

(Attachment of Notice of the 68th Ordinary General Meeting of Shareholders)

Sanshin Electronics Co., Ltd.

Stock Code: 8150

Business Report on the 68th Term

From April 1, 2018 to March 31, 2019

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, 2018 to March 31, 2019)

I. Matters Concerning the Current Status of the Corporate Group

(1) Business Progress and Results

In the consolidated fiscal year under review, the overall global economy was strong. The trend in the Japanese economy continues to be gradual recovery due to factors such as increased corporate earnings and an improved employment environment. On the other hand, there is concern for how the global economy will be impacted by factors such as trade friction between the United States and China and the withdrawal of the United Kingdom from the European Union, and as a result, future economic trends inside and outside of Japan are more unclear than ever. In the electronics industry, which is the primary area of business of the Group, fields such as automobile driving systems, the internet of things (IoT), artificial intelligence (AI), and machine to machine technology (M2M) continued to grow. In Japan's domestic IT industry as well, in addition to cloud technology, big data, and security, companies are also increasing their investments for labor efficiency improvement goals.

In the midst of these conditions, with the goal of achieving return on equity (ROE) of 5% and ordinary profit of ¥3 billion, the Group promoted business portfolio reforms to shift to a highly profitable structure in its device business while also conducting thorough management of exchange-rate and inventory risk and making efforts to improve profitability through increasing operation efficiency, all based on the provision of the V70 Medium-Term Management Plan scheduled to end at the conclusion of the 2021 fiscal year. Also, in order to strengthen the cloud business in our solution business, we expanded the menu of cloud-computing services based on the Sanshin Data Center, while also working to create synergy between business units through cross-cell promotions.

As a result of these initiatives, business performance in the consolidated fiscal year under review was as follows: Net sales were ¥147,879 million (down 6.0% year-on-year), but operating profit was ¥1,965 million (up 11.4% year-on-year) due to factors such as an improved gross profit margin and reduction of selling, general and administrative expenses. Ordinary profit was ¥1,737 million (down 2.8% year-on-year) due to factors such as an increase in non-operating expenses including an increase in interest expenses and posting of commission for purchase of treasury stock. In addition, due to posting of extraordinary gains caused by factors such as gain on the sale of land and buildings of the Atsugi facility, net profit attributable to shareholders of parent company was ¥1,449 million (up 53.0% year-on-year). Furthermore, as the result of acquiring treasury stock, paying dividends aimed at a consolidated payout ratio of 100%, engaging in active return to shareholders, and working to improve capital efficiency, we achieved a ROE of 2.8% (1.5% in the previous fiscal year).

Moving forward, in addition to focusing on the continued expansion of business profit, we will strive to further improve our capital efficiency, and will review the implementation of capital policies such as the acquisition of treasury stock while making appropriate investments and maintaining financial soundness in preparation for risk.

Consolidated Performance in the Consolidated Fiscal Year Under Review

Net sales	Ordinary profit
<u>¥147,879 million</u>	<u>¥1,737 million</u>
-6.0% YoY	-2.8% YoY
Operating profit	Net profit attributable to shareholders of parent company
<u>¥1,965 million</u>	<u>¥1,449 million</u>
+11.4% YoY	+53.0% YoY

For performance by segment, please see below.

Device Segment

In the device business segment, our leading products are semiconductors (including system LSIs, microcomputers, LCD driver ICs and memory) and electronic components (including connectors and capacitors). These products are sold mainly to electronics manufacturers. We also provide technical support such as software development and module development.

In the consolidated year under review, although sales in new business increased year-on-year, sales to the social/industrial field and toy field decreased. As a result of such factors, segment sales were ¥133,275 (down 7.3% year-on-year). Segment profit was ¥465 million (down 35.8% year-on-year) due to an increase in non-operating expenses caused by factors such as increased working capital and increased interest expenses due to rising interest, which offset a year-on-year increase in operating profit caused by an improved gross profit margin and reduced selling, general and administrative expenses.

