

Business Report on the 69th Term

From April 1, 2019 to March 31, 2020

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The Sanshin Spirit

Sanshin Electronics contributes to the development of today's electronics-driven society by embracing the challenge of the new and passing on the Sanshin Spirit to new generations.

Electronics products play a formative role in today's society. Electrical appliances connect with each other to provide unprecedented services to consumers, while drivers enjoy greater safety thanks to the spread of operation support systems such as collision avoidance. In the future as well, electronics will contribute to society by delivering greater safety, comfort and convenience.

As a general electronics trading company, Sanshin Electronics has continued to pursue new possibilities in electronics products in liaison with our customers, suppliers and business partners. We always bear in mind that we need to test the limits, unconstrained by prevailing orthodoxies.

Since its establishment, the Company has always cherished Trust (*Shin-yo* in Japanese), Principles (*Shinnen*) and Sincerity (*Shinjitsu*). Each of these components of our corporate code contains the Japanese character 信(*Shin*), testifying to the origin of the Company name. We believe that we must embrace these three words whenever we conduct our business. Guided by the above corporate code, we at Sanshin Electronics will explore the future of electronics products with the drive to tackle new challenges.

Trust

Business cannot succeed without trust.
It begins and ends with trust.

Principles

Do not just pursue profit. But act based on principles, which can be realized through self-discipline.

Sincerity

Always act sincerely.
Rise to the challenge head-on.

Business Report (From April 1, 2019 to March 31, 2020)

I. Matters Concerning the Current Status of the Corporate Group

(1) Business Progress and Results

During the consolidated fiscal year under review, although the global economy overall made a subdued recovery up to the 3rd quarter, as a result of the global COVID-19 pandemic in the 4th quarter, concerns about worsening economic conditions rapidly grew. COVID-19 has also caused delays in a variety of economic activities within the Group's fields of business, the electronics and ICT industries, including corporate investment. As a result, the future is currently uncertain. Against this background, the Group concentrated efforts on transforming into a high-profit structure in the device business. The Group also focused on boosting net sales in core devices, in view of the potential for high value-added, and in strategic devices, centered on handling of new products from overseas and IoT-related business. In its volume business, which is generally less profitable, the Group moved forward with optimization, keeping a close eye on risk and profitability. In the solution business, aiming to establish a robust platform for future growth, the Group committed resources to reinforcing its cloud business, centered on Sanshin Data Center, while bolstering initiatives to expand its customer roster.

As a result of these efforts, business performance in the consolidated fiscal year under review was as follows: Net sales were ¥123,085 million (down 16.8% year-on-year), and although the Group made efforts to improve the gross profit margin and reduce selling, general and administrative expenses, operating profit was ¥1,958 million (down 0.3% year-on-year). In addition, as a result of the compression of loans payable accompanying the decrease in net sales, interest expenses decreased and ordinary profit was ¥1,858 million (up 7.0% year-on-year). On the other hand, due to the decreased extraordinary profits in comparison to the appropriation of profits from the sale of the Atsugi facility land and building in the previous term, net profit attributable to shareholders of parent company was ¥1,451 million (up 0.1% year-on-year) and ROE was 3.4% (up from 2.8% in the previous year).

Consolidated Performance in the Consolidated Fiscal Year Under Review

Net sales	Ordinary profit
<u>¥123,085 million</u>	<u>¥1,858 million</u>
-16.8% YoY	+7.0% YoY
Operating profit	Net profit attributable to shareholders of parent company
<u>¥1,958 million</u>	<u>¥1,451 million</u>
-0.3% YoY	+0.1 YoY

For performance by segment, please see below.

Device Segment

In the device business segment, our leading products are semiconductors (including system LSIs, microcomputers, LCD driver ICs and memory) and electronic components (including connectors and capacitors). These products are sold mainly to electronics manufacturers. We also provide technical support such as software development and module development. In the consolidated fiscal year under review, due to the growth of IoT-related business and overseas products, strategic device business increased year-on-year. However, volume business and core device business decreased. Although the effect was slight, the expansion of the COVID-19 pandemic also had an effect on performance in the 4th quarter and beyond, resulting in net sales of ¥109,075 million (down 18.2% year-on-year). In terms of profit and loss, although the Group made efforts to increase gross profit margin and reduce selling, general and administrative expenses through the promotion of business portfolio reforms, the results were insufficient to make up for the loss in net sales, and segment profit was ¥415 million (down 10.8% year-on-year).

Note: Segment profit is based on ordinary profit.

Solution Segment

In the solution business segment, we are committed to design, construction, operation and maintenance of infrastructure for private companies as well as government offices and municipalities, focusing on communication networks. For Line-of-Business systems, we offer services deriving from provision of package software, such as individually developed and customized solutions. We also provide broadcast stations and production companies with systems for editing, transmission and distribution of video content, centered on products from suppliers abroad.

For the consolidated fiscal year under review, although corporate information network business and application software sales were strong, there was a major decrease in the public works sector sales due to drastically reduced large-scale project numbers in comparison to the previous term, and embedded systems sales also decreased. As a result, net sales were ¥14,010 million (down 4.1% year-on-year). On the other hand, in terms of profit and loss, segment profit was ¥1,443 million (up 13.5% year-on-year) due to an improved gross profit margin.

Note: Segment profit is based on ordinary profit.

(2) Capital Investment Activities

For the consolidated fiscal year under review, a total of ¥460 million in investments was conducted for purposes such as reinforcement of the Company's internal system infrastructure.

(3) Financing Activities

For the consolidated fiscal year under review, outside financing was mainly ordinary borrowing from financial institutions, and there are no special matters to note.

(4) Future Challenges

(Basic management policies)

The Company's basic policy is to adhere to the corporate philosophy of "Trust, Principles and Sincerity" in order to earn reputation as "the Chosen" among general electronics trading companies to prove its value based on a wide range of solutions it provides to its customers and suppliers.

In the device business, in order to assist all client companies active in home appliances, automobiles and industrial devices operations in their efforts for globalization, the Company has been striving to establish overseas subsidiaries and provide goods and services, as well as it has been serving as a coordinator for its customers and suppliers through extensive product range and enhanced technological strength for suppliers' product development. Furthermore, in the solution business, the Company has been actively acting as a system integrator with information and communication network at the core of its contributions to clients' business development. Sanshin Electronics will continue to increase the Group's present value proving why customers and suppliers choose us.

In managing its businesses, the Company will continue to fulfill its mission as a good corporate citizen by developing a system that enables diverse personnel to play an active role in the Company, as well as by continuing to reduce the environmental impact of its operations, just to mention a few actions.

(Target business indicators)

By establishing the return on equity (ROE) and ordinary profit as the Company's important business indicators, we will endeavor to improve earnings.

(Basic policies for profit distribution)

The Company considers profit returns to its shareholders as one of the most important management issues. The Company's basic policy is to determine dividends by comprehensively considering the need to maintain a balance between rewarding of shareholders, investment to gain opportunities for growth, attainment of sufficient retained earnings to enable sustainable growth, and improvement in capital efficiency. Under this policy, the Company has set a target for its dividend payout ratio of around 50% on a consolidated basis.

In addition, because consolidated dividend payout ratio is being increased to 100% over the 3-year period starting from the fiscal year ended March 31, 2018 as a measure for improving capital efficiency, dividends in line with this policy are being implemented during the applicable period. For the final year (fiscal year ended March 31, 2020), the expected consolidated dividend payout ratio is 93.2%.

(Medium-term business strategy and future challenges)

The 70th term (fiscal year ending March 31, 2021) is the last year of the Group's V70 Medium-Term Management Plan,

and the quantitative goals set by this plan were ROE of 5% and ordinary profit of ¥3 billion. However, as a result of the effects of the ongoing COVID-19 pandemic and the cancellation of the Company's dealership agreement with its major device business supplier, Renesas Electronics Corporation (below: Renesas), it will be extremely difficult to achieve these quantitative goals during the 70th term. Accordingly, these goals have been withdrawn. Due to the severe uncertainty of the current business environment, it will likely take a considerable time to establish a new Medium-Term Management Plan with new quantitative goals. However, the Group will aim for recovery for ROE and ordinary profit, which are important management indicators, focusing on strengthening essential business foundations and working diligently on the following issues.

