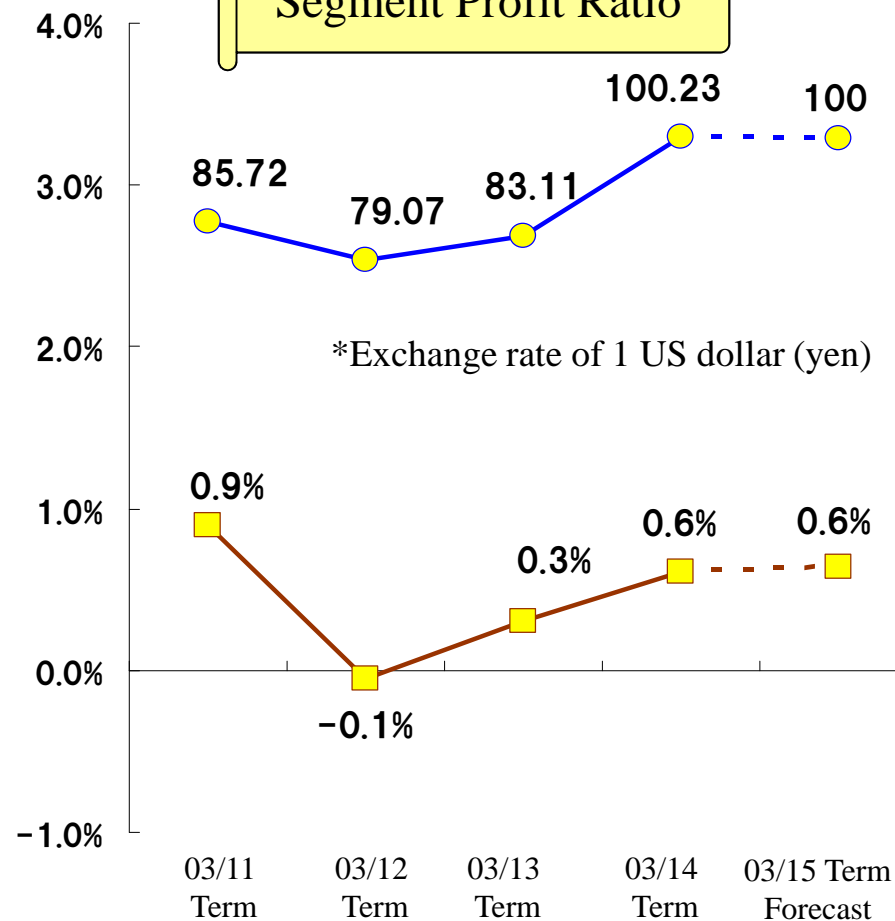
**Year Ending March 2015  
Device Business  
Business Forecasts**

■ Forecast of the period ending March 2015 shows a 2% increase in net sales and a 7% increase in segment profit respectively from the previous corresponding period.  
→ The result is expected to fall below the level of the period ending March 2011;  
we need to make further efforts for earnings recovery and rapid improvement of business performance.

