

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

May 15, 2017

Name of Company: Sanshin Electronics Co., Ltd.

Representative: Toshiro Suzuki (Representative Director, COO)

(Code No. 8150 Listed in the First Section of the Tokyo Stock Exchange)

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For Immediate Release:

Notice Regarding Introduction of Performance-Based Stock Compensation Plan for Directors

At the Board of Directors meeting held today, the Company passed a resolution to introduce a new performance-based stock compensation plan (hereinafter referred to as “Plan”) using a trust for its Directors (excluding External Directors, and the same shall apply hereinafter) and has decided to submit a proposal concerning the introduction of the Plan, as detailed below, to the 66th Ordinary General Meeting of Shareholders to be held on June 23, 2017(hereinafter referred to as “Shareholders Meeting”).

Details

1. Purpose of introduction of the Plan

The purpose of the Plan is to further clarify the link between the Company’s business performance and share value, and compensation to the Directors. Under this Plan, the Directors share with the shareholders not only the benefits deriving from future appreciation of share prices, but also the risks associated with a fall in the same. This is intended ultimately to enhance the awareness of the Directors with respect to making a contribution to an improvement in Company’s mid and long-term performance and its corporate value. The Board of Directors decided to introduce this plan under the condition that the proposal for introduction of this plan is approved at the General Meeting of Shareholders.

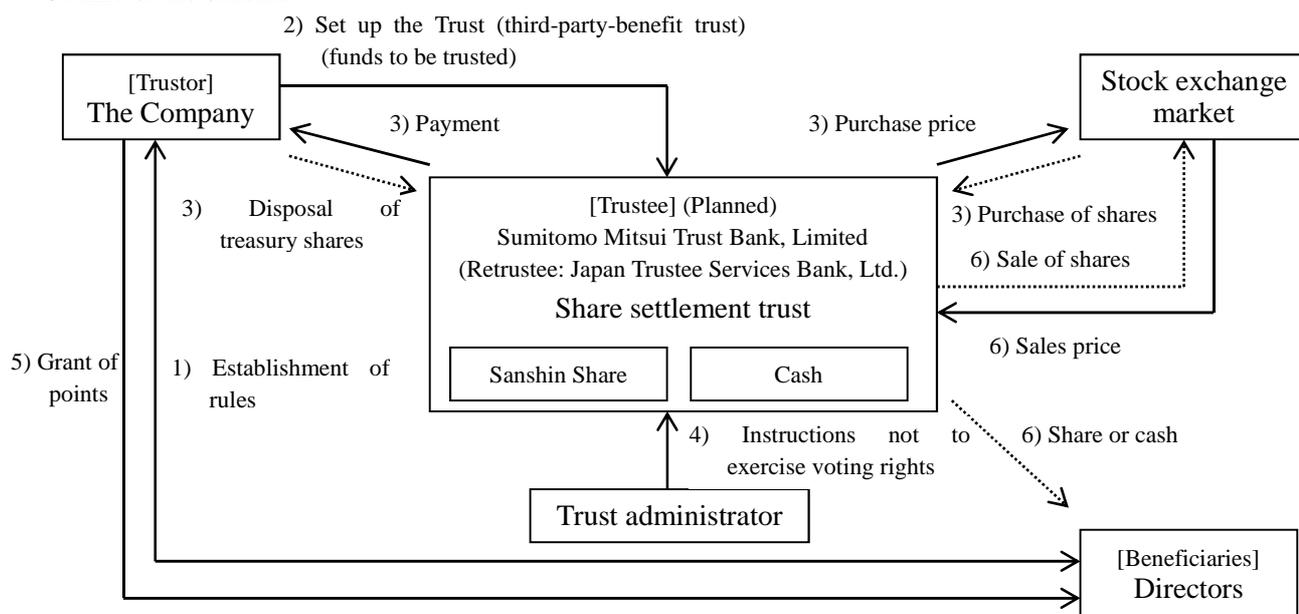
2. Outline of the Plan

(1) Outline of the Plan

This Plan is a share compensation scheme. Under the Plan, a trust (hereinafter referred to as “Trust”) that the Company will establish and contribute funds to will acquire common shares of the Company. The Trust will grant the Directors the number of points determined based on the level of achievement of specific performance targets set in line with the management plan in accordance with the Sanshin Share delivery rules to be established by Company’s Board of Directors. Then, the Trust will deliver the number of shares of the Company equal to that of the points granted. In principal, the Directors will receive the granted shares of the Company at the time when he or she leaves the office of the Director.

