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

Internet Disclosure Information in Connection with the Notice of the 70th Ordinary General Meeting of Shareholders

Notes to Consolidated Financial Statements

Notes to Non-consolidated Financial Statements

(From April 1, 2020 to March 31, 2021)

Sanshin Electronics Co., Ltd.

In accordance with the applicable laws and regulations, and the provision of Article 15 of the Company's Article of Incorporation, the "Notes to Consolidated Financial Statements" and "Notes to Non-consolidated Financial Statements" are deemed to have been provided to the shareholders by being available at Company's website (http://www.sanshin.co.jp/ir/meeting/).

Notes to Consolidated Financial Statements

(Notes on the Basic Important Points for Preparing the Consolidated Financial Statements of This Term)

1. Scope of consolidation

Number of consolidated subsidiaries: 9

Names of companies:

SANSHIN ELECTRONICS (HONG KONG) CO., LTD.
SANSHIN ELECTRONICS SINGAPORE (PTE) LTD.
TAIWAN SANSHIN ELECTRONICS CO., LTD.
SANSHIN ELECTRONICS CORPORATION
SANSHIN ELECTRONICS KOREA CO., LTD.
SANSHIN ELECTRONICS (THAILAND) CO., LTD.
SANSHIN ELECTRONICS (SHANGHAI) CO., LTD.
TAKUMI CORPORATION
SANSHIN NETWORK SERVICE CO., LTD.

Number of non-consolidated subsidiaries: 5

Names of companies:

SANSHIN MEDIA SOLUTIONS CO., LTD.
AXIS DEVICE TECHNOLOGY CO., LTD.
SANSHIN SYSTEM DESIGN CO., LTD.
SANSHIN ELECTRONICS (SHENZHEN) CO., LTD.
SAN SHIN ELECTRONICS (MALAYSIA) SDN. BHD.

Rationale for exclusion of non-consolidated subsidiaries from the scope of consolidation:

The size of each of the non-consolidated subsidiaries is small, and each company's total assets, net sales and net profit or loss (amount corresponding to equity) and retained earnings (amount corresponding to equity) are small in size and neither does significantly affect the consolidated financial statements.

The standards for judging whether or not the subsidiary has materiality are based on the past five-year average net profit or loss on the part of both the Company and the subsidiaries.

2. Application of equity method

Non-consolidated subsidiaries and affiliated companies to which the equity method is not applied

Names of companies:

SANSHIN MEDIA SOLUTIONS CO., LTD.
AXIS DEVICE TECHNOLOGY CO., LTD.
SANSHIN SYSTEM DESIGN CO., LTD.
SANSHIN ELECTRONICS (SHENZHEN) CO., LTD.
SAN SHIN ELECTRONICS (MALAYSIA) SDN. BHD.
SHINEI COMMUNICATION SYSTEMS CO., LTD.

Rationale for non-application of the equity method:

Based on each company's net profit or loss (amount corresponding to equity) and retained earnings (amount corresponding to equity) etc., neither does significantly affect the Company's consolidated financial statements, nor have importance as a whole, even if excluded from the subject of equity method.

The standards for judging whether or not the company has materiality are based on the past five-year average net profit or loss on the part of the Company, its subsidiaries and affiliated companies.

3. Matters concerning accounting principles

A. Valuation standards and methods for major assets

a. Available-for-sale securities

Other available-for-sale securities

With market value: At market value, using the fair market value at the end of this consolidated fiscal year. (Appraisal differences are dealt with by means of the direct capital influx method, with cost of securities sold calculated by means of the moving average method.) Furthermore, among the other available-for-sale securities with market value, those, for which the difference between the "acquisition cost" and the "debenture amount" is judged to be the result of interest rate adjustments, are calculated by amortized cost method.

Without market value: At cost, using the moving average method.

b. Derivatives

At market value.

c. Inventories

Merchandise: Primarily at cost, using the moving average method. (Figures stated on balance sheets are calculated by means of the write-down method based on a decline in profitability.)

Partly-finished work: At cost, using the specific identification method. (Figures stated on balance sheets are calculated by means of the write-down method based on a decline in profitability.)

B. Depreciation method for major depreciable assets

a. Property and equipment: (Excluding leased assets)	Primarily the declining-balance method However, buildings (excluding equipment and installations), and the equipment and installations of buildings and structures acquired on or after April 1, 2016 are depreciated by the straight-line method. The useful life of buildings and structures is 15 to 45 years; for other property and equipment, it is 3 to 20 years.
b. Intangible assets: (Excluding leased assets)	Straight-line method The estimated useful life of software for internal use is 3 to 5 years.
c. Leased assets:	Straight-line method using the lease period as the useful life and zero residual value.