Net Sales/Segment Profit

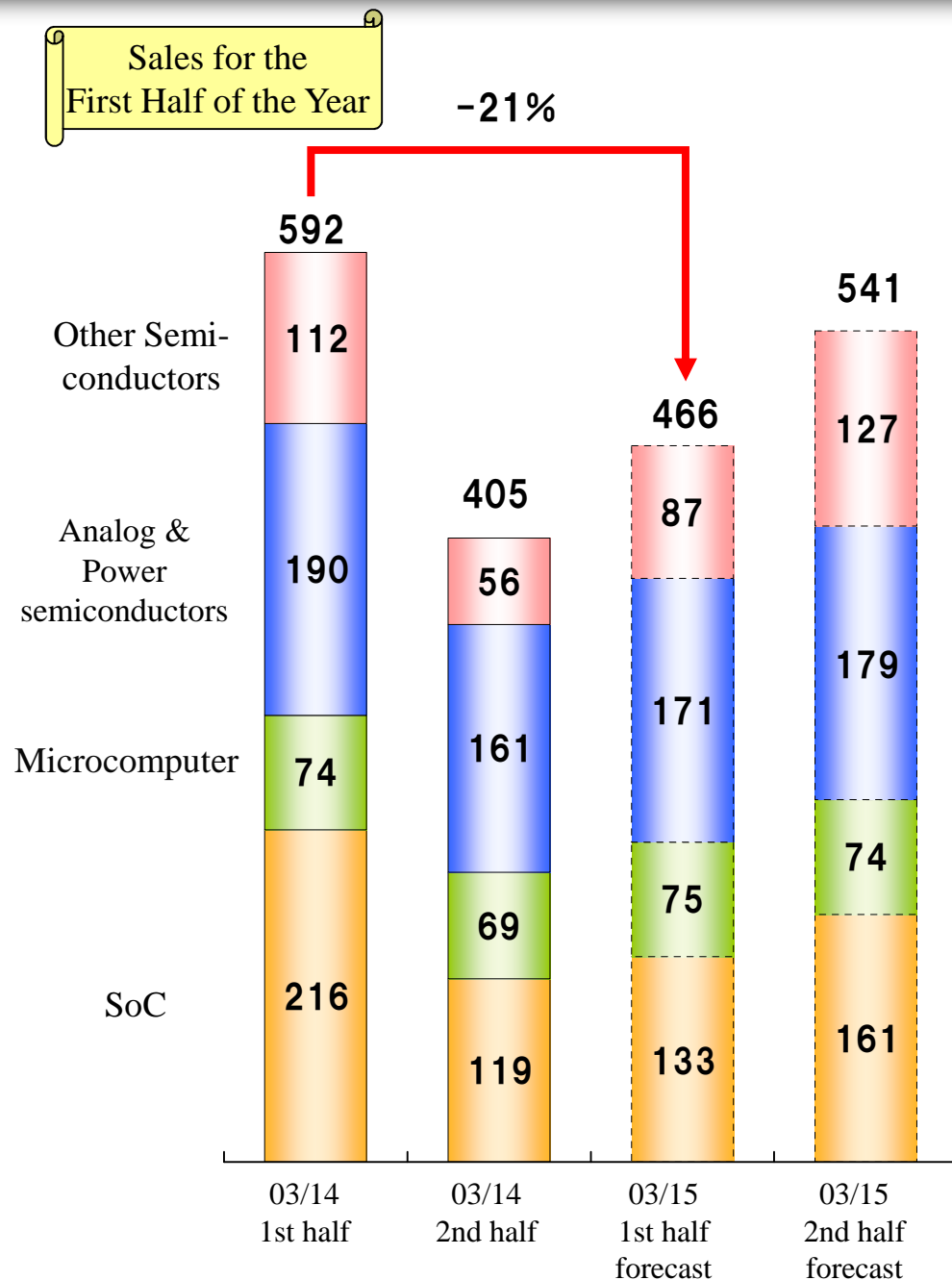


Segment Profit Ratio



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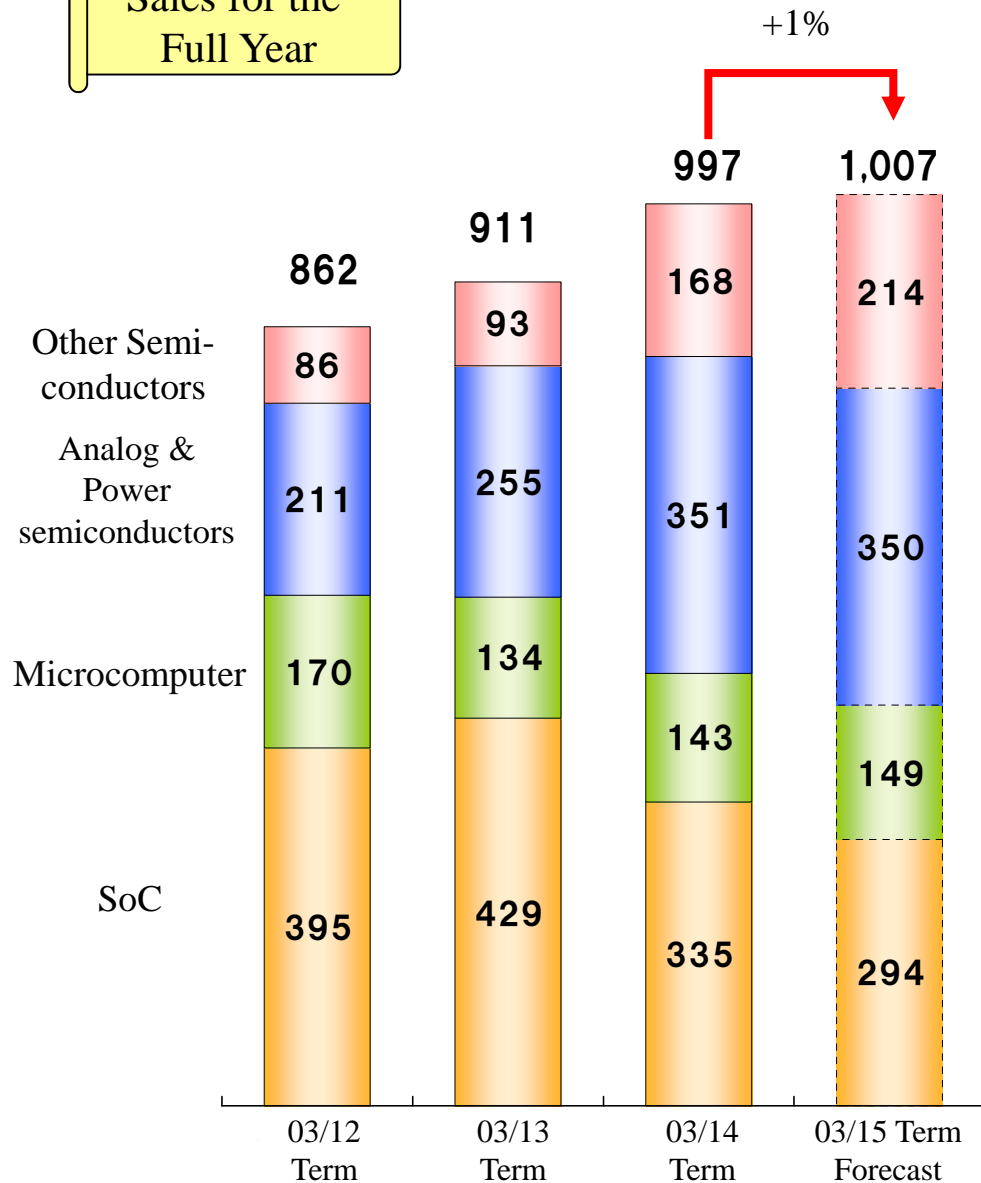


**【 Year-to-Year Comparison of Fluctuations 】**

- SoC (System LSIs)
  - Those for DSC and etc. recover
  - Those for gaming consoles decrease
- Microcomputers
  - Those for vehicle-mounted systems/household electrical appliances increase
  - Those for audio/gaming consoles decrease
- Analog & Power Semiconductors
  - Those for mobile devices decrease
  - A decrease is expected due to planned production cease at a supplier
- Other Semiconductors
  - Those for mobile devices/HDDs decrease

	03/15 1st half forecast	
	Compared to 03/14 1st half	Compared to 03/14 2nd half
SoC	-38%	+11%
Microcomputers	+1%	+9%
Analog & Power Semiconductors	-10%	+6%
Other Semiconductors	-22%	+58%

