

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

May 14, 2018

Name of Company: Sanshin Electronics Co., Ltd.

Representative: Toshiro Suzuki (Representative Director, COO)

(Code No. 8150 Listed in the First Section of the Tokyo Stock Exchange)

Enquiries to: Akio Misono (Director, Operating Officer)

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For Immediate Release:

Notice Regarding the Progress of Measures and Future Outlook of the Medium-Term Management Plan (V70)

In order to provide attractive value to all stakeholders such as employees, customers, suppliers and shareholders, etc., the Company formulated the V70 Medium-Term Management Plan (to be concluded in the fiscal year ending March 31, 2021) comprised of two pillars, namely, strengthening the Company's business capability and enhancement of capital efficiency for the purpose of establishing a strong revenue base to win over environmental changes, and the Company is currently in the process of implementation of the V70 Medium-Term Management Plan. Now, the Company hereby reports the progress of the measures for attainment of the goals in the final year of the plan and future outlook below.

Details

1. Subject Period of Medium-Term Management Plan

April 1, 2016 to March 31, 2021 (Five-year plan)

2. V70 Medium-Term Management Plan Quantitative Target

	Result in the 67th Term (Fiscal year ended March 31, 2018)	Forecast for the 68th Term (Fiscal year ending March 31, 2019)	Goal for the 69th Term (Fiscal year ending March 31, 2020)	Goal for the 70th Term (Fiscal year ending March 31, 2021)
ROE (%)	1.5	2.6	4.0	5.0
Ordinary profit (¥million)	1,787	1,900	2,500	3,000

*The goal for the fiscal year ending March 31, 2020 is added to the V70 Medium-Term Management Plan released on May 15, 2017.

3. Basic Policy

Securing profit in device business and strengthening of revenue base of solution business

4. Progress of Each Measure and Future Outlook

(1) Enhancement of capital efficiency

In the "Notice Regarding Medium-Term Management Plan (V70)" as of May 15, 2018, the Company announced, as measures to provide returns to shareholders, that the Company will increase the consolidated dividend payout ratio to around 100% in the three (3) consecutive terms extending from the fiscal year ended March 31, 2018 to the fiscal year ending March 31, 2020, and that, 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%).

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As part of the above measures, at the Company's Board of Directors meeting held today, May 14, 2018, the acquisition of the Company's treasury stock and the use of tender offer of treasury stock as the specific acquisition method of its treasury stock were resolved. For details, please refer to the "Notice Regarding Acquisition of Treasury Stock and Tender Offer of Treasury Stock" as of May 14, 2018.

The Company will continue to examine acquisition of its treasury stock for the purpose of maximizing value for shareholders with consideration of corporate value and stock price level.

In addition, in order to secure flexibility and mobility in the Company's capital policy, the Company plans to reduce the capital reserve and transfer the reduced amount of the capital reserve to other capital surplus. For details, please refer to the "Notice Regarding Reduction of Capital Reserve" as of May 14, 2018.

(2) Regaining profitability in the device business

1) Reform of business portfolio

We have taken actions to prioritize markets where high growth is expected, such as IoT and automobiles. The Company has been slow to increase its sales ratio of highly profitable businesses, as it has taken some time for us to launch high-growth businesses, mainly in the IoT field. Building a new revenue base is a challenge that remains to be addressed. In the last three years under the V70 Medium-Term Management Plan, we will further accelerate the shift of business priority from low-profitability volume sales to high-value-added business by taking advantage of our technological capabilities.

2) Enhancement in profitability of existing business

We have achieved some success in enhancing operational efficiency to maximize the effect of fixed-cost cuts; we will continue to make efforts to reform the cost structure. In addition, we will continue to strengthen management of exchange-rate and inventory risk by implementing appropriate control systems. In existing business, activities to acquire new commercial rights and to expand sales of devices for vehicle-mounted systems have progressed steadily. We will not only continue to make efforts to increase the gross profit margin, but also acquire solution provider businesses by strengthening alliances with business partners.

(3) Strengthening of revenue base of solution business

1) Expansion of cloud service portfolio

The V70 Medium-Term Management Plan defines as a top priority the expansion of our cloud service portfolio through utilization of the Sanshin Data Center and collaboration with other companies' services. However, we have not yet fully attained our goals in strengthening external sales and recruiting human resources with high skills in a planned manner, so we need to intensify our efforts to strengthen the revenue base of the data center business.

On the other hand, we have already started sales expansion activities targeting customers by customer size and market, and will leverage medium-to-long-term changes in business environment, such as the expected future increase in closed data centers, to expand our portfolio of cloud services covering IaaS, PaaS and SaaS (*).