1) Regaining profitability in the device business

The profit pillars of the device business are the core device business, which takes advantage of the Group's technological capabilities, and the volume business, which specializes in logistics and finance functions. The majority of the volume business is business conducted overseas. Although those businesses have high net sales, they are highly susceptible to significant impacts from exchange rates and interest. Furthermore, the overall gross profit margin has tended to be low. For this reason, the Group carefully investigated risk and profitability, focusing on business which should be continued. As a result of these efforts, optimization of volume business was successfully completed during the fiscal year ended March 31, 2020.

On the other hand, in the core device business, the Company's dealership agreement with Renesas, one of its major suppliers, will be terminated at the end of June 2020. Accordingly, there is an urgent need for a fundamental shift in the segment's profit structure. In response to these conditions, the strategic device business is focusing on the cultivation of new products and business models for the opportunities of in-vehicle and IoT fields, and increasing revenue for this business is more important than ever. As a result, these types of initiatives must be progressed at a rapid pitch.

In consideration of these circumstances, we seek to recover profitability in the device business by implementing the following measures to reform our business portfolio in an aim to shift to a highly-profitable structure.

a. Enhancement in profitability of existing business

In the core device business, employees who worked on the sales promotion of Renesas products up until now will be allocated to the sales promotion of other companies' products after the dealership agreement is terminated. Through the expansion of human resources, the Group will improve its value for overseas semiconductor manufacturers who require a painstaking approach to customer support. In this way, the Group will aim to acquire new distribution channels. In addition, although the Group will focus on risks and profitability moving forward, volume business which can contribute to expanded profit will be continued.

b. Expansion of new business

We will position business required to achieve an even more robust and highly-profitable structure as strategic device business, and will continue to focus on new merchandise business based mainly overseas and the expansion of new business models related to IoT. The core device business is expected to downsize, especially due to the dissolution of the dealership agreement with Renesas. Accordingly, unless the growth of the strategic device business accelerates, revenue for the device segment as a whole will be unable to recover. In addition to shifting Renesas product sales promotion staff to the strategic device business, the Group will also carry out initiatives for the creation of new business through avenues such as M&A, working to expand strategy device business revenue more rapidly.

2) Strengthening of revenue base of solution business

In the solution business, we have established a business model for obtaining profit through maintenance and support business after the sale of systems as a profit pillar. However, we forecast a gradual decrease in this business model due to the in-house operation of systems such as servers and databases being replaced with cloud services operated via the internet. Another remaining issue is breaking away from a profit structure that depends on large customers.

In consideration of these circumstances, we seek to enhance the future profit base of the solution business by implementing the following measures.

a. Enhancement of cloud business

We will work to expand our original menu of cloud services with a focus on our private cloud business based on the Sanshin Data Center and on a hybrid cloud business featuring partnerships with the public clouds of major vendors. Also, we will strengthen the cloud business and establish it as a profit pillar by engaging in resale of the cloud services of other companies in order to support the needs of diverse customers.

b. Expansion of customer base

The Group will continue to strengthen its initiatives for the expansion of its customer base such as reinforcement of sales promotion through increased personnel allocation, strengthening of cooperation with suppliers, introduction of new service items such as cloud services, and promotions such as exhibitions and seminars. In the future, business scope will be further expanded through consideration of M&A opportunities, with the goal of accelerating customer acquisition and building a solid revenue base.

3) Enhancement of capital efficiency

A consolidated dividend payout ratio goal of 100% was implemented for the 3 fiscal year period from the fiscal year ended March 31, 2018 to the fiscal year ended March 31, 2020 in order to improve capital efficiency, and total purchasing volume of tender offer treasury stock for the fiscal year ended March 31, 2019 was ¥19.7 billion (number of shares acquired: 9 million). In this way, the Group has worked hard to improve shareholder returns. On the other hand, due to downsized volume business in the device segment, the Group has been working to compress its working capital and has achieved early cashing of accounts receivables in order to maintain our equity ratio above a certain level. Although there is a tremendous amount of uncertainty in the form of factors such as the effects of the COVID-19 pandemic, the Group will continue to consider the timely and appropriate implementation of capital policies, taking revenue, financial, and monetary conditions into consideration.

4) Strengthening of corporate governance

With a need to promote the strengthening of our business and improvement of capital efficiency more rapidly and dramatically than ever before, the Group is naturally facing greater risk as well. Especially concerning the improvement of Group revenue, there is increasing need for M&A initiatives, and the ability of the Board of Directors to accurately evaluate risk and return is a prerequisite. The Group will continue carrying out measures such as increasing the ratio of independent external directors as necessary for system preparation and strengthening corporate governance.

(5) Trends in Assets and Operating Results of the Company

	66th Term (From April 1, 2016 to March 31, 2017)	67th Term (From April 1, 2017 to March 31, 2018)	68th Term (From April 1, 2018 to March 31, 2019)	69th Term (From April 1, 2019 to March 31, 2020)
Net Sales (million yen)	167,654	157,257	147,879	123,085
Operating Profit (million yen)	804	1,763	1,965	1,958
Ordinary Profit (million yen)	(952)	1,787	1,737	1,858
Net Profit Attributable to Shareholders of Parent Company (million yen)	(1,575)	947	1,449	1,451
Net Profit Per Share (yen)	(55.90)	33.62	67.48	75.66
Total Assets (million yen)	93,860	93,624	88,261	73,659
Net Assets (million yen)	61,537	61,787	42,711	42,029
Net Assets Per Share (yen)	2,183.84	2,191.19	2,224.47	2,188.84
Return on Equity (ROE) (%)	(2.5)	1.5	2.8	3.4

Notes: 1. The numbers enclosed in brackets in each category indicates losses or negative numbers.

2. Partial Amendments to Accounting Standard for Tax Effect Accounting, etc. (Corporate Accounting Standard No. 28; February 16, 2018) were applied from the beginning of the previous consolidated fiscal year. The amount for total assets is the amount after retroactive application of said Accounting Standard, etc.

(6) Status of Parent Company and Principal Subsidiaries**1) Parent company**

Not applicable.

2) Principal subsidiaries

Company Name	Address	Main Business	Capital	Equity Position
SANSHIN ELECTRONICS (HONG KONG) CO., LTD.	Hong Kong	Sales and import/export of semiconductors, electronic components and equipment	12,820,000 US Dollar	100.00%
SANSHIN ELECTRONICS SINGAPORE (PTE) LTD.	Singapore	Sales and import/export of semiconductors, electronic components and equipment	1,939,000 US Dollar	100.00%
TAIWAN SANSHIN ELECTRONICS CO., LTD.	Taipei, Taiwan	Sales and import/export of semiconductors, electronic components and equipment	160,000,000 Taiwan New Dollar	100.00%
SANSHIN ELECTRONICS CORPORATION	Michigan, U.S.A.	Sales and import/export of semiconductors, electronic components and equipment	3,000,000 US Dollar	100.00%
SANSHIN ELECTRONICS KOREA CO., LTD.	Seoul, South Korea	Sales and import/export of semiconductors, electronic components and equipment	5,000,000,000 Korean Won	100.00%
SANSHIN ELECTRONICS (THAILAND) CO., LTD.	Bangkok, Thailand	Sales and import/export of semiconductors, electronic components and equipment	100,000,000 Thai Baht	*100.00%
SANSHIN ELECTRONICS (SHANGHAI) CO., LTD.	Shanghai, China	Sales and import/export of semiconductors, electronic components and equipment	31,000,000 Chinese Yuan	*100.00%
TAKUMI CORPORATION	Tokyo, Japan	1. Development and sales of electronic equipment 2. Development of computer software 3. Acquisition, transfer, assistance in license acquisition, and management of intellectual property rights	45,000,000 Japanese Yen	74.07%
SANSHIN NETWORK SERVICE CO., LTD.	Tokyo, Japan	1. Design, construction, installation, maintenance, operation, and management of telecommunications systems 2. Design and installation of circuits and telephone equipment in telecommunications systems 3. Sales of equipment and devices related to telecommunications systems	30,000,000 Japanese Yen	100.00%

Notes: 1. The percentages marked with an asterisk (*) include indirect holdings.

2. The Group has no specified wholly-owned subsidiary.

(7) Principal Businesses (as of March 31, 2020)

The Group is developing the device business and solution business. A description of each segment is provided in the overview of results per business segment in “(1) Business Progress and Results.”

