

Investor Meeting for the First Half of the Year ending March 2019

November 12, 2018

 SANSHIN ELECTRONICS CO., LTD.

Toshiro Suzuki, Representative Director, COO

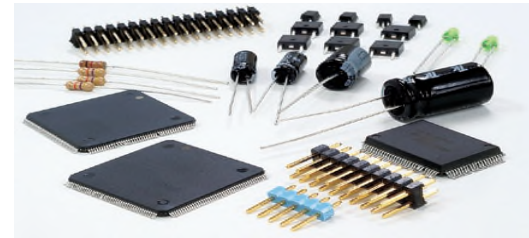
(Stock code: 8150)

As a general electronics trading company committed to being “customers’ best partner,” Sanshin Electronics runs two major businesses: device business and solution business.

Device Business

— Addressing diversified market needs through a wide product lineup —

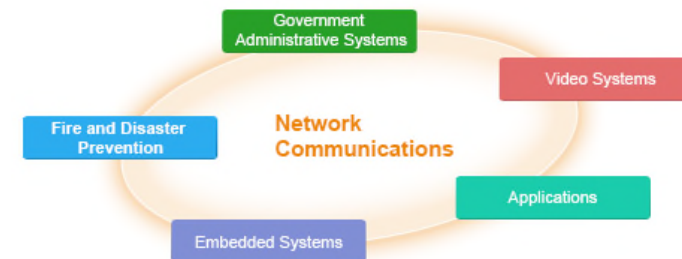
We cover a wide array of manufacturers, from both domestic and overseas major semiconductors/electronic parts makers all the way to emerging manufacturers that are currently developing products with excellent performance. In a time when market needs are constantly diversifying, we respond to our customers’ requests through a full lineup and detailed system of both domestic and overseas sales.



Solution Business

— Building up social infrastructures interconnected through ICT —

With information and telecommunications network at the core of our operations, we are committed to proposing and building up the optimal system to fit our customers’ needs. We provide our customers with a safe and reliable infrastructure through bundled services, including a support menu, after the system implementation.



I. Year Ending March 2019 Performance Summary for the First Half

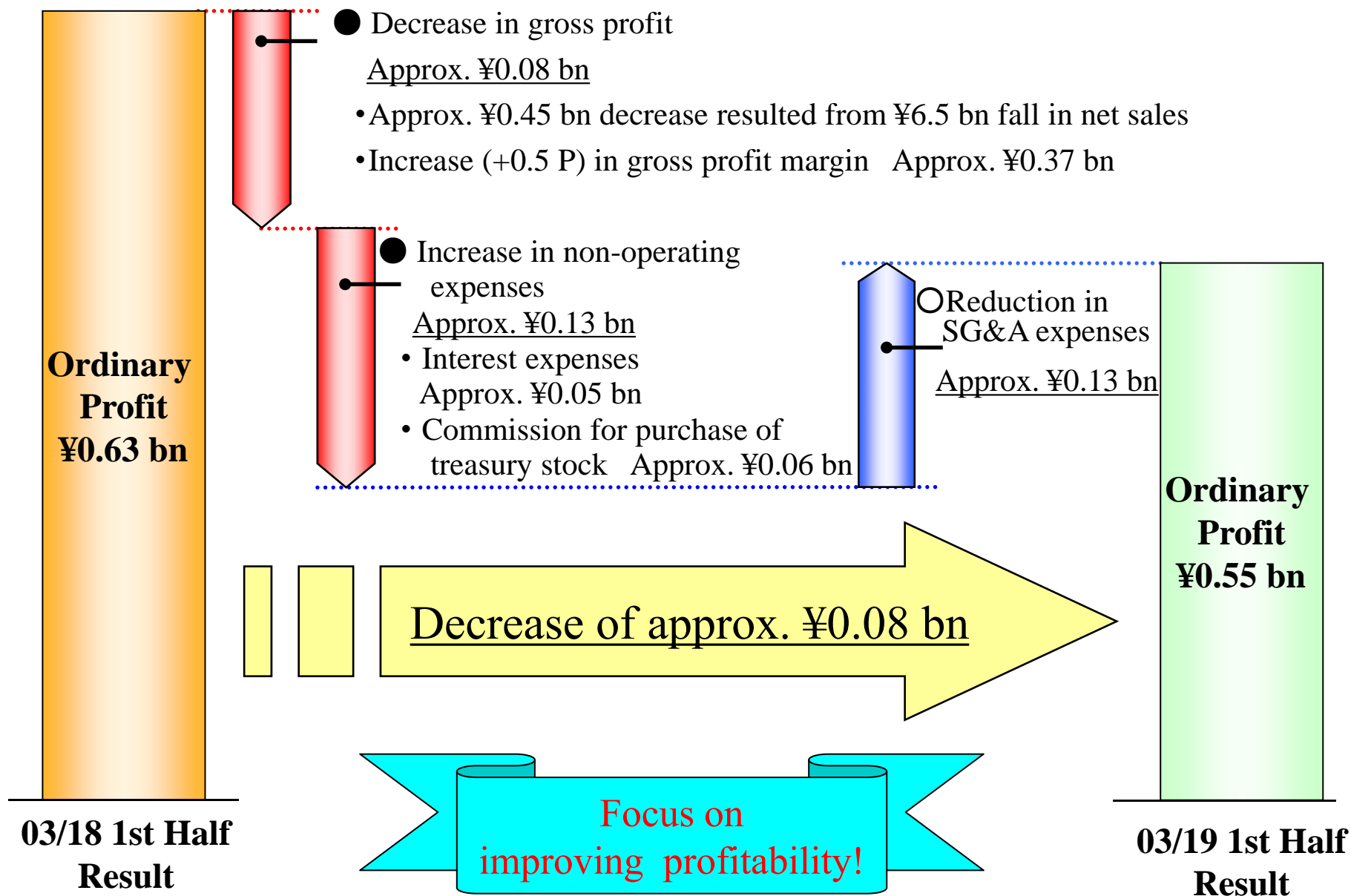
- Despite a decrease in net sales, operating profit increased due to improvement of the gross profit margin and a decrease in selling, general and administrative (SG&A) expenses.
- Ordinary profit decreased due to an increase in interest expenses and recording of commission for purchase of treasury stock.
- Net profit increased compared with the same period of the previous fiscal year, where special retirement benefits associated with voluntary retirement were recorded as extraordinary losses.

	03/18 1st half Result	03/19 1st half Result	YoY Change	Forecast ^{*1), 2)}	Achievement Ratio
Net Sales	789.1	724.2	92%	735.0	99%
Gross Profit on Sales	7.0% 55.1	7.5% 54.2	98%	7.5% 55.4	98%
SG&A Expenses	6.1% 48.5	6.5% 47.2	97%	6.8% 50.1	94%
Operating Profit	0.8% 6.6	1.0% 7.1	107%	0.7% 5.3	133%
Ordinary Profit	0.8% 6.3	0.8% 5.5	87%	0.6% 4.5	122%
Net Profit Attributable to Shareholders of Parent Company	0.5% 3.6	0.6% 4.3	122%	0.4% 3.0	144%
Interim Dividend Per Share	¥10	¥15	+¥5	¥15	±¥0
Exchange Rate (1 US dollar)	¥111.07	¥110.27	-¥0.80	¥105.00	¥5.27

*1) Figures for forecasts other than dividends are based on results announced for the period ended March 31, 2018 (announced on May 14, 2018).

*2) The forecast for dividends was revised at the announcement on August 3, 2018.

*3) Figures in the YoY Change section and Achievement Ratio section for interim dividend per share and exchange rate represent increases or decreases in amount.



■ **Changes in the Business Environment**

- Overall, the global economy is strong. The Japanese economy continues to show signs of a gradual recovery due to improvements in corporate earnings, the employment environment, etc.
- Conversely, there is heightened uncertainty for the future due to trends in trade policy and monetary policy in the U.S., as well as geopolitical risk in Europe.
- Growth of markets related to IoT, AI, M2M, driving support systems for automobiles etc.; steady growth of IT investment in cloud systems, etc.

