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(Attachment of Notice of the 70th Ordinary General Meeting of Shareholders)

Sanshin Electronics Co., Ltd.

Stock Code: 8150

Business Report on the 70th Term

From April 1, 2020 to March 31, 2021

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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, 2020 to March 31, 2021)

I. Matters Concerning the Current Status of the Corporate Group

(1) Business Progress and Results

During the consolidated fiscal year under review, the global economy overall faced tough conditions due to the prolonged impact caused by the spread of COVID-19. Although vaccinations have started in some regions, countries are forced to engage in economic activities while implementing continued measures to prevent infection, and it is uncertain when the COVID-19 pandemic will end. In the electronics industry, which is one of the Group's fields of business, the pandemic caused stagnation in the production of semiconductors. Conversely, there were strong sales of televisions, home appliances, and home video game consoles due to stay-at-home demand. Furthermore, there was a sudden recovery in the Chinese automotive market from the second half of the fiscal year. Overall, there was tight supply and demand for semiconductors. In the domestic ICT industry, the COVID-19 pandemic caused a decrease in corporate IT investment. However, investment for digitalization increased due to factors such as the development of environments for remote work.

Against this background, in the device business, the Group promoted a shift of human resources for expanding sales of overseas semiconductor manufacturer products. This was done in conjunction with the cancellation (as of June 30, 2020) of the dealership agreement with Renesas Electronics Corporation, which was previously a main supplier. The Group also strove to make drastic transitions to our profit structure through efforts such as developing new products and business models based on items related to in-vehicle systems, artificial intelligence (AI), and the internet of things (IoT). 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 number of customer platforms.

As a result of these efforts, business performance in the consolidated fiscal year under review was as follows: Net sales were ¥112,791 million (down 8.4% year-on-year); however, operating profit was ¥2,167 million (up 10.7% year-on-year) due to the Group's efforts to improve the gross profit margin and reduce selling, general and administrative expenses, and ordinary profit was ¥1,878 million (up 1.1% year-on-year). As a result, net profit attributable to shareholders of parent company was ¥1,646 million (up 13.4% year-on-year) and ROE was 3.9% (up from 3.4% in the previous year).

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, capacitors and circuit boards). 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, there were increases compared to the previous fiscal year in our strategic device business, which mainly handles IoT products and new overseas products. However, the core device grew only slightly due to the spread of the COVID-19 pandemic and changes in the commercial distribution of suppliers. Moreover, the volume business decreased significantly due to factors such as optimization for the scale of sales as part of business portfolio reform. This resulted in net sales of ¥98,987 million (down 9.2% year-on-year). In terms of profit and loss, although the Group made efforts to reduce selling, general and administrative expenses, there was a decrease in gross profit on sales, and segment profit was ¥172 million (down 58.4% year-on-year).

Note: Segment profit is based on ordinary profit.

Solution Segment

In the solution business segment, we provide the optimal ICT infrastructure to each customer by combining network devices, security products, Line-of-Business systems, clouds, and data centers. Furthermore, we provide integrated services in all phases of design, construction, operation, and maintenance while supporting technology that continually evolves through revolutionary technology such as AI and IoT, and through cloud native.

For the consolidated fiscal year under review, although overall sales were down compared to the previous fiscal year, the impact caused by the spread of COVID-19 in the solution business was minimal compared to the device segment, and large-scale and highly-profitable bidding projects were strong. As a result, net sales were nearly the same as the previous fiscal year at ¥13,804 million (down 1.5% year-on-year). Furthermore, in terms of profit and loss, segment profit was ¥1,706 million (up 18.2% year-on-year) due to an improved gross profit margin and a decrease in selling, general and administrative expenses caused by reduced activities during the COVID-19 pandemic.

Note: Segment profit is based on ordinary profit.

(2) Capital Investment Activities

For the consolidated fiscal year under review, a total of ¥314 million in investments was conducted for purposes such as updating facilities in the headquarters building and the Osaka Branch building.

(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.

(Medium-term business strategy and future challenges)

The Group has formulated the V73 Medium-Term Management Plan to be concluded in the Company's 73rd Term (fiscal year ending March 31, 2024). In the Plan, the Group states the quantitative target of achieving an ROE of 5% at an early stage. As measures for achieving this target, we will diligently implement the following measures.