C. Accounting standards for major allowances

a. Allowance for doubtful accounts:

Provided at an amount sufficient to cover probable losses on collection. It consists of the estimated uncollectible amount with respect to certain identified doubtful receivables and an amount calculated using the rate of actual collection losses with respect to the remaining receivables.

b. Allowance for bonuses to employees:

Allowance for employees' bonuses is provided at an amount applicable to this consolidated fiscal year based on the estimated amount to be paid in the next year.

c. Allowance for bonuses to Directors and Audit & Supervisory Board members:

Allowance for Directors' bonuses is provided at an amount applicable to this consolidated fiscal year based on the estimated amount to be paid in the next year.

d. Allowance for stock compensation:

Allowance for stock compensation is an allowance established to provide shares of the Company to the Directors (excluding the External Directors) based on the Performance-Based Stock Compensation Plan for Directors. The allowance is calculated based on the estimated amount of payment of Sanshin Shares to be delivered to the Directors according to the points granted to each of them in accordance with the Sanshin Share delivery rules.

D. Major foreign currency transactions

Receivables and payables denominated in foreign currencies are translated into Japanese yen at the consolidated-fiscal-year-end spot market exchange rates; any foreign exchange gains and losses from transactions are specified in the profit and loss statement. Assets and liabilities of overseas subsidiaries are translated into yen at the exchange rates in effect as of the fiscal year end, and revenues and expenses are translated into yen at the average exchange rates for the fiscal year. The resulting translation adjustments are included in the foreign currency translation adjustment in net assets.

E. Significant hedge accounting

a. Hedge accounting methods:

Primarily the deferred hedge accounting method

Hedge accounting is adopted for foreign currency receivables and payables, etc. on exchange forward contracts.

b. Hedging instruments and hedged items:

Hedging instrument:	Foreign currency forward contracts
Hedged items:	Both payables and receivables, and forecasted transactions denominated in foreign currencies

c. Hedge policy:

The Company uses foreign currency derivatives as a means of hedging exposure to foreign currency risk. Such transactions are all carried out with the finance department of the Company as the lead department, according to Company regulations. The Company does not enter into derivatives for trading or speculative purposes not stated in its regulations.

d. Hedge effectiveness assessment:

Hedge effectiveness is evaluated at least every six months by evaluating whether the cash flow changes in the hedged item and cash flow changes in the hedge instrument cancel each other out at a high level.

F. Accounting standards for net defined benefit liability

Net defined benefit liability is provided in the amount equal to the benefit obligations minus the pension assets based on the projected amount at the end of this consolidated fiscal year, in order to prepare for the allowance for employees' severance and retirement benefits. The retirement benefit obligations are calculated using a payment calculation standard which is a method of attributing projected retirement benefits for the service period up to the current consolidated fiscal year.

The prior service expenses are amortized by the straight-line method for a given number of years (10 years) within employees' average remaining years of service, at the time of occurrence. The actuarial gains and losses are amortized in the year subsequent to their occurrence, by the straight-line method or a given number of years (10 years) within employees'average remaining period of service.

Unrecognized actuarial gains and losses and unrecognized past service expenses are reflected in remeasurements of defined benefit plans in the accumulated other comprehensive income of net assets, after adjusting for tax effects.

G. Consumption tax and similar taxes

Excluded from transaction amounts for the Company and its consolidated domestic subsidiaries.

(Notes to Changes in Accounting Principles)

None

(Notes to Changes in Presentation Methods)

(Application of Accounting Standard for Disclosure of Accounting Estimates)

We applied the Accounting Standard for Disclosure of Accounting Estimate (ASBJ Statement No. 31; March 31, 2020) from consolidated financial statements related to the end of the consolidated fiscal year under review. We also list important notes related to accounting estimates for consolidated financial statements.

(Notes to Accounting Estimates)

(Valuation of Inventories)

Merchandise inventories ¥14,333 million

The Company holds a certain amount of merchandise inventories for the purpose of achieving stable supply of merchandise to customers and shortening lead time. As described in “3. Matters concerning accounting principles” in the “Notes to Consolidated Financial Statements (Notes on the Basic Important Points for Preparing the Consolidated Financial Statements of This Term),” figures of merchandise inventories stated on the balance sheets are calculated using the write-down method based on the decline in profitability. Valuation of merchandise inventories is estimated using the ordering forecast based on the customer's production plan. If the customer's production plan is changed, canceled, etc., a valuation loss on merchandise will be recorded and there is the possibility of a significant impact on the consolidated financial statements. Furthermore, the Company has established an Inventory Committee and strives to evaluate inventory appropriately.

(Notes to the Consolidated Balance Sheets)

1. Accumulated depreciation of property and equipment ¥3,824 million
2. Liabilities for guarantees

Liabilities for bank borrowings

Employees* ¥18 million

* Of loan guarantees to financial institutions concerning employee’s borrowings to acquire housing, the portion to which home loan insurance applies has almost no risk attached and thus is excluded from liabilities for guarantees.