(8) Principal Offices (as of March 31, 2020)

Domestic	
▪ SANSHIN ELECTRONICS CO., LTD.	Headquarters: 4-12, Shiba 4-chome, Minato-ku, Tokyo Branches: Osaka Branch, Shizuoka Branch, Nagoya Branch, Takamatsu Branch, Utsunomiya Branch, Nagano Branch, Nagaoka Branch, Kochi Liaison Office Other Business Place: Distribution Center
▪ AXIS DEVICE TECHNOLOGY CO., LTD.	Headquarters: Tokyo
▪ SANSHIN NETWORK SERVICE CO., LTD.	Headquarters: Tokyo
▪ SANSHIN MEDIA SOLUTIONS CO., LTD.	Headquarters: Tokyo
▪ SANSHIN SYSTEM DESIGN CO., LTD.	Headquarters: Tokyo
▪ TAKUMI CORPORATION	Headquarters: Tokyo

Overseas	
▪ SANSHIN ELECTRONICS (HONG KONG) CO., LTD.	Headquarters: Hong Kong
▪ SANSHIN ELECTRONICS (SHANGHAI) CO., LTD.	Headquarters: Shanghai, China
▪ SANSHIN ELECTRONICS (SHENZHEN) CO., LTD.	Headquarters: Shenzhen, China
▪ SANSHIN ELECTRONICS KOREA CO., LTD.	Headquarters: Seoul, South Korea
▪ SANSHIN ELECTRONICS SINGAPORE (PTE) LTD.	Headquarters: Singapore
▪ SAN SHIN ELECTRONICS (MALAYSIA) SDN. BHD.	Headquarters: Kuala Lumpur, Malaysia
▪ SANSHIN ELECTRONICS (THAILAND) CO., LTD.	Headquarters: Bangkok, Thailand
▪ TAIWAN SANSHIN ELECTRONICS CO., LTD.	Headquarters: Taipei, Taiwan
▪ SANSHIN ELECTRONICS CORPORATION	Headquarters: Michigan, U.S.A.

(9) Employees (as of March 31, 2020)

Business Segment	Number of Employees	Change from the End of the Previous Term
Device business	364 (11)	up 1 (up 1)
Solution business	189 (13)	no change (up 6)
Corporate (common)	61 (15)	up 10 (down 22)
Total	614 (39)	up 11 (down 15)

Notes: 1. The number of employees represents the number of those actually at work.

2. The number of employees in the “Corporate (common)” row includes personnel in administrative departments, such as General Affairs Department, Accounting Department, distribution centers, etc.

3. The annual average number of temporary employees (part-time and entrusted workers) is enclosed in ().

(10) Principal Lenders (as of March 31, 2020)

Lender	Outstanding Loan Amount
	(Million yen)
Sumitomo Mitsui Banking Corporation	9,035
MUFJ Bank, Ltd.	1,751
Mizuho Bank, Ltd.	3,000
Sumitomo Mitsui Trust Bank, Limited.	1,163

Note: The outstanding loan amount from banks listed above includes the outstanding loan amount from overseas subsidiaries of each bank.

(11) Other Significant Matters Concerning the Current Status of Corporate Group

Not applicable.

II. Shares of the Company (as of March 31, 2020)

(1) Number of Shares Authorized to Be Issued: 76,171,000 shares

(2) Number of Shares Issued: 24,281,373 shares

(3) Number of Shareholders: 2,426

(4) Major Shareholders (Top ten shareholders)

Name of Shareholder	Number of Shares Held (Thousands of shares)	Shareholding ratio (%)
S-Grant. Co., Ltd.	1,920	9.94
Minami Aoyama Real Estate Co., Ltd.	1,920	9.94
City Index Eleventh Co., Ltd.	1,920	9.94
Matsunaga Eiichi, Ltd.	1,600	8.28
NEC Corporation	1,049	5.43
Sumitomo Mitsui Banking Corporation	965	5.00
The Master Trust Bank of Japan, Ltd. (Trust Account)	535	2.77
MUFG Bank, Ltd.	455	2.36
Japan Trustee Services Bank, Ltd. (Trust Account)	377	1.96
JP MORGAN CHASE BANK 385151	347	1.80

Notes: 1. The number of shares held by Japan Trustee Services Bank, Ltd. (trust account) includes 136,700 shares of the Company which are trust property of the trust in relation to the performance-based stock compensation plan for Directors (including External Directors).

2. The Company has 4,964,410 shares of treasury stock, but is excluded from the major shareholders above.

3. Shareholding ratio is calculated with treasury shares excluded.

III. Stock Acquisition Rights, etc.

Not applicable.

IV. Directors and Audit & Supervisory Board Members

(1) Status of Directors and Audit & Supervisory Board Members (as of March 31, 2020)

Position	Name	Responsibility Within the Company	Important Concurrent Roles, etc.
Representative Director, CEO	Mitsumasa Matsunaga		
Representative Director, COO	Toshiro Suzuki	In charge of Auditing Office	
Director, Senior Operating Officer	Fumihide Kitamura	Supervisor of Device Business Group/In charge of Business Administration Department, IoT Business Unit, and Sales Technology Unit /General Manager of Business Administration Department	
Director, Senior Operating Officer	Akio Misono	Senior General Manager of Finance & Accounting Division	
Director, Senior Operating Officer	Yuji Mori	Senior General Manager of Solution Marketing & Sales Division	
Director, Operating Officer	Koji Sakamoto	Senior General Manager of Administration Division	
Director, Operating Officer	Tomoyuki Nagase	In charge of 1st Sales Unit, 2nd Sales Unit, and Overseas Sales Unit in Device Business Group	Managing Director of SANSHIN ELECTRONICS KOREA CO., LTD.
Director, Operating Officer	Mitsuhiro Ogawa	In charge of CE Unit and 3rd Sales Unit in Device Business Group/Director of CE Unit	
Director, Operating Officer	Hiroshi Harada	Deputy Senior General Manager of Solution Marketing & Sales Division	
Director	Takeshi Uchimura		
Director	Minoru Nishino		External Director of Mori-Gumi Co., Ltd.
Director	Tatsuo Takeuchi		
Audit & Supervisory Board member (Full-time)	Keiji Nishio		
Audit & Supervisory Board member (Full-time)	Shin-ichi Miura		
Audit & Supervisory Board member	Shohei Yamamoto		Lawyer of Marunouchi-Chuo Law Office, External Director of Narasaki Sangyo Co., Ltd., Audit & Supervisory Board member of MegaHouse Corporation, External Audit & Supervisory Board member of Bandai Co., Ltd., External Audit & Supervisory Board member of Toin Corporation
Audit & Supervisory Board member	Kuniharu Kezuka		Certified public accountant and tax accountant of Kezuka Accounting Office

Notes: 1. Takeshi Uchimura, Minoru Nishino and Tatsuo Takeuchi serve as External Directors, while Shohei Yamamoto and Kuniharu Kezuka serve as External Audit & Supervisory Board members. Also, the Company has designated all five of them as Independent Directors and Audit & Supervisory Board members as per the provisions of the Tokyo Stock Exchange, and has given notice to this effect to the Stock Exchange. The Company has engaged in sales transactions with Pioneer Corporation, the former place of employment for Tatsuo Takeuchi. However, the transaction amount

was an insignificant amount that was less than 1% of the Group's consolidated net sales. Therefore, we have judged that independence from management of the Company has been secured.