1) Improve profitability through business structure reform and expand business in growth markets

We now face a situation in which the conventional business structure cannot respond to drastic environmental changes. Specifically, in the device business, the scale of business has shrunk due to the cancellation of the dealership agreement with Renesas Electronics Corporation, which had been a major supplier for many years. In the solution business, there are heightened needs for the construction of new network infrastructure (including the cloud) and security measures in conjunction with the rapid increase in remote work caused by COVID-19. In response to these changes, we will promote business structural reforms by implementing the following measures in each business, and strive to expand our business in growth markets with a view to sustainable growth over the medium- to long-term.

Device business

- 1) We will focus on improving profitability by increasing sales through expansion of lineups for products from overseas manufacturers and by reducing costs through revision of sales operations.
- 2) We will promote portfolio reform by developing highly-profitable new businesses such as selling AI/IoT solutions mainly for the manufacturing/infrastructure markets and by expanding to provide related services through the foothold of sales for parts/modules and finished products in the robotics market.

Solution business

- 1) We will strive to construct a subscription-type business model by expanding application services that utilize the cloud platform.
- 2) We will focus on improving and accumulating in-house technological capability in areas such as AI/IoT, 5G, and virtualization so that we can reliably seize the business opportunities that accompany the progress of DX.
- 3) We will strive to increase the number of customers through solution proposals based on consulting-type sales that are familiar with customer practices and integrated ICT technology from system design/construction to operation/maintenance, as well as co-creation in collaboration with partners.

2) Improvement of capital efficiency

In the device business, where the demand for funds was particularly large, we expect that our promotion of business structure reform toward highly-profitable businesses will suppress the increased demand for funds. Compared to unit sales of semiconductors and electronic components, the purchase amount relative to net sales will decrease and there will be an increased ratio of service-type businesses with terms for early collection of accounts receivables. The Group will endeavor to improve ROE by optimizing capital in conjunction with improving profitability through such business structural reforms while maintaining financial soundness.

- 1) We will continue to pay dividends with a consolidated payout ratio of approximately 50% and implement a flexible capital policy including the acquisition of treasury stock. Regarding the acquisition of treasury stock, the tender offer for treasury stock is scheduled to begin from June 22, 2021, with the total number of shares to be acquired of

up to 7,000 thousand shares and the total acquisition price of up to ¥15,743 million. (For details, please refer to the “Notice Regarding the Scheduled Acquisition of Treasury Stock and Tender Offer of Treasury Stock, and the Reduction of General Reserve, Capital Reserve, and Retained Surplus” dated May 12, 2021.)

- 2) We will strive to maintain financial soundness by securing cash on hand through measures such as improving transaction conditions, liquidating receivables, and selling strategically held shares, by reducing inventories through careful management of orders, and by reducing total assets. We will also consider commitment line contracts with our financial institutions to ensure the agility and stability of financing.

3) Strengthening corporate governance

We will continue to strengthen corporate governance so that the Board of Directors can fulfill a central role in improving corporate value. In particular, as important management issues that will lead to an increase in corporate value, we will strengthen our efforts to address issues related to sustainability; for example, consideration for global environmental issues such as climate change and ensuring diversity.

- 1) We will review our policies on addressing issues related to sustainability.
- 2) We will strengthen our systems and management to effectively supervise the execution of strategy for the Medium-Term Management Plan.

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

	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)	70th Term (From April 1, 2020 to March 31, 2021)
Net Sales (million yen)	157,257	147,879	123,085	112,791
Operating Profit (million yen)	1,763	1,965	1,958	2,167
Ordinary Profit (million yen)	1,787	1,737	1,858	1,878
Net Profit Attributable to Shareholders of Parent Company (million yen)	947	1,449	1,451	1,646
Net Profit Per Share (yen)	33.62	67.48	75.66	85.82
Total Assets (million yen)	93,624	88,261	73,659	84,602
Net Assets (million yen)	61,787	42,711	42,029	43,210
Net Assets Per Share (yen)	2,191.19	2,224.47	2,188.84	2,249.40
Return on Equity (ROE) (%)	1.5	2.8	3.4	3.9

Note: 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 68th term. 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, 2021)