(Notes to the Consolidated Statement of Changes in Shareholders' Equity)

1. Matters concerning types and numbers of outstanding shares and treasury shares (share)

	No. of shares at the beginning of Fiscal 2020 (consolidated)	Increase in no. of shares during Fiscal 2020 (consolidated)	Decrease in no. of shares during Fiscal 2020 (consolidated)	No. of shares at the end of Fiscal 2020 (consolidated)
Outstanding shares				
Common shares	24,281,373	—	—	24,281,373
Total	24,281,373	—	—	24,281,373
Treasury shares				
Common shares (Notes 1, 2)	5,101,110	255	3,900	5,097,465
Total	5,101,110	255	3,900	5,097,465

Notes: 1. The number of treasury shares at the beginning and end of this consolidated fiscal year includes shares of the Company held by a trust established in connection with the Performance-Based Stock Compensation Plan for Directors (excluding the External Directors).
(Beginning of this consolidated fiscal year: 136,700 shares; End of this consolidated fiscal year: 132,800 shares)
2. The breakdown of the numbers listed in the fields of increase/decrease of the common treasury shares is as follows.
Increase due to acquisition of shares in amounts of less than one investment unit: 255 shares
Decrease due to stock issuance related to the Performance-Based Stock Compensation Plan and the retirement of Directors: 3,900 shares

2. Matters concerning dividends

A. Payment of dividends

Resolution	Type of shares	Total amount of dividends (¥million)	Dividends per share (¥)	Record date	Effective date
The Ordinary General Meeting of Shareholders on June 26, 2020	Common shares	1,062	55	March 31, 2020	June 29, 2020
The Board of Directors Meeting on November 5, 2020	Common shares	154	8	September 30, 2020	December 1, 2020

Notes: 1. Dividends of ¥7 million against the Company's shares held by a trust established in connection with the Performance-Based Stock Compensation Plan for Directors (excluding the External Directors) are included in the total amount of dividends resolved by the Ordinary General Meeting of Shareholders held on June 26, 2020.
2. Dividends of ¥1 million against the Company's shares held by a trust established in connection with the Performance-Based Stock Compensation Plan for Directors (excluding the External Directors) are included in the total amount of dividends resolved by the Board of Directors meeting held on November 5, 2020.

B. Out of dividends whose record date is within this consolidated fiscal year, those for which the effective date will come after the end of this fiscal year

Resolution	Type of shares	Total amount of dividends (¥million)	Sources of dividends	Dividends per share (¥)	Record date	Effective date
The Ordinary General Meeting of Shareholders on June 18, 2021 (scheduled)	Common shares	618	Retained earnings	32	March 31, 2021	June 21, 2021

Note: Dividends of ¥4 million against the Company's shares held by a trust established in connection with the Performance-Based Stock Compensation Plan for Directors (excluding the External Directors) are included in the total amount of dividends by a resolution of the Ordinary General Meeting of Shareholders scheduled to be held on June 18, 2021.

(Financial Instruments)

1. Matters Concerning the State of Financial Instruments

A. Policy Initiatives for Financial Instruments

The Group manages funds with safe and secure financial instruments, and primarily performs fund procurement through bank loans. Derivatives are used to avoid the risk of exchange rate fluctuations, and we do not perform speculative trading.

B. Financial instruments, Risks Involved and Risk Management Systems

Notes and accounts receivable, which are operating receivables, are exposed to customer credit risks. Operating receivables in foreign currency, which arise from our efforts to globally expand business, are also exposed to the risk of exchange rate fluctuations. Regarding customer credit risk, in accordance with company regulations, we have established systems for performing term administration and balance management, as well as regularly evaluating major clients' credit statuses. As for exchange rate fluctuation risks, we use forward exchange contracts to offset any risks relating to business in foreign currency within the scope of actual demand required to conduct such business.

Investment securities are mainly debentures and shares in companies that we have business relations with, and although they are exposed to the risk of fluctuations in market values, these market values are periodically evaluated and reported to the Board of Directors.

Notes and accounts payable, which are business debts, all have a payment deadline of within one year. Although some of these are exposed to exchange rate fluctuation risks, as a result of being derived from imports from overseas and therefore being in foreign currency, we use forward exchange contracts to offset any risks relating mainly to the relevant business in foreign currency within the scope of actual demand required to conduct such business.

Loans are mainly funds procured for business transactions. Although floating-rate borrowings are exposed to interest rate fluctuation risks, the Group manages these by distributing repayment dates so that short term loans may be repaid flexibly when there is a financing surplus.

Regarding execution and management of derivatives transactions, the Group complies with company regulations specifying authority to perform transactions, and when using derivatives, in order to reduce credit risk, we only deal with high-rating financial institutions.

Business debts and loans are also exposed to liquidity risks. However, the Group manages this through methods such as having each company produce monthly financing plans.

C. Further Notes on Matters Concerning Market Values of Financial Instruments

Market values of financial instruments include values based on market prices, or, where no market price exists, reasonably calculated values. Because variable factors are incorporated in the calculation of these values, the values may change when different assumptions are used.