Note: Segment profit is based on ordinary profit.

Solution Segment

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

In the consolidated fiscal year under review, as a result of more favorable public works and video field targeted sales results than the previous fiscal year, net sales were ¥14,604 million (up 7.7% year-on-year), and segment profit was ¥1,272 million (up 19.7% year-on-year).

Note: Segment profit is based on ordinary profit.

(2) Capital Investment Activities

The total amount of facility investments made in this consolidated fiscal year was ¥160 million. The main investment was updating of the managerial accounting system and repair of buildings.

(3) Financing Activities

In this consolidated fiscal year, in addition to ordinary borrowing, ¥10 billion in loans from financial institutions were borrowed in order to acquire treasury shares and to maintain a certain level of cash on hand.

(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.

The Group is carrying out the V70 Medium-Term Management Plan to be closed in the 70th term (fiscal year ending March 31, 2021). Under this Management Plan, we will implement some measures for enhancement in capital efficiency, and will increase the consolidated dividend payout ratio to around 100% in the three consecutive terms extending from the fiscal year ended March 31, 2018 to the fiscal year ending March 31, 2020. In addition, we plan to acquire treasury shares by setting the maximum acquisition cost at ¥20 billion (or by setting the maximum number of acquired shares at 10 million) in the above three terms. Based on these policies, we paid dividends with a consolidated payout ratio of 98.2% for the period ended March 31, 2018, and plan to pay dividends with a consolidated payout ratio of 93.3% for the period ended March 31, 2019. Furthermore, from May 15 to June 11 in

2018, we implemented a takeover bid for treasury shares consisting of 9 million ordinary shares of the Company, with a total purchase price of ¥19.7 billion.

(Medium-term business strategy and future challenges)

The Group is carrying out the V70 Medium-Term Management Plan to be closed in the 70th term (fiscal year ending March 31, 2021), with an aim to attain the goals of “return on equity (ROE) at 5%” and “ordinary profit at ¥3 billion”. In an earnest effort to achieve the above goals, the Group will tackle the following challenges:

1) Regaining profitability in the device business

The profit pillars of the device business are the core device business, which takes advantage of the Group’s technological capabilities, and the volume business, which specializes in logistics and finance functions. The majority of the volume business is business conducted overseas. Although those businesses have high net sales, they are highly susceptible to significant impact due to exchange rates and interest. Furthermore, the overall gross profit margin tends to be low. In the core device business, although a shift to high value-added products has already been implemented, there are issues in regards to expanding net sales. Moreover, the growth of vehicle-mounted related markets and new business models utilizing the IoT have caused diversification of players in the electronics industry. This has created great potential for our Group. Important issues in the Group are increasing profits of the strategic device business which focuses on developing this potential for recovering the profitability of the device business.

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

a. Enhancement in profitability of existing business

In the core device business, we will seek to increase net sales by strengthening sales expansion in growth fields, and will continue initiatives to maximize generated profit by increasing the gross profit margin through a shift to high value-added products which take advantage of our technological capabilities and by increasing the efficiency of operations. In the volume business, we will abolish and downsize businesses while ascertaining risk and commercial feasibility. As a result of these initiatives, we will seek to recover profitability of overall existing businesses.

b. Expansion of new business

We will position business required to achieve an even more robust and highly-profitable structure as strategic device business, and will continue to focus on new merchandise business based mainly overseas and the expansion of new business models related to IoT. In particular, we have been successful in strengthening alliances for new business models based on IoT and have been able to steadily increase the number of business negotiations and demonstration experiments. Moving forward, we will concentrate on realizing these potential projects and heightening the degree of contribution to profits.

2) Strengthening of revenue base of solution business

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

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

a. Enhancement of cloud business

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

b. Expansion of customer base

We have been able to achieve a certain level of results for cultivation of existing customers based on cross-selling between business units. We will continue to work to cultivate existing customers; however, we will concentrate on increasing the number of customers in the future.