■ **Device Business**

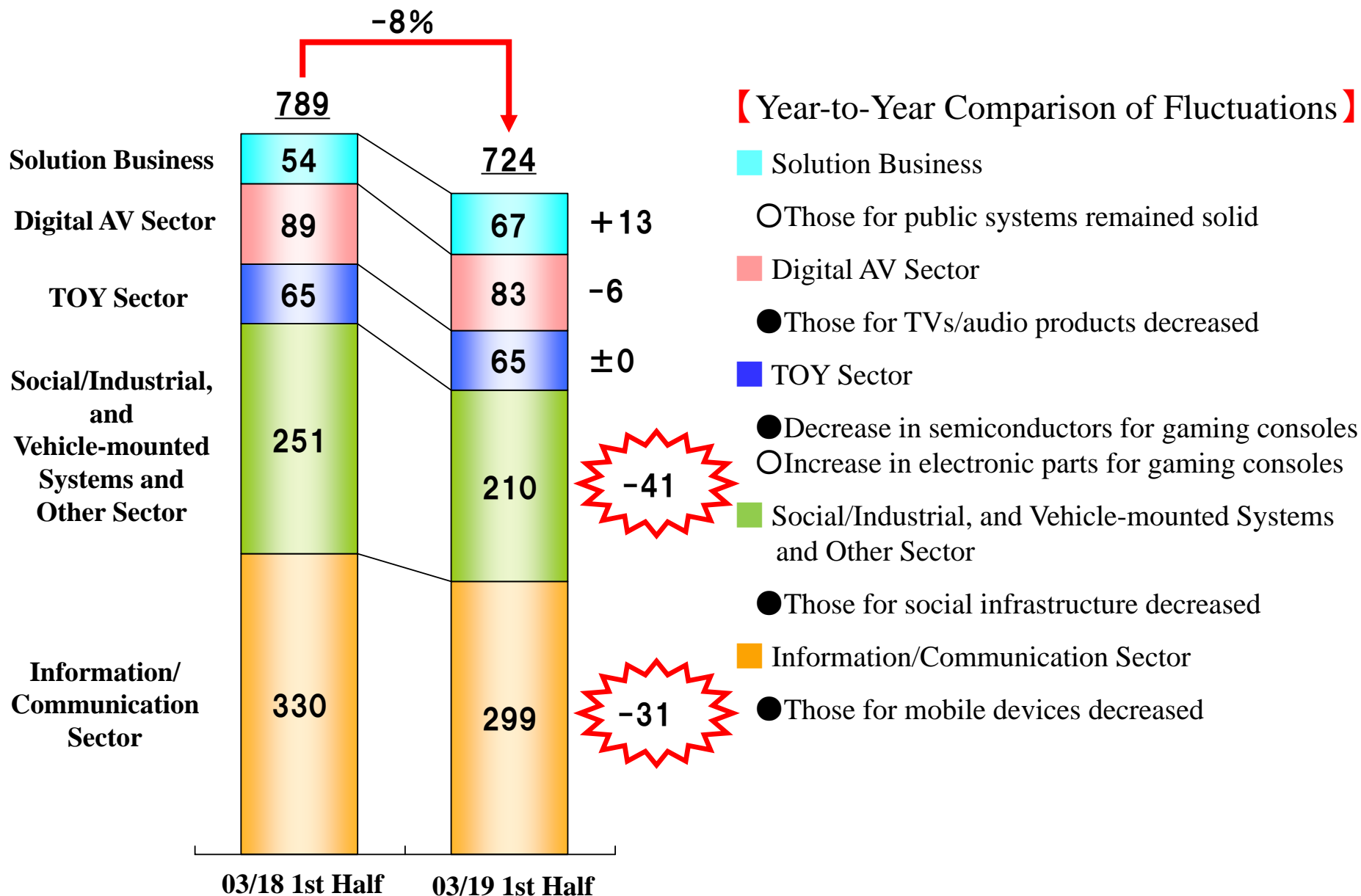
- Net sales decreased in the information/communications field and in the social/industrial field.
- Despite efforts to improve the gross profit margin and to reduce SG&A expenses, segment profit was down due to a decrease in net sales, an increase in interest expenses, and an increase in overall company expenses.

■ **Solution Business**

- Net sales were strong in the public sector.
- Segment profit was down due to a decrease in the gross profit margin caused by changes in sales mechanisms, delay in high-revenue projects, increases in SG&A expenses, and overall company expenses.

		03/18 1st half Result	03/19 1st half Result	YoY Change	Forecast ^{*1)}	Achievement Ratio
Device Business	Net Sales	735.0	657.1	89%	666.5	99%
	Operating Profit	1.1% 8.2	1.4% 9.1	111%	1.2% 8.3	110%
	Segment Profit	0.4% 3.2	0.4% 2.7	84%	0.2% 1.2	225%
Solution Business	Net Sales	54.1	67.1	124%	68.5	98%
	Operating Profit	8.4% 4.5	7.0% 4.7	103%	8.1% 5.5	85%
	Segment Profit	5.7% 3.1	4.2% 2.8	90%	4.8% 3.3	85%
Exchange Rate (1 US dollar)		¥111.07	¥110.27	-¥0.80	¥105.00	¥5.27

*1) Figures in the YoY Change section and Achievement Ratio section for exchange rate represent increases or decreases in amount.



II . V70 Medium-Term Management Plan Progress

In order to provide compelling value to all of our stakeholders, including employees, customers, suppliers and shareholders, Sanshin Electronics will establish a strong revenue base that can overcome changes in the business environment

1. Strengthening of business capability

- ◆ Returning to profitability in the device business
 - Reform business portfolio, improve profitability of existing business
- ◆ Strengthening of revenue base of the solution business
 - Expand menu of cloud services; maximize synergy between business units

2. Enhancement of capital efficiency

The following measures to be implemented in the three terms extending from the fiscal year ended March 31, 2018 to the fiscal year ending March 31, 2020

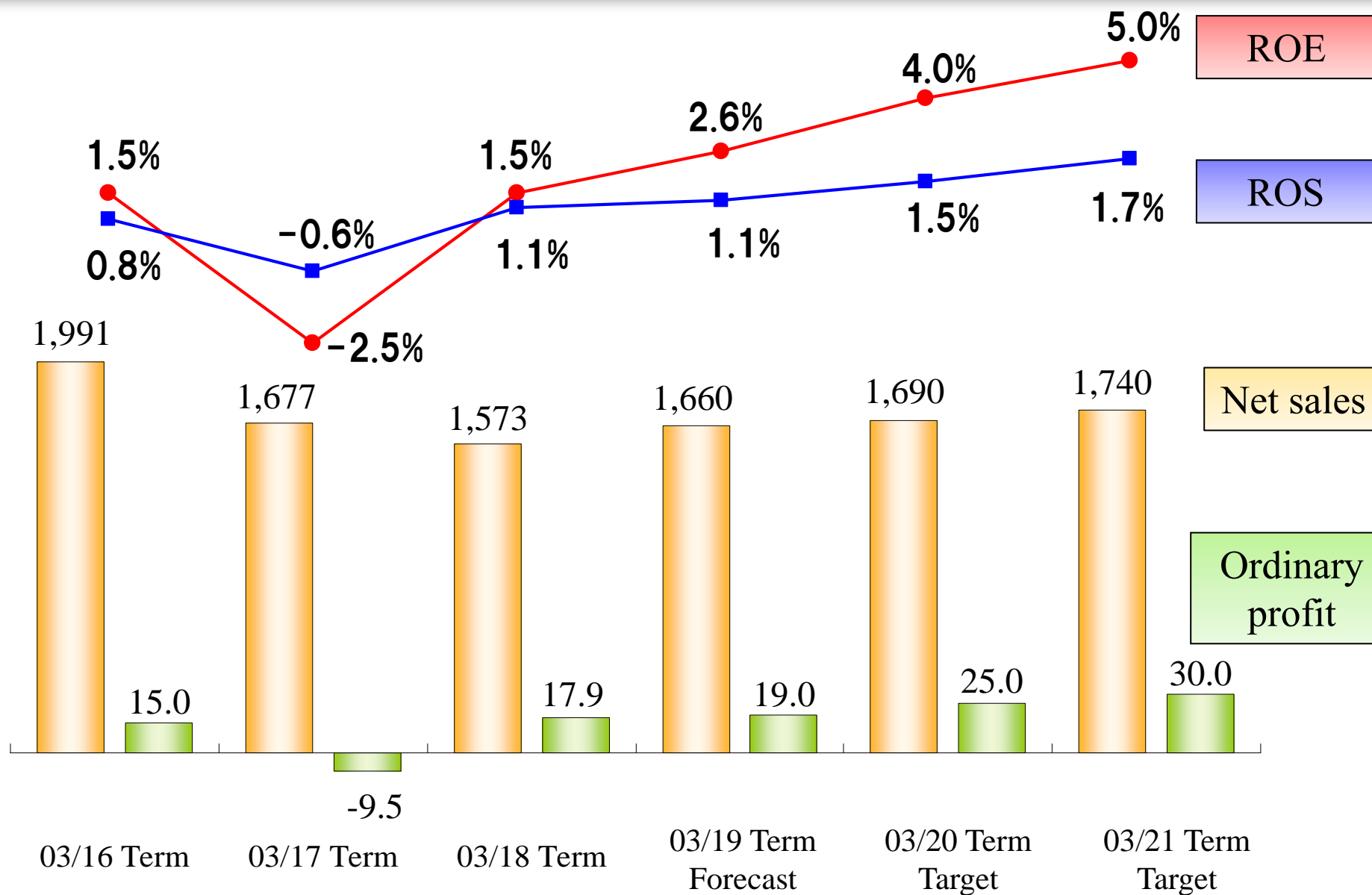
- ◆ Increase in dividend payout ratio to around 100% (in progress)
- ◆ Acquisition of treasury stock up to ¥20 billion (10 million shares) in total for the three terms (finished)

3. Strengthening of corporate governance

V70 quantitative target

ROE of 5% by the final year (fiscal year ending March 31, 2021)

Consolidated ordinary profit of ¥3 billion in the final year



*Forecasts for ROE after the fiscal year ending March 2019 reflect the result of TOB implemented from May 15 to June 11 of the current year.

Device Business	<p>Increase of value and profit rate by reforming the business portfolio</p> <ul style="list-style-type: none">• Accelerate shift to core device business using technological ability<ul style="list-style-type: none">→ Expand sales of vehicle-mounted systems and in mass market, increase gross profit margin• Focus on strategic device business<ul style="list-style-type: none">→ Enhance initiatives for IoT, next-generation game consoles, NW, and wireless markets→ Deepen solution provision type businesses by cooperation with SIers
Solution Business	<p>Challenge new business fields by providing new services, increasing customers, and expanding service area</p> <ul style="list-style-type: none">• Provide new cloud services• Focus on increasing customers and expanding service area<ul style="list-style-type: none">→ Acquire new business triggered by expanded sales of AI/IoT→ Acquire Sanshin DC projects based on cooperation with outside partners
Corporate Governance	<p>Further strengthening for the effectiveness of governance system</p> <ul style="list-style-type: none">• Strengthen the functions of External Directors<ul style="list-style-type: none">→ Increase the effectiveness of monitoring function and advisory function• Continue the performance-based stock compensation plan<ul style="list-style-type: none">→ Share benefits and risks with shareholders

In the final three years, enhance monitoring system for each item more than before and accelerate implementation of the PDCA cycle to ensure that the Medium-Term Management Plan is attained.