Sales for the Full Year

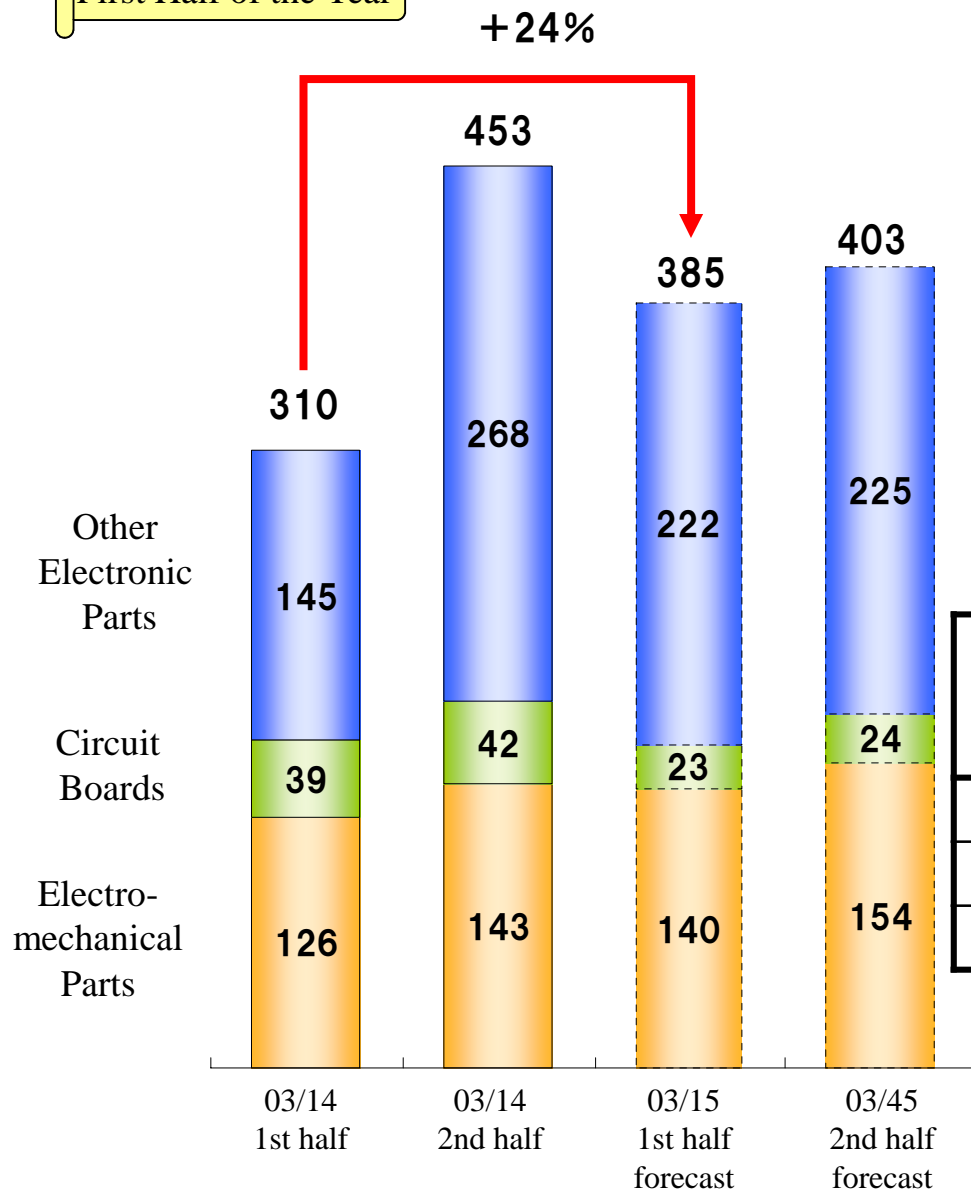


**【Year-to-Year Comparison of Fluctuations】**

- SoC (System LSIs)
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- Microcomputers
  - Those for vehicle-mounted systems/household electrical appliances increase
  - Those for audio/gaming consoles decrease
- Analog & Power Semiconductors
  - Those for mobile devices increase
  - A decrease is expected due to planned production cease at a supplier
- Other Semiconductors
  - Those for mobile devices/new businesses increase for the full year

	YoY change
SoC	-12%
Microcomputers	+4%
Analog & Power Semiconductors	-0.3%
Other Semiconductors	+28%

Sales for the  
First Half of the Year

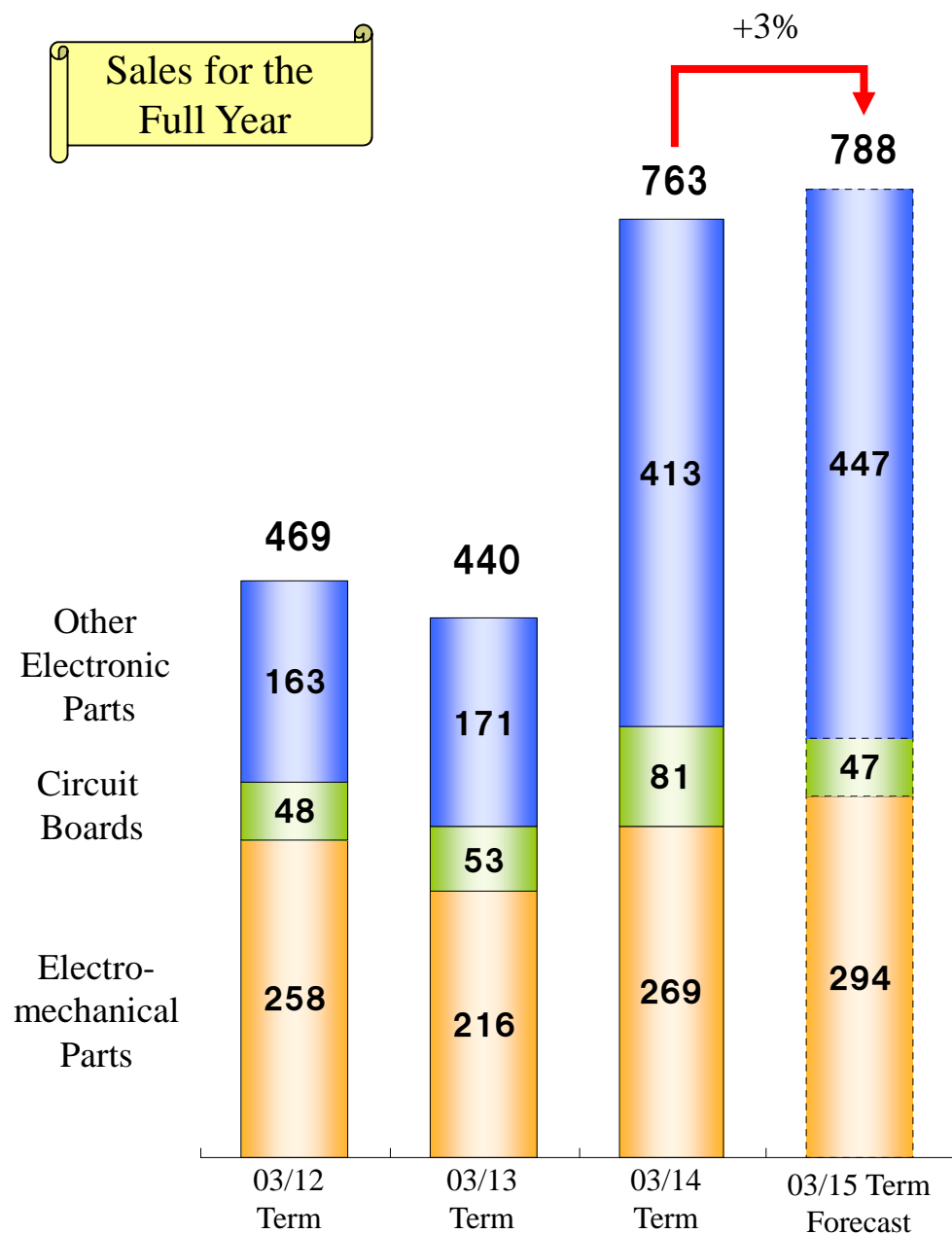


**【 Year-to-Year Comparison of Fluctuations 】**

- Electromechanical Parts
  - Those for mobile devices increase
  - Those for mobile devices decrease
- Circuit Boards
  - Materials and new businesses increase
- Other Electronic Parts
  - Materials and new businesses increase

	03/15 1st half forecast	
	Compared to 03/14 1st half	Compared to 03/14 2nd half
Electromechanical Parts	+11%	-2%
Circuit Boards	-41%	-45%
Others	+53%	-17%