In addition to enhancing the expansion of sales by increasing the number of personnel and strengthening relationships with suppliers, we will release a new service menu based on cloud services, work to develop new customer through promotions via expos, seminars, etc., break away from the profit structure depending on large customers, and seek to further strengthen our profit base.

3) Enhancement of capital efficiency

In order to enhance capital efficiency, we have made efforts to increase return to shareholders by paying dividends and acquiring treasury shares. For detailed information on these activities, please refer to “Basic policies for profit distribution” mentioned above. Through these activities, we have made efforts to enhance capital efficiency. On the other hand, in addition to making efforts to reduce working capital by revising the volume business in the device business, we will also achieve early cashing of accounts receivables. By doing so, we forecast that we will be able to maintain our equity ratio above a certain level and secure financial soundness. Moving forward, in addition to focusing on the continued expansion of business profit, we will strive to further improve our capital efficiency, and will review the implementation of capital policies such as the acquisition of treasury stock while making appropriate investments and maintaining financial soundness in preparation for risk.

4) Strengthening of corporate governance

It the V70 Medium-Term Management Plan, strengthening of corporate governance is defined as a prerequisite for strengthening of business capability and enhancement of capital efficiency. Compared to progress in establishing a governance structure by appointing multiple Independent External Directors, our self-evaluation has shown a delay in enhancing effectiveness through measures such as strengthening priority discussions and advisory functions related to medium-to-long-term Company issue at the Board of Directors. We will make efforts to enhance the functionality of the Board of Directors, and to link this enhancement to the improvement of medium-to-long-term business results, and an increase in corporate value.

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

	65th Term (From April 1, 2015 to March 31, 2016)	66th Term (From April 1, 2016 to March 31, 2017)	67th Term (From April 1, 2017 to March 31, 2018)	68th Term (From April 1, 2018 to March 31, 2019)
Net Sales (million yen)	199,075	167,654	157,257	147,879
Operating Profit (million yen)	1,913	804	1,763	1,965
Ordinary Profit (million yen)	1,500	(952)	1,787	1,737
Net Profit Attributable to Shareholders of Parent Company (million yen)	977	(1,575)	947	1,449
Net Profit Per Share (yen)	34.70	(55.90)	33.62	67.48
Total Assets (million yen)	95,476	93,860	93,624	88,261
Net Assets (million yen)	63,385	61,537	61,787	42,711
Net Assets Per Share (yen)	2,249.40	2,183.84	2,191.19	2,224.47
Return on Equity (ROE) (%)	1.5	(2.5)	1.5	2.8

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

2. Partial Amendments to Accounting Standard for Tax Effect Accounting, etc. (Corporate Accounting Standard No. 28; February 16, 2018) were applied from the beginning of the consolidated fiscal year under review. 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.

3. On October 15, 2018, SANSHIN ELECTRONICS CORPORATION relocated its headquarters from California, U.S.A.

(7) Principal Businesses (as of March 31, 2019)

The Group is developing the device business and solutions 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, 2019)

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.

Note: On October 15, 2018, SANSBIN ELECTRONICS CORPORATION relocated its headquarters from California, U.S.A.

(9) Employees (as of March 31, 2019)

Business Segment	Number of Employees	Change from the End of the Previous Term
Device business	363 (10)	down 16 (down 1)
Solution business	189 (7)	up 1 (up 1)
Corporate (common)	51 (37)	down 9 (down 16)
Total	603 (54)	down 24 (down 16)

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 number of employees in the device business decreased naturally due to mandatory retirement age, etc. The decrease in the total number of employees in the “Corporate (common)” is due to closure of the Atsugi facility in conjunction with outsourcing of our logistics function.

(10) Principal Lenders (as of March 31, 2019)

Lender	Outstanding Loan Amount
	(Million yen)
Sumitomo Mitsui Banking Corporation	14,817
MUFG Bank, Ltd.	5,138
Mizuho Bank, Ltd.	3,000
Sumitomo Mitsui Trust Bank, Limited.	1,111

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, 2019)

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

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

Note: In conjunction with the retirement of treasury stock effective as of February 26, 2019, the number of shares issued decreased by 5,000,000 shares.