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, 2021)

Domestic	
• SANSBIN 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
• SANSBIN NETWORK SERVICE CO., LTD.	Headquarters: Tokyo
• SANSBIN MEDIA SOLUTIONS CO., LTD.	Headquarters: Tokyo
• SANSBIN SYSTEM DESIGN CO., LTD.	Headquarters: Tokyo
• TAKUMI CORPORATION	Headquarters: Tokyo

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

(9) Employees (as of March 31, 2021)

Business Segment	Number of Employees	Change from the End of the Previous Term
Device business	309 (21)	down 55 (up 10)
Solution business	197 (15)	up 8 (up 2)
Corporate (common)	63 (16)	up 2 (up 1)
Total	569 (52)	down 45 (up 13)

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 ().

4. The decrease in the number of employees in the device business is mainly due to transfer of the Company’s employees to other business channels in conjunction with the termination of the dealership agreement with Renesas Electronics Corporation. The increase in the number of temporary employees is due to factors such as an increase in the number of entrusted workers.

(10) Principal Lenders (as of March 31, 2021)

Lender	Outstanding Loan Amount
	(Million yen)
Sumitomo Mitsui Banking Corporation	15,835
MUFJ Bank, Ltd.	3,183
Mizuho Bank, Ltd.	3,000
Sumitomo Mitsui Trust Bank, Limited.	1,332

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, 2021)

(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: 2,034

(4) Major Shareholders (Top ten shareholders)

Name of Shareholder	Number of Shares Held (Thousands of shares)	Shareholding Ratio (%)
City Index Eleventh Co., Ltd.	6,590	34.12
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)	680	3.52
Custody Bank of Japan, Ltd. (Trust Account)	469	2.43
MUFG Bank, Ltd.	455	2.36
Meiji Yasuda Life Insurance Company	266	1.38
Sumitomo Life Insurance Company	265	1.37
Sumitomo Mitsui Trust Bank, Limited	251	1.30

Notes: 1. The number of shares held by Custody Bank of Japan, Ltd. (trust account) includes 132,800 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 4,964,665 shares of treasury stock, but is excluded from the major shareholders above.

3. Shareholding ratio is calculated with treasury shares excluded.

(5) Shares Issued As Compensation for Execution of Duties in the Consolidated Fiscal Year Under Review

	Number of Shares	Number of Recipients
Directors (excluding External Directors)	3,900 shares	1

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, 2021)

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 and IoT Business 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	Mitsuhiro Ogawa	In charge of CE Unit and Sales Technology 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		
Director	Akihiro Fujioka		
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, Tatsuo Takeuchi and Akihiro Fujioka serve as External Directors, while Shohei Yamamoto and Kuniharu Kezuka serve as External Audit & Supervisory Board members. Also, the Company has designated all six 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. 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.
3. 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.
4. During this consolidated fiscal year, Directors' position and responsibility within the Company were changed as follows:

Name	Before change	After change	Date of change
Fumihide Kitamura	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	Director, Senior Operating Officer, Supervisor of Device Business Group/In charge of Business Administration Department and IoT Business Unit/General Manager of Business Administration Department	October 1, 2020
Mitsuhiro Ogawa	Director, Operating Officer, in charge of CE Unit and 3rd Sales Unit in Device Business Group/Director of CE Unit	Director, Operating Officer, in charge of CE Unit and Sales Technology Unit in Device Business Group/Director of CE Unit	October 1, 2020

5. 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
Tomoyuki Nagase	June 26, 2020	Expiration of the term of office	Director, Operating Officer, 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.

(2) Overview of Limited Liability Contract

Pursuant to Article 427, Paragraph 1 of the Companies Act, the Company entered into an agreement respectively with Takeshi Uchimura, Minoru Nishino, Tatsuo Takeuchi, Akihiro Fujioka, 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) Overview of Liability Insurance Contract for Officers, etc.

Pursuant to Article 430, Paragraph 3, Item 1 of the Companies Act, the Company has entered into a liability insurance contract for Directors, Audit & Supervisory Board members, Operating Officers, employees in management positions, and persons dispatched to another company as officers. The Company pays the full amount of the insurance premiums. The overview of the insurance contract is that the insurance company will pay compensation for damages that may occur when an insured individual is held responsible for the execution of his/her duties or is subject to a charge of liability for pursuing those responsibilities. The contract will be renewed every year.