Establishment of the Management Foundation

To strengthen our business capability, with the aim of establishing a strong revenue base that can overcome changes in the business environment, contribution to a value increase of each business area from technical ability, human resources, and capital policy

Device Business

- (1) Strengthen our ability in applied technology with full knowledge of the development style unique to each customer
- (2) Acquire development technology for fully eliciting device features and enhance technical teams

Solution Business

- (1) Focus on the development of specialists that enable system provision in terminals as well as the cloud
- (2) Accelerate the development of field application engineers and project managers

Direction of capital policy

- (1) Expand return to shareholders in order to achieve ROE of 5% (a V70 quantitative target), seek to improve further capital efficiency, and implement acquisition of treasury stock via TOB
- (2) Seek to maximize shareholder value moving forward, improve capital efficiency, and perform a thorough balanced review of growth investment, dividends, and acquisition of treasury stock



Establishment of the Group's management system that contributes to the enhancement of corporate value

Examination of a management system based on the precondition of agile execution of M&A and efficiency increase of both businesses.



Further increase of effectiveness of the governance system

Strengthening of functions of External Directors

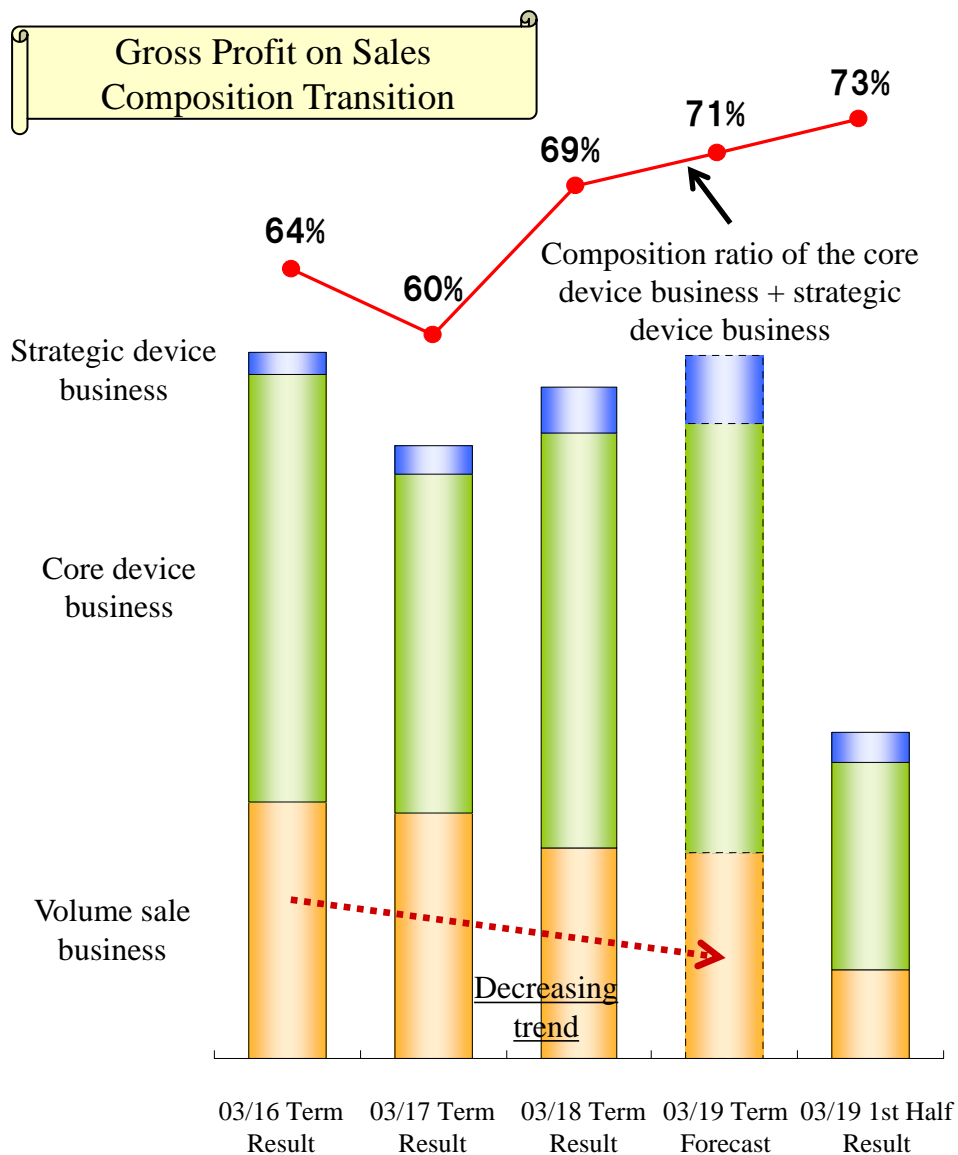
Operation of a performance-based compensation plan for Directors (excluding External Directors)

Medium-Term Management Plan measures		Progress in the first half of the year ending March 2019	Assessment
I. Returning to profitability in the device business	Reform of business portfolio	Despite delay in establishing IoT-related business, improving the gross profit on sales structure for core devices and strategic devices	△
	Enhancement in profitability of existing business	Smooth expansion for some handled products despite issues remaining in terms of increasing scale	△
II. Strengthening of revenue base of the solution business	Expansion of cloud service portfolio	Bright prospects exist for establishing a revenue base for the DC business; started cloud backup services and sequentially implemented new menus	△
	Maximization of synergy effects between business units	Achieved a certain level of results between units; currently taking action (including cooperation with the device business) to increase scale	△
Others	Cost structure reform	Increased efficiency through outsourcing of our company's distribution center and response to financial risk for corporate pensions	○
	Enhancement of capital efficiency	Made tender offers for treasury stock → Ordinary shares: 9 million shares ; Tender offer amount: ¥19.7 billion	○



Focus on reform of the business portfolio and promotion of the cloud business to change the direction to growth

Heighten the ratio of the core device business + strategic device business; strengthen the profit structure



	1H performance in 03/19 term (YoY)		
	Net sales	Gross profit	Gross profit margin
Core device business	-5%	+1%	+0.44P
Strategic device business	+29%	+28%	-0.08P

■ Gross profit on sales

(1) The composition ratio for core + strategic devices improved steadily

■ Core device business

(1) Although net sales decreased year-on-year, the gross profit margin improved

→ Net sales will grow throughout the term

(2) Net sales for vehicle-mounted systems decreased by 4% year-on-year

→ Started sales of products from new suppliers; also acquired one new commercial distribution company

→ Throughout the term, sales will increase due in part to contributions from new suppliers/commercial distribution

(3) Rapidly increased sales for storage; steadily increased mass market

■ Strategic device business

(1) Net sales expanded smoothly; maintained roughly the same amount of gross profit margin

→ Expanded dedicated LSI, wireless IC, and power semiconductors

→ Started sales of products from new suppliers (secure chip)

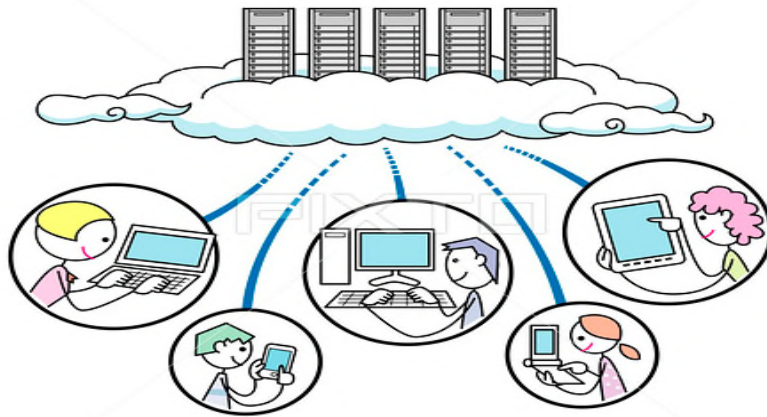
(2) Net sales related to IoT increased by 55% year-on-year

→ There is a slight delay from initial plan; quantitative issues exist

Expand new business fields based on internal/external co-creation and collaboration with outside partners

Sanshin Data Center

Infrastructure base



Problem-solving by adopting new
technology and optimal carriers

Cloud service infrastructure

- Sier Cloud (AWS, MS, etc.)
- Major carriers
- Sanshin Call Center
- Video contents distribution

■ Cross-selling

- (1) In-depth customer cultivation has been implemented based on AP X video systems
- (2) Currently expanding with device business with focus on AP

■ Expanded sales for AI

- (1) Currently expanding sales of NEC applications to manufacturers
- (2) In the second half of the year, sales will be expanded to plants/inspection facility manufacturers

■ Expanded sales for IoT

- (1) Currently holding business discussions for multiple collaborative projects with SI corporations
- (2) Started demonstration testing for collaborative projects with the device business

■ Sanshin Data Center

- (1) Implemented collaborations with dedicated cloud vendors
 - Services were provided through combinations of Sanshin original menus
- (2) Status of cloud service contracts
 - Increased to contracts with over 50 companies, up more than 30% compared to the end of the fiscal year ended March 2018
- (3) Cloud service menu
 - Expanded operation services and backup service
 - File box and security measures will be released in the future
- (4) Private cloud service
 - Private cloud services were provided by Sanshin via one-stop service (device to operation)
 - Environment for virtual redundant infrastructure was developed
 - Transition from proprietary-type to shared-type will be reviewed

III. Year Ending March 2019

Full-Year Business Forecasts

- We forecast an increase in sales and profit due to an increase in net sales, despite factors such as an increase in interest expenses due to rising U.S. interest rates.