(3) Number of Shareholders: 2,317

(4) Major Shareholders (Top ten shareholders)

Name of Shareholder	Number of Shares Held (Thousands of shares)	Shareholding ratio (%)
S-GRANT. Co., Ltd.	1,658	8.59
Matsunaga Eiichi, Ltd.	1,600	8.28
ATRA, Inc.	1,565	8.10
ATRA HOLDINGS, Inc.	1,500	7.77
NEC Corporation	1,049	5.43
Sumitomo Mitsui Banking Corporation	1,000	5.18
The Master Trust Bank of Japan, Ltd. (Trust Account)	669	3.46
CITY INDEX THIRD, Inc.	591	3.06
MUFG Bank, Ltd.	455	2.36
Japan Trustee Services Bank, Ltd. (Trust Account)	451	2.33

Notes: 1. The number of shares held by Japan Trustee Services Bank, Ltd. (trust account) includes 139,000 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 4,964,188 shares of treasury stock, but is excluded from the major shareholders above.

3. Shareholding ratio is calculated with treasury shares excluded.

III. Stock Acquisition Rights, etc.

Not applicable.

IV. Directors and Audit & Supervisory Board Members

(1) Status of Directors and Audit & Supervisory Board Members (as of March 31, 2019)

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

Notes: 1. Takeshi Uchimura, Minoru Nishino and Tatsuo Takeuchi serve as External Directors, while Shohei Yamamoto and Kuniharu Kezuka serve as External Audit & Supervisory Board members. Also, the Company has designated all five of them as Independent Directors and Audit & Supervisory Board members as per the

provisions of the Tokyo Stock Exchange, and has given notice to this effect to the Stock Exchange. The Company has engaged in sales transactions with Pioneer Corporation, the former place of employment for Tatsuo Takeuchi. However, the transaction amount was an insignificant amount that was less than 1% of the Group's consolidated net sales. Therefore, we have judged that independence from management of the Company has been secured.

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

Name	Before change	After change	Date of change
Fumihide Kitamura	Director, Senior Operating Officer, Supervisor of Device Business Group/In charge of Business Administration Department, IoT Business Unit and Overseas Sales Unit/General Manager of Business Administration Department	Director, Senior Operating Officer, Supervisor of Device Business Group/In charge of Business Administration Department, IoT Business Unit, 3rd Sales Unit and Overseas Sales Unit/General Manager of Business Administration Department	October 1, 2018

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

Name	Date of retirement	Reasons for retirement	Title, duties and important concurrent roles, etc., at the time of retirement
Minoru Matsumoto	June 22, 2018	Expiration of the term of office	Certified Public Accountant of Minoru Matsumoto CPA Office, External Director of JASTEC Co., Ltd., External Director of Foster Electric Co., Ltd.

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

1) Total compensation for this fiscal year

Post	Number of Officials	Amount to Be Paid
Directors	12	¥160 million
(External Directors)	(3)	(¥14 million)
Audit & Supervisory Board members	5	¥39 million
(External Audit & Supervisory Board members)	(3)	(¥9 million)
Total	17	¥199 million

Notes: 1. The Directors and Audit & Supervisory Board members above include one Audit & Supervisory Board member (including one External Audit & Supervisory Board member) who retired at the conclusion of the 67th Ordinary General Meeting of Shareholders held on June 22, 2018.

2. The amount of compensation for Directors does not include the salaries of Directors who concurrently serve as employees.

3. The upper limit on the total amount of compensation to be paid to Directors was set at ¥420 million per year (excluding the employee salaries) at the 56th Ordinary General Meeting of Shareholders held on June 22, 2007.

4. The upper limit on the total amount of compensation to be paid to Audit & Supervisory Board members was set at ¥50 million per year at the 42nd Ordinary General Meeting of Shareholders held on December 21, 1993.