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

2) Maximization of synergy effects between business units

Based on the customer business and product types, the Company divides the solution business into seven business units, including the technology business unit. The solution business is defined in the V70 Medium-Term Management Plan as a top priority to provide a wider variety of solutions to customers by utilizing the inherent strength of each business unit and increasing synergy. We have already produced some results in cross-selling of merchandise in which we have strengths, such as video systems and various applications. In the future, we will continue to make efforts to enhance synergies among business units, particularly in the area of embedded business. In addition, we will continue to explore new business domains such as cloud and AI/IoT across business units.

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(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. We are making efforts to improve our governance structure by continuing to appoint multiple Independent External Directors to strengthen monitoring and advisory functions and by introducing the medium-to-long-term performance-based compensation plan for Directors and severe standard for bonus payment to clarify the management accountability in each fiscal year. We will make efforts to enhance medium-to-long-term business results and corporate value by implementing the measures to make corporate governance more effective, including reviewing of the management structure of the Group.

*For details, please refer to the attached "V70 Medium-Term Management Plan Progress and Outlook."

(Note) Forward-looking statements published in this material were created based on available information on the day of release of this material and do not guarantee the Company's future business performance, and, in reality, they may be subject to change due to various factors in the future.

V70 Medium-Term Management Plan

Progress and Outlook

May 14, 2018

 SANSIN ELECTRONICS CO., LTD.

Toshiro Suzuki, Representative Director, COO

(Stock code: 8150)

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1) Outline and Interim Assessment

- Business environment
 - Instability in exchange rates/stock markets, customer/supplier/competitor's business acquisitions and sell-offs
 - Reduction of suppliers' products and termination of the digitalization of wireless communication for firefighting and emergency services
 - Rise of new business fields such as cloud computing/IoT

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

Strengthening of business capability

- ◆ Returning to profitability in the device business
- ◆ Strengthening of revenue base of the solution business
- ◆ Investment for strengthening of alliance

Enhancement of capital efficiency

- The following measures to be implemented in the 3 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%
 - ◆ Acquisition of treasury stock up to ¥20 billion (10 million shares) in total for the 3 terms

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

Enhancement of Capital Efficiency

Resolution of treasury stock acquisition to attain the ultimate goal of ROE of 5%

*For details, please refer to the “Notice Regarding Acquisition of Treasury Stock and Tender Offer of Treasury Stock” as of May 14, 2018.

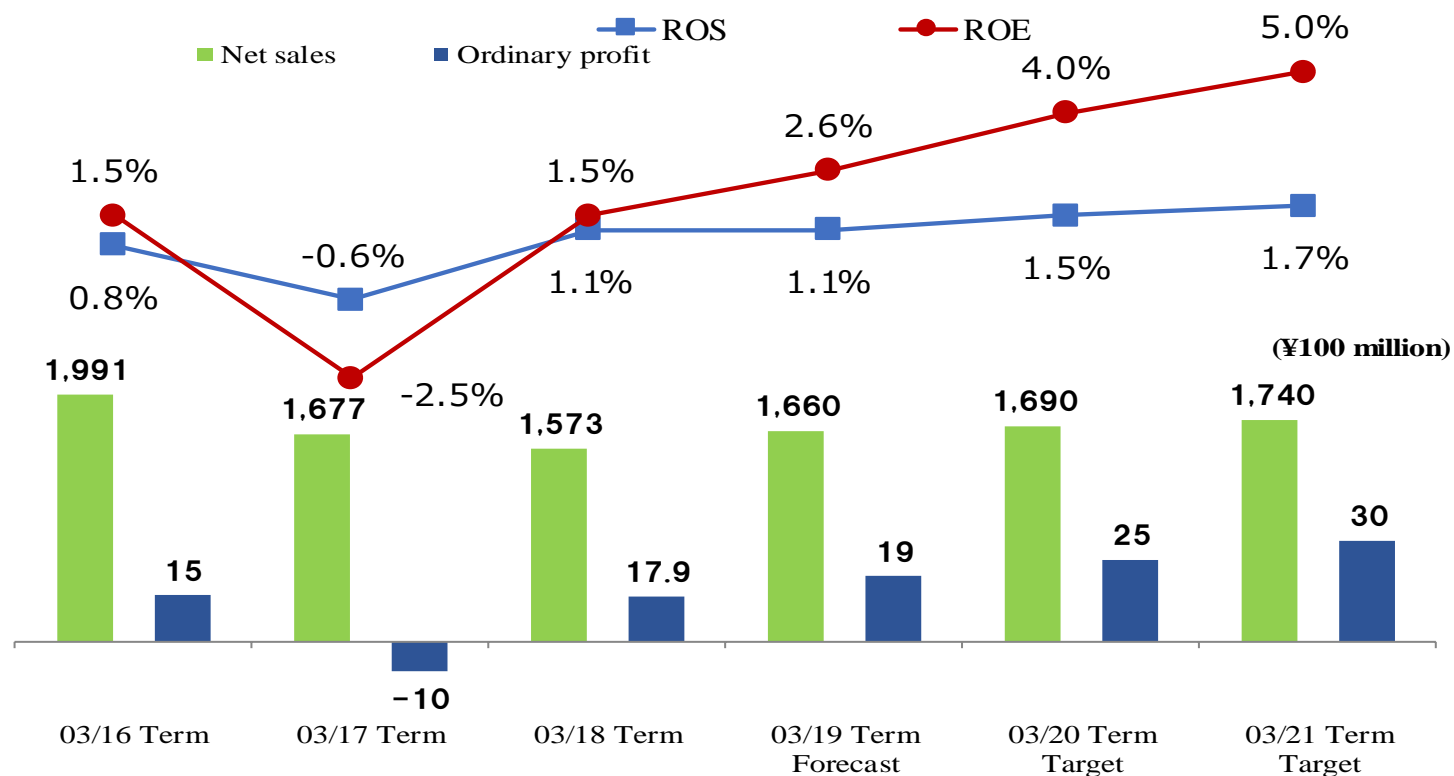
	Tender Offer of Treasury Stock Outline
Purchase Price	¥2,191 per share (equivalent to BPS as of end of March 2018)
Number of Share Certificates Planned for Purchase	9 million ordinary shares *(1) Equivalent to 30.74% of the number of outstanding shares *(2) The number of shares to be purchased will not exceed the number of share certificates planned for purchase (pro rata method)
Total Purchase Amount	¥19,719 million
Tender Offer Period	May 15, 2018 (Tuesday) to June 11, 2018 (Monday) *20 business days
TOB Agent	Daiwa Securities Co. Ltd.
Settlement Start Date	July 3, 2018