Damages caused when an insured individual violates laws or regulations are exempt from the insurance contract. Furthermore, we are taking measures to ensure that insured persons can execute their duties properly; for example, setting a limit on the amount to be covered.

We plan to renew the insurance contract with the same contents at the next renewal period.

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

1) Total compensation for this fiscal year

Post	Total amount of compensation, etc.	Total amount of compensation, etc., by type			Number of applicable officers
		Basic compensation	Performance-based allowance for bonuses to employees	Performance-based allowance for stock compensation	
Directors	¥177 million	¥124 million	¥29 million	¥23 million	13
(External Directors)	(¥22 million)	(¥22 million)	(—)	(—)	(4)
Audit & Supervisory Board members	¥42 million	¥42 million	—	—	4
(External Audit & Supervisory Board members)	(¥10 million)	(¥10 million)	(—)	(—)	(2)
Total	¥219 million	¥167 million	¥29 million	¥23 million	17

Notes: 1. The above includes one Director who retired at the conclusion of the 69th Ordinary General Meeting of Shareholders held on June 26, 2020.

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.

The number of Directors at the conclusion of this General Meeting of Shareholders was 12 (including 0 External Directors).

In addition to monetary compensation, the upper limit on the amount of stock compensation was resolved to be ¥40 million per year at the 66th Ordinary General Meeting of Shareholders held on June 23, 2017. Stock compensation is paid to Directors (excluding External Directors) and the number of Directors at the conclusion of this General Meeting of Shareholders was 9 (excluding 3 External Directors who are not eligible for stock compensation).

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. The number of Audit & Supervisory Board members at the conclusion of this General Meeting of Shareholders was 2. The Company abolished the bonus system for Audit & Supervisory Board members in the 54th term.

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 69th Ordinary General Meeting of Shareholders held on June 26, 2020.

(5) Policies, etc., Related to the Determination of Contents for Compensation, etc., of Officers

At the Board of Directors meeting held on June 24, 2016, the Company resolved policies for determining the content of compensation, etc., for individual Directors. When making a resolution to the Board of Directors, we consult in advance with the Nomination and Remuneration Advisory Committee, for which half of members are Independent Directors and Audit & Supervisory Board members, and receive reports on the contents of said consultation. Furthermore, the system in the Director Compensation Rules is designed so that the contents of individual compensation, etc., for Directors are calculated based on those policies, so the Board of Directors judges that the contents of compensation, etc., for individual Directors in the consolidated fiscal year under review are in accordance with those policies. The Board of Directors shall consult with the Nomination and Remuneration Advisory Committee every year regarding the validity of the Director Compensation Rules, and shall deliberate and decide on necessary measures based on reports from the Committee.

The contents of policies for determining the contents of compensation for individual Directors are as follows.

1) Basic policy

- Compensation for Directors shall be appropriate, and shall be sufficient for attracting and retaining diverse, talented personnel.
- Compensation for Directors shall enable Directors to continuously improve corporate value and share interests with the Company's shareholders.
- Measures shall be taken to ensure that the process of determining compensation for Directors is fair and transparent.
- Compensation for Directors shall consist of basic compensation, which is fixed compensation as payment for role and execution of duties, and performance-based compensation, which is linked to business performance. However,

performance-based compensation is not appropriate for non-executive Directors, including External Directors who are independent of business execution; therefore, only basic compensation is used for non-executive Directors.

2) Policy regarding basic compensation

Basic compensation for Directors of the Company shall be a fixed monthly compensation. The amount of compensation shall be set within the range for each position stipulated in the Director Compensation Rules, taking into consideration the appropriate level.

3) Policy regarding performance-based compensation, etc., and non-monetary compensation, etc.