	03/15 Result	03/16 Result	03/17 Result	03/18 Result	03/19 Forecast	YoY Change
Net Sales	2,190.9	1,990.8	1,676.6	1,572.6	1,660.0	106%
Gross Profit on Sales	6.3% 137.2	6.1% 122.3	6.4% 106.9	7.3% 114.5	7.3% 120.5	105%
SG&A Expenses	4.8% 104.6	5.2% 103.2	5.9% 98.8	6.2% 96.8	6.0% 99.2	102%
Operating Profit/Loss	1.5% 32.6	1.0% 19.1	0.5% 8.0	1.1% 17.6	1.3% 21.3	121%
Ordinary Profit/Loss	1.4% 31.2	0.8% 15.0	-0.6% -9.5	1.1% 17.9	1.1% 19.0	106%
Net Profit/Loss Attributable to Shareholders of Parent	0.9% 20.0	0.5% 9.8	-0.9% -15.8	0.6% 9.5	0.8% 13.5	143%
ROE	3.1%	1.5%	-2.5%	1.5%	2.6%	+0.7P
Annual Dividend Per Share	¥40	¥40	¥25	¥33	¥70	+¥15
Payout Ratio	56.3%	115.3%	—	98.2%	100.1%	+1.9P
Exchange Rate (1 US dollar)	¥109.93	¥120.14	¥108.42	¥110.86	¥107.64	-¥3.22

*Figures in the YoY Change section for ROE, annual dividend per share, payout ratio and exchange rate represent increases or decreases.

■ Device Business

- We forecast that net sales will increase by 5% on a year-to-year comparison, and that the segment profit will recover due to the increase in net sales.
- We forecast an increase in sales of the products for mobile devices, strong performance in sales of the products for vehicle-mounted systems, and establishment of new businesses for strategic devices, etc.

■ Solution Business

- We forecast that net sales will increase by 9% on a year-to-year comparison, and that the segment profit will be ¥1.07 bn, almost the same level with the previous term.
- We forecast continued expansion in sales for public institutions and recovery in embedded systems, as well as expansion in sales for video systems

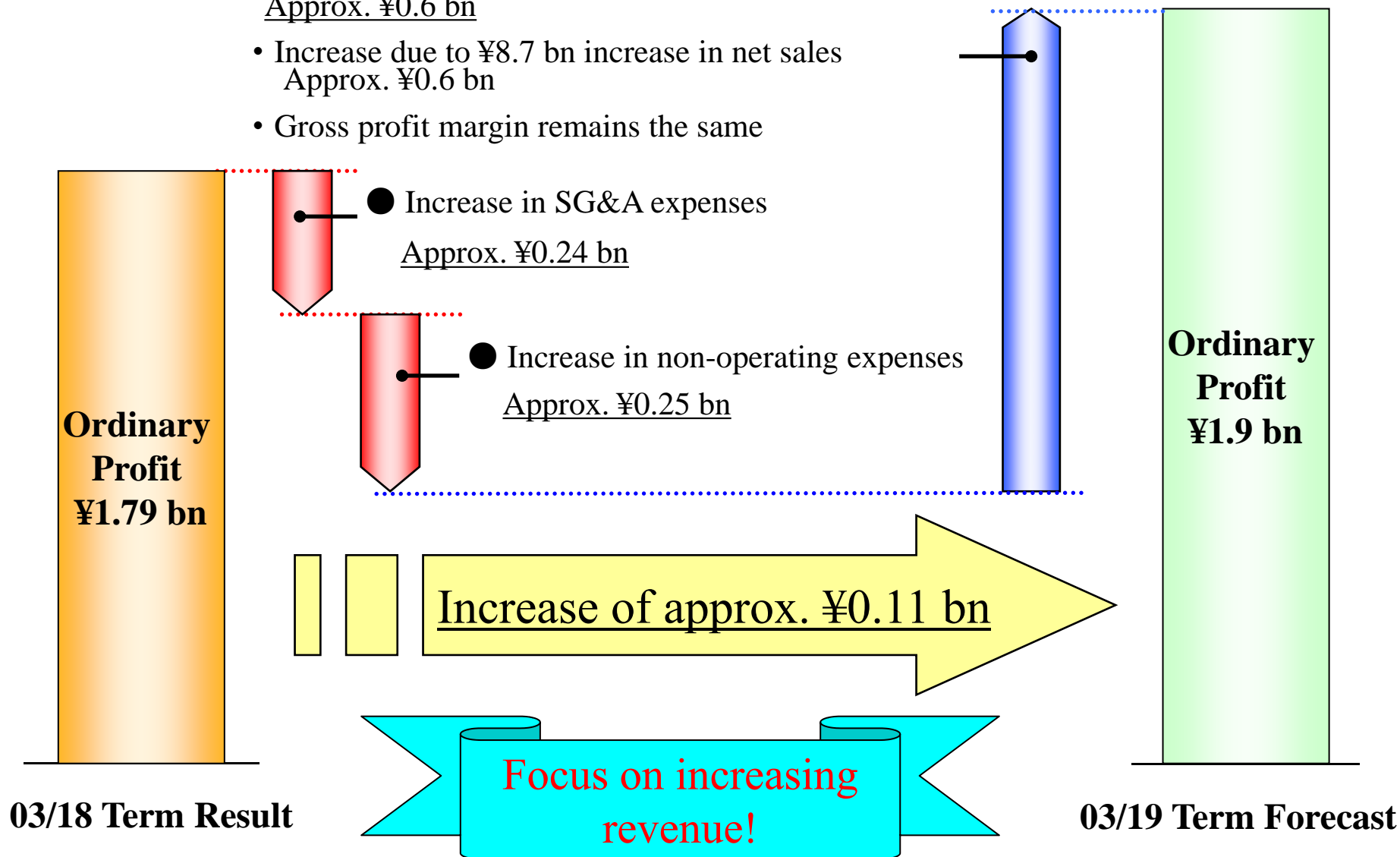
		03/15 Result	03/16 Result	03/17 Result	03/18 Result	03/19 Forecast	YoY Change
Device Business	Net Sales	2,024.5	1,833.3	1,554.8	1,437.0	1,512.0	105%
	Operating Profit/Loss	1.3% 26.6	0.7% 13.0	0.4% 6.8	1.1% 16.2	1.5% 22.2	136%
	Segment Profit/Loss	0.7% 14.7	-0.1% -1.0	-1.3% -20.3	0.5% 7.2	0.5% 8.3	115%
Solution Business	Net Sales	166.4	157.5	121.7	135.6	148.0	109%
	Operating Profit/Loss	11.0% 18.3	11.3% 17.8	10.1% 12.4	9.8% 13.4	10.0% 14.7	110%
	Segment Profit/Loss	9.9% 16.5	10.1% 16.0	8.8% 10.8	7.8% 10.6	7.2% 10.7	101%
Exchange rate (1 US dollar)		¥109.93	¥120.14	¥108.42	¥110.86	¥107.64	-¥3.22

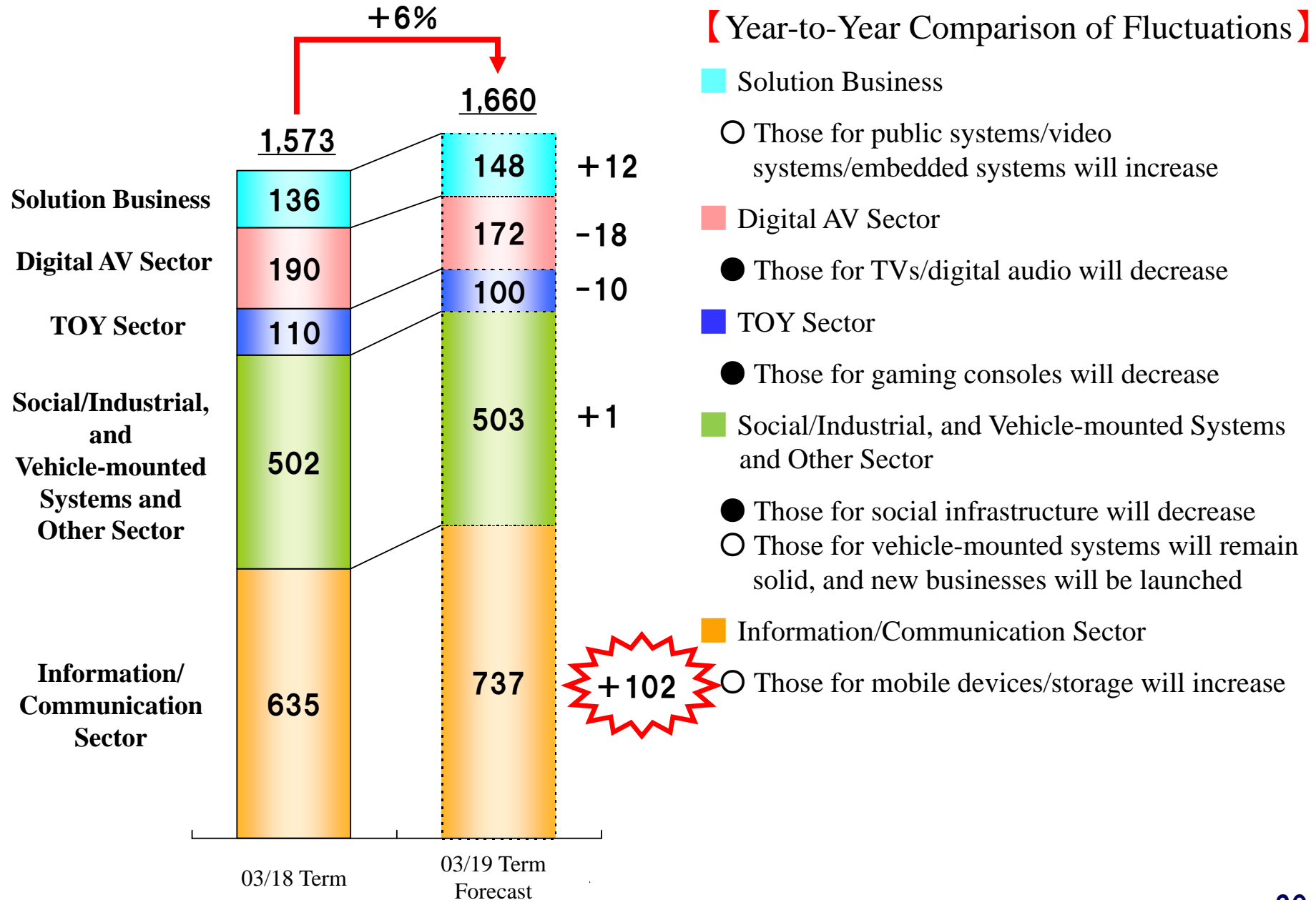
*The figure in the YoY Change section for exchange rate represents an increase or decrease in amount.