5. The amount of compensation for Directors includes ¥26 million provision for bonuses paid to 9 Directors (excluding External Directors) in the consolidated fiscal year under review. The Company abolished the bonus system for Audit & Supervisory Board members in the 54th term.

6. The amount of compensation for Directors includes ¥19 million provision for compensation paid to 9 Directors (excluding External Directors) in relation to the performance-based stock compensation plan for Directors in the consolidated fiscal year under review.

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

At the 55th Ordinary General Meeting of Shareholders, which was held on June 23, 2006, approval was given for discontinuing payments in line with abolishing the retirement benefit system for directors. Following the resolution, there has been no retirement benefit paid to the retired Directors and Audit & Supervisory Board members who resigned at the conclusion of the 67th Ordinary General Meeting of Shareholders held on June 22, 2018.

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

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

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

2) Major activities in the fiscal year under review

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

	Board of Directors Meetings (a total of 14 meetings)		Audit & Supervisory Board Meetings (a total of 17 meetings)	
	Number of Meetings Attended	Attendance Rate	Number of Meetings Attended	Attendance Rate
Director Takeshi Uchimura	14	100%	—	—
Director Minoru Nishino	14	100%	—	—
Director Tatsuo Takeuchi	14	100%	—	—
Audit & Supervisory Board member Shohei Yamamoto	14	100%	17	100%
Audit & Supervisory Board member Kuniharu Kezuka	10	100%	11	100%

Note: Kuniharu Kezuka was newly appointed at the 67th General Meeting of Shareholders held on June 22, 2018. After his appointment, 10 Board of Directors Meetings were held and 11 Audit & Supervisory Board Meetings were held.

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

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

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

V. Status of Accounting Auditor

(1) Name of Accounting Auditor

Deloitte Touche Tohmatsu LLC.

(2) Amount of Compensation

	Amount to Be Paid
Compensation to be paid to Accounting Auditors for the fiscal year under review	¥45 million
Total of cash and other assets to be paid by the Company and subsidiaries to Accounting Auditors	¥46 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 services other than service as provided in Article 2, Paragraph 1 of the Certified Public Accountants Law (non-audit work), including “an advisory service for introduction of international accounting standards”, and paid compensation for such services to the Accounting Auditor.

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

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

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

(1) System for Securing Appropriateness of Business Operations

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

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

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

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

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

3) Rules Concerning Risk Management

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

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

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

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

5) System for Securing Appropriateness of Operations of the Group

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

6) Systems for Ensuring the Reliability of Financial Reporting

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

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

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

- The Company shall respect the Audit & Supervisory Board members' opinions with regard to matters related to the appointment, transfer, evaluation, disciplinary actions and so forth, of the employees at the internal audit department.

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

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

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

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

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

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

- The General Risk Committee makes reports to the Board of Directors, as necessary, on the state of responses being made for risks that have arisen. Also, regarding new risks requiring response, after assessing these, the General Risk Committee reports on the effectiveness of the risk policies and associated management systems to the Board of Directors.
- During the fiscal year under review, ordinary meetings were held 13 times, and an extraordinary meeting was held once.
- 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, 2019

	Millions of yen
ASSETS	
Current assets:	
Cash and deposits	17,064
Notes and accounts receivable-trade	41,780
Electronically recorded monetary claims	5,605
Merchandise inventories	14,580
Partly-finished work	139
Accrued income	177
Others	2,892
Allowance for doubtful accounts	(7)
Total current assets	82,234
Non-current assets:	
Property and equipment	
Buildings and structures	1,218
Land	1,135
Leased assets	59
Others	77
Total property and equipment	2,490
Intangible assets:	322
Investments and other assets:	
Investment securities	2,719
Deferred tax assets	373
Others	160
Allowance for doubtful accounts	(39)
Total investments and other assets	3,215
Total non-current assets	6,027
TOTAL	88,261

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

CONSOLIDATED BALANCE SHEET

Sanshin Electronics Co., Ltd.