2. Pursuant to Article 427, Paragraph 1 of the Companies Act, the Company entered into an agreement respectively with Takeshi Uchimura, Minoru Nishino and Tatsuo Takeuchi, Keiji Nishio, Shin-ichi Miura, Shohei Yamamoto and Kuniharu Kezuka, which limits their liability for damages prescribed in Article 423, Paragraph 1 of the same Act. The limit on their liability for damages under the agreement coincides with the legally stipulated amounts.
3. Kuniharu Kezuka is qualified as a certified public accountant and certified tax accountant, and has a considerable degree of knowledge about financial and accounting matters.
4. The Company has no special relationships with the entities listed above in which the External Directors and External Audit & Supervisory Board members hold important concurrent positions.
5. During this consolidated fiscal year, Directors' position and responsibility within the Company were changed as follows:

Name	Before change	After change	Date of change
Akio Misono	Director, Operating Officer, Senior General Manager of Finance & Accounting Division	Director, Senior Operating Officer, Senior General Manager of Finance & Accounting Division	June 21, 2019
Fumihide Kitamura	Director, Senior Operating Officer, Supervisor of Device Business Group/In charge of Business Administration Department, IoT Business Unit, 3rd Sales Unit and Overseas Sales Unit/General Manager of Business Administration Department	Director, Senior Operating Officer, Supervisor of Device Business Group/In charge of Business Administration Department, IoT Business Unit, and Sales Technology Unit/General Manager of Business Administration Department	October 1, 2019
Yuji Mori	Director, Operating Officer, Deputy Senior General Manager of Solution Marketing & Sales Division	Director, Senior Operating Officer, Senior General Manager of Solution Marketing & Sales Division	October 1, 2019
Tomoyuki Nagase	Director, Operating Officer, in charge of 1st Sales Unit and 2nd Sales Unit in Device Business Group/Director of 1st Sales Unit	Director, Operating Officer, in charge of 1st Sales Unit, 2nd Sales Unit, and Overseas Sales Unit in Device Business Group	October 1, 2019
Mitsuhiro Ogawa	Director, Operating Officer, in charge of CE Unit and Sales Technology Unit in Device Business Group/Director of CE Unit	Director, Operating Officer, in charge of CE Unit and 3rd Sales Unit in Device Business Group/Director of CE Unit	October 1, 2019

6. The table below lists the Directors and Audit & Supervisory Board members who have retired during this consolidated fiscal year.

Name	Date of retirement	Reasons for retirement	Title, duties and important concurrent roles, etc., at the time of retirement
Nobuyuki Hatano	June 21, 2019	Expiration of the term of office	Director, Senior Operating Officer, Senior General Manager of Solution Marketing & Sales Division

(2) Compensation to Be Paid to Directors and Audit & Supervisory Board Members

1) Total compensation for this fiscal year

Post	Number of Officials	Amount to Be Paid
Directors	13	¥179 million
(External Directors)	(3)	(¥17 million)
Audit & Supervisory Board members	4	¥41 million
(External Audit & Supervisory Board members)	(2)	(¥10 million)
Total	17	¥220 million

- Notes: 1. The Directors and Audit & Supervisory Board members above include one Director who retired at the conclusion of the 68th Ordinary General Meeting of Shareholders held on June 21, 2019.
2. The amount of compensation for Directors does not include the salaries of Directors who concurrently serve as employees.
3. The upper limit on the total amount of compensation to be paid to Directors was set at ¥420 million per year (excluding the employee salaries) at the 56th Ordinary General Meeting of Shareholders held on June 22, 2007.
4. The upper limit on the total amount of compensation to be paid to Audit & Supervisory Board members was set at ¥50 million per year at the 42nd Ordinary General Meeting of Shareholders held on December 21, 1993.
5. The amount of compensation for Directors includes ¥27 million provision for bonuses paid to 9 Directors (excluding External Directors) in the consolidated fiscal year under review. The Company abolished the bonus system for Audit & Supervisory Board members in the 54th term.
6. The amount of compensation for Directors includes ¥30 million provision for compensation paid to 9 Directors (excluding External Directors) in relation to the performance-based stock compensation plan for Directors in the consolidated fiscal year under review.

2) Retirement benefits paid to retired Directors and Audit & Supervisory Board members for this fiscal year

At the 55th Ordinary General Meeting of Shareholders, which was held on June 23, 2006, approval was given for discontinuing payments in line with abolishing the retirement benefit system for directors. Following the resolution, there has been no retirement benefit paid to the retired Directors and Audit & Supervisory Board members who resigned at the conclusion of the 68th Ordinary General Meeting of Shareholders held on June 21, 2019.

(3) Matters Concerning External Directors and Audit & Supervisory Board Members

1) State of significant posts held concurrently at other corporations, and relations between the Company and the location of the other posting

Please see the above “(1) Status of Directors and Audit & Supervisory Board Members” section.

2) Major activities in the fiscal year under review

• Status of attendance at meetings of the Board of Directors and the Audit & Supervisory Board

	Board of Directors Meetings (a total of 13 meetings)		Audit & Supervisory Board Meetings (a total of 16 meetings)	
	Number of Meetings Attended	Attendance Rate	Number of Meetings Attended	Attendance Rate
Director Takeshi Uchimura	13	100%	—	—
Director Minoru Nishino	13	100%	—	—
Director Tatsuo Takeuchi	13	100%	—	—
Audit & Supervisory Board member Shohei Yamamoto	13	100%	16	100%
Audit & Supervisory Board member Kuniharu Kezuka	13	100%	16	100%

• Advice and Suggestions Provided at Meetings of the Boards of Directors and Audit & Supervisory Board

Takeshi Uchimura, Minoru Nishino and Tatsuo Takeuchi provided a wide range of valuable comments and advices in terms of corporate governance, risk analysis and evaluation in the course of business operation, compensation system for the Directors, election of any Directors, and overall management based on their abundant experience and achievements in corporate management at another listing companies.

Shohei Yamamoto and Kuniharu Kezuka provided comments effective and necessary for securing legal compliance of the Company’s management from the viewpoints of their positions as a lawyer and as a certified public accountant and certified tax accountant, respectively.

V. Status of Accounting Auditor

(1) Name of Accounting Auditor

Deloitte Touche Tohmatsu LLC.

(2) Amount of Compensation

	Amount to Be Paid
Compensation to be paid to Accounting Auditors for the fiscal year under review	¥45 million
Total of cash and other assets to be paid by the Company and subsidiaries to Accounting Auditors	¥49million

Notes: 1. Among principal subsidiaries of the Company, overseas subsidiaries were subject to audits by a person other than the Accounting Auditor who audits the Company (overseas certified public accountant or person equivalent to the qualification of auditing firm) (limited to an audit subject to a foreign law equivalent to the Companies Act or the Financial Instruments and Exchange Act of Japan).

2. The auditing contract between the Company and the Accounting Auditors makes no distinction between auditing services based on the Corporate Law and auditing services based on the Financial Instruments and Exchange Law. Since no real distinction can be made in practice, the amount paid represents the total amount.

3. As prescribed in “Practical Guidelines Concerning Cooperation with Accounting Auditors” released by the Japan Audit & Supervisory Board Members Association, the Audit & Supervisory Board has evaluated the status of execution of duties by Accounting Auditors and their audit plan, and after considering the Company’s business results in the previous fiscal year, has agreed with the provisions of Article 399, Paragraph 1 of the Companies Act on matters such as the compensation to be paid to Accounting Auditors.

(3) Non-Audit Work

The Company entrusts the Accounting Auditor with services other than service as provided in Article 2, Paragraph 1 of the Certified Public Accountants Law (non-audit work), including “an advisory service for introduction of revenue recognition accounting standards,” and paid compensation for such services to the Accounting Auditor.

(4) Policy Concerning Decisions to Dismiss or Not to Reappoint Accounting Auditors

When there is any difficulty in execution of duties by the Accounting Auditor and their fulfillment is deemed necessary, the Audit & Supervisory Board shall determine the content of the proposal regarding whether to dismiss or not reappoint the Accounting Auditor to be submitted to the General Meeting of Shareholders. Furthermore, if the Accounting Auditor is deemed to fall under any of the items prescribed in Article 340, Paragraph 1 of the Companies Act, the Audit & Supervisory Board shall dismiss the Accounting Auditor based on consent of all Audit & Supervisory Board members. In this case, the Audit & Supervisory Board member designated by the Audit & Supervisory Board shall report on the dismissal of the Accounting Auditor and the reason thereof at the first General Meeting of Shareholders following the dismissal.

VI. System for Securing Appropriateness of Business Operations and the Status of Its Operation

(1) System for Securing Appropriateness of Business Operations

At the Meeting of the Board of Directors, the Company resolved the following system for securing compliance of directors' execution of duties in line with laws and regulations as well as with the Articles of Incorporation, but also for securing the appropriateness of the business operations of the Company.