○ Increase in gross profit

Approx. ¥0.6 bn

- Increase due to ¥8.7 bn increase in net sales
Approx. ¥0.6 bn
- Gross profit margin remains the same





● Policy on Distribution of Profits

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.

● Predicted Dividends for the Year Ending March 2019

- An annual dividend of ¥70 per share
 - ¥15 at mid-term; ¥55 at term-end
 - Consolidated dividend payout ratio of 100.1%
- Average consolidated dividend payout ratio from the term ended Mar. 2015 to the term ending Mar. 2019: 141.6%

Under the current V70 Medium-Term Management Plan (closing in the fiscal year ending March 31, 2021), as part of measures for enhancement in capital efficiency, the Company is increasing 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, 2021. In addition, the Company is acquiring treasury stock by setting the maximum acquisition cost at ¥20 bn (or by setting the maximum number of acquired shares at 10 million) in the above three terms. Based on this policy, we made a tender offer for treasury stock from May 15, 2018. to June 11, 2018. (ordinary shares: 9 million shares; tender offer amount: ¥19.7 billion).

Forecast of Shareholder Returns

	03/15 Term Result	03/16 Term Result	03/17 Term Result	03/18 Term Result	03/19 Term Forecast
1) Consolidated net profit	¥2,003 million	¥978 million	-¥1,575 million	¥947 million	¥1,350 million
2) Comprehensive profit	¥3,993 million	-¥1,106 million	-¥720 million	¥912 million	-
3) Consolidated equity ratio	64.5%	66.3%	65.4%	65.7%	50.0%
4) Total dividends (Dividend per share)	¥1,127 million (¥40)	¥1,127 million (¥40)	¥704 million (¥25)	¥934 million (¥33)	¥1,352 million (¥70)
5) Consolidated payout ratio	56.3%	115.3%	-	98.2%	100.1%
6) Value of treasury stock acquired (Number of shares acquired)	-	-	-	-	¥19.72 billion (9 million shares)
7) Total payout ratio (4+6) ÷ 1	56.3%	115.3%	-	98.2%	1,560.8%
8) Cancellation of treasury stock	-	-	-	-	Suspense
9) Total number of shares issued (Excluding treasury stock)	29,281 thousand shares (28,179 thousand shares)	29,281 thousand shares (28,179 thousand shares)	29,281 thousand shares (28,179 thousand shares)	29,281 thousand shares (28,179 thousand shares)	29,281 thousand shares (19,178 thousand shares)
10) Net profit per share	¥71.11	¥34.70	-¥55.90	¥33.62	¥70.39
11) Net assets per share	¥2,328.64	¥2,249.40	¥2,183.84	¥2,191.19	¥2,261.51

- *1) Total dividends include the dividend amount for shares held by trusts related to the performance-based stock compensation plan for directors (excluding external directors).
- 2) Net profit per share is calculated based on the average number of issued shares (shares other than treasury stock) during the period.
- 3) Net assets per share is calculated based on the total number of shares issued (excluding treasury stock) at fiscal year end.
- 4) The forecast for net profit per share and net assets per share for 03/19 term is calculated based on the total number of shares issued (excluding treasury stock) as of September 30, 2018.
- 5) The value of treasury stock acquired until 03/19 term is ¥25.75 billion (17,281 thousand shares, of which 7,252 thousand shares were cancelled).

IV. Financial Situation

- Regarding the results of the term ended September 30, 2018, total assets were ¥81.0 bn; cash and deposits decreased mainly due to the purchase of treasury stock; and the equity ratio was 52.7%.
- The forecast for the year ending March 2019 is total assets of ¥86.7 bn and an equity ratio of 50.0%. Focus will be placed on reducing debt.

1) Balance Sheets

	FY ended Mar. 18 Result (A)	H1 ended Sept. 18 Result (B)	B-A Increase/ Decrease	FY ending Mar. 19 Forecast (C)	C-A Increase/ Decrease
Cash and deposits	171.8	77.2	-94.6	70.0	-101.8
Accounts receivable	480.7	469.3	-11.4	550.0	69.3
Inventories	168.9	166.6	-2.3	140.0	-28.9
Other assets	118.3	97.5	-20.8	107.5	-10.8
Total assets	939.7	810.6	-129.2	867.5	-72.2
Accounts payable	156.3	202.7	46.4	199.7	43.4
Interest bearing liabilities	138.1	154.4	16.3	208.1	70.0
Other liabilities	27.4	26.0	-1.5	26.0	-1.5
Total net assets	617.9	427.5	-190.4	433.7	-184.2
Total liabilities and net assets	939.7	810.6	-129.2	867.5	-72.2
Equity ratio	65.7%	52.7%	-13.0%	50.0%	-15.7%

2) Cash Flows

	FY ended Mar. 17 Result	FY ended Mar. 18 Result	FY ending Mar. 19 Forecast
Decrease (increase) in accounts receivable-trade	27.8	33.6	-69.3
Decrease (increase) in inventories	68.0	-57.8	28.9
Increase (decrease) in accounts payable-trade	-52.6	-7.6	43.4
Other	7.5	11.9	14.3
Operating C/F	50.7	-20.0	17.4
Investing C/F	-7.3	-10.5	17.8
Financing C/F	52.6	5.8	-137.0
Foreign currency conversion adjustments	-0.9		
Increase (decrease) in cash and deposits	95.1	-24.6	-101.8
Increase in cash and deposits from newly consolidated subsidiary		0.4	
Balance of cash and deposits at term-end	196.0	171.8	70.0

Supplemental Materials

Year Ending March 2019 Forecasts by Business

 SANSHIN ELECTRONICS CO., LTD.

Supplemental Materials

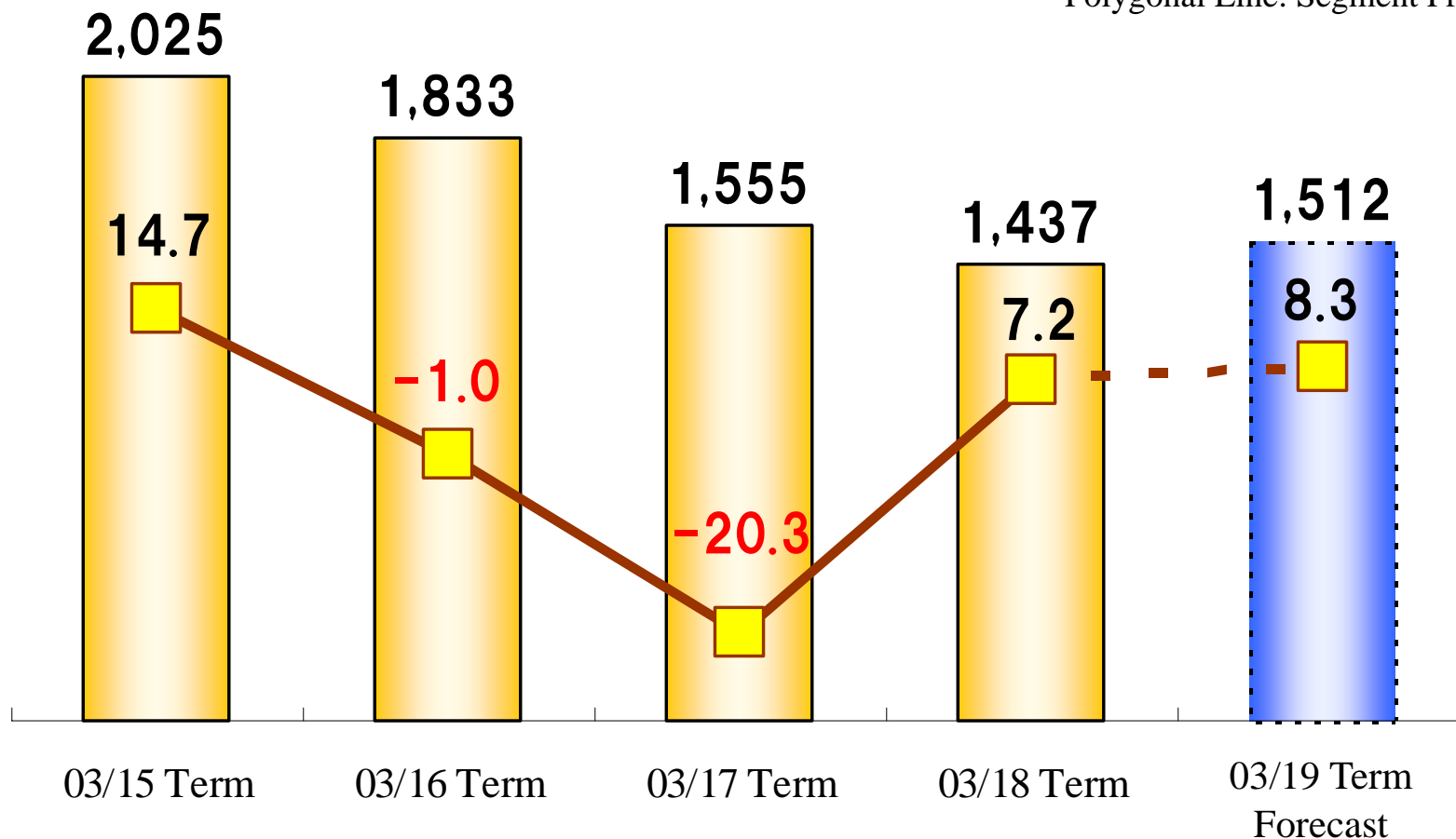
Year Ending March 2019 Device Business Forecasts

 SANSHIN ELECTRONICS CO., LTD.