2. Items Concerning Market Values of Financial Instruments

Consolidated balances sheet amounts, market values and their differences, as of March 31, 2021, are as outlined below. Items for which it was deemed prohibitively difficult to evaluate market value are not included in the following table. (see Note 2)

Millions of yen

	Amount stated on Consolidated Balance Sheets (*1)	Market value (*1)	Difference
(1) Cash and deposits	25,544	25,544	–
(2) Notes and accounts receivable-trade	32,696	32,696	–
(3) Electronically recorded monetary claims	841	841	–
(4) Accrued income	60	60	–
(5) Consumption taxes receivable	3,815	3,815	–
(6) Investment securities	2,604	2,604	–
(7) Notes and accounts payable-trade	(13,104)	(13,104)	–
(8) Short-term loans payable	(25,351)	(25,351)	–
(9) Accrued corporate tax, etc.	(288)	(288)	–
(10) Derivative transactions (*2)	(177)	(177)	–

*1: Numbers in parenthesis indicate liabilities.

*2: Net credits and debts arising from derivatives trading are displayed as net values.

Notes: 1. Methods used for calculating market values of financial instruments, and items concerning securities and derivatives trading

(1) Cash and deposits, (2) Notes and accounts receivable-trade, (3) Electronically recorded monetary claims, (4) Accrued income, and (5) Consumption taxes receivable

As these are settled quickly, their market value is roughly equal to their book value, and therefore they are determined by the relevant book value.

(6) Investment securities

The market values of the share prices are those given by the Stock Exchange, while the market values of the debentures are either those given by the Stock Exchange or those presented by the correspondent financial institution, etc.

(7) Notes and accounts payable-trade, (8) Short-term loans payable, and (9) Accrued corporate tax, etc.

As these are settled quickly, their market values are almost equal to book values, and therefore they are determined by the relevant book value.

(10) Derivative transactions

Market value is measured by the price or other information provided by client financial institution, etc. Furthermore, forward exchange contracts and other transactions accounted for using deferral hedge accounting are processed together with the accounts receivable and accounts payable that are hedged, and their fair market value is included in the accounts receivable and accounts payable concerned.

2. Financial instruments for which it is deemed prohibitively difficult to evaluate market value

With unlisted shares (recorded at ¥462 million in the consolidated balance sheet), because there are no market values, and evaluating their value is deemed prohibitively difficult, these are not included in "(6) Investment securities."

(Notes on Per-Share Information)

Net assets per share	¥2,249.40
Net profit per share	¥85.82

Note: Shares of the Company which are owned by a trust in connection with the Performance-Based Stock Compensation Plan for Directors (excluding the External Directors) and which are recorded as treasury stock in shareholders' equity are included in the shares of treasury stock that are excluded from the total number of shares outstanding at the end of term for calculation of net assets per share (current consolidated fiscal year: 132,800 shares), and also are included in treasury stock excluded in the calculation of amount of average stock during the term for calculation of net profit per share (current consolidated fiscal year: 134,317 shares).

(Notes on Significant Subsequent Events)

(Acquisition of Treasury Stock and Tender Offer for Treasury Stock)

At the Board of Directors meeting held on May 12, 2021, the Company resolved to acquire treasury stock and make a tender offer for treasury stock as a specific acquisition method (hereinafter, “the Tender Offer”) based on provisions in the Company’s Articles of Incorporation and on Paragraph 1, Article 156 of the Companies Act (Act No. 86 of 2005; including subsequent amendments, hereinafter “the Companies Act”), as applied pursuant to the provisions stated in Paragraph 3, Article 165 of the Companies Act. The Tender Offer will be executed based on the premise that a separate proposal regarding the reduction of general reserve, capital reserve, and retained surplus will be passed at the Ordinary General Meeting of Shareholders scheduled to be held on June 18, 2021.

A. Purpose of acquisition of treasury stock and tender offer for treasury stock

On May 12, 2021, the Company announced the V73 Medium-Term Management Plan, a three-year plan to be concluded in the Company’s 73rd Term (fiscal year ending March 31, 2024). In the Plan, the Company states our goal of achieving an ROE of 5% at an early stage. As measures for achieving this goal, we will promote business structure reform to highly-profitable business with terms for early collection of accounts receivables, which will achieve a small purchase amount relative to net sales compared to unit sales of semiconductors and electronic components, which are the main products in the current net sales composition. We are aiming to optimize capital in conjunction with improving profitability and suppressing an increase in demand for funds as a result of this business structural reform. As part of these efforts, we came to the conclusion that the Tender Offer is necessary and therefore resolved to execute the Tender Offer.