Sales for the Full Year

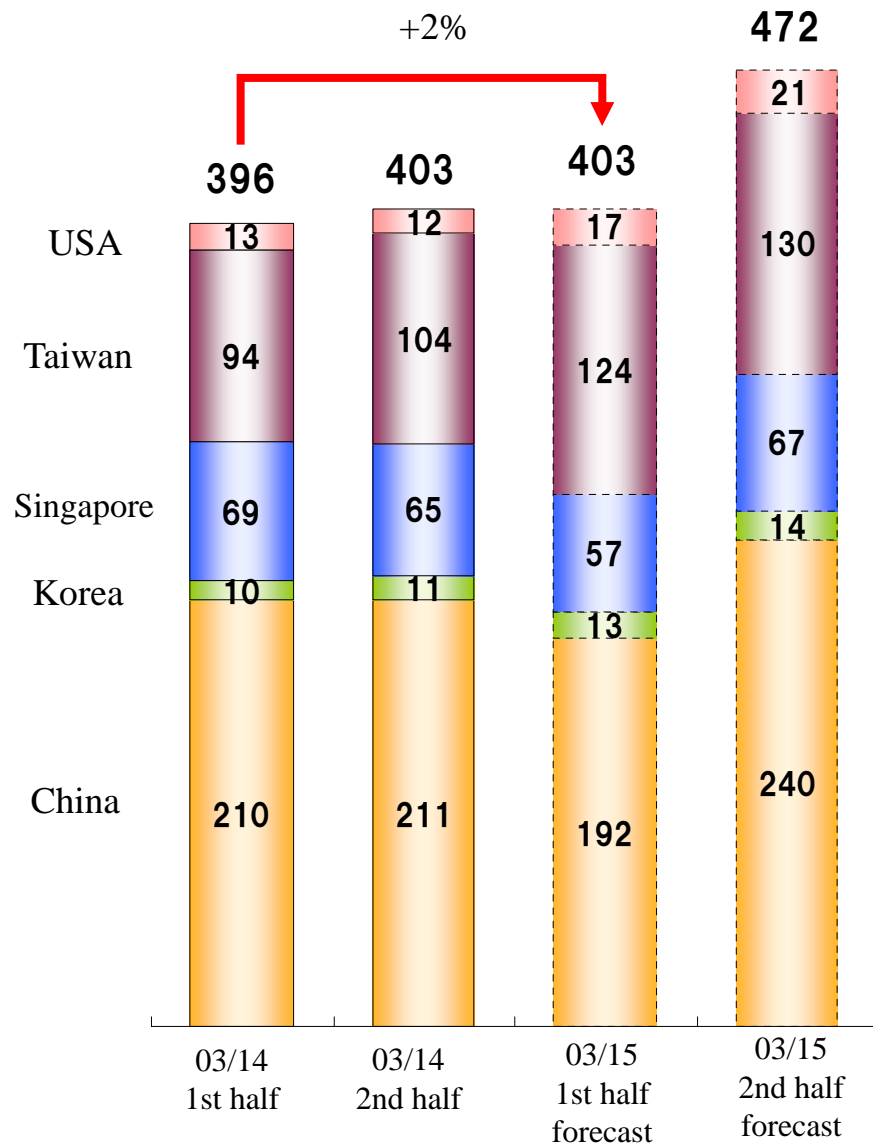


**【 Year-to-Year Comparison of Fluctuations 】**

- Electromechanical Parts
  - Those for mobile devices/gaming consoles increase
- Circuit Boards
  - Those for mobile devices decrease
- Other Electronic Parts
  - Mobile devices and new businesses increase

	YoY change
Electromechanical Parts	+9%
Circuit Boards	-42%
Others	+8%

Sales for the  
First Half of the Year

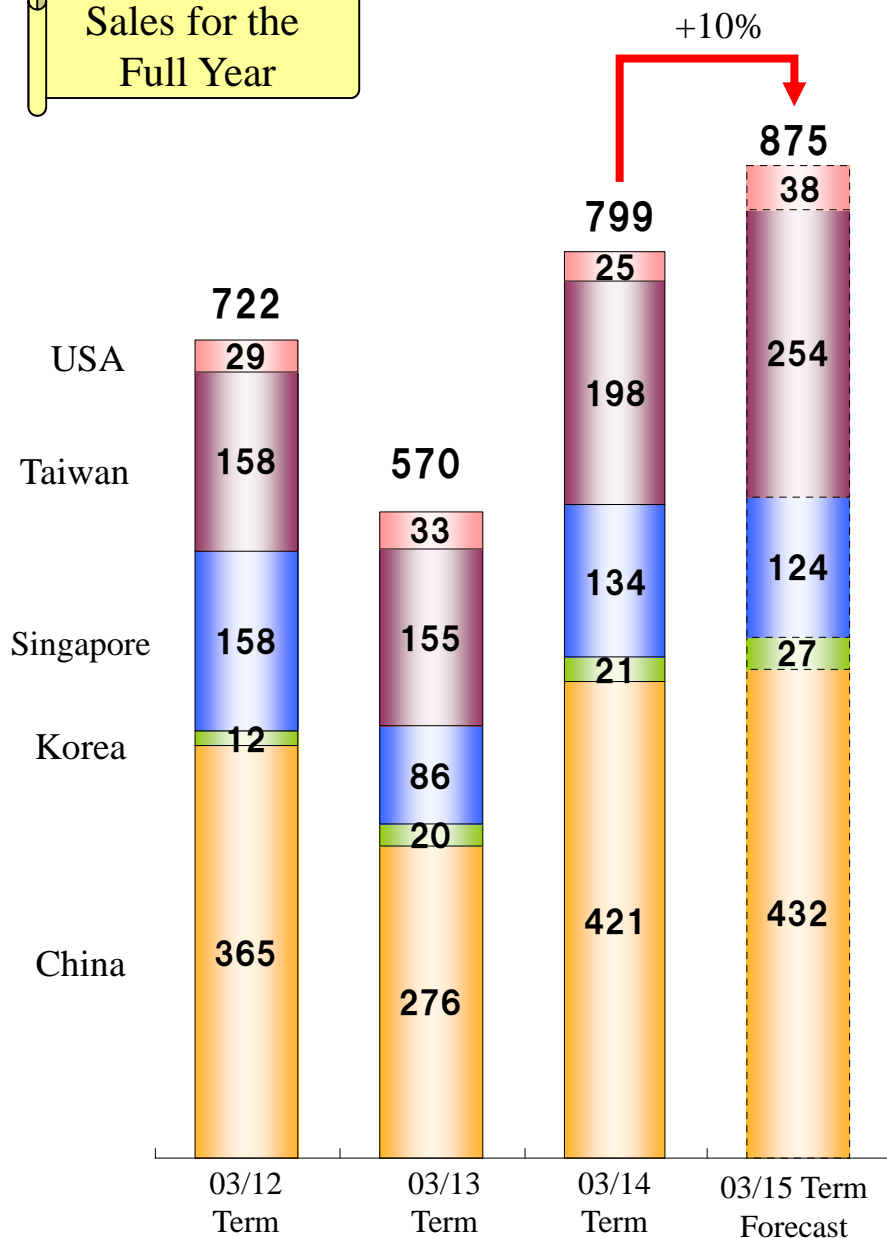


**【 Year-to-Year Comparison of Fluctuations 】**

- China
  - Sanshin Electronics (Shanghai) Co., Ltd. becomes a consolidated company from the period ending March 2015
  - Those for mobile devices/HDDs decrease
- Korea
  - Those for mobile devices/vehicle-mounted systems/household electrical appliances increase
- Singapore (including Thailand)
  - Those for digital appliances/HDDs decrease
- Taiwan
  - Those for gaming consoles/mobile devices increase
- USA
  - Those for digital AV/new businesses increase

