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

May 15, 2017
Name of Company: Sanshin Electronics Co., Ltd.
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(Code No. 8150 Listed in the First Section of the Tokyo Stock Exchange)
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For Immediate Release:

Notice Regarding Medium-Term Management Plan (V70)

At the Board of Directors meeting held on May 15, 2017, the Company decided partial revision and additional measures relating to its current V70 Medium-Term Management Plan (to be concluded in the fiscal year ending March 31, 2021), as follows.

Details

1. Reason

The Company Group is currently in the process of implementation of its V70 Medium-Term Management Plan (hereinafter referred to as "V70"), a five-year medium-term management plan to be concluded in Company's 70th Term (fiscal year ending March 31, 2021), with an aim to attain the goal of "return on equity (ROE) of 5%" as soon as possible. However, Company's consolidated business results in the fiscal year ended March 31, 2017, the first year of V70, fell well below the initial plan, because business performance in its device business significantly deteriorated due to drastic fluctuation of exchange rates and a decrease in Group's offering products resulted from change in product strategies by major suppliers. It is expected that the Company, particularly its device business, would continue to face the severe business environment adversely affected by situation surrounding customers and suppliers, as well as trends in macro economy and currency rates. In order to address the above challenges, the Company will make efforts to strengthen its business capability further. In addition, the Company will implement measures for enhancement in capital efficiency, in order to ensure that ROE of 5%, the ultimate goal of V70, is attained without fail.

2. V70 Medium-Term Management Plan

1) Quantitative target

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

b. Attaining consolidated ordinary profit of ¥3,000 million in the end of the final year (fiscal year ending March 31, 2021)

[Quantitative target of V70 Medium-Term Management Plan]

	Result in the 66th Term (Fiscal year ended March 31, 2017)	Forecast for the 67th Term (Fiscal year ending March 31, 2018)	Plan for the 70th Term (Fiscal year ending March 31, 2021)
ROE (%)	-	1.1	5.0
Ordinary profit (¥million)	(952)	1,380	3,000

2) Measures for attaining the goals

(1) Enhancement in capital efficiency

In order to enhance its capital efficiency, the Company will provide the following returns to shareholders in the three (3) consecutive terms extending from the fiscal year ending March 31, 2018 to the fiscal year ending March 31, 2020.

- In the above terms, the Company will increase the consolidated dividend payout ratio to around 100%.
- In total for the above terms, the Company will acquire treasury shares by setting the maximum acquisition cost at ¥20 billion in total; provided, however, that the maximum number of shares to be acquired shall be 10 million shares (ratio to the total number of issued shares: 34.15%).

(2) Securing profit in device business

Due to structural change in manufacturing in the electronics industry, price competition has become harsher, and the risk of fluctuating exchange rates has increased. In addition, Group’s offering products decreased after change in product strategies by major suppliers. In order to recover profitability of the device business under such circumstances, we need to conduct drastic review of the profit structure in the business and to strengthen the activities to tackle this challenge by the following measures.

a. Reform of business portfolio

By placing priorities on the markets where growth is highly expected, such as IoT and automobiles, we will compensate the sales decrease in the fields of digital AV devices and home video games, and will be able to increase the ratio of sales for the growing fields. In addition, we will invest in the activities to promote solution provider business through enhancement in our capabilities as a system integrator (SIer); create new business opportunities; and strengthen alliance with business partners, in order to increase the ratio of the highly profitable business.

b. Enhancement in profitability of existing business

We will make efforts to enhance profitability of the existing businesses, such as volume sales of semiconductors and electronic components, which are our primary revenue sources of the current device business. For the objective, we will improve operational efficiency, so that we can maximize the effect of combination and reorganization of business locations taken place in the previous term (fiscal year ended March 31, 2017), as well as the fixed cost cut to be resulted from voluntary retirement solicitation (For details, please refer to “Notice Regarding Solicitation for Voluntary Retirement” issued on April 19, 2017.) scheduled in the current term. In addition, we will strengthen management of the risk relating to currency exchange rates and inventory.

(3) Strengthening of revenue base of solution business

As the cloud technology has been widely adopted and special demand toward the digitalization of wireless communication for firefighting and emergency services ceased, it is required for the solution business to find new revenue sources and establish the revenue base that allows the Company to attain medium-to long-term growth. For the above objectives, we will strengthen the following activities:

a. Expansion of cloud service portfolio

We will make efforts to expand the portfolio of our cloud services covering IaaS, PaaS and SaaS (*) by utilization of Sanshin Data Center and collaboration with other companies' services in addition to the housing service that is currently provided. We will also select the technologies that are required for expansion of our business, and will recruit human resources with high skills in a planned manner. In addition to creation of the in-company environment represented by the human resource policy to grant incentive to employees who acquired qualifications, we will acquire the technologies that we do not have in a flexible manner through investment in strengthening of alliance with other companies.

* IaaS: Infrastructure as a Service PaaS: Platform as a Service
SaaS: Software as a Service

b. Maximization of synergy effects between business units

The Company divides the solution business into six business units: information communication networks, government offices, firefighting and disaster prevention, embedded systems, application software and image editing, and each business unit has established distinct customer base, merchandises and services. By utilizing the strength of each business unit and increasing the synergy effects, we will provide a wider variety of solutions to customers to increase the customer share and expand the business domain of each business unit.

(4) Strengthening of corporate governance

As it is expected that the situation requiring to take risk would increase, we will continue to appoint multiple independent external directors and make them as the main members of the Nominal and Remuneration Advisory Committees, so that we can effectively utilize monitoring and advisory functions provided by the independent external directors. We will also continue and deepen the periodical meetings between the independent external directors and Company's management, and will hold orientation meetings to explain the reference materials prepared for board meetings, when necessary. Further, by introduction of performance-based share compensation plan for the Directors, we will make the Executive Directors share benefits and risk with shareholders, and will increase Executive Directors' awareness about enhancement in Company's medium-to-long-term business performance and corporate value. We will also introduce performance-based compensation plan for bonus payment to the Executive Directors, so that their management accountability in each fiscal year can be clarified. Please take note that because the business results for the fiscal year ended March 31, 2017 did not reach the required level, the bonuses for Directors will not be paid.