The Company will continue to examine acquisition of its treasury stock for the purpose of maximizing value for shareholders with consideration of corporate value and stock price level. In addition, in order to secure flexibility and mobility in the Company's capital policy, the Company plans to reduce the capital reserve and transfer the reduced amount of the capital reserve to other capital surplus.

*For details, please refer to the "Notice Regarding Reduction of Capital Reserve" as of May 14, 2018.

Through the strengthening of business capability and enhancement of capital efficiency by actively increasing returns to shareholders, the Company sets an ordinary profit of ¥3 billion and ROE of 5% in each fiscal year including the fiscal year ending March 2021 as a goal which must be attained.

Numerical Plan Until March 2021 Term



Payout Ratio	115.3%	—	98.2%	100%	100%	50%
Equity Ratio	66.3%	65.4%	65.7%	50% or higher	50% or higher	50% or higher

*(1) The target for the fiscal year ending March 31, 2020 is added to the V70 Medium-Term Management Plan released on May 15, 2017.
 *(2) Based on the assumption that tender offer of the Company's treasury stock released on May 14, 2018 is implemented.

Efficiency increase phase including the combination and reorganization of business locations has ended for now. In the final 3 years of the Medium-Term Management Plan, we will work on reform of the business portfolio and development of business in new areas which are in the course of completion.

Main achievements in the first 2 years

- Acquisition of new commercial rights in the device business
- Maintenance of strong vehicle-mounted systems
- Synergy creation between business units and launch of IoT business, etc.
- Production of results by combining and reorganizing business locations and optimizing staffing

Main challenges to be resolved in the final 3 years

- Reform of the business portfolio in the device business which is half-way through
- Expansion of scale of business in new area IoT business, etc. are in the launch phase → Currently remaining small scale
- Urgent task is the increase of business profitability and expansion of sales scale.

Future Activities

- ❑ Device business: Profitability increase by drastic change of business portfolio
- ❑ Solution business: Deep cultivation of existing business + growth of new areas (embedded systems, AI/IoT, SI services, etc.)

Group management system



Pursuit of management system construction with an eye on (1) further profitability increase for each business, (2) significant expansion of sales scale by acquiring customers/commercial rights, etc. (3) optimal allocation of management resources

Medium-Term Management Plan Measures		Progress	Assessment
I. Returning to profitability in the device business	Reform of business portfolio	Delay in launch of new growth business which is expected to be a new revenue base. → Continuous promotion	△
	Enhancement in profitability of existing business	Although there are still challenges in the expansion of sales scale, good results are seen in sales expansion of some merchandise.	△
II. Strengthening of revenue base of the solution business	Expansion of cloud service portfolio	Establishment of revenue base of the data center business is halfway through. Booming market cannot be completely captured yet.	×
	Maximization of synergy effects between business units	Some results were made in AP x video, AP x network, video x firefighting and disaster prevention, etc. However, scale expansion is still halfway through and a challenge to be resolved from now on.	△
Others	Cost structure reform	After staffing optimization, efficient management is being conducted according to the policy. Optimization of currency exchange rates and interest rate continues.	○