- The Company establishes the return on equity (ROE) and ordinary profit as the Company's important business indicators, and strives to improve these indicators. Therefore, the Company also uses these indicators for performance-based compensation, etc., and non-monetary compensation, etc., for executive Directors.
- Business indicators related to bonuses as short-term incentives shall be the consolidated ordinary profit and business profit (loss) by business segment for the applicable fiscal year. The amount of individual bonuses is calculated by multiplying the basic compensation amount of each Director by the factor stipulated in the Director Compensation Rules according to the results of each business index and the individual contribution evaluation. After being determined, the amount is paid after the Ordinary General Meeting of Shareholders for that fiscal year.
- The business indicator for stock-based compensation as a medium- to long-term incentive shall be the return on equity (ROE) for the fiscal year in which the compensation is issued. The number of shares to be individually issued is assigned after converting the basic compensation amount for each Director and the ROE performance in each fiscal year into points by using the methods specified in the Share Issuance Regulations, and the number of shares of the Company are issued at the time of leaving the position based on the cumulative number of points earned during time spent serving in that position.
- For these two indicators, a lower limit (no payment) and an upper limit are set. Director compensation is paid according to performance, within the upper and lower limits.

4) Policy for ratio of compensation, etc.

The ratio of performance-based compensation, etc., and non-monetary compensation, etc., is designed to be about 30% of the total compensation for Directors at the upper limit of the current system.

5) Items related to determination of compensation, etc.

Pursuant to the Director Compensation Rules, the Board of Directors delegates the determination of the compensation amount, etc., for each Director to the Representative Directors.

(6) Items Related to Delegating the Determination of Compensation, etc., for Officers

Pursuant to the Director Compensation Rules, the Board of Directors delegates the determination of the individual compensation amount for each director to Representative Director Mitsumasa Matsunaga and Representative Director Toshiro Suzuki. When deciding the contents of delegation, the Nomination and Remuneration Advisory Committee

confirms that the contents comply with the Director Compensation Rules.

(7) 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 18 meetings)		Audit & Supervisory Board Meetings (a total of 20 meetings)	
	Number of Meetings Attended	Attendance Rate	Number of Meetings Attended	Attendance Rate
Director Takeshi Uchimura	18	100%	—	—
Director Minoru Nishino	18	100%	—	—
Director Tatsuo Takeuchi	18	100%	—	—
Director Akihiro Fujioka	14	100%	—	—
Audit & Supervisory Board member Shohei Yamamoto	18	100%	20	100%
Audit & Supervisory Board member Kuniharu Kezuka	18	100%	20	100%

Note: Director Akihiro Fujioka was newly nominated at the 69th Ordinary General Meeting of Shareholders held on June 26, 2020. Meetings of the Board of Directors have been held 14 times after he assumed the position of Director.

- Statements made by Directors at the Board of Directors and summary of duties performed in relation to their expected roles

Takeshi Uchimura, Minoru Nishino, Tatsuo Takeuchi and Akihiro Fujioka provided a wide range of valuable comments and advice 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.

Furthermore, as members of the Nomination and Remuneration Advisory Committee, the four Directors fulfill an important role in strengthening the independence, objectivity, and accountability of functions of the Board of Directors as expected by the Company; for example, they are involved in reporting to the Board of Directors in regards to the nomination of candidates for Directors and Audit & Supervisory Board members and in regards to the determination of Director compensation.

- Statements made by Audit & Supervisory Board members at the Board of Directors and at Audit & Supervisory Board meetings

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	¥47 million
Total of cash and other assets to be paid by the Company and subsidiaries to Accounting Auditors	¥51 million

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 “an advisory service for introduction of revenue recognition accounting standards,” which is services other than service as provided in Article 2, Paragraph 1 of the Certified Public Accountants Law (non-audit work), 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 period, ordinary meetings of the Board of Directors were held 13 times and special meetings of the Board of Directors were held 5 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, 2021

	Millions of yen
ASSETS	
Current assets:	
Cash and deposits	25,544
Notes and accounts receivable-trade	32,696
Electronically recorded monetary claims	841
Merchandise inventories	14,333
Partly-finished work	9
Accrued income	60
Consumption taxes receivable	3,815
Others	644
Allowance for doubtful accounts	(9)
Total current assets	77,934
Non-current assets:	
Property and equipment	
Buildings and structures	1,278
Land	1,135
Leased assets	205
Others	80
Total property and equipment	2,701
Intangible assets:	482
Investments and other assets:	
Investment securities	3,067
Deferred tax assets	309
Others	143
Allowance for doubtful accounts	(35)
Total investments and other assets	3,484
Total non-current assets	6,668
TOTAL	84,602

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

CONSOLIDATED BALANCE SHEET

Sanshin Electronics Co., Ltd.