1) System for Securing Compliance of Execution of Duties by Directors and Employees with Laws and Regulations and Articles of Incorporation

- The Company shall set the code of conduct in line with the company creed and philosophy where its directors and employees are required to comply with, and ensure that each and every director and employee is thoroughly informed of this code.
- The Company shall set compliance rules and establish a framework for compliance, including an internal reporting (whistle-blower) system.
- When detecting serious legal violation or other important matters concerning compliance, Directors shall immediately notify Audit & Supervisory Board members and report it at a meeting of the Board of Directors or a corporate management meeting without any delay.
- The Company shall set up an internal audit department that is independent from operational divisions and responsible for auditing the operational processes thereof in order to prevent and detect illegal acts and improve the processes.
- Audit & Supervisory Board members shall be allowed not only to attend meetings of the Board of Directors on a permanent basis but also to participate in other important meetings and committee meetings as necessary. In addition, Audit & Supervisory Board members shall regularly hold meetings to seek the opinions of Accounting Auditors.
- The Company shall stipulate explicitly the obligation to break off relations with antisocial forces in the code of conduct. Furthermore, it shall establish a department to handle such antisocial forces and take all necessary measures such as formulating a communication framework to contact the police and lawyers in the case of emergency, collecting and managing information, preparing regulations and manuals, and so on.

2) System for Storage and Management of Information Concerning Directors' Execution of Duties

- Directors shall store and manage documents and other information materials concerning their execution of duties appropriately in accordance with the rules set by the Company.
- Directors, Audit & Supervisory Board members and employees at the internal audit department may access such information at any times.

3) Rules Concerning Risk Management

- The Company has established risk management regulations, and clearly states the risks that it faces.
- Under the directions of its General Risk Committee, which is headed by the company president, the Company manages risk for the entire Group.
- As well as clarifying the supervisory department for each risk, the General Risk Committee sets up individual committees as required, and prepares systems for enabling swift and effective responses to be made when risks arise. Also, the Company formulates a Business Continuity Plan (BCP) that assumes the occurrence of a large scale earthquake related disaster.
- The General Risk Committee makes reports to the Board of Directors, as necessary, on the state of responses being made for risks that have arisen.

- Regarding potential risks requiring response, after assessing these, the General Risk Committee reviews the effectiveness of the risk policies and associated management systems, and then reports on their findings to the Board of Directors.

4) System for Securing Efficiency of Execution of Duties by the Group's Directors

- The Company shall hold a regular meeting of the Board of Directors every month and hold an extraordinary meeting of the Board of Directors as necessary.
- In addition, the Company shall regularly hold a corporate management meeting with the participation of Executive Directors, Full-time Audit & Supervisory Board members and others, for which sufficient deliberations shall be conducted in advance on particularly important matters to be determined by the Board of Directors.
- With regard to the execution of operations based on decisions made at a meeting of the Board of Directors, the divisions and officials in charge thereof as well as the execution procedures shall be determined based on the rules concerning the allocation of operational responsibilities and authorities. Furthermore, by similarly maintaining necessary regulations and providing execution proceedings for each subsidiary, the Company aims to streamline execution of duties by each subsidiary's corresponding director.

5) System for Securing Appropriateness of Operations of the Group

- All companies belonging to the Sanshin Electronics Group shall be required to comply with the Group creed and philosophy, the code of conduct and the compliance rules, and the Company shall ensure that directors and all employees of its subsidiaries are thoroughly informed. Each subsidiary shall maintain necessary regulations for itself based on the above rules.
- The Sanshin Electronics Group as a whole, including subsidiaries, shall implement measures to cope with the serious risks. Each subsidiary shall maintain necessary regulations for itself based on the above rules.
- Subsidiaries are required to obtain prior approval from and submit reports to the Company with regard to important matters as specified in the rules concerning the supervision of subsidiaries and affiliated companies.
- The Company shall regularly provide directors and employees of subsidiaries with opportunities to have the Company's Directors and Audit & Supervisory Board members reporting on the execution of their respective duties.
- Audit & Supervisory Board members shall conduct necessary audits with regard to subsidiaries, too.

6) Systems for Ensuring the Reliability of Financial Reporting

- To ensure the reliability of the Group's financial reporting and the effective and appropriate submission of the internal control reports, the Company shall set the Internal Control Management Regulations and introduce the framework to evaluate the effectiveness of the internal control system on a regular basis and to correct inadequacies, if any.

7) System for Accommodating Audit & Supervisory Board Members' Requests for Assistant Employees and Independence of Said Employees from Directors

- Audit & Supervisory Board members shall be given the authority to issue instructions to the internal audit division with regard to matters necessary for their auditing activities.
- Concerning instructions received from Audit & Supervisory Board members with regard to matters necessary for their auditing activities, employees at the internal audit department shall not be bound by the chain of command leading down from Directors.
- The Company shall respect the Audit & Supervisory Board members' opinions with regard to matters related to the

appointment, transfer, evaluation, disciplinary actions and so forth, of the employees at the internal audit department.

8) Systems for Reporting by Directors and Employees to Audit & Supervisory Board Members and for Securing Effective Audits by Audit & Supervisory Board Members

- Audit & Supervisory Board members shall be given the authority to request necessary reports from directors and employees at any time.
- The Representative Directors shall provide the Audit & Supervisory Board members with opportunities to exchange opinions with them regularly.
- The internal audit department shall make sure to submit reports to Audit & Supervisory Board members after conducting audits of operations, etc.
- The Company shall establish an appropriate system for the reporting of matters concerning compliance, such as legal violation, to Audit & Supervisory Board members by setting compliance rules.
- Any disadvantageous treatment given to Directors and Employees who contribute through reports to audits by Audit & Supervisory Board members, or to Directors, Audit & Supervisory Board members and Employees of subsidiaries is prohibited.
- When Audit & Supervisory Board members request to the Company the payment in advance for the expenses related to the execution of their auditing duties, the Company shall pay such costs or amortize the liability immediately. Moreover, in order to pay the expenses incurred in the execution of duties by Audit & Supervisory Board members, the Company shall allocate a certain amount of budget each year.

(2) Outline of the Status of Operation of the System for Securing Appropriateness of Business Operations

The status of operation of the system for securing appropriateness of business operations is shown as below.

- The Company has set a code of conduct its directors and employees are required to comply with, and is currently taking thorough measures to make this code known by everyone at the training for new employees, as well as through periodic publications in the Company's newsletter, postings within offices, or by distributing cards internally. Furthermore, in order to assess the implementation status of this code of conduct, the Company regularly conducts an employee questionnaire. The results of the questionnaire are reported to the Board of Directors and the degree of awareness toward the code of conduct is confirmed.
- The Company has established internal reporting regulations which define items including confidentiality of whistle-blowers, prohibition of disadvantageous treatment of whistle-blowers, and prohibition of handling of reported incidents by individuals who are personally involved in said incidents. The Company operates an internal control system. Furthermore, in order to strengthen independence from management, the Company includes all Audit & Supervisory Board members in the reporting contact point.
- The Company has established an Auditing Office as its internal auditing department. Currently, three dedicated staffs are stationed at the Auditing Office as of the date of creation for this business report. After conducting an operational audit, the Auditing Office submits an auditing report to the Representative Directors and to Audit & Supervisory Board members. Furthermore, the Audit & Supervisory Board members and Auditing Office hold meetings as necessary. Audit & Supervisory Board members gather information from the Auditing Office; for example, requesting reports on the status of the internal control system and related auditing results. Audit & Supervisory Board members also provide instruction and recommendations to the Auditing Office.
- Audit & Supervisory Board members shall attend the meetings of the Board of Directors. Furthermore, Full-time Audit

& Supervisory Board members shall attend management and executive committee meetings, management strategy meetings and other important gatherings on a permanent basis. In addition to holding deliberation with Accounting Auditors at the beginning of the fiscal year under review in order to formulate an audit plan, Audit & Supervisory Board members meet periodically and as necessary, and are present during the performance of accounting audits as necessary.

- The General Risk Committee makes reports to the Board of Directors, as necessary, on the state of responses being made for risks that have arisen. Also, regarding new risks requiring response, after assessing these, the General Risk Committee reports on the effectiveness of the risk policies and associated management systems to the Board of Directors.
- During the fiscal year under review, ordinary meetings of the Board of Directors were held 13 times.
- The scope of matters to be resolved by the Board of Directors was limited to legal matters and fundamental matters of the Company (disposal of important assets such as investments, corporate code of conduct, corporate philosophy, code of conduct, establishment/revision of basic management policies and management plans, items related to corporate governance, etc.). Other matters shall be delegated to corporate management meetings and executive directors, and action shall be taken in accordance with rules. In regards to the executions of said actions, executive directors shall report to the Board of Directors as necessary. Through these reports, the Board of Directors shall supervise the decision-making and business operation of executive directors.
- Audit & Supervisory Board members perform accounting audits in important subsidiaries in Japan, and visit important overseas subsidiaries for periodic audits.
- In accordance with the Internal Control Management Regulations, the Internal Control Committee meets once every quarter. In order to evaluate the effectiveness of internal controls at the Company, the Internal Control Committee considers the self-assessment results of self-inspection and the results of independent evaluation by the Auditing Office. Results are reported to the COO.
- Representative Directors meet periodically with Audit & Supervisory Board members and Independent External Directors in order to exchange opinions. Furthermore, separate meetings are held between Audit & Supervisory Board members and Independent External Directors in order to exchange opinions.