B. Contents of resolution by the Board of Directors

a. Type of shares to be acquired: Ordinary shares
b. Total number of shares to be acquired: 7,000,100 (upper limit)
c. Contents of money, etc., to be delivered in exchange for acquisition: Money
d. Total amount of money, etc., to be delivered in exchange for acquisition: ¥15,743,224,900 (upper limit)
e. Period during which acquisition is possible: From June 22, 2021 to August 31, 2021

C. Overview of tender offer for treasury stock

a. Number of shares to be purchased: 7,000,000
b. Purchase price: ¥2,249 per share
c. Purchase period: From June 22, 2021 to July 19, 2021
d. Date of announcement for starting tender offer: June 22, 2021
e. Settlement start date: August 13, 2021

(Reduction in the amount of general reserve, capital reserve, and retained surplus)

At the Board of Directors meeting held on May 12, 2021, the Company resolved to propose a reduction in the amount of general reserve, capital reserve, and retained surplus at the 70th Ordinary General Meeting of Shareholders scheduled to be held on June 18, 2021.

A. Purpose of reducing the amount of general reserve, capital reserve, and retained surplus

In order to expand financial resources for the Tender Offer and to ensure flexibility and agility in future capital policy, we will reduce the amount of capital reserve and retained surplus as follows. Additionally, after the decrease in capital reserve, the amount of the decrease will be transferred to other capital surplus. After the decrease in the amount of the retained surplus, the amount of the decrease will be transferred to retained earnings brought forward. The general reserve will be transferred to retained earnings brought forward.

B. Method of decreasing the amount of capital reserve

Based on the provisions in Paragraph 1, Article 448 of the Companies Act, we will reduce the amount of capital reserve as shown below. The total amount of the reduction will be transferred to other capital surplus.

Amount of reduction in capital reserve: ¥5,329,906,456

Effective date of capital reserve decrease: June 30, 2021

C. Method of decreasing the amount of retained surplus

Based on the provisions in Paragraph 1, Article 448 of the Companies Act, we will reduce the amount of retained surplus as shown below. The total amount of the reduction will be transferred to retained earnings brought forward.

Amount of reduction in retained surplus: ¥670,983,281

Effective date of retained surplus decrease: June 30, 2021

D. Method of decreasing the amount of general reserve

Based on the provisions in Article 452 of the Companies Act, we will reduce the amount of general reserve as shown below. The total amount of the reduction will be transferred to retained earnings brought forward.

Amount of reduction in general reserve: ¥18,680,000,000

E. Schedule for decrease in the amount of capital reserve and retained surplus

a. Date of resolution by Board of Directors: May 12, 2021

b. Date of public notice for creditor objections: May 28, 2021

c. Date of resolution at the general meeting of shareholders June: 18, 2021 (scheduled)

d. Last day for creditor objections: June 28, 2021 (scheduled)

e. Effective date: June 30, 2021 (scheduled)

(Additional Information)

(Performance-Based Stock Compensation Plan for Directors)

The Company has introduced a Performance-Based Stock Compensation Plan for Directors, for the purpose of further clarifying the link between the compensation to the Company's Directors (excluding External Directors) and the value of its shares. With the introduction of the Performance-Based Stock Compensation Plan, Directors will not only enjoy the advantages when the Company's share price rises but also bear the risks when the share price declines, sharing with shareholders the benefits and risks of fluctuations in share prices. This move is intended ultimately to incentivize Directors to increase medium-to-long-term business results and increase enterprise value.

A. Overview of Transactions

In the Performance-Based Stock Compensation Plan, a trust that is funded by Company expenditures acquires shares in the Company. The Board of Directors establishes regulations for the granting of shares, according to which each Director is awarded points for his or her degree of accomplishment of numerical targets based on management indices. Each Director is then awarded the Company's shares in proportion to the points awarded, through the trust. In principle, the shares are awarded to Directors at the time of their resignation or retirement.

B. Accounting treatment of Company shares remaining in the trust

The book value of the trust (net of ancillary expenses) for shares held by the trust was ¥190 million in the consolidated fiscal year under review, and is recorded as treasury stock in the shareholders' equity.

The number of said shares as of the end of the consolidated fiscal year under review was 132,800 and the average number of shares during the fiscal year under review was 134,317. These shares are included in the shares of treasury stock excluded for calculation of per share information.

Notes to Non-consolidated Financial Statements

1. Notes to Matters concerning Significant Accounting Principles

A. Valuation standards and methods for assets

a. Valuation standards and methods for available-for-sale securities

Shares of subsidiaries and affiliates:

At cost, using the moving average method.

Other available-for-sale securities:

With market value: At market value, using the fair market value at term-end. (Appraisal differences are dealt with by means of the direct capital influx method, with cost of securities sold calculated by means of the moving average method.) Furthermore, among the other available-for-sale securities with market value, those, for which the difference between the "acquisition cost" and the "debenture amount" is judged to be the result of interest rate adjustments, are calculated by amortized cost method.

Without market value: At cost, using the moving average method.

b. Valuation standards and methods for derivatives

At market value.

c. Valuation standards and methods for inventories

Merchandise: At cost, using the moving average method. (Figures stated on balance sheets are calculated by means of the write-down method based on a decline in profitability.)