As of March 31, 2019

Millions of yen

LIABILITIES AND NET ASSETS:**LIABILITIES:****Current liabilities:**

Notes and accounts payable-trade	18,462
Short-term loans payable	24,066
Current portion of long-term loans payable	6
Lease obligations	26
Accrued corporate tax, etc.	463
Allowance for bonuses to employees	483
Allowance for bonuses to Directors and Audit & Supervisory Board members	26
Others	1,625

Total current liabilities	45,161
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Non-current liabilities:

Lease obligations	32
Deferred tax liabilities	0
Allowance for stock compensation	31
Net defined benefit liabilities	224
Others	99

Total non-current liabilities	388
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Total liabilities	45,549
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NET ASSETS:**Shareholders' equity:**

Capital stock	14,811
Capital surplus	5,329
Retained earnings	32,578
Treasury stock	(10,356)

Total shareholders' equity	42,363
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Accumulated other comprehensive income:

Valuation difference on available-for-sale securities	574
Deferred hedge gains (losses)	(4)
Foreign currency translation adjustments	(294)
Remeasurements of defined benefit plans	22

Total accumulated other comprehensive income	298
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Non-controlling interests

50

Total net assets	42,711
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TOTAL	88,261
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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, 2019

	Millions of yen	
Net sales		147,879
Cost of sales:		136,472
Gross profit on sales		11,407
Selling, general and administrative expenses:		9,441
Operating profit		1,965
Non-operating profit:		
Interest income	14	
Dividend income	40	
Foreign exchange gains	116	
Others	104	275
Non-operating expenses:		
Interest expenses	410	
Sales discounts	14	
Commission for purchase of treasury stock	55	
Others	22	503
Ordinary profit		1,737
Extraordinary profits:		
Gain on sales of non-current assets	589	
Gain on sales of investment securities	295	884
Extraordinary losses:		
Loss on retirement of non-current assets	1	
Loss on sales of investment securities	0	
Loss on valuation of investment securities	220	
Impairment loss	56	
Special retirement benefits	38	
Office transfer expenses	38	
Loss on withdrawal of corporate pension funds	406	761
Net profit before tax and other adjustments		1,860
Corporate, resident and enterprise taxes	525	
Adjustment for corporate tax, etc.	(121)	404
Net profit		1,456
Net profit attributable to non-controlling interests		7
Net profit attributable to shareholders of parent company		1,449

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, 2019

Millions of yen

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2018	14,811	15,432	32,197	(867)	61,574
Changes during the term					
Dividends of surplus			(941)		(941)
Net profit attributable to shareholders of parent company			1,449		1,449
Purchase of treasury stock				(19,719)	(19,719)
Retirement of treasury stock		(10,102)	(127)	10,230	—
Net changes of items other than shareholders' equity					
Total changes during the term	—	(10,102)	380	(9,489)	(19,211)
Balance as of March 31, 2019	14,811	5,329	32,578	(10,356)	42,363

	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, 2018	781	80	(708)	16	169	43	61,787
Changes during the term							
Dividends of surplus							(941)
Net profit attributable to shareholders of parent company							1,449
Purchase of treasury stock							(19,719)
Retirement of treasury stock							—
Net changes of items other than shareholders' equity	(206)	(84)	413	6	128	7	136
Total changes during the term	(206)	(84)	413	6	128	7	(19,075)
Balance as of March 31, 2019	574	(4)	(294)	22	298	50	42,711

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

NON-CONSOLIDATED BALANCE SHEET

Sanshin Electronics Co., Ltd.