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

2) Actions and Roadmap

5 Key Actions

Devices (Overall)	Increase of value and profit rate by reforming the business portfolio
Devices (Individual)	Capture of vehicle-mounted system area by utilizing strong core merchandise and graphic technologies, increase of our share in next generation games, network and wireless market , and focus on IoT business
Solutions	Cross-selling based on internal and external co-creation/ collaboration with SIers , dedication to cloud use , and promotion of the creation of added value
M&A, etc.	Continuous examination of business alliances/M&A contributing to expansion of sales scale, etc..
Management System	Examination of building an optimal management system for the Group with the aim of enhancing corporate value

In the final 3 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.

Business Vision

Establishment of position as an engineering trading company. Aiming for growth in a sustainable manner by expanding our activity area.

(Main) Specific Scenarios

Sales target by segment Profit target by segment

Term	Specific Scenarios	Sales target by segment	Profit target by segment
March 2019 Term	<ul style="list-style-type: none"> • Selection and concentration by reform of business portfolio → Continuous increase of gross profit • Focus on strategic devices (for vehicle-mounted systems, next generation games, NW and wireless markets) and capture of a mass market where our strengths can be utilized • Continuous building basis in collaboration with SIers 	¥151.2 billion	¥0.83 billion
March 2020 Term	<ul style="list-style-type: none"> • Focus on strategic devices (for vehicle-mounted systems, next generation games, NW and wireless markets) and deep cultivation of a mass market where our strengths can be utilized • Creation of business by integration of Sanshin System Design and IoT Business Unit • Collaboration with SIers, acceleration of development of new ODM manufacturers and entry in the billing business 	¥154.5 billion	¥1.3 billion
March 2021 Term	<ul style="list-style-type: none"> • Increase in business size by device business x solution business • Monetization of our IoT service business (as an organizer) • Acceleration of integration of IoT strategy and individual business unit strategy → To the <u>establishment of our unique position</u> 	¥158.2 billion	¥1.6 billion

**Business
Vision**

Aiming for transition to AI/IoT and cloud provision type business while placing maintenance and expansion of existing businesses as the core

(Main) Specific Scenarios

Sales target by
segment Profit target by
segment

		<u>Sales target by segment</u>	<u>Profit target by segment</u>
March 2019 Term	<ul style="list-style-type: none"> • Continuous deep cultivation of existing key accounts • Establishment of revenue base by cross-selling and response to closed data centers • Expansion of receiving orders by collaboration of sales policy with key suppliers such as NEC 	¥14.8 billion	¥1.07 billion
March 2020 Term	<ul style="list-style-type: none"> • Enhancement of hybrid response with an eye on the transition period from on-premises → cloud (Building a system of administration relations + information relations, launch of original merchandise, etc.) • Acquisition of cloud projects and continuous response to and enhancement of the closed data centers • Acceleration of service creation by using Sanshin Data Center (SDC) 	¥14.5 billion	¥1.2 billion
March 2021 Term	<ul style="list-style-type: none"> • Acceleration of response to system outsourcing • <u>Full launch of provision of the IoT compatible platform system and embedded system</u> • <u>Penetration of AI/IoT related solutions into medium/small-sized companies → Expansion of business opportunities</u> 	¥15.8 billion	¥1.4 billion

3) Device Business

Simultaneous promotion of reform of business profile that increases growth rate and enhancement in profitability of existing business

V70 Direction

Reform of business portfolio

Departure from dependence on low-growth and low-profitability business (increase in the ratio of high-growth and high-profitability business)

- Placing priority on the markets where growth is highly expected
- Promotion of solution provision type business through enhancement in SIER capability
- Investment for strengthening of alliance for creation of new business opportunities



Priority Activities for the Coming 3 Years

- Acceleration of the **shift from a low-profitability volume sale business to a core device business that utilizes our technical ability**
- Enhancement to acquire the growth amount of the market in the automobile, IoT and wireless fields
- **Creation of business in the IoT field and solution provision type business** by strengthening alliances