Partly-finished work: At cost, using the specific identification method (figures stated on balance sheets are calculated by means of the write-down method based on a decline in profitability.)

B. Depreciation method for non-current assets

a. Property and equipment: (Excluding leased assets)	Declining-balance method However, buildings (excluding equipment and installations), and the equipment and installations of buildings and structures acquired on or after April 1, 2016 are depreciated by the straight-line method. Estimated useful lives are generally as follows: Buildings: 15-45 years Structures: 15-40 years Equipment: 4-20 years
b. Intangible assets: (Excluding leased assets)	Straight-line method The estimated useful life of software for internal use is five years.
c. Leased assets:	Straight-line method using the lease period as the useful life and zero residual value

C. Accounting standards for allowances

a. Allowance for doubtful accounts:

Provided at an amount sufficient to cover probable losses on collection. It consists of the estimated uncollectible amount with respect to certain identified doubtful receivables and an amount calculated using the rate of actual collection losses with respect to the remaining receivables.

b. Allowance for bonuses to employees:

Allowance for employees' bonuses is provided at an amount applicable to this term based on the estimated amount to be paid in the next term.

c. Allowance for bonuses to Directors and Audit & Supervisory Board members:

Allowance for Directors' bonuses is provided at an amount applicable to this term based on the estimated amount to be paid in the next term.

d. Allowance for stock compensation:

Allowance for stock compensation is an allowance established to provide shares of the Company to the Directors (excluding the External Directors) based on the Performance-Based Stock Compensation Plan for Directors. The allowance is calculated based on the estimated amount of payment of Sanshin Shares to be delivered to the Directors according to the points granted to each of them in accordance with the Sanshin Share delivery rules.

e. Employees' severance and retirement benefits:

The Company makes provision for the necessary amount of allowance for employees' severance and retirement benefits deemed to accrue during the term, based on the Company's payment obligation and the pension fund balance at the term-end. The retirement benefit obligations are calculated using a payment calculation standard which is a method of attributing projected retirement benefits for the service period up to the current business year.

The prior service obligation is amortized by the straight-line method for a given number of years (10 years) within employees' average remaining years of service.

The actual gain or loss is amortized, from the year following the year in which the gain or loss is recognized, by the straight-line method or a given number of years (10 years) within employees' average remaining period of service.

D. Foreign currency transactions

All foreign-currency-denominated receivables and payables are converted into Japanese yen at the term-end spot market exchange rate; any foreign exchange gains and losses from transactions are specified in the profit and loss statement.

E. Hedge accounting

a. Hedge accounting method

Deferred hedge accounting method

Hedge accounting is adopted for foreign currency receivables and payables etc. on exchange forward contract

b. Hedging instruments and hedged items:

Hedging instrument:	Foreign currency forward contracts
Hedged items:	Both payables and receivables, and forecasted transactions denominated in foreign currencies

c. Hedge policy:

The Company uses foreign currency derivatives as a means of hedging exposure to foreign currency risk. Such transactions are all carried out with the finance department of the Company as the lead department, according to Company regulations. The Company does not enter into derivatives for trading or speculative purposes not stated in its regulations.

d. Hedge effectiveness assessment:

Hedge effectiveness is evaluated at least every six months by evaluating whether the cash flow changes in the hedged item and cash flow changes in the hedge instrument cancel each other out at a high level.

F. Consumption tax and similar taxes

Consumption tax and local consumption tax are excluded from transaction amounts.

2. Notes to Changes in Accounting Principles

None

3. Notes to Changes in Presentation Methods

(Application of Accounting Standard for Disclosure of Accounting Estimates)

We applied the Accounting Standard for Disclosure of Accounting Estimate (ASBJ Statement No. 31; March 31, 2020) from non-consolidated financial statements related to the end of the fiscal year under review. We also list important notes related to accounting estimates for non-consolidated financial statements.

4. Notes to Accounting Estimates

(Valuation of Inventories)

Merchandise inventories	¥10,667 million

The content of the accounting estimate for the valuation of inventories is the same as the items stated in the Notes to Consolidated Financial Statements.

5. Notes to the Non-Consolidated Balance Sheets

A. Accumulated depreciation of property and equipment	¥3,653 million
B. Liabilities for guarantees	
Liabilities for bank borrowings	
Employees*	¥18 million
SANSHIN ELECTRONICS (HONG KONG) CO., LTD.	¥57 million (US$ 519 thousand)
TAIWAN SANSHIN ELECTRONICS CO., LTD.	¥5,747 million (US$ 51,912 thousand)
Total	¥5,823 million
Notes and accounts payable-trade	
SANSHIN ELECTRONICS (HONG KONG) CO., LTD.	¥82 million (US$ 741 thousand)
TAIWAN SANSHIN ELECTRONICS CO., LTD.	¥633 million (US$ 5,723 thousand)
Total	¥715 million

* Of loan guarantees to financial institutions concerning employee's borrowings to acquire housing, the portion to which home loan insurance applies has almost no risk attached and thus is excluded from liabilities for guarantees.