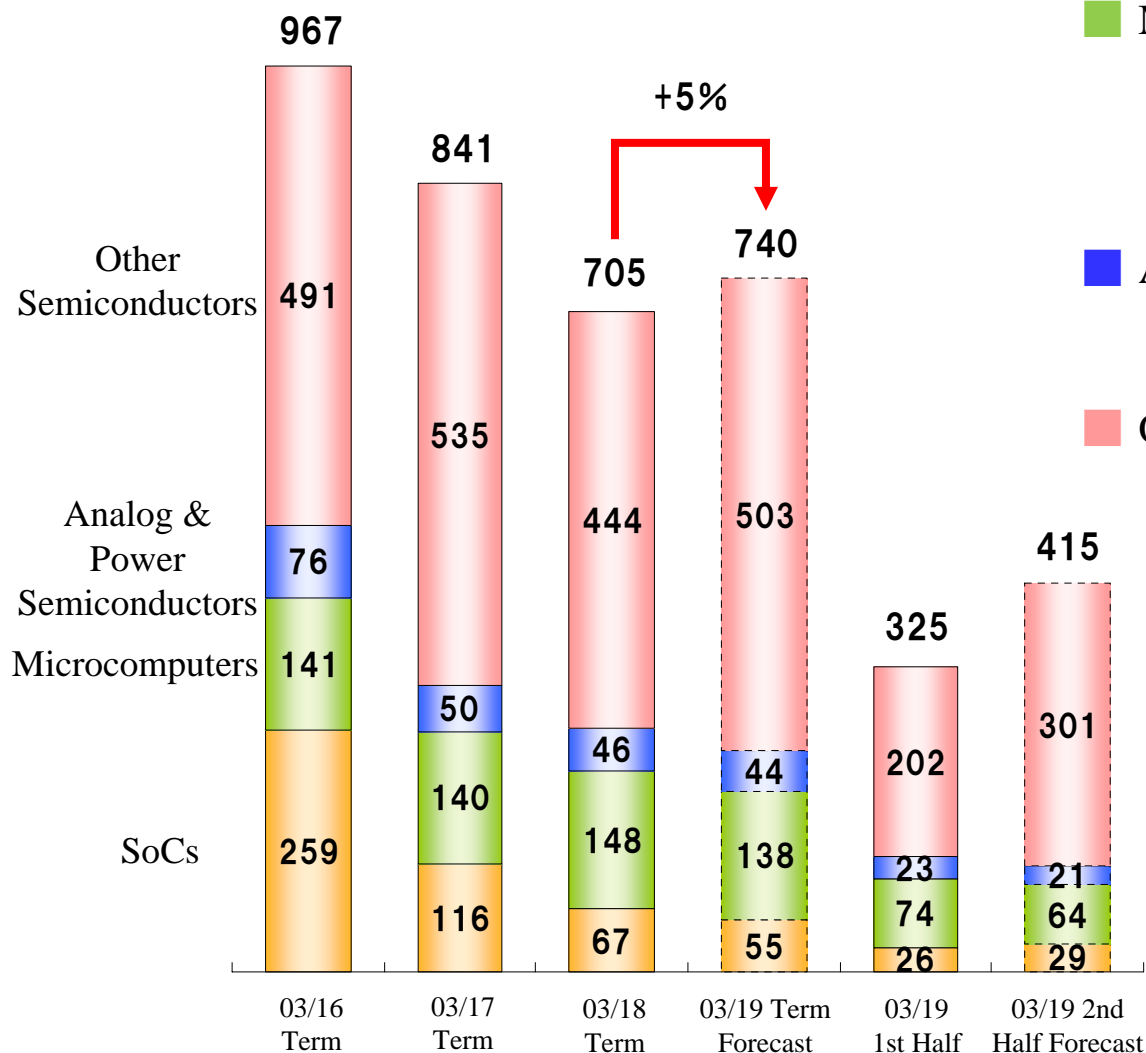
Segment profit returned to profitability; we will now focus on reform of our business portfolio to enhance profitability

Net Sales/Segment Profit

*Bar Graph: Net Sales
 *Polygonal Line: Segment Profit



Sales for the Full Year



【Year-to-Year Comparison of Fluctuations】

SoCs (System LSIs)

● Those for gaming consoles will decrease

Microcomputers

● Those for gaming consoles will decrease

○ Those for vehicle-mounted systems/household electrical appliances will remain solid

Analog & Power Semiconductors

● A decrease is expected due to planned production cease at a supplier

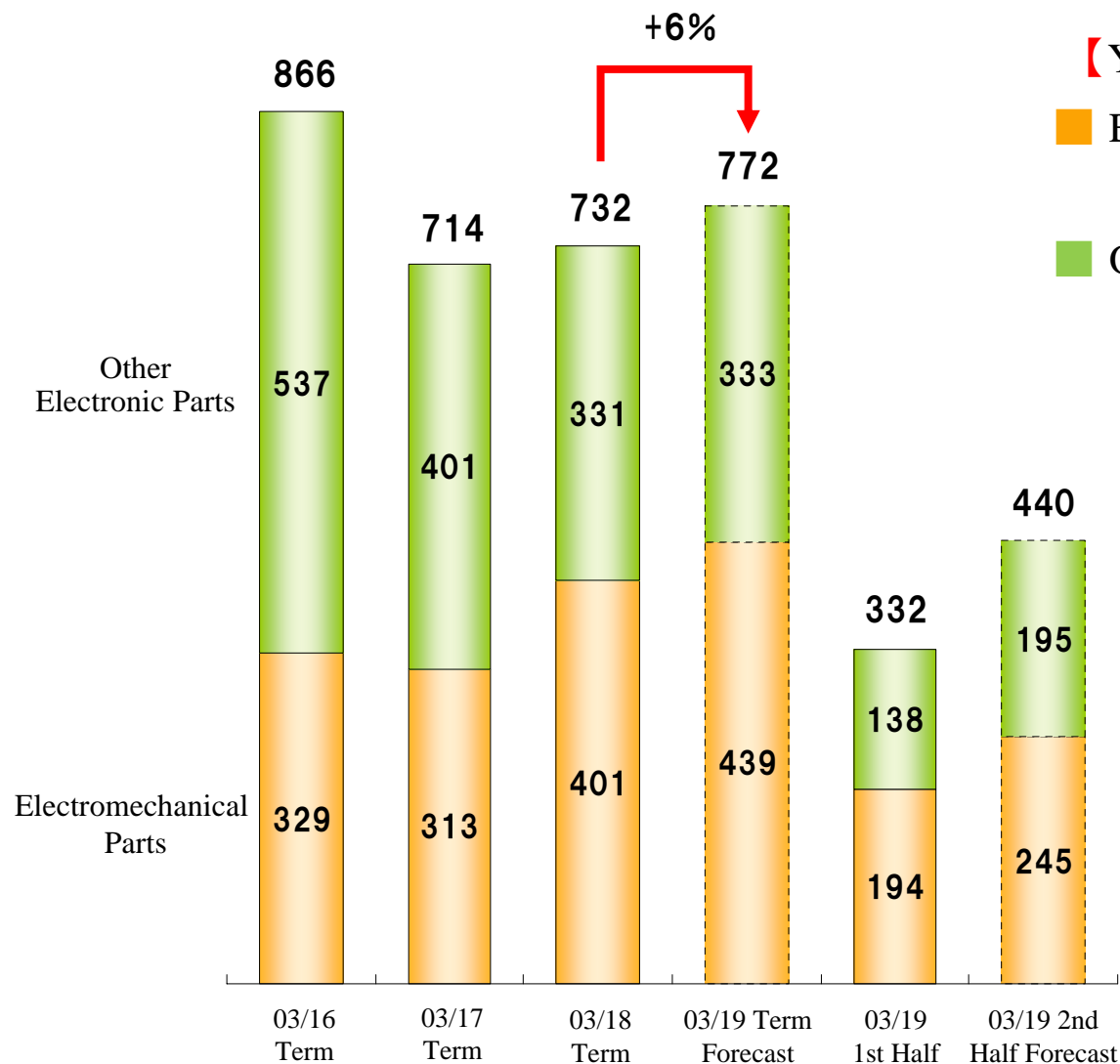
Other Semiconductors

○ Those for mobile devices, storage, motors and vehicle-mounted systems will increase

○ An increase in sales of new businesses such as wireless ICs is expected

	YoY Change
SoCs	-19%
Microcomputers	-7%
Analog & Power Semiconductors	-5%
Other Semiconductors	+13%