The outline of the scheme is illustrated below.

<Outline of the scheme>



- 1) The Company will establish the Sanshin Share delivery rules related to the Directors.
 - 2) The Company will establish a share settlement trust (third-party-benefit trust) for the Directors who meet certain requirements as the beneficiaries. At this time, the Company will entrust to the trustee the amount of money equivalent to the funds for acquiring shares (the amount of which shall be within the upper limit approved at the Shareholders Meeting).
 - 3) The Trustee will collectively acquire the number of shares equal to that of shares that are expected to be settled in the future. (The Trustee will acquire those shares by means of subscribing to Company's treasury shares to be disposed of by the Company or through the stock exchange market (including after-hours trading)).
 - 4) The Company and the Trustee will appoint a trust administrator (who shall be a person independent of the Company and its directors and officers) who will protect the interests of the beneficiaries subject to the Sanshin Share delivery rules and will supervise the Trustee throughout the period of the Trust. The Trustee shall not exercise voting rights throughout the trust period in accordance.
 - 5) The Company will grant the points to the Directors in accordance with the Sanshin Share delivery rules.
 - 6) The Directors who meet the requirements of the Sanshin Share delivery rules and the Trust agreement relating to the Trust will receive as beneficiaries under the Trust the number of Sanshin shares which equals to the number of the points granted. Further, in any of the cases provided for in advance in the Sanshin Share delivery rules or the Trust agreement, part of the Sanshin shares to be delivered will be sold on the stock exchange market, and the cash proceeds will be paid out instead.
- It should be noted that Sumitomo Mitsui Trust Bank, Limited, which will be the Trustee under this Plan for the Beneficiaries will entrust (retrust) the management of the trust assets to Japan Trustee Services Bank, Ltd.

(2) Establishment of the Trust

Under the condition that the proposal for this Plan is approved at the Shareholders Meeting, the Company will establish the Trust by contributing the fund required by the Trust to acquire, in advance, a certain number of Sanshin Shares that are estimated, in a rational manner, to be needed for the time being for the delivery described in (7) below. The Trust will use the fund contributed by the Company for acquisition of Sanshin Shares as described

in (5) below. It should be noted that Sumitomo Mitsui Trust Bank, Limited, which will be the Trustee under this Plan for the Beneficiaries will entrust (retrust) the management of the trust assets to Japan Trustee Services Bank, Ltd.

(3) Period of the Trust

The period of the Trust shall be about five (5) years extending from August 2017 (planned) through August 2022 (planned); provided however, that the Company may extend the period of the Trust as described in (4) below.

(4) Maximum amount of funds to be contributed to the Trust for acquisition of Sanshin Shares

The period of the Trust shall be five (5) years extending from the fiscal year ending March 31, 2018 through the fiscal year ending March 31, 2022 (hereinafter referred to as "Target Period"). As the funds for acquiring Sanshin Shares necessary for delivery of Sanshin Shares to the Directors under the Plan, in the period of the Trust described in (3) above, the Company will contribute funds which will not exceed ¥200 million (equivalent to ¥40 million per year), and will establish the Trust by designating the Directors who meet certain requirements as the beneficiaries, to reward the Directors who take the offices in the above mentioned period of five (5) years. The Trust will use the funds contributed by the Company to acquire Sanshin Shares either by acquisition on the stock exchange market or subscription for Company's treasury shares that may be disposed.

Note: The amount of funds to be deposited in the Trust will be the sum of the estimated amount of trust remuneration, remuneration for the trust administrator, and other necessary expenses in addition to the aforementioned funds for acquiring shares.

Please take note that the Company may extend the trust period of the Plan by a decision at a Board of Directors meeting, in order to continue to the Trust (including the case where the trust period will be substantially extended by transferring the trust assets under the Trust to any other trust having the same purpose as the purpose of the Trust to be set up by the Company, and the same shall apply hereinafter). In this case, as additional funds for the acquisition of the Sanshin Shares necessary for delivery to the Directors under the Plan, the Company will make an additional contribution of funds not exceeding the amount calculated by multiplying the number of years of the extended trust period with ¥40 million yen. In this case, the Company will extend the target period according to the continuation of the Plan or the extension of the trust period, and continue to grant the points described in (6) a below and the delivery of Sanshin Shares described in (7) below within the extended trust period.