	03/15 1st half forecast	
	Compared to 03/14 1st half	Compared to 03/14 2nd half
China	-8%	-9%
Korea	+26%	+12%
Singapore	-18%	-12%
Taiwan	+32%	+20%
USA	+31%	+40%

Sales for the Full Year



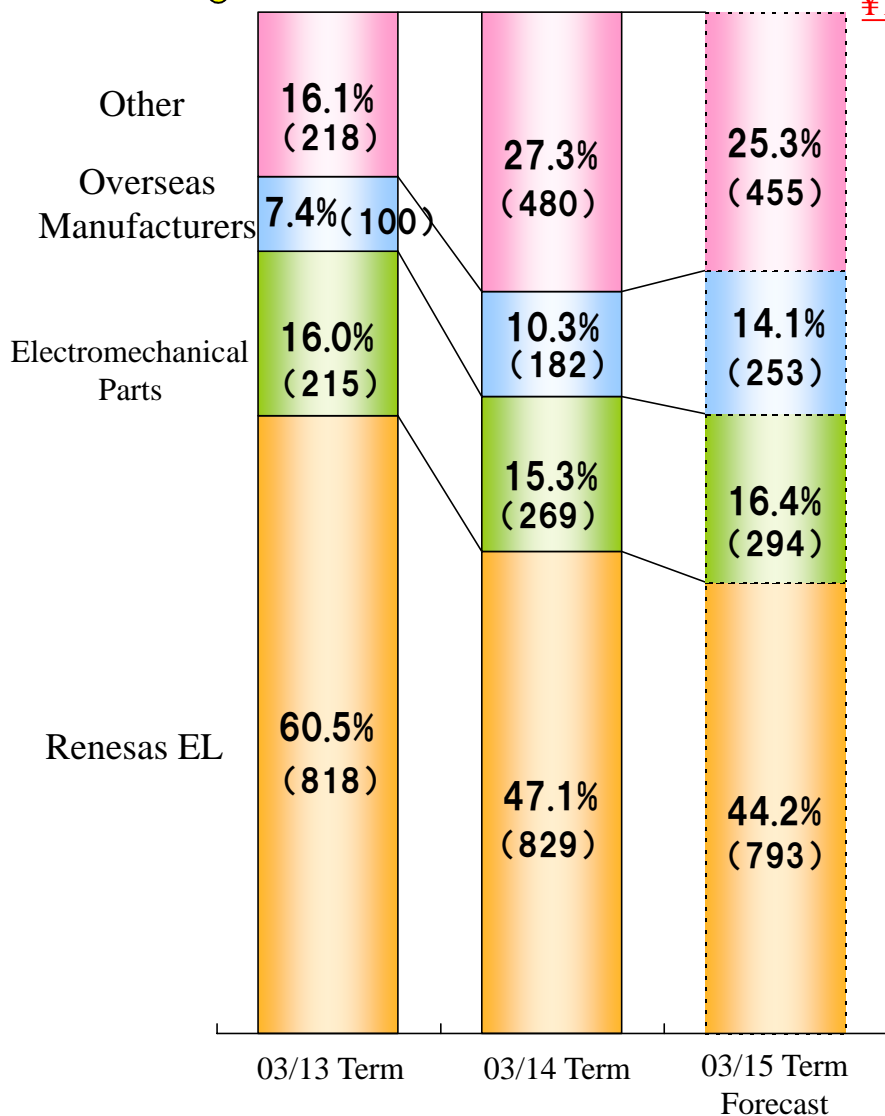
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- Singapore (including Thailand)
  - Those for digital appliances/HDDs decrease
- Taiwan
  - Those for gaming consoles /mobile devices increase
- USA
  - Those for digital AV/new businesses increase

	YoY change
China	+3%
Korea	+27%
Singapore	-8%
Taiwan	+28%
USA	+55%

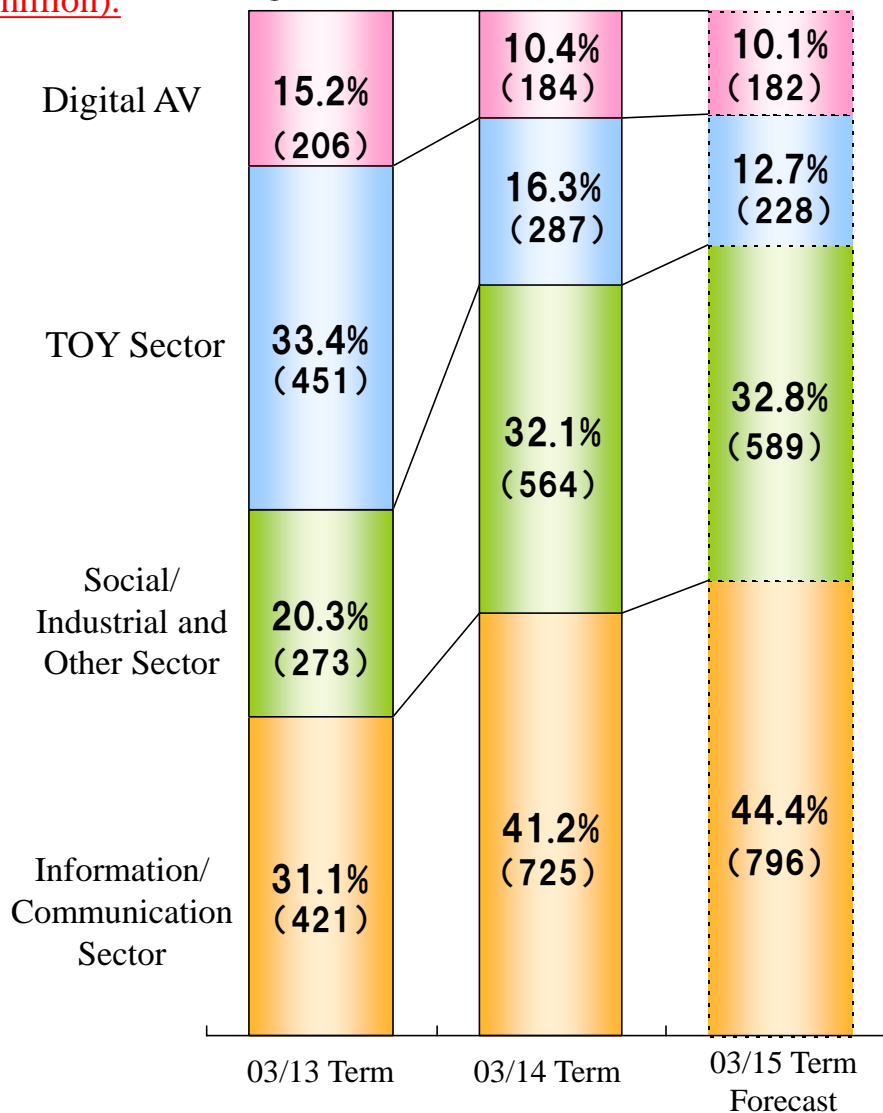
# Sales Composition Ratio for Device Business

**Sales Composition Ratio by Product**



\* Figures in brackets represent net sales (unit: ¥100 million).