C. Monetary assets and liabilities due from or to subsidiaries and affiliates	
a. Short-term assets due from subsidiaries and affiliates	¥4,308 million
b. Short-term liabilities due to subsidiaries and affiliates	¥448 million

6. Notes to the Non-Consolidated Profit and Loss Statement

Transactions with subsidiaries and affiliates

a. Sales	¥44,303 million
b. Purchases	¥3,762 million
c. Transactions other than operating activities	¥1,477 million

7. Notes to the Non-Consolidated Statement of Changes in Shareholders' Equity

Matters concerning type and number of treasury shares (share)

Type of shares	No. of shares at the beginning of Fiscal 2020	Increase in No. of shares during Fiscal 2020	Decrease in No. of shares during Fiscal 2020	No. of shares at the end of Fiscal 2020
Common shares (Notes 1, 2)	5,101,110	255	3,900	5,097,465

Notes: 1. The number of treasury shares at the beginning and end of this fiscal year includes shares of the Company held by a trust established in connection with the Performance-Based Stock Compensation Plan for Directors (excluding the External Directors).
(Beginning of this fiscal year: 136,700 shares; End of this fiscal year: 132,800 shares)

2. The breakdown of the numbers listed in the fields of increase/decrease of the common treasury shares is as follows.
Increase due to acquisition of shares in amounts of less than one investment unit: 255 shares
Decrease due to stock issuance related to the Performance-Based Stock Compensation Plan and the retirement of Directors: 3,900 shares

8. Notes on Tax Effect Accounting

A. Breakdown by cause of deferred tax assets and liabilities:

Deferred tax assets	
Excess of allowance for bonuses over the deductible limit	¥144 million
Non-deductible valuation loss on merchandise	¥219 million
Deferred hedge gains (losses)	¥58 million
Non-deductible reserve for Directors' and Audit & Supervisory Board members' retirement allowances	¥25 million
Employees' severance and retirement benefits	¥29 million
Evaluation loss on securities held for investment excluded from expenses	¥216 million
Non-deductible loss on expenses for development of internal company systems	¥41 million
Other	¥75 million
Subtotal	¥809 million
Valuation reserve for total of deductible temporary difference, etc.	(¥245 million)
Total deferred tax assets	¥563 million
Deferred tax liabilities	
Valuation difference on available-for-sale securities	(¥253 million)
Total deferred tax liabilities	(¥253 million)
Net deferred tax assets	¥310 million

B. Reconciliation between the statutory income tax rate and the effective income tax rate after the adoption of tax-effect accounting

Statutory effective rate	30.6%
(Reconciliation items)	
Entertainment expenses and others that are permanently non-deductible	1.2%
Dividends and others that are permanently excluded	(18.6%)
Foreign withholding tax	0.5%
Per capita inhabitant's tax	0.9%
Increase/decrease in valuation reserve	(9.8%)
Other	0.1%
Effective income tax rate after the adoption of tax-effect accounting	4.9%

9. Notes on Transactions with Related Parties

Type	Company Name	Percentage of Ownership of Voting Rights, etc. (%)	Relationship with Related Parties	Transaction Details	Transaction Amounts (Million yen)	Item	Balance as of the end of fiscal year (Million yen)
Subsidiary	SANSHIN ELECTRONICS (HONG KONG) CO., LTD.	100% directly owned	Mutual supply of some products of the Company and the relevalent companies	Sales of products	16,764	Trade accounts receivable	1,499
Subsidiary	SANSHIN ELECTRONICS SINGAPORE (PTE) LTD.	100% directly owned	Mutual supply of some products of the Company and the relevalent companies	Sales of products	3,497	Trade accounts receivable	831
Subsidiary	TAIWAN SANSHIN ELECTRONICS CO., LTD.	100% directly owned	Mutual supply of some products of the Company and the relevalent companies	Sales of products	22,823	Trade accounts receivable	1,536
				Loan guarantees (Note 2)	6,380	—	—

Notes: 1. Prices and other terms and conditions are determined through price negotiations, with consideration given to prevailing market conditions.
2. The Company provides loan guarantees for bank borrowings of TAIWAN SANSHIN ELECTRONICS CO., LTD.
3. Consumption taxes are not included in the above transaction amounts.

10. Notes on Per Share Information

A. Net assets per share ¥1,680.27
B. Net profit per share ¥100.17

Note: Shares of the Company which are owned by a trust in connection with the Performance-Based Stock Compensation Plan for Directors (excluding the External Directors) and which are recorded as treasury stock in shareholders' equity are included in the shares of treasury stock that are excluded from the total number of shares outstanding at the end of term for calculation of net assets per share (current fiscal year: 132,800 shares), and also are included in treasury stock excluded in the calculation of amount of average stock during the term for calculation of net profit per share (current fiscal year: 134,317 shares).