Consolidated Financial Statements

CONSOLIDATED BALANCE SHEET

Sanshin Electronics Co., Ltd.

As of March 31, 2020

	Millions of yen
ASSETS	
Current assets:	
Cash and deposits	18,443
Notes and accounts receivable-trade	24,074
Electronically recorded monetary claims	4,317
Merchandise inventories	16,165
Partly-finished work	0
Accrued income	44
Consumption taxes receivable	3,900
Others	627
Allowance for doubtful accounts	(7)
Total current assets	67,566
Non-current assets:	
Property and equipment	
Buildings and structures	1,195
Land	1,135
Leased assets	211
Construction in progress	19
Others	68
Total property and equipment	2,631
Intangible assets:	489
Investments and other assets:	
Investment securities	2,515
Deferred tax assets	337
Others	152
Allowance for doubtful accounts	(35)
Total investments and other assets	2,970
Total non-current assets	6,092
TOTAL	73,659

Note: Figures are rounded down to the nearest million yen.

CONSOLIDATED BALANCE SHEET

Sanshin Electronics Co., Ltd.

As of March 31, 2020

		Millions of yen
LIABILITIES AND NET ASSETS:		
LIABILITIES:		
Current liabilities:		
Notes and accounts payable-trade		14,039
Short-term loans payable		14,953
Lease obligations		62
Accrued corporate tax, etc.		162
Allowance for bonuses to employees		485
Allowance for bonuses to Directors and Audit & Supervisory Board members		27
Others		1,231
Total current liabilities		30,962
Non-current liabilities:		
Lease obligations		149
Deferred tax liabilities		2
Allowance for stock compensation		59
Net defined benefit liabilities		352
Others		103
Total non-current liabilities		667
Total liabilities		31,629
NET ASSETS:		
Shareholders' equity:		
Capital stock		14,811
Capital surplus		5,329
Retained earnings		32,676
Treasury stock		(10,353)
Total shareholders' equity		42,464
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities		338
Deferred hedge gains (losses)		1
Foreign currency translation adjustments		(701)
Remeasurements of defined benefit plans		(120)
Total accumulated other comprehensive income		482
Non-controlling interests		46
Total net assets		42,029
TOTAL		73,659

Note: Figures are rounded down to the nearest million yen.

CONSOLIDATED PROFIT AND LOSS STATEMENT

Sanshin Electronics Co., Ltd.

For the year ended March 31, 2020

	Millions of yen	
Net sales		123,085
Cost of sales:		111,861
Gross profit on sales		11,224
Selling, general and administrative expenses:		9,265
Operating profit		1,958
Non-operating profit:		
Interest income	23	
Dividend income	37	
Foreign exchange gains	91	
Others	79	232
Non-operating expenses:		
Interest expenses	268	
Sales discounts	9	
Others	54	331
Ordinary profit		1,858
Extraordinary profits:		
Gain on sales of non-current asstes	0	
Gain on sales of investment securities	40	40
Extraordinary losses:		
Loss on retirement of non-current assets	0	
Loss on valuation of membership	2	3
Net profit before tax and other adjustments		1,896
Corporate, resident and enterprise taxes	250	
Adjustment for corporate tax, etc.	198	449
Net profit		1,447
Net profit attributable to non-controlling interests		(3)
Net profit attributable to shareholders of parent company		1,451

Note: Figures are rounded down to the nearest million yen.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Sanshin Electronics Co., Ltd.

For the year ended March 31, 2020

Millions of yen

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2019	14,811	5,329	32,578	(10,356)	42,363
Changes during the term					
Dividends of surplus			(1,352)		(1,352)
Net profit attributable to shareholders of parent company			1,451		1,451
Purchase of treasury stock				(0)	(0)
Disposal of treasury stock				3	3
Net changes of items other than shareholders' equity					
Total changes during the term	—	—	98	2	101
Balance as of March 31, 2020	14,811	5,329	32,676	(10,353)	42,464

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred hedge gains (losses)	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance as of April 1, 2019	574	(4)	(294)	22	298	50	42,711
Changes during the term							
Dividends of surplus							(1,352)
Net profit attributable to shareholders of parent company							1,451
Purchase of treasury stock							(0)
Disposal of treasury stock							3
Net changes of items other than shareholders' equity	(236)	5	(406)	(143)	(780)	(3)	(784)
Total changes during the term	(236)	5	(406)	(143)	(780)	(3)	(682)
Balance as of March 31, 2020	338	1	(701)	(120)	(482)	46	42,029

Note: Figures are rounded down to the nearest million yen.

Non-Consolidated Financial Statements

NON-CONSOLIDATED BALANCE SHEET

Sanshin Electronics Co., Ltd.

As of March 31, 2020

	Millions of yen
ASSETS	
Current assets:	
Cash and deposits	14,331
Trade notes	86
Electronically recorded monetary claims	4,317
Trade accounts	14,120
Merchandise inventories	11,049
Partly-finished work	0
Advance payment	165
Prepaid expenses	134
Accrued income	147
Consumption taxes receivable	3,900
Others	59
Allowance for doubtful accounts	(0)
Total current assets	48,315
Non-current assets:	
Property and equipment:	
Buildings	1,181
Structures	4
Tools and fixtures	48
Land	1,135
Leased assets	181
Construction in progress	19
Total property and equipment	2,571
Intangible assets:	
Software	251
Others	29
Total intangible assets	280
Investments and other assets:	
Investment securities	2,383
Stocks of subsidiaries and affiliates	3,557
Guarantee money deposit	19
Deferred tax assets	257
Others	35
Allowance for doubtful accounts	(2)
Total investments and other assets	6,251
Total non-current assets	9,102
TOTAL	57,417

Note: Figures are rounded down to the nearest million yen.

NON-CONSOLIDATED BALANCE SHEET

Sanshin Electronics Co., Ltd.

As of March 31, 2020

	Millions of yen
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
Current liabilities:	
Trade notes	723
Trade accounts	10,873
Short-term loans payable	12,393
Lease obligations	45
Accounts payable	229
Accrued expenses	168
Accrued corporate tax, etc.	95
Advance received	506
Allowance for bonuses to employees	485
Allowance for bonuses to Directors and Audit & Supervisory Board members	27
Others	49
Total current liabilities	25,596
Non-current liabilities:	
Lease obligations	136
Allowance for stock compensation	59
Employees' severance and retirement benefits	110
Others	101
Total non-current liabilities	408
Total liabilities	26,004
NET ASSETS:	
Shareholders' equity:	
Capital stock	14,811
Capital surplus	5,329
Capital reserve	5,329
Retained earnings	21,286
Retained surplus	670
Other retained earnings	20,615
Reserve for dividend payments	600
General reserve	18,680
Retained earnings brought forward	1,335
Treasury stock	(10,353)
Total shareholders' equity	31,073
Valuation and translation adjustments:	
Valuation difference on available-for-sale securities	338
Deferred hedge gains (losses)	1
Total valuation and translation adjustments	339
Total net assets	31,413
TOTAL	57,417

Note: Figures are rounded down to the nearest million yen.

NON-CONSOLIDATED PROFIT AND LOSS STATEMENT

Sanshin Electronics Co., Ltd.

For the year ended March 31, 2020

	Millions of yen	
Net sales		95,579
Cost of sales:		87,957
Gross profit on sales		7,621
Selling, general and administrative expenses:		6,924
Operating profit		697
Non-operating profit:		
Interest and dividend income	245	
Management consulting fees	208	
Foreign exchange gains	33	
Others	45	533
Non-operating expenses:		
Interest expenses	80	
Others	56	136
Ordinary profit		1,094
Extraordinary profits:		
Gain on sales of non-current assets	0	
Gain on sales of investment securities	40	40
Extraordinary losses:		
Loss on retirement of non-current assets	0	0
Net profit before tax and other adjustments		1,135
Corporate, resident and enterprise taxes	48	
Adjustment for corporate tax, etc.	105	153
Net profit		981

Note: Figures are rounded down to the nearest million yen.