However, if grant of the points is not continued and there is any Director who received the points and has not yet left the office at the maturity of trust period, the trust period of the Trust may be extended until such Director leaves the office and delivery of Sanshin Shares is completed.

(5) Acquisition of Sanshin Shares through the Trust

Currently, the intended method for acquiring Sanshin Shares initially at the Trust is either by acquiring the shares on the stock exchange market or by subscribing for those Sanshin treasury shares that may be disposed of by it within the upper limit to the funds for acquiring shares as described in (4) above. However, the details of the method for acquiring Sanshin Shares will be decided and disclosed following the resolution of the Shareholders Meeting.

Please take note that if there is any possibility that the number of Sanshin Shares within the Trust falls below the number of Sanshin Shares corresponding to the total points granted in the period of the Trust due to an increase in

Directors or other reason, the Company may additionally contribute the funds to the Trust within the maximum amount of the funds approved at the Shareholders Meeting as described in above (4), so that the Trust can additionally acquire the Sanshin Shares.

(6) Method of calculating the points to be granted to Directors

Based on the Sanshin Share payout delivery rules to be established by Company's Board of Directors, the points will be granted to each Director in accordance with the level of achievement of his or her performance of the business year ending just before on the predetermined date in the trust period specified by the Sanshin Share payout delivery rules.

However, the upper limit to the total number of points to be granted by the Company to the Directors shall be 50,000 points per year.

(7) Delivery of Sanshin Shares to Directors

The number of Sanshin Shares to be delivered to each Director shall be determined by multiplying the number of the granted points with 1.0 (However, in such an event as a share split and a share consolidation with regard to Sanshin Shares in which it is acknowledged that it is reasonable to make an adjustment to the number of Sanshin Shares to be delivered, a reasonable adjustment shall be made according to such split rate, consolidation rate, etc.). Delivery of Sanshin Shares will be made by the Trust to each of the Directors who has completed the required procedures for designation. However, as for a certain percentage of Sanshin Shares, such Sanshin Shares will be sold and liquidated within the Trust, and the cash proceeds will be paid out in place of Sanshin Shares. Furthermore, in any case where any Sanshin Shares within the Trust are liquidated, including a case where a settlement is made for Sanshin Shares within the Trust by subscribing to a tender offer, the cash proceeds may be paid out in place of delivering Sanshin Shares.

(8) Exercising voting rights

Any voting right attached to Sanshin Shares held at the Trust shall not be exercised due to the instruction of the trust administrator who shall be a person independent of the Company and its directors and officers. Such Instructions not to exercise voting rights is intended to maintain neutrality of the management of the Company regarding the exercise of voting rights related to Sanshin Shares in the Trust.

(9) Dividends

Any dividends on Sanshin Shares held at the Trust shall be received by the Trust and used for the acquisition of Sanshin Shares and payment of trust remuneration to the trustee in relation to the Trust, etc.

(10) Termination of the Trust

Out of the residual assets of the Trust remaining at the time of termination of the Trust, the Company currently intends to acquire all of the Sanshin Shares without payment and retire them by the resolution of the Board of Directors. The Company is also planning to donate a specified amount of cash out of the residual assets of the Trust remaining at the time of termination of the Trust to specified public-sector service promotion entities which do not share any interest with its Directors in accordance with the Sanshin Share delivery rules and Trust agreement.

(Reference: Outline of the Trust)

Name: Share settlement trust for Directors

Trustor: The Company

Trustee: Sumitomo Mitsui Trust Bank, Limited

Beneficiaries: Directors who meet certain requirements

Trust administrator: A third party not having any interest in the Company will be appointed (planned)

Type of trust: Trust of funds other than money trust (third-party-benefit trust)

Effective Date of Trust agreement: August 2017 (planned)

Date at which cash will be trusted: August 2017 (planned)

Period of trust: August 2017 (planned) to August 2022 (planned)