11. Notes on Significant Subsequent Events

(Acquisition of Treasury Stock and Tender Offer for Treasury Stock)

At the Board of Directors meeting held on May 12, 2021, the Company resolved to acquire treasury stock and make a tender offer for treasury stock as a specific acquisition method (hereinafter, “the Tender Offer”) based on provisions in the Company’s Articles of Incorporation and on Paragraph 1, Article 156 of the Companies Act (Act No. 86 of 2005; including subsequent amendments, hereinafter “the Companies Act”), as applied pursuant to the provisions stated in Paragraph 3, Article 165 of the Companies Act. The Tender Offer will be executed based on the premise that a separate proposal regarding the reduction of general reserve, capital reserve, and retained surplus will be passed at the Ordinary General Meeting of Shareholders scheduled to be held on June 18, 2021.

A. Purpose of acquisition of treasury stock and tender offer for treasury stock

On May 12, 2021, the Company announced the V73 Medium-Term Management Plan, a three-year plan to be concluded in the Company’s 73rd Term (fiscal year ending March 31, 2024). In the Plan, the Company states our goal of achieving an ROE of 5% at an early stage. As measures for achieving this goal, we will promote business structure reform to highly-profitable business with terms for early collection of accounts receivables, which will achieve a small purchase amount relative to net sales compared to unit sales of semiconductors and electronic components, which are the main products in the current net sales composition. We are aiming to optimize capital in conjunction with improving profitability and suppressing an increase in demand for funds as a result of this business structural reform. As part of these efforts, we came to the conclusion that the Tender Offer is necessary and therefore resolved to execute the Tender Offer.

B. Contents of resolution by the Board of Directors

a. Type of shares to be acquired: Ordinary shares

b. Total number of shares to be acquired: 7,000,100 (upper limit)

c. Contents of money, etc., to be delivered in exchange for acquisition: Money

d. Total amount of money, etc., to be delivered in exchange for acquisition: ¥15,743,224,900 (upper limit)

e. Period during which acquisition is possible: From June 22, 2021 to August 31, 2021

C. Overview of tender offer for treasury stock

a. Number of shares to be purchased: 7,000,000

b. Purchase price: ¥2,249 per share

c. Purchase period: From June 22, 2021 to July 19, 2021

d. Date of announcement for starting tender offer: June 22, 2021

e. Settlement start date: August 13, 2021

(Reduction in the amount of general reserve, capital reserve, and retained surplus)

At the Board of Directors meeting held on May 12, 2021, the Company resolved to propose a reduction in the amount of general reserve, capital reserve, and retained surplus at the 70th Ordinary General Meeting of Shareholders scheduled to be held on June 18, 2021.

A. Purpose of reducing the amount of general reserve, capital reserve, and retained surplus

In order to expand financial resources for the Tender Offer and to ensure flexibility and agility in future capital policy, we will reduce the amount of capital reserve and retained surplus as follows. Additionally, after the decrease in capital reserve, the amount of the decrease will be transferred to other capital surplus. After the decrease in the amount of the retained surplus, the amount of the decrease will be transferred to retained earnings brought forward. The general reserve will be transferred to retained earnings brought forward.

B. Method of decreasing the amount of capital reserve

Based on the provisions in Paragraph 1, Article 448 of the Companies Act, we will reduce the amount of capital reserve as shown below. The total amount of the reduction will be transferred to other capital surplus.

Amount of reduction in capital reserve: ¥5,329,906,456

Effective date of capital reserve decrease: June 30, 2021

C. Method of decreasing the amount of retained surplus

Based on the provisions in Paragraph 1, Article 448 of the Companies Act, we will reduce the amount of retained surplus as shown below. The total amount of the reduction will be transferred to retained earnings brought forward.

Amount of reduction in retained surplus: ¥670,983,281

Effective date of retained surplus decrease: June 30, 2021

D. Method of decreasing the amount of general reserve

Based on the provisions in Article 452 of the Companies Act, we will reduce the amount of general reserve as shown below. The total amount of the reduction will be transferred to retained earnings brought forward.

Amount of reduction in general reserve: ¥18,680,000,000

E. Schedule for decrease in the amount of capital reserve and retained surplus

a. Date of resolution by Board of Directors: May 12, 2021

b. Date of public notice for creditor objections: May 28, 2021

c. Date of resolution at the general meeting of shareholders June: 18, 2021 (scheduled)

d. Last day for creditor objections: June 28, 2021 (scheduled)

e. Effective date: June 30, 2021 (scheduled)

12. Additional Information

(Performance-Based Stock Compensation Plan for Directors)

The Company has implemented a Performance-Based Stock Compensation Plan for Directors (excluding the External Directors). Details are listed in "Notes to Consolidated Financial Statements – Additional Information."