NON-CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Sanshin Electronics Co., Ltd.

For the year ended March 31, 2020

Millions of yen

	Shareholders' equity									
	Capital stock	Capital surplus		Retained earnings					Treasury stock	Total shareholders' equity
		Capital reserve	Total capital surplus	Retained surplus	Other retained earnings			Total retained earnings		
					Reserve for dividend payments	General reserve	Retained earnings brought forward			
Balance as of April 1, 2019	14,811	5,329	5,329	670	600	18,680	1,705	21,656	(10,356)	31,441
Changes during the term										
Dividends of surplus							(1,352)	(1,352)		(1,352)
Net profit							981	981		981
Purchase of treasury stock									(0)	(0)
Disposal of treasury stock									3	3
Net changes of items other than shareholders' equity										
Total changes during the term	—	—	—	—	—	—	(370)	(370)	2	(367)
Balance as of March 31, 2020	14,811	5,329	5,329	670	600	18,680	1,335	21,286	(10,353)	31,073

	Valuation and translation adjustments			Total net assets
	Valuation difference on available-for-sale securities	Deferred hedge gains (losses)	Total valuation and translation adjustments	
Balance as of April 1, 2019	574	(4)	570	32,012
Changes during the term				
Dividends of surplus				(1,352)
Net profit				981
Purchase of treasury stock				(0)
Disposal of treasury stock				3
Net changes of items other than shareholders' equity	(236)	5	(230)	(230)
Total changes during the term	(236)	5	(230)	(598)
Balance as of March 31, 2020	338	1	339	31,413

Note: Figures are rounded down to the nearest million yen.

Audit Report

Report of the audit of the consolidated accounts by Accounting Auditors

Independent Auditor's Report

May 25, 2020

To the Board of Directors of Sanshin Electronics Co., Ltd.:

Deloitte Touche Tohmatsu LLC, Tokyo Office

Kazumasa Moriya
Designated and Engagement Limited Partner
Certified Public Accountant

Akiko Fujiharu
Designated and Engagement Limited Partner
Certified Public Accountant

Auditors' opinions

Pursuant to Article 444, Paragraph 4 of the Companies Act, we have audited the consolidated financial statements, which consist of the consolidated balance sheet, consolidated profit and loss statement, consolidated statement of changes in shareholders' equity and notes to consolidated financial statements, of Sanshin Electronics Co., Ltd., (the "Company") for the consolidated fiscal year from April 1, 2019 to March 31, 2020.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Company and its consolidated subsidiaries for the related consolidated fiscal year, and the consolidated results of their operations and their cash flows for the years then ended in conformity with corporate accounting standards generally accepted in Japan.

Basis for Auditors' opinions

We have carried out the audit in compliance with auditing standards generally recognized as fair and appropriate in Japan. Our responsibilities under these standards are stated in the "Responsibilities of Auditors in the auditing of consolidated financial statements." In accordance with applicable regulations related to occupational ethics in Japan, we are independent from the Company and its consolidated subsidiaries and fulfill all other ethical responsibilities as Auditors. We believe that the audit evidence we have obtained is sufficient and appropriate, and provides a reasonable basis for our opinions.

Responsibilities of the Company's management, Audit & Supervisory Board members, and the Audit & Supervisory Board for preparation of consolidated financial statements

The Company's management is responsible for preparing and fairly presenting these consolidated financial statements in accordance with corporate accounting standards generally accepted in Japan. This includes designing and operating internal controls judged by management as necessary to prepare and fairly present consolidated financial statements that are free from material misstatements due to fraud or error.

In the course of drafting consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements based on the premise of a going concern and disclosing the

applicable information for matters related to said going concern when necessary based on corporate accounting standards which are generally accepted in Japan.

The Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for monitoring the Directors' execution of their work operations concerning financial reporting process preparation and implementation.

Responsibilities of Auditors in the auditing of consolidated financial statements

For the audits they perform, Auditors are responsible for acquiring a reasonable guarantee based on the audits they performed that there is no fraud or error within the consolidated financial statements as a whole which results in material misstatements and expressing an opinion on the applicable consolidated financial statements from their independent perspective within their audit report. Misstatements can occur as a result of fraud or error, and when these misstatements can reasonably be considered to affect the decision-making of consolidated financial statement users either individually or in total, they are determined to be material.

Auditors carry out the following auditing process in compliance with auditing standards generally recognized as fair and appropriate in Japan, using their professional and specialist judgment and maintaining a sense of professional skepticism in their work.

- Auditors identify and evaluate the risk of material misstatements resulting from fraud or error. Auditors also propose and implement auditing procedures for handling risks of these material misstatements. Selection and application of auditing procedures are carried out at the discretion of the Auditor. In addition, Auditors acquire audit evidence that is both sufficient and appropriate as a basis for stating their opinions.
- Expressing an opinion on the effectiveness of internal controls is not the purpose of auditing consolidated financial statements. However, Auditors consider internal controls related to the audit as part of their risk evaluations in order to formulate appropriate auditing procedures to fit the circumstances.
- Auditors evaluate the appropriateness of the accounting policy chosen by the management and the methods for its application, as well as the reasonableness of accounting estimates carried out by management and the validity of related explanatory notes.
- Auditors evaluate whether it is appropriate for the management to draft consolidated financial statements on the premise of a going concern. They also come to a conclusion regarding whether major uncertainties can be recognized related to matters or circumstances giving rise to serious doubts concerning the premise of a going concern based on evidence acquired through the auditing process. If major uncertainties concerning the premise of a going concern can be recognized, Auditors caution consolidated financial statement users on this point in their audit reports, calling for attention to the explanatory notes. In addition, if the explanatory notes in the consolidated financial statements related to the applicable major uncertainty are not appropriate, Auditors are expected to indicate an exception in their opinion statements on the consolidated financial statements. Although the conclusions of Auditors are based on the auditing evidence they acquire up until the date of their audit report, there is still a possibility that a company will be unable to continue its business as a going concern due to future events and circumstances.
- In addition to determining whether the indications and explanatory notes of the consolidated financial statements are in compliance with corporate accounting standards generally accepted in Japan, Auditors also evaluate whether the indications, structure, and content of consolidated financial statements and their related explanatory notes, as well as the transactions and accounting matters on which these statements are based, are presented fairly.
- In order to express an opinion on consolidated financial statements, Auditors must acquire sufficient and appropriate auditing evidence related to financial affairs of the Company and its consolidated subsidiaries. Auditors are responsible for instructions, supervision, and implementation operations related to the auditing of consolidated financial statements. Auditors are solely responsible for their audit opinions.

Auditors will report the planned auditing scope, implementation period, important findings from the auditing process (including major deficiencies identified related to the internal controls), and other matters required by the auditing standards to the Company's Audit & Supervisory Board members and Audit & Supervisory Board.

Auditors will report on their adherence to independence as required by Japan's occupational ethics regulations, matters which could reasonably be considered to affect this independence, and the content of any safeguards measures

implemented for the removal or mitigation of obstructing factors to the Company's Audit & Supervisory Board members and Audit & Supervisory Board.

Interest relationships

There are no interest relationships between the Company or consolidated subsidiaries and the auditing firm or between the Company or consolidated subsidiaries and the Designated and Engagement Limited Partners that are required to be reported according to the Certified Public Accountants Act.

Independent Auditor's Report

May 25, 2020

To the Board of Directors of Sanshin Electronics Co., Ltd.:

Deloitte Touche Tohmatsu LLC, Tokyo Office

Kazumasa Moriya
Designated and Engagement Limited Partner
Certified Public Accountant

Akiko Fujiharu
Designated and Engagement Limited Partner
Certified Public Accountant

Auditors' opinions

Pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the financial statements, which consist of the balance sheet, profit and loss statement, statement of changes in shareholders' equity, notes to non-consolidated financial statements, and detailed statements thereof ("financial statements"), of Sanshin Electronics Co., Ltd., (the "Company") for the 69th fiscal year from April 1, 2019 to March 31, 2020.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations for the related fiscal year in conformity with corporate accounting standards generally accepted in Japan.