**Sales Composition Ratio by Sector**



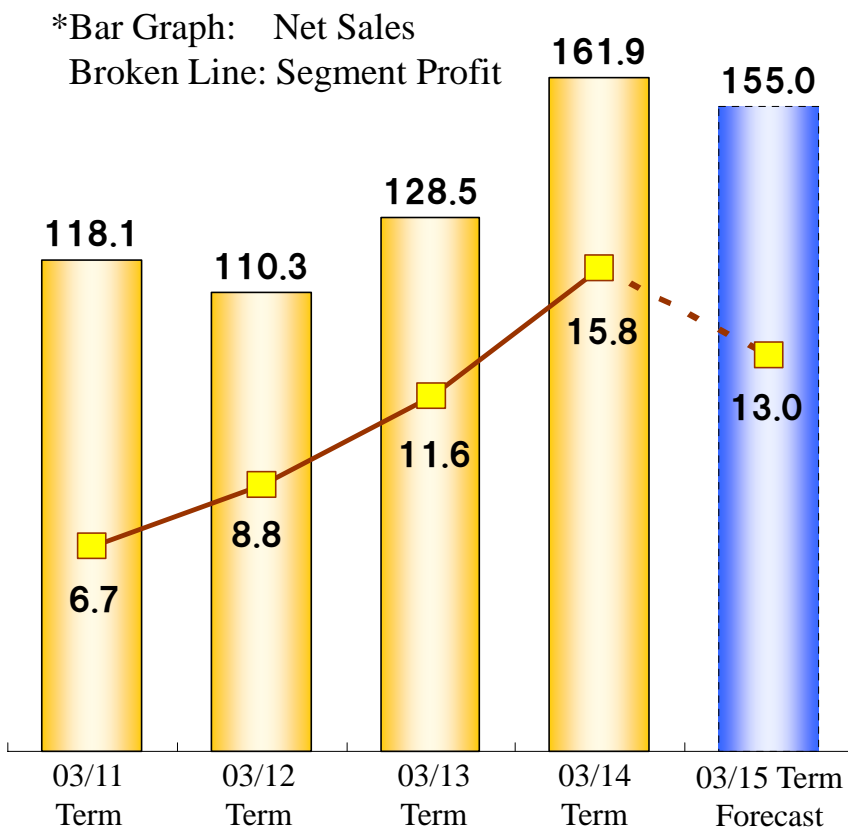
Supplemental Materials 2)

# **Year Ending March 2015 Solution Business Business Forecast**

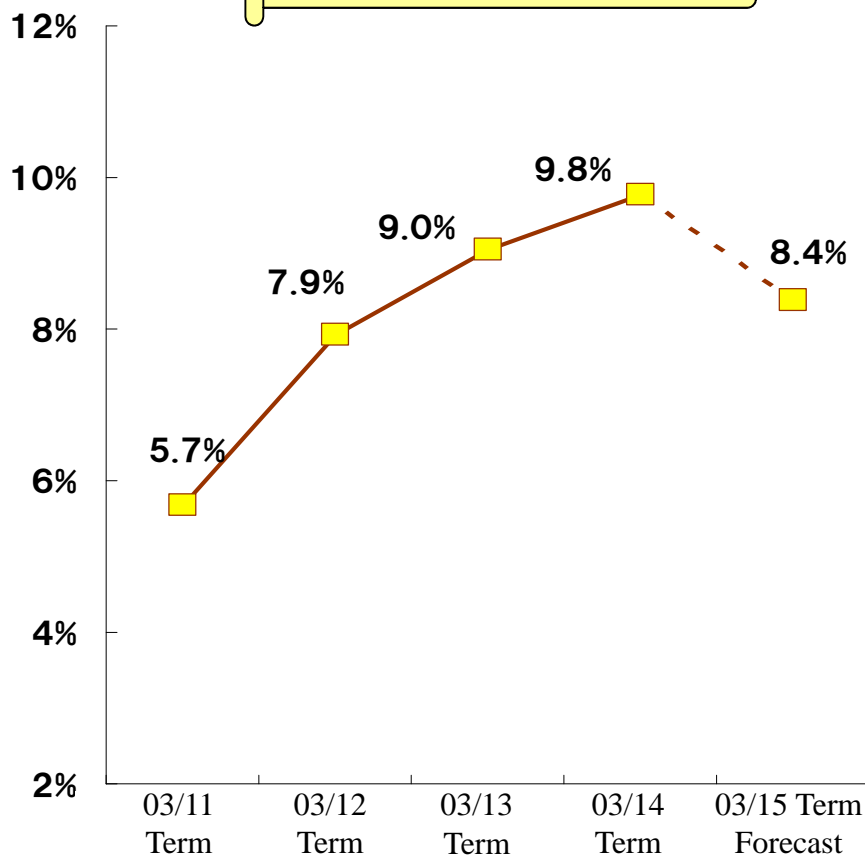


■ Forecast of the period ending March 2015 shows a 4% decrease in net sales and a 18% decrease in segment profit respectively from the previous corresponding period.  
→ Profit is forecasted to decrease due to negative impact of the last minute demand and increase in employees; we need to strengthen our corporate structure for stable growth.