As of March 31, 2021

	Millions of yen
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
Current liabilities:	
Notes and accounts payable-trade	13,104
Short-term loans payable	25,351
Lease obligations	71
Accrued corporate tax, etc.	288
Allowance for bonuses to employees	472
Allowance for bonuses to Directors and Audit & Supervisory Board members	29
Others	1,659
Total current liabilities	40,975
Non-current liabilities:	
Lease obligations	135
Deferred tax liabilities	3
Allowance for stock compensation	74
Net defined benefit liabilities	100
Others	102
Total non-current liabilities	416
Total liabilities	41,392
NET ASSETS:	
Shareholders' equity:	
Capital stock	14,811
Capital surplus	5,329
Retained earnings	33,106
Treasury stock	(10,348)
Total shareholders' equity	42,899
Accumulated other comprehensive income:	
Valuation difference on available-for-sale securities	583
Deferred hedge gains (losses)	(133)
Foreign currency translation adjustments	(244)
Remeasurements of defined benefit plans	47
Total accumulated other comprehensive income	253
Non-controlling interests	58
Total net assets	43,210
TOTAL	84,602

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, 2021

	Millions of yen	
Net sales		112,791
Cost of sales:		101,740
Gross profit on sales		11,051
Selling, general and administrative expenses:		8,883
Operating profit		2,167
Non-operating profit:		
Interest income	18	
Dividend income	36	
Others	83	138
Non-operating expenses:		
Interest expenses	83	
Sales discounts	9	
Foreign exchange losses	282	
Others	52	427
Ordinary profit		1,878
Extraordinary profits:		
Gain on sales of investment securities	141	141
Extraordinary losses:		
Loss on retirement of non-current assets	0	
Loss on sales of non-current assets	0	
Loss on valuation of investment securities	0	0
Net profit before tax and other adjustments		2,019
Corporate, resident and enterprise taxes	452	
Adjustment for corporate tax, etc.	(91)	361
Net profit		1,658
Net profit attributable to non-controlling interests		12
Net profit attributable to shareholders of parent company		1,646

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, 2021

Millions of yen

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2020	14,811	5,329	32,676	(10,353)	42,464
Changes during the term					
Dividends of surplus			(1,216)		(1,216)
Net profit attributable to shareholders of parent company			1,646		1,646
Purchase of treasury stock				(0)	(0)
Disposal of treasury stock				5	5
Net changes of items other than shareholders' equity					
Total changes during the term	—	—	429	5	434
Balance as of March 31, 2021	14,811	5,329	33,106	(10,348)	42,899

	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, 2020	338	1	(701)	(120)	(482)	46	42,029
Changes during the term							
Dividends of surplus							(1,216)
Net profit attributable to shareholders of parent company							1,646
Purchase of treasury stock							(0)
Disposal of treasury stock							5
Net changes of items other than shareholders' equity	245	(134)	456	167	735	11	746
Total changes during the term	245	(134)	456	167	735	11	1,181
Balance as of March 31, 2021	583	(133)	(244)	47	253	58	43,210

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, 2021

	Millions of yen
ASSETS	
Current assets:	
Cash and deposits	20,958
Trade notes	83
Electronically recorded monetary claims	841
Trade accounts	18,135
Merchandise inventories	10,667
Partly-finished work	9
Advance payment	226
Prepaid expenses	132
Short-term loans receivable from subsidiaries and associates	77
Accrued income	147
Consumption taxes receivable	3,815
Others	16
Allowance for doubtful accounts	(0)
Total current assets	55,110
Non-current assets:	
Property and equipment:	
Buildings	1,265
Structures	4
Tools and fixtures	40
Land	1,135
Leased assets	158
Total property and equipment	2,604
Intangible assets:	
Software	236
Others	94
Total intangible assets	330
Investments and other assets:	
Investment securities	2,931
Stocks of subsidiaries and affiliates	3,557
Guarantee money deposit	18
Deferred tax assets	310
Others	36
Allowance for doubtful accounts	(2)
Total investments and other assets	6,852
Total non-current assets	9,788
TOTAL	64,898

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

NON-CONSOLIDATED BALANCE SHEET

Sanshin Electronics Co., Ltd.