Enhancement in profitability of existing business

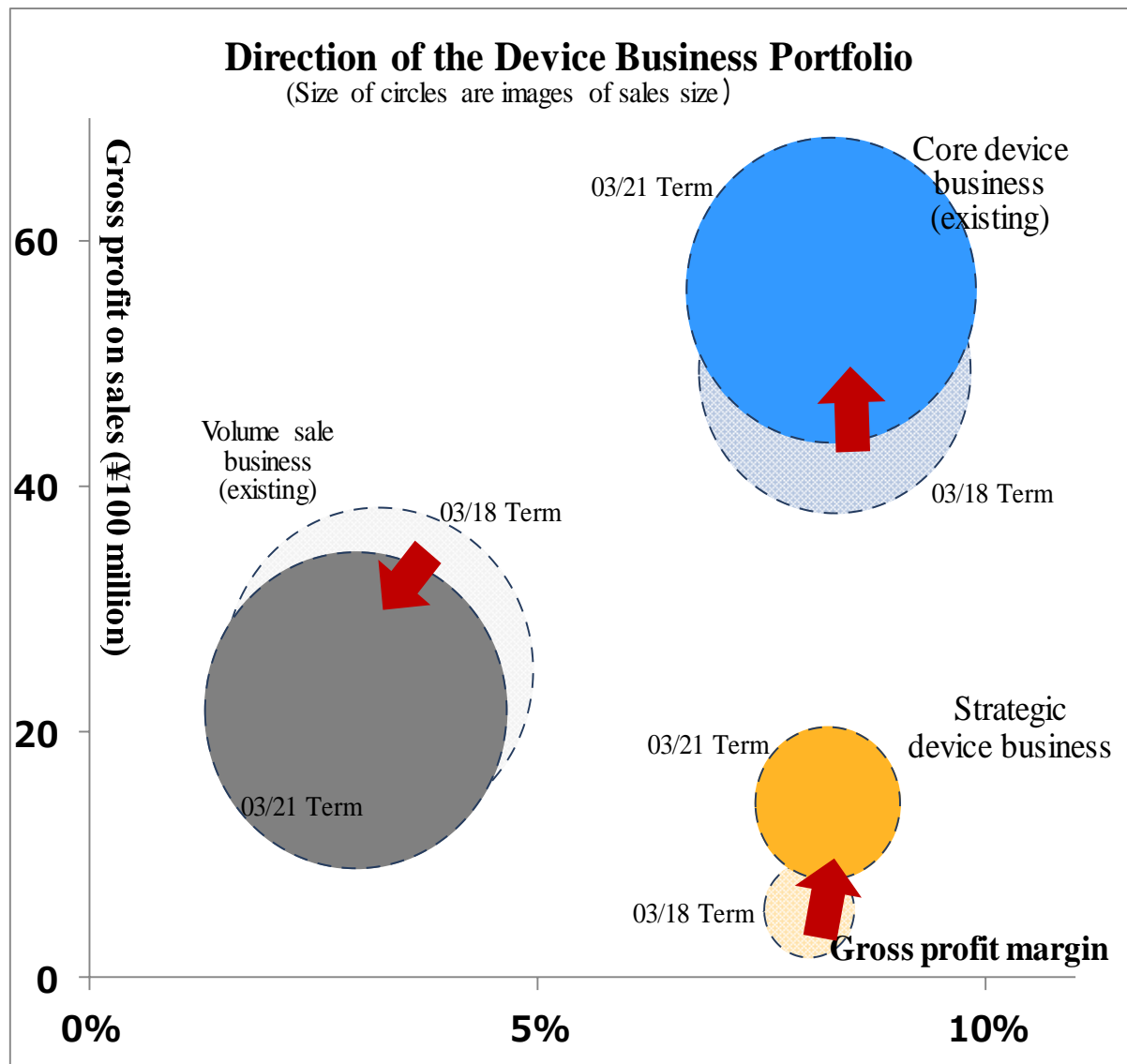
Enhancement in profitability of core device business and volume sale business

- Fixed cost reduction through reform of cost structure
- Strengthening of risk management relating to currency exchange rates and inventory



- **Improvement of gross margin rate in the core device business**
- Sustaining effects of fixed cost cutting
- Maintaining the decrease of the SG&A expenses ratio
- Enhancement of risk management relating to currency exchange rates and inventory