Sales for the Full Year



【Year-to-Year Comparison of Fluctuations】

■ Electromechanical Parts

○ Those for mobile devices will increase

■ Other Electronic Parts

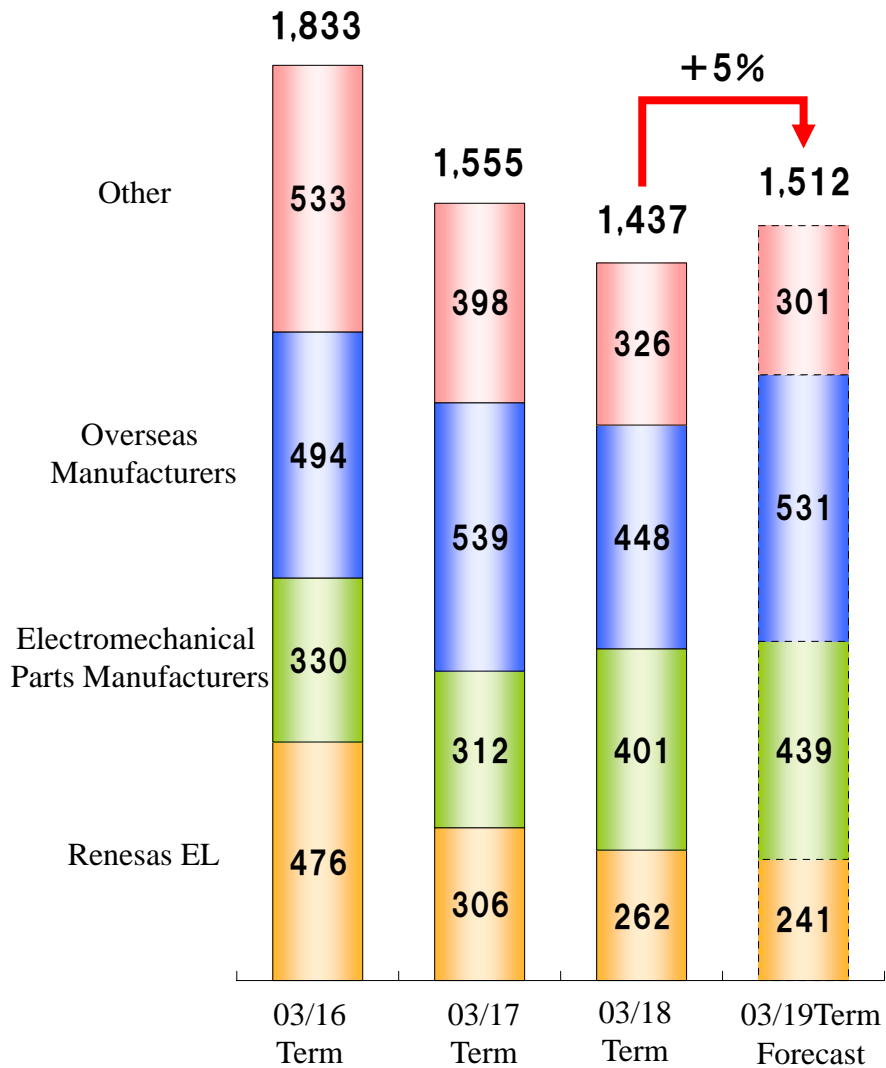
● Those for social infrastructure will decrease

○ We expect new businesses including solution proposals for modules/finished products

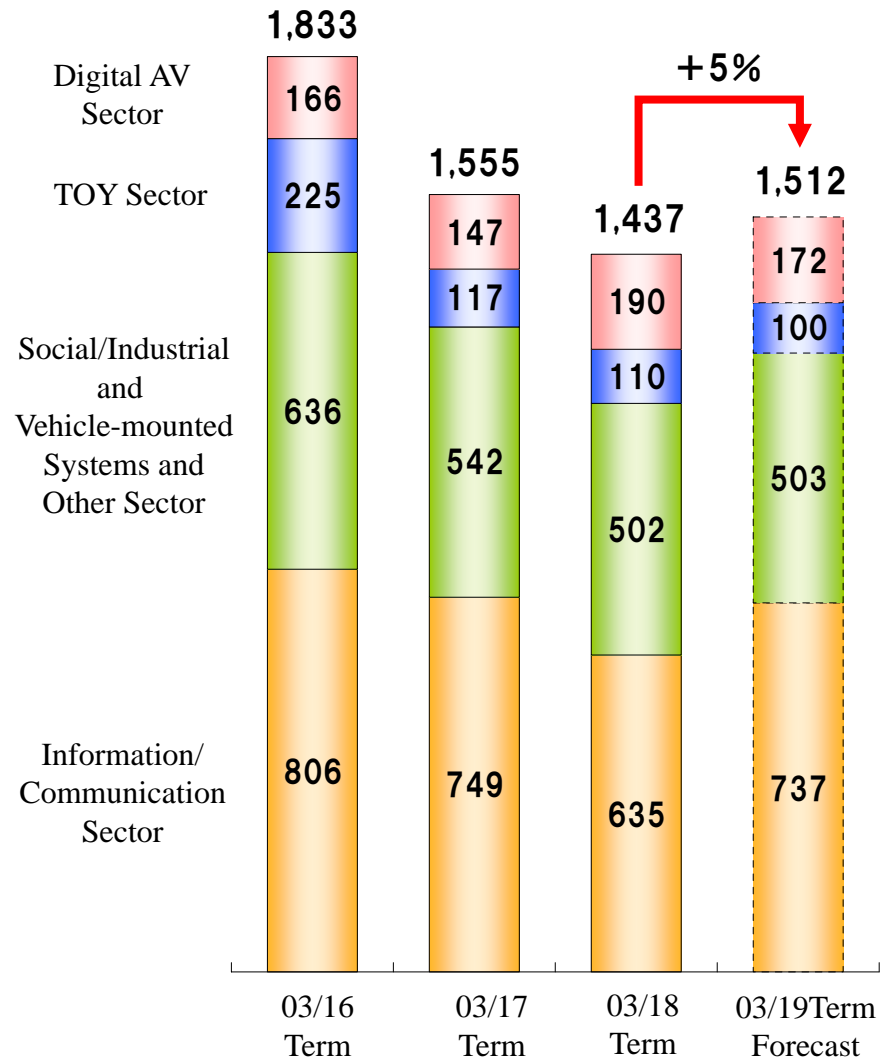
	YoY Change
Electromechanical Parts	+9%
Other	+1%

Changes in Net Sales for Device Business

Net Sales by Supplier



Net Sales by Sector



Supplemental Materials

Year Ending March 2019 Solution Business Forecasts

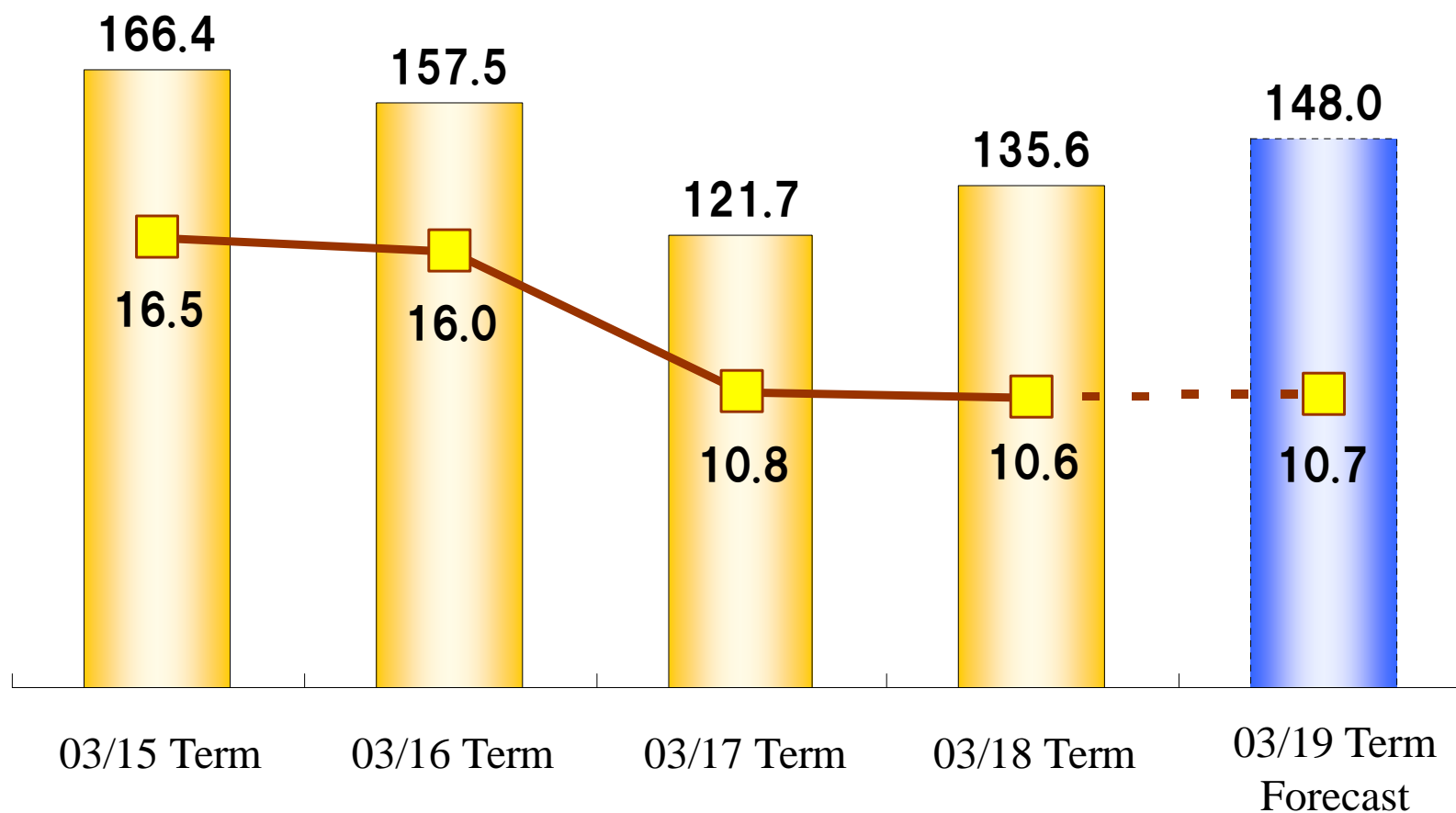
 SANSHIN ELECTRONICS CO., LTD.

After recording an increase in sales and a decrease in profit, we forecast that, despite of an increase in sales, profit would remain at the same level with the previous term, but need to focus on building a highly profitable revenue base.