As of March 31, 2019

Non-Consolidated
Financial
Statements

Millions of yen

ASSETS**Current assets:**

Cash and deposits	13,817
Trade notes	159
Electronically recorded monetary claims	5,605
Trade accounts	16,237
Merchandise inventories	9,475
Partly-finished work	139
Advance payment	148
Prepaid expenses	134
Accrued income	284
Consumption taxes receivable	2,366
Others	18
Allowance for doubtful accounts	(0)
Total current assets	48,389

Non-current assets:**Property and equipment:**

Buildings	1,209
Structures	5
Tools and fixtures	55
Land	1,135
Leased assets	52
Total property and equipment	2,458

Intangible assets:

Software	164
Others	29
Total intangible assets	193

Investments and other assets:

Investment securities	2,584
Stocks of subsidiaries and affiliates	3,557
Guarantee money deposit	20
Deferred tax assets	261
Others	35
Allowance for doubtful accounts	(6)
Total investments and other assets	6,452

Total non-current assets	9,105
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TOTAL	57,494
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Note: Figures are rounded down to the nearest million yen.

NON-CONSOLIDATED BALANCE SHEET

Sanshin Electronics Co., Ltd.

As of March 31, 2019

	Millions of yen
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
Current liabilities:	
Trade notes	975
Trade accounts	10,039
Short-term loans payable	11,942
Lease obligations	24
Accounts payable	705
Accrued expenses	163
Accrued corporate tax, etc.	336
Advance received	379
Allowance for bonuses to employees	483
Allowance for bonuses to Directors and Audit & Supervisory Board members	26
Others	55
Total current liabilities	25,131
Non-current liabilities:	
Lease obligations	28
Allowance for stock compensation	31
Employees' severance and retirement benefits	191
Others	99
Total non-current liabilities	350
Total liabilities	25,482
NET ASSETS:	
Shareholders' equity:	
Capital stock	14,811
Capital surplus	5,329
Capital reserve	5,329
Retained earnings	21,656
Retained surplus	670
Other retained earnings	20,985
Reserve for dividend payments	600
General reserve	18,680
Retained earnings brought forward	1,705
Treasury stock	(10,356)
Total shareholders' equity	31,441
Valuation and translation adjustments:	
Valuation difference on available-for-sale securities	574
Deferred hedge gains (losses)	(4)
Total valuation and translation adjustments	570
Total net assets	32,012
TOTAL	57,494

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, 2019

		Millions of yen
Net sales		87,865
Cost of sales:		80,487
Gross profit on sales		7,377
Selling, general and administrative expenses:		6,929
Operating profit		447
Non-operating profit:		
Interest and dividend income	309	
Management consulting fees	317	
Foreign exchange gains	22	
Others	73	723
Non-operating expenses:		
Interest expenses	112	
Commission for purchase of treasury stock	55	
Others	25	193
Ordinary profit		977
Extraordinary profits:		
Gain on sales of non-current assets	589	
Gain on sales of investment securities	295	884
Extraordinary losses:		
Loss on retirement of non-current assets	1	
Loss on sales of investment securities	0	
Loss on valuation of investment securities	220	
Impairment loss	23	
Special retirement benefits	38	
Office transfer expenses	38	
Loss on withdrawal of corporate pension funds	388	711
Net profit before tax and other adjustments		1,151
Corporate, resident and enterprise taxes	287	
Adjustment for corporate tax, etc.	(90)	197
Net profit		953

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, 2019

Millions of yen

	Shareholders' equity										
	Capital stock	Capital surplus			Retained earnings					Treasury stock	Total shareholders' equity
		Capital reserve	Other capital surplus	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, 2018	14,811	15,329	102	15,432	670	600	18,680	1,820	21,771	(867)	51,148
Changes during the term											
Dividends of surplus								(941)	(941)		(941)
Net profit								953	953		953
Transfer to other capital surplus from capital reserve		(10,000)	10,000	—							—
Purchase of treasury stock										(19,719)	(19,719)
Retirement of treasury stock			(10,102)	(10,102)				(127)	(127)	10,230	—
Net changes of items other than shareholders' equity											
Total changes during the term	—	(10,000)	(102)	(10,102)	—	—	—	(115)	(115)	(9,489)	(19,707)
Balance as of March 31, 2019	14,811	5,329	—	5,329	670	600	18,680	1,705	21,656	(10,356)	31,441

	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, 2018	781	80	861	52,010
Changes during the term				
Dividends of surplus				(941)
Net profit				953
Transfer to other capital surplus from capital reserve				—
Purchase of treasury stock				(19,719)
Retirement of treasury stock				—
Net changes of items other than shareholders' equity	(206)	(84)	(291)	(291)
Total changes during the term	(206)	(84)	(291)	(19,998)
Balance as of March 31, 2019	574	(4)	570	32,012

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 10, 2019

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

Deloitte Touche Tohmatsu LLC.