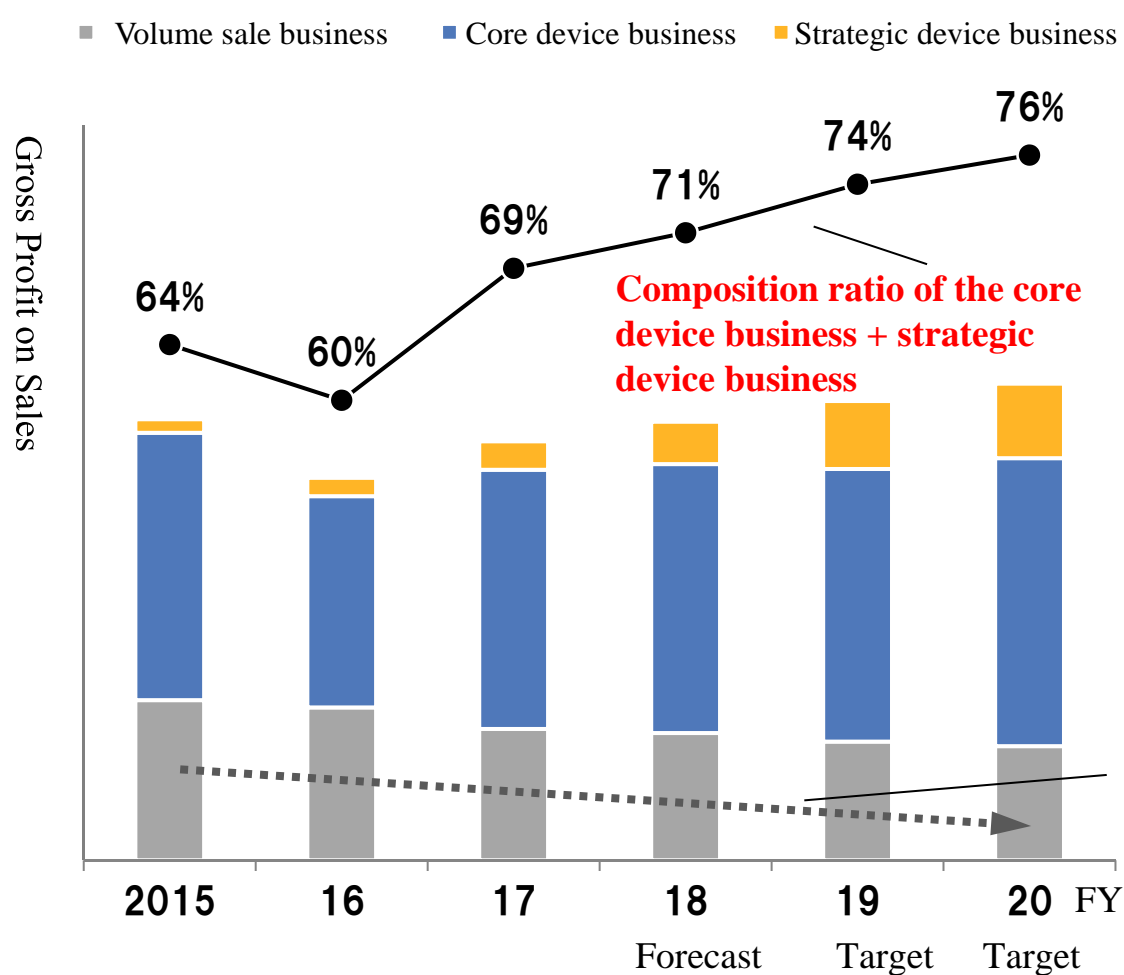
Enhancement of the profit structure by increasing the ratio of the core device business + strategic device business



1. Volume sale business
(for mobile devices and social infrastructure)
 - Maintaining a certain scale by enhancement of risk control and increase of efficiency
2. Core device business
(Existing devices such as Renesas)
 - Sales expansion of vehicle-mounted systems and in mass market where our strengths can be utilized
 - Activities for an increase of the gross margin rate
3. Strategic device business
(New devices, new businesses such as IoT, etc.)
 - Aggressive entry into growing markets such as IoT
 - Deepening of solution provision type businesses by cooperation with Siers

Enhancement of the profit structure by increasing the ratio of the core device business + strategic device business

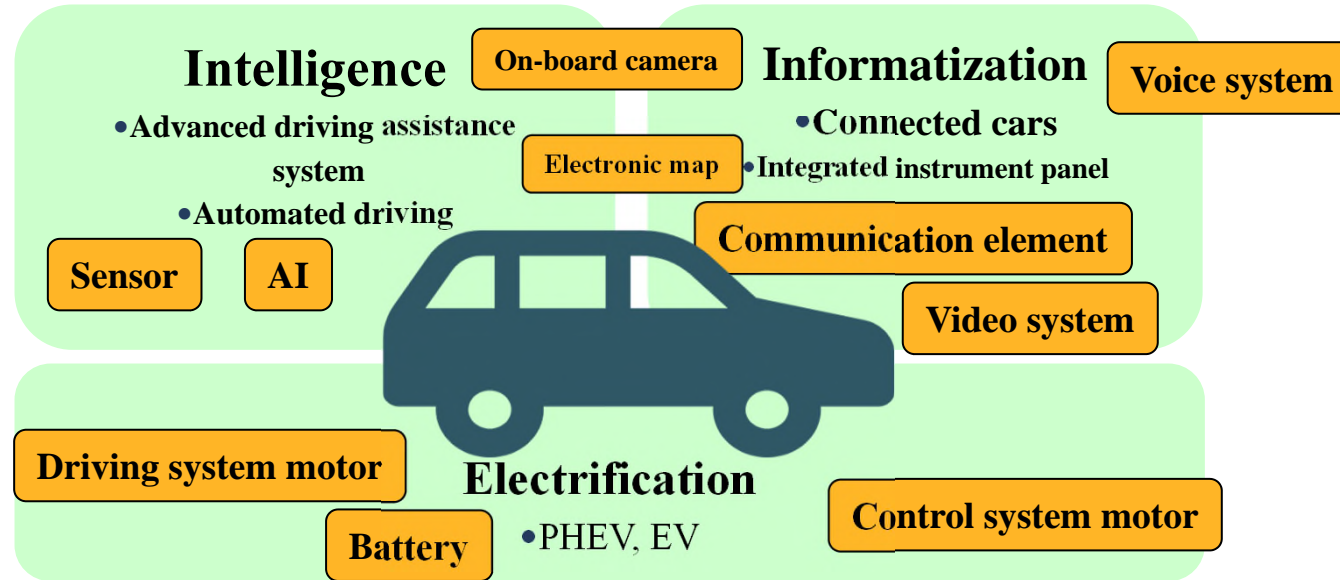
Gross Profit on Sales Composition Transition