As of March 31, 2021

		Millions of yen
LIABILITIES AND NET ASSETS:		
LIABILITIES:		
Current liabilities:		
Trade notes		820
Trade accounts		9,897
Short-term loans payable		19,546
Lease obligations		47
Accounts payable		275
Accrued expenses		195
Accrued corporate tax, etc.		110
Advance received		638
Allowance for bonuses to employees		472
Allowance for bonuses to Directors and Audit & Supervisory Board members		29
Others		248
Total current liabilities		32,281
Non-current liabilities:		
Lease obligations		111
Allowance for stock compensation		74
Employees' severance and retirement benefits		94
Others		102
Total non-current liabilities		382
Total liabilities		32,664
NET ASSETS:		
Shareholders' equity:		
Capital stock		14,811
Capital surplus		5,329
Capital reserve		5,329
Retained earnings		21,990
Retained surplus		670
Other retained earnings		21,319
Reserve for dividend payments		600
General reserve		18,680
Retained earnings brought forward		2,039
Treasury stock		(10,348)
Total shareholders' equity		31,783
Valuation and translation adjustments:		
Valuation difference on available-for-sale securities		583
Deferred hedge gains (losses)		(133)
Total valuation and translation adjustments		450
Total net assets		32,234
TOTAL		64,898

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, 2021

		Millions of yen
Net sales		84,181
Cost of sales:		77,152
Gross profit on sales		7,029
Selling, general and administrative expenses:		6,593
Operating profit		436
Non-operating profit:		
Interest and dividend income	1,295	
Management consulting fees	201	
Others	42	1,539
Non-operating expenses:		
Interest expenses	52	
Foreign exchange losses	33	
Others	10	96
Ordinary profit		1,879
Extraordinary profits:		
Gain on sales of non-current asstes	0	
Gain on sales of investment securities	141	141
Extraordinary losses:		
Loss on sales of non-current assets	0	
Loss on retirement of non-current assets	0	
Loss on valuation of investment securities	0	0
Net profit before tax and other adjustments		2,021
Corporate, resident and enterprise taxes	199	
Adjustment for corporate tax, etc.	(100)	99
Net profit		1,921

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, 2021

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, 2020	14,811	5,329	5,329	670	600	18,680	1,335	21,286	(10,353)	31,073
Changes during the term										
Dividends of surplus							(1,216)	(1,216)		(1,216)
Net profit							1,921	1,921		1,921
Purchase of treasury stock									(0)	(0)
Disposal of treasury stock									5	5
Net changes of items other than shareholders' equity										
Total changes during the term	—	—	—	—	—	—	704	704	5	709
Balance as of March 31, 2021	14,811	5,329	5,329	670	600	18,680	2,039	21,990	(10,348)	31,783

	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, 2020	338	1	339	31,413
Changes during the term				
Dividends of surplus				(1,216)
Net profit				1,921
Purchase of treasury stock				(0)
Disposal of treasury stock				5
Net changes of items other than shareholders' equity	245	(134)	110	110
Total changes during the term	245	(134)	110	820
Balance as of March 31, 2021	583	(133)	450	32,234

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 12, 2021

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

Deloitte Touche Tohmatsu LLC, Tokyo Office

Hirotsugu Mizuno

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, 2020 to March 31, 2021.

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.

Matters of emphasis

As stated in the Notes on Significant Subsequent Events, the Company resolved at the Board of Directors meeting held on May 12, 2021 to acquire treasury stock and to make a tender offer for the treasury stock as a specific acquisition method. This matter does not affect the opinion of our auditing firm.

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 12, 2021

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

Deloitte Touche Tohmatsu LLC, Tokyo Office

Hirotsugu Mizuno

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 70th fiscal year from April 1, 2020 to March 31, 2021.

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.

Matters of emphasis

As stated in the Notes on Significant Subsequent Events, the Company resolved at the Board of Directors meeting held on May 12, 2021 to acquire treasury stock and to make a tender offer for the treasury stock as a specific acquisition method. This matter does not affect the opinion of our auditing firm.

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 70th fiscal year from April 1, 2020 to March 31, 2021 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 12, 2021

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