Kazumasa Moriya
Designated and Engagement Limited Partner
Certified Public Accountant

Yutaka Hamaguchi
Designated and Engagement Limited Partner
Certified Public Accountant

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, 2018 to March 31, 2019.

Responsibility of the Company's management for preparation of consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit from an independent perspective. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we design the audit plan and perform the audit accordingly to obtain reasonable assurance about whether these consolidated financial statements are free from material misstatements.

An audit includes performing procedures to obtain audit evidence supporting the amounts and disclosures in these consolidated financial statements. Audit procedures were selected and applied on the basis of our judgments, including the assessment of risk of material misstatements in consolidated financial statements due to fraud or error. In making this risk assessment, we have considered the Company's internal control relating to the preparation and fair presentation of these consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the presentation of these consolidated financial statements taken as a whole, including accounting policies used by management, their application, and accounting estimates made by

management.

We believe that the audit evidence we have obtained is sufficient and appropriate, and provides a reasonable basis for our opinion.

Auditor's opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and results of operations of Sanshin Electronics Co., Ltd. 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 accounting principles generally accepted in Japan.

Interest relationships

There are no interest relationships either between the Company and our auditing firm or between the Company and the Designated Employees and Engagement Partners that are required to be reported by the Certified Public Accountant Law.

Independent Auditor's Report

May 10, 2019

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

Deloitte Touche Tohmatsu LLC.

Kazumasa Moriya
Designated and Engagement Limited Partner
Certified Public Accountant

Yutaka Hamaguchi
Designated and Engagement Limited Partner
Certified Public Accountant

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, of Sanshin Electronics Co., Ltd., (the "Company") for the 68th fiscal year from April 1, 2018 to March 31, 2019.

Responsibility of the Company's management for preparation of financial statements

The responsibility of the Company's management is to prepare and fairly present these financial statements and detailed statements thereof in accordance with accounting principles generally accepted in Japan. This includes designing and operating internal control judged by management as necessary to prepare and fairly present financial statements and detailed statements thereof that are free from material misstatements due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements and detailed statements thereof based on our audit from an independent perspective. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we design the audit plan and perform the audit accordingly to obtain reasonable assurance about whether these financial statements and detailed statements thereof are free from material misstatements.

An audit includes performing procedures to obtain audit evidence supporting the amounts and disclosures in these financial statements and detailed statements thereof. Audit procedures were selected and applied on the basis of our judgments, including the assessment of risk of material misstatements in financial statements and detailed statements thereof due to fraud or error. In making this risk assessment, we have considered the Company's internal control relating to the preparation and fair presentation of these financial statements and detailed statements thereof in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the presentation of these financial statements and detailed statements thereof taken as a whole, including accounting policies used by management, their application, and accounting estimates made by management.

We believe that the audit evidence we have obtained is sufficient and appropriate, and provides a reasonable basis for our opinion.

Auditor's opinion

In our opinion, the non-consolidated financial statements and detailed statements referred to above present fairly, in all material respects, the financial position and results of operations of Sanshin Electronics Co., Ltd. for the business year under review, in conformity with accounting principles generally accepted in Japan.

Interest relationships

There are no interest relationships either between the Company and our auditing firm or between the Company and the Designated Employees and Engagement Partners that are required to be reported by the provision of Certified Public Accountant Law.

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 68th fiscal year from April 1, 2018 to March 31, 2019 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 10, 2019

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