- Drastic decrease of volume sale business with low profits
- Strengthening profit structure while steadily securing profit of the core device business and growing the strategic device business
- Enhancement of activities for alliance and M&A to expand our technologies

Decreasing trend of the volume sale business

Expansion to diversified areas with strong core merchandise
 → Acceleration of approach to new customers



Room for entry of new players is expanding due to the accelerating need for the electrification of cars



- Use of a strategy roadmap to expand the sales area for a sales increase in the medium/long-term
- **Enhancement of power source/analog system in particular** with dedicated FAE* system at the core

*Field Application Engineer

A2

「開発部」については正式英名のご確認をお願いします。

作成者, 2018/05/24

For business for automobiles, aiming for ¥13 billion in sales in the fiscal year ending March 2020

- Informatization related

- Sales area expansion by customer development support with strong core merchandise (image processing system SoC*) and TAKUMI's graphic technology
- Sales increase of video related devices

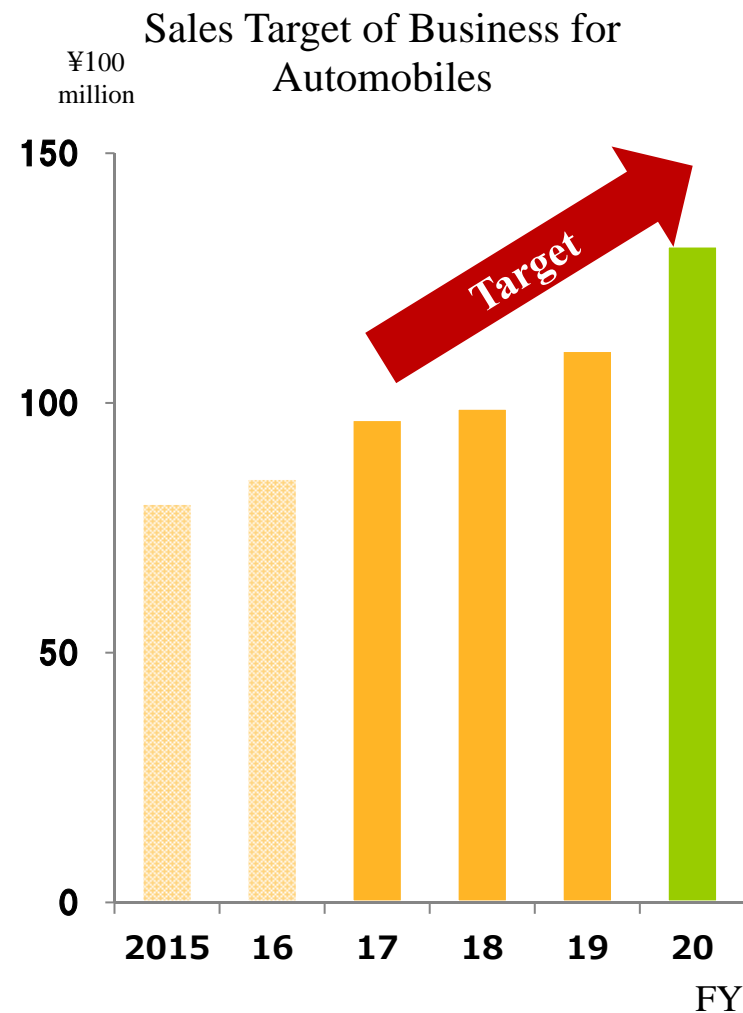
- Intelligence related

- Focus on advanced driving assistance system related intelligence and improvement of technical ability to focus on advanced driving assistance system related intelligence (Wireless, power source, analog technology, etc.)