Net Sales/Segment Profit



Segment Profit Ratio

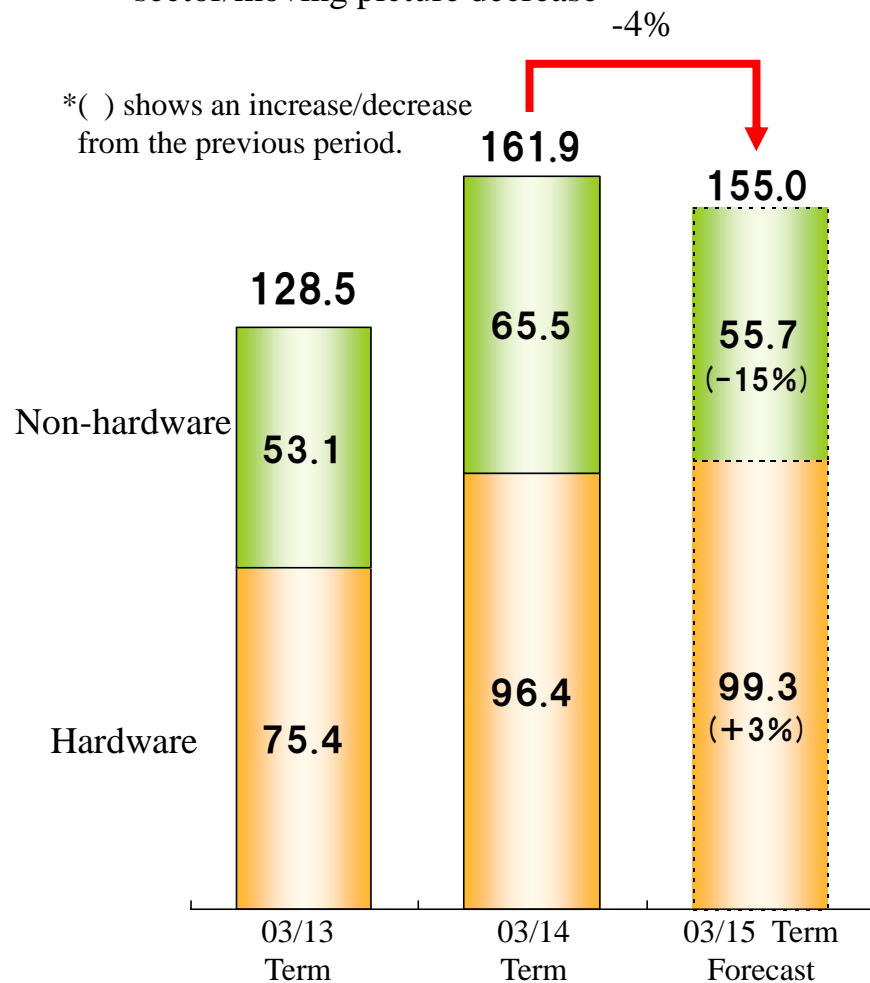


Note: The total amount of segment profit adjustments such as costs related to the management division has been allocated to each business since the fiscal year ended March 2014. For comparison purposes, results from 03/11 term through 03/13 term are also allocated to each business in this presentation.

## Changes in Net Sales by Product

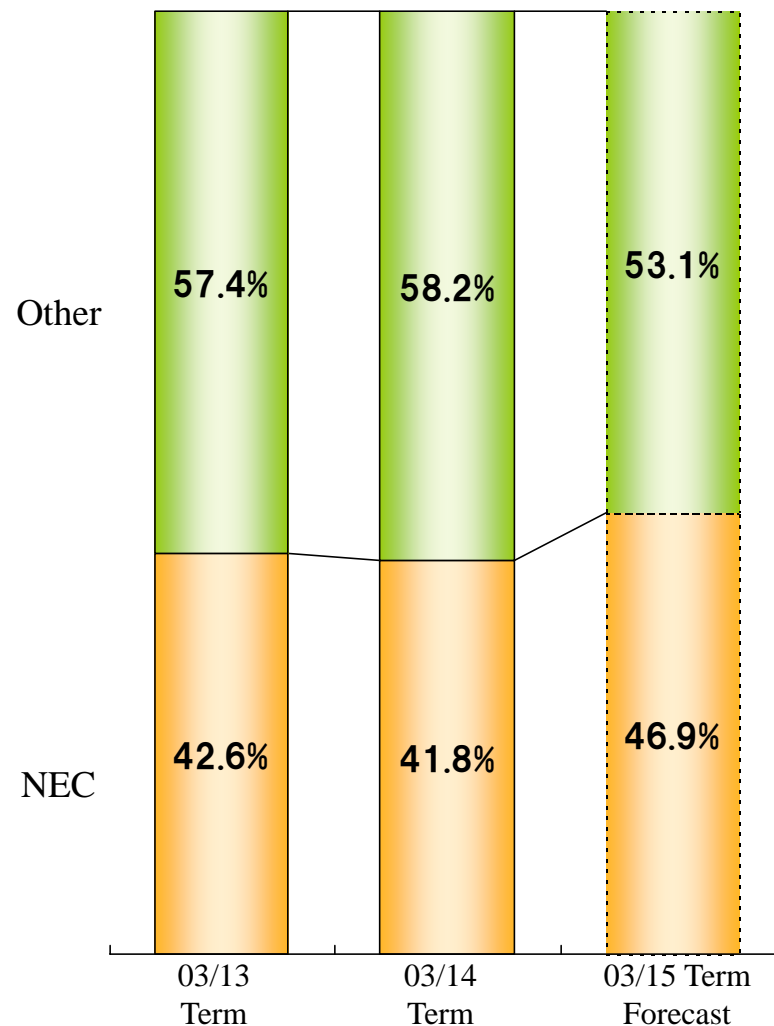
- Hardware: Those for public sector increase
- Non-hardware: Spot maintenance for public sector/moving picture decrease

\*( ) shows an increase/decrease from the previous period.