Net Sales/Segment Profit

*Bar Graph: Net Sales

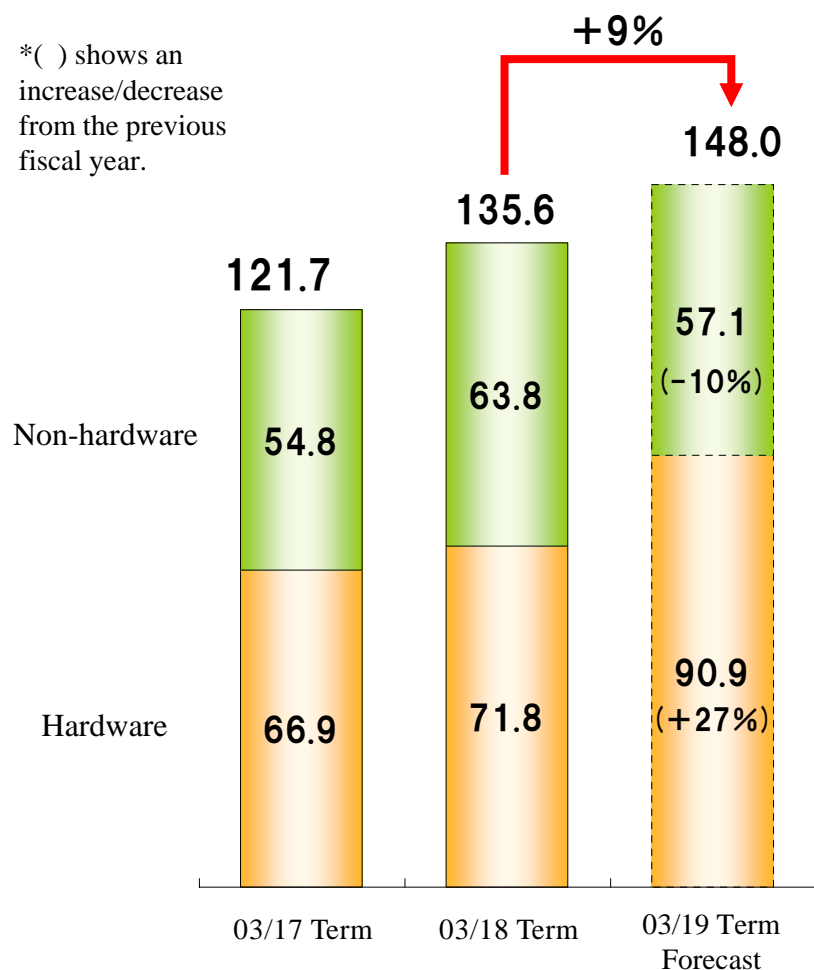
*Polygonal Line: Segment Profit



Changes in Net Sales by Product

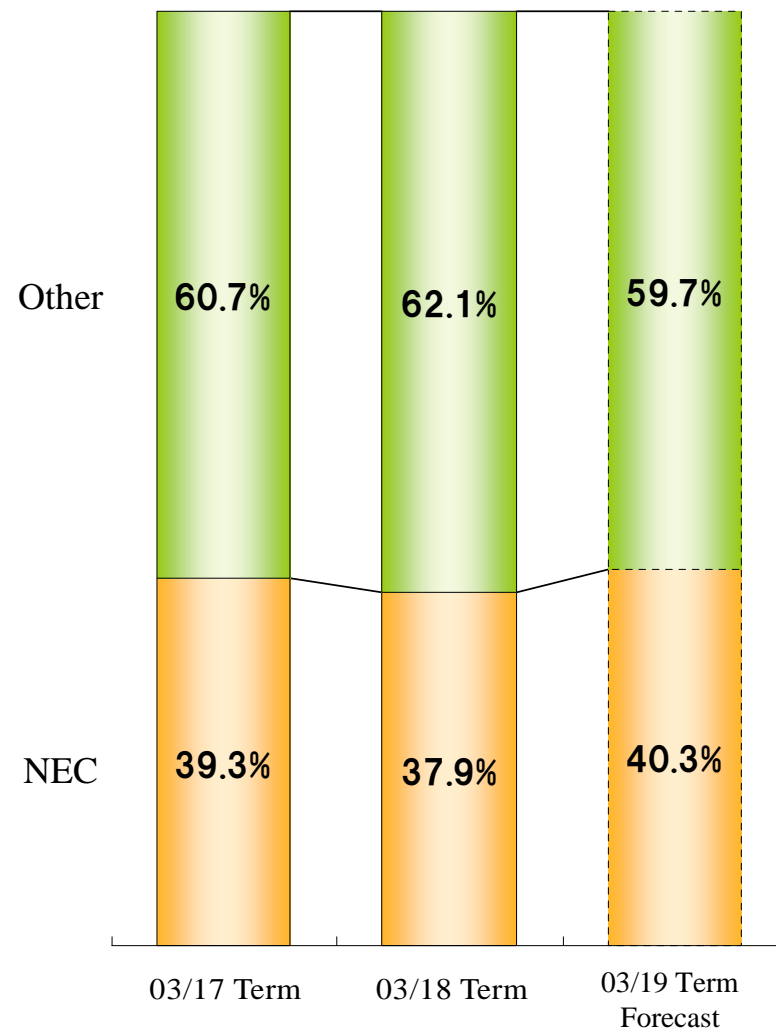
- Hardware: Public systems/embedded systems/video systems will increase
- Non-hardware: Spots for NW/public systems will decrease

*() shows an increase/decrease from the previous fiscal year.



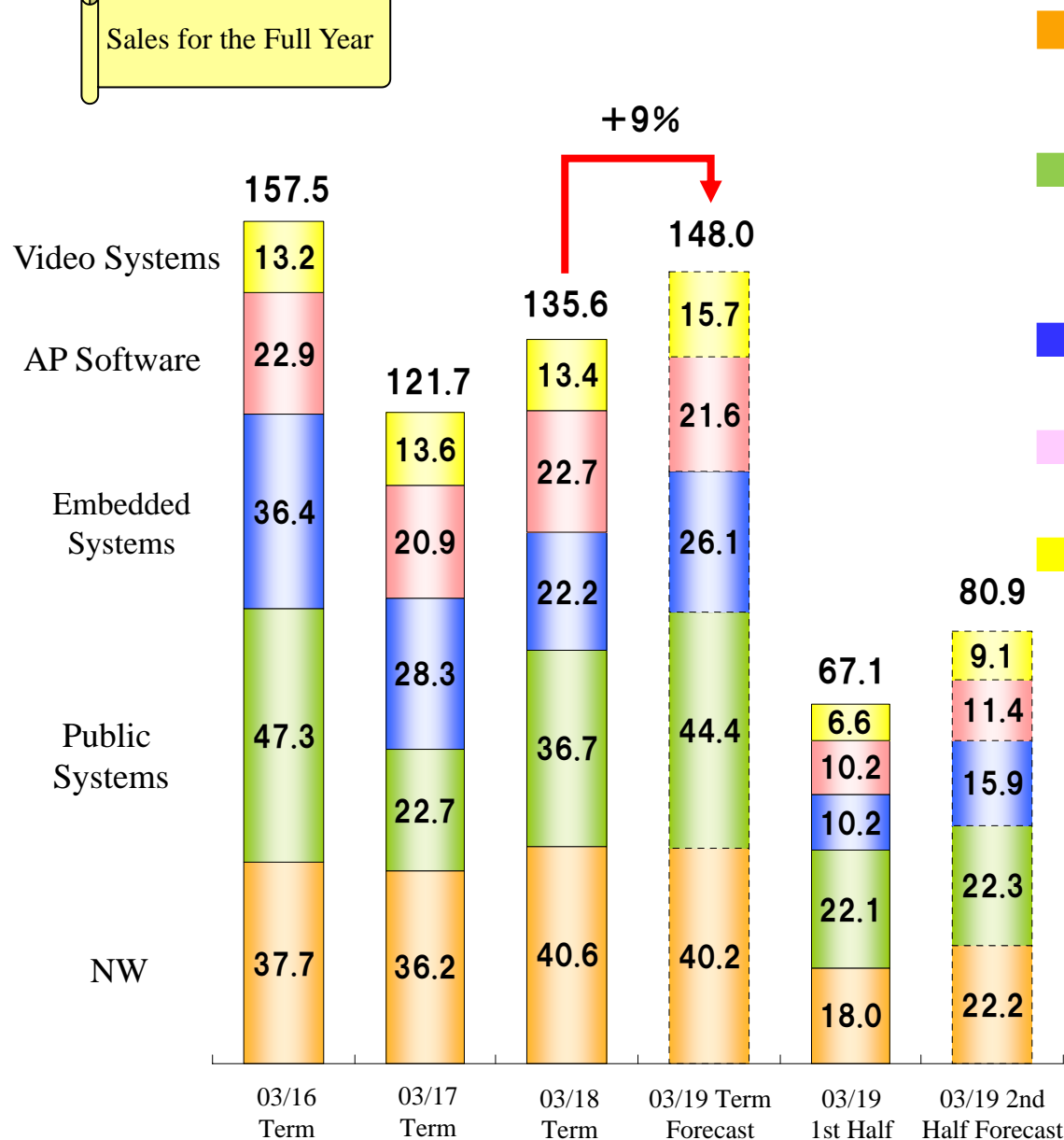
Sales Composition Ratio by Supplier

- Proportion taken by NEC will be maintained at 37%-40%; collaboration will be strengthened



Sales for the Full Year

【 Year-to-Year Comparison of Fluctuations 】



- NW
- Infrastructure-related business for private sector will decrease slightly
- Public Systems (fire stations & government agencies)
 - Sales relating to firefighting, disaster prevention and infrastructure will increase
- Embedded Systems
 - LTO and RAID technologies will increase
- AP Software
 - Production/SG&A expenses, etc. will decrease
- Video Systems
 - Portable video transmitters/IPTV systems and other products will increase

	YoY Change
NW	-1%
Public Systems	+21%
Embedded Systems	+18%
AP Software	-5%
Video Systems	+17%



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.*

Thank you for your attention.

***Note for Use of This Reference Material**

Business forecasts and other statements contained in this reference material regarding the future are predictions based on information available at the time of writing and are not intended as a promise of performance on the part of the Company. Due to various factors, actual results may differ from assessment figures. Major factors affecting actual results are mainly those listed below.

- Economic conditions and consumption trends in Japan, North America and Asia
- Purchaser's production trends and product development
- Supplier's supply situation and product development
- Price drops due to intensifying competition
- Significant fluctuations in exchange rates