Basis for Auditors' opinions

We have carried out the audit in compliance with auditing standards generally recognized as fair and appropriate in Japan. Our responsibilities under these standards are stated in the "Responsibilities of Auditors in the auditing of financial statements." In accordance with applicable regulations related to occupational ethics in Japan, we are independent from the Company and fulfill all other ethical responsibilities as Auditors. We believe that the audit evidence we have obtained is sufficient and appropriate, and provides a reasonable basis for our opinions.

Responsibilities of the Company's management, Audit & Supervisory Board members, and the Audit & Supervisory Board for preparation of financial statements

The Company's management is responsible for preparing and fairly presenting these financial statements in accordance with corporate accounting standards generally accepted in Japan. This includes designing and operating internal controls judged by management as necessary to prepare and fairly present financial statements that are free from material misstatements due to fraud or error.

In the course of drafting financial statements, management is responsible for assessing whether it is appropriate to prepare the financial statements based on the premise of a going concern and disclosing the applicable information for matters related to said going concern when necessary based on corporate accounting standards which are generally accepted in Japan.

The Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for monitoring the Directors'

execution of their work operations concerning financial reporting process preparation and implementation.

Responsibilities of Auditors in the auditing of financial statements

For the audits they perform, Auditors are responsible for acquiring a reasonable guarantee based on the audits they performed that there is no fraud or error within the financial statements as a whole which results in material misstatements and expressing an opinion on the applicable financial statements from their independent perspective within their audit report. Misstatements can occur as a result of fraud or error, and when these misstatements can reasonably be considered to affect the decision-making of financial statement users either individually or in total, they are determined to be material.

Auditors carry out the following auditing process in compliance with auditing standards generally recognized as fair and appropriate in Japan, using their professional and specialist judgment and maintaining a sense of professional skepticism in their work.

- Auditors identify and evaluate the risk of material misstatements resulting from fraud or error. Auditors also propose and implement auditing procedures for handling risks of these material misstatements. Selection and application of auditing procedures are carried out at the discretion of the Auditor. In addition, Auditors acquire audit evidence that is both sufficient and appropriate as a basis for stating their opinions.
- Expressing an opinion on the effectiveness of internal controls is not the purpose of auditing financial statements. However, Auditors consider internal controls related to the audit as part of their risk evaluations in order to formulate appropriate auditing procedures to fit the circumstances.
- Auditors evaluate the appropriateness of the accounting policy chosen by the management and the methods for its application, as well as the reasonableness of accounting estimates carried out by management and the validity of related explanatory notes.
- Auditors evaluate whether it is appropriate for the management to draft financial statements on the premise of a going concern. They also come to a conclusion regarding whether major uncertainties can be recognized related to matters or circumstances giving rise to serious doubts concerning the premise of a going concern based on evidence acquired through the auditing process. If major uncertainties concerning the premise of a going concern can be recognized, Auditors caution financial statement users on this point in their audit reports, calling for attention to the explanatory notes. In addition, if the explanatory notes in the financial statements related to the applicable major uncertainty are not appropriate, Auditors are expected to indicate an exception in their opinion statements on the financial statements. Although the conclusions of Auditors are based on the auditing evidence they acquire up until the date of their audit report, there is still a possibility that a company will be unable to continue its business as a going concern due to future events and circumstances.
- In addition to determining whether the indications and explanatory notes of the financial statements are in compliance with corporate accounting standards generally accepted in Japan, Auditors also evaluate whether the indications, structure, and content of financial statements and their related explanatory notes, as well as the transactions and accounting matters on which these statements are based, are presented fairly.

Auditors will report the planned auditing scope, implementation period, important findings from the auditing process (including major deficiencies identified related to the internal controls), and other matters required by the auditing standards to the Company's Audit & Supervisory Board members and Audit & Supervisory Board.

Auditors will report on their adherence to independence as required by Japan's occupational ethics regulations, matters which could reasonably be considered to affect this independence, and the content of any safeguards measures implemented for the removal or mitigation of obstructing factors to the Company's Audit & Supervisory Board members and Audit & Supervisory Board.

Interest relationships

There are no interest relationships between the Company and the auditing firm or between the Company and the Designated and Engagement Limited Partners that are required to be reported according to the Certified Public Accountants Act.

Audit & Supervisory Board members' Report

The Audit & Supervisory Board (the "Board"), having deliberated on the audit reports prepared by the Audit & Supervisory Board members on the performance of the duties of Directors for the 69th fiscal year from April 1, 2019 to March 31, 2020 hereby reports on its audit findings as follows:

1. Method and Content of the Audit by Audit & Supervisory Board Members and the Board

- (1) The Board established the audit policy and allocation of duties, etc., received reports from Audit & Supervisory Board members on the status of the execution and results of their audits, received reports from Directors and the Accounting Auditors on the status of execution of their duties and requested explanations as needed.
- (2) In compliance with the auditing standards set by the Audit & Supervisory Board and based on the audit policy, assigned duties, etc., each Audit & Supervisory Board member maintained proper communication with Directors, internal audit staff and other employees, and strove to create an environment that supports the collection and audit of information, as well as they conducted audit by the following methods.
 - 1) Attended meetings of the Board of Directors and other important gatherings, received reports from Directors and employees on the status of the execution of their duties, requested explanations as necessary, and examined the situation of the operations and assets of the head office and principal offices. In addition, the Audit & Supervisory Board members also maintained appropriate communication and exchanged information with Directors and Audit & Supervisory Board members of subsidiaries, and received reports about operations from subsidiaries when necessary.
 - 2) In order to ensure the system guaranteeing that the performance of the work of the directors stipulated in the business reporting is in accordance with laws and ordinances and the Articles of Incorporation, and also to ensure appropriateness of all the other business processes that are required in a group comprising a joint stock company and its subsidiaries, regarding the corporate resolutions on the creation of a system in accordance with Article 100, Paragraphs 1 and 3 of the Enforcement of the Companies Act, as well as regarding the system (internal control system) currently maintained based on the contents of the corporate resolutions concerned, the Audit & Supervisory Board members regularly received reports from Directors, employees, etc., on the current situation of the establishment and the implementation of such system, requested explanations as necessary, and expressed their opinions.
 - 3) In addition, the Audit & Supervisory Board members monitored and verified whether the Accounting Auditors maintained their independence and implemented appropriate audits and received reports from the Accounting Auditors on the status of execution of their duties, and requested explanations as needed. In addition, Audit & Supervisory Board members were informed by the Accounting Auditors that they were developing the "structure and system to ensure that their duties would be executed in a proper manner" (items prescribed in Article 131 of the Corporate Calculation Regulations) in accordance with "Quality Control Standards for Auditing" (Business Accounting Council dated October 28, 2005), and requested explanations as needed.

Based on the aforementioned methods, the Audit & Supervisory Board members examined the Company's business report and its detailed statements, financial statements (non-consolidated balance sheets, non-consolidated profit and loss statement, non-consolidated statement of changes in shareholders' equity and notes to the non-consolidated financial statements), their detailed statements, and consolidated financial statements (consolidated balance sheets, consolidated profit and loss statement, consolidated statement of changes in shareholders' equity and notes to consolidated financial statements) for the fiscal year under review.

2. Results of the Audit

(1) Results of the audit of the business report and its detailed statements

- (a) The business report and its detailed statements present fairly the status of the Company in conformity with the relevant laws and Articles of Incorporation.
- (b) No misconduct or material fact running counter to the relevant laws or Articles of Incorporation has been found with respect to the execution of Directors' duties.
- (c) The content of the resolutions of the Board of Directors on the internal control system are fair and reasonable. No item worthy of special mention has been found with respect to the contents of the business report and the execution of Directors' duties concerning the relevant internal control system.

(2) Results of the audit of financial statements and their detailed statements

The audit methods adopted and the results of the audit conducted by Deloitte Touche Tohmatsu, Accounting Auditors, are appropriate.

(3) Results of the audit of consolidated financial statements

The audit methods adopted and the results of the audit conducted by Deloitte Touche Tohmatsu, Accounting Auditors, are appropriate.

May 26, 2020

Audit & Supervisory Board

Sanshin Electronics Co., Ltd.

Keiji Nishio, Full-time Audit & Supervisory Board member

Shin-ichi Miura, Full-time Audit & Supervisory Board member

Shohei Yamamoto, External Audit & Supervisory Board member

Kuniharu Kezuka, External Audit & Supervisory Board member