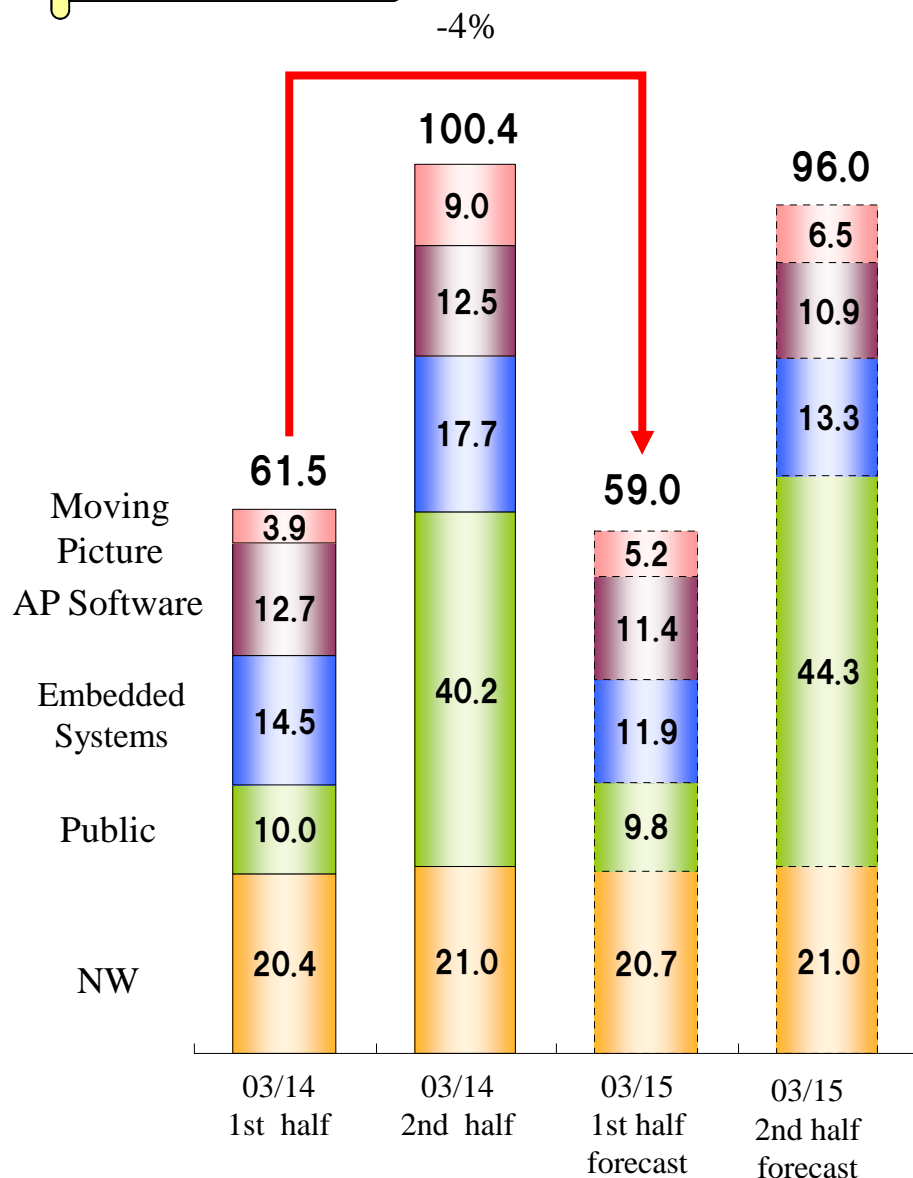


## Sales Composition Ratio by Supplier

- Proportion taken by NEC is expected to expand in the period ending March 2015.



Sales for the First Half of the Year

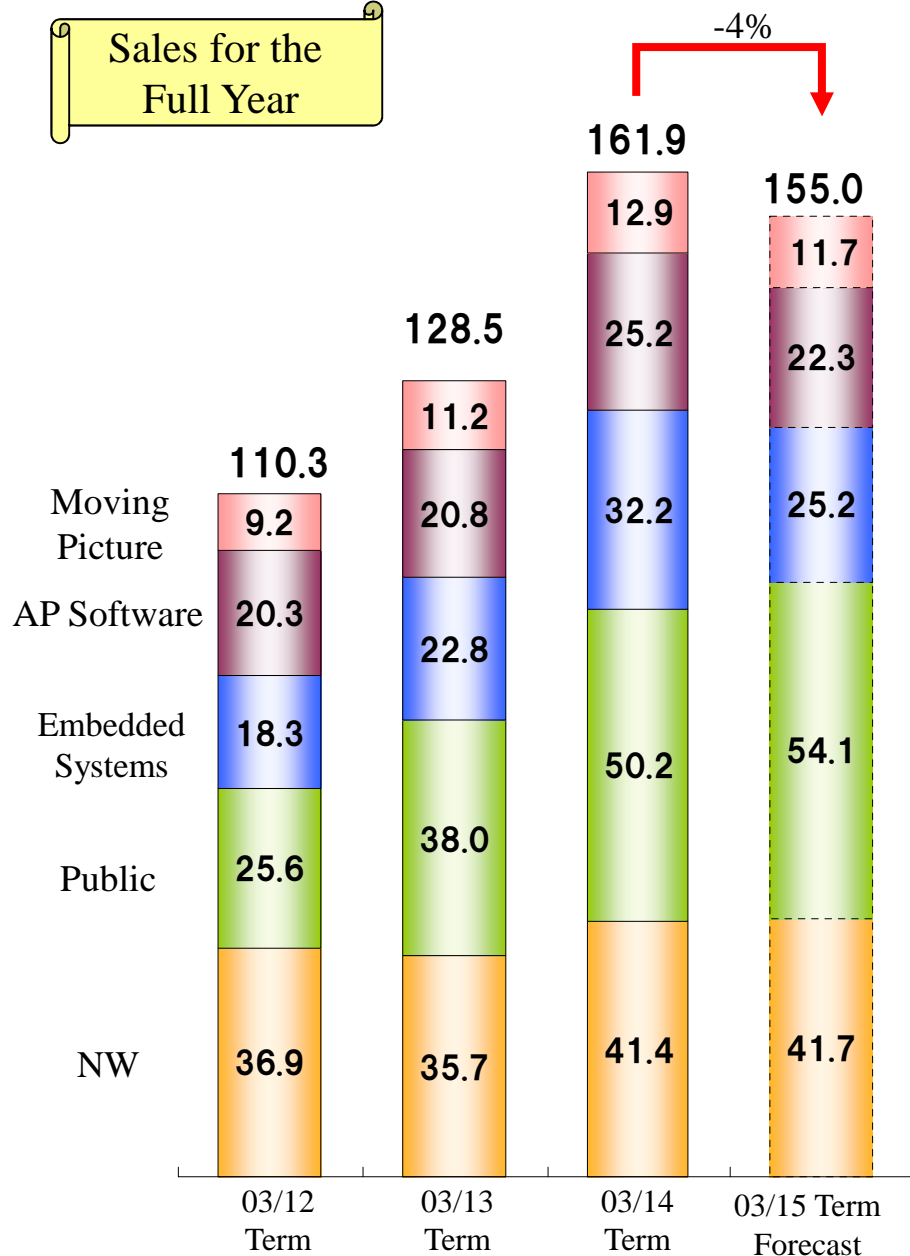


**【Year-to-Year Comparison of Fluctuations】**

- NW
  - Infrastructure-related business for private sector increases slightly
- Public
  - Those for radio communications across fire safety facilities/ambulance cars (digitalization) decrease slightly
- Embedded Systems
  - Those for servers and security cameras decrease
- AP Software
  - Those for SI-related sales production control decrease
- Moving Picture
  - IPTV and portable visual transmitters increase

	03/15 1st half forecast	
	Compared to 03/14 1st half	Compared to 03/14 2nd half
NW	+1%	-2%
Public	-2%	-76%
Embedded Systems	-18%	-33%
AP Software	-10%	-8%
Moving Picture	+33%	-42%

Sales for the Full Year



【Year-to-Year Comparison of Fluctuations】

- NW
  - Infrastructure-related business for private sector increases slightly
- Public
  - Those for radio communications across fire safety facilities/ambulance cars (digitalization) increase
- Embedded Systems
  - Those for servers and security cameras decrease
- AP Software
  - Those for SI-related sales production control decrease
- Moving Picture
  - System projects such as delivery systems decrease

	YoY change
NW	+0.4%
Public	+8%
Embedded Systems	-22%
AP Software	-11%
Moving Picture	-9%