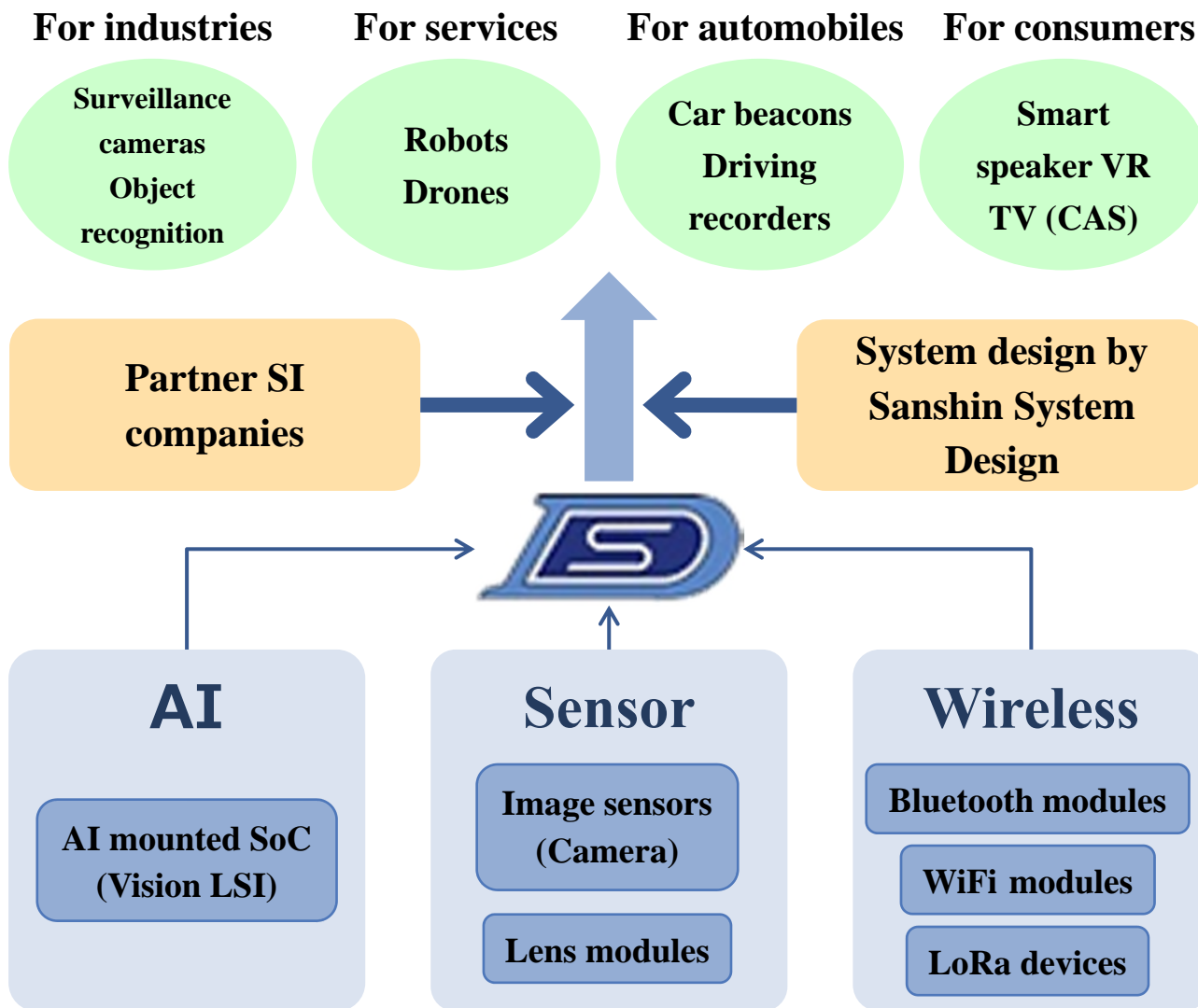
- Electrification related

- Focus on MCU for motor related items such as electric power steering and brakes

*system on chip



Enhancement of the product lineup and acceleration of suggestions in every single direction by system construction



- Acquisition of competitive merchandise with the focus on devices and modules of 3 elements of IoT technology such as
 - AI (SoC)
 - Sensors
 - Wireless
- Aggressively unearthing needs in cooperation with SI companies and providing solutions
- Furthermore, promotion of increase of partner SI companies

Aiming for a minimum ¥4 billion in new business sales such as IoT in the fiscal year ending March 2020

- Camera solutions

- In the vision sensing field, development of usage of AI camera solutions by combining imaging sensors and AI mounted SoC and sales expansion of AI camera solutions
 - Surveillance cameras, robots, drones
 - VR/AR/MR, vending machines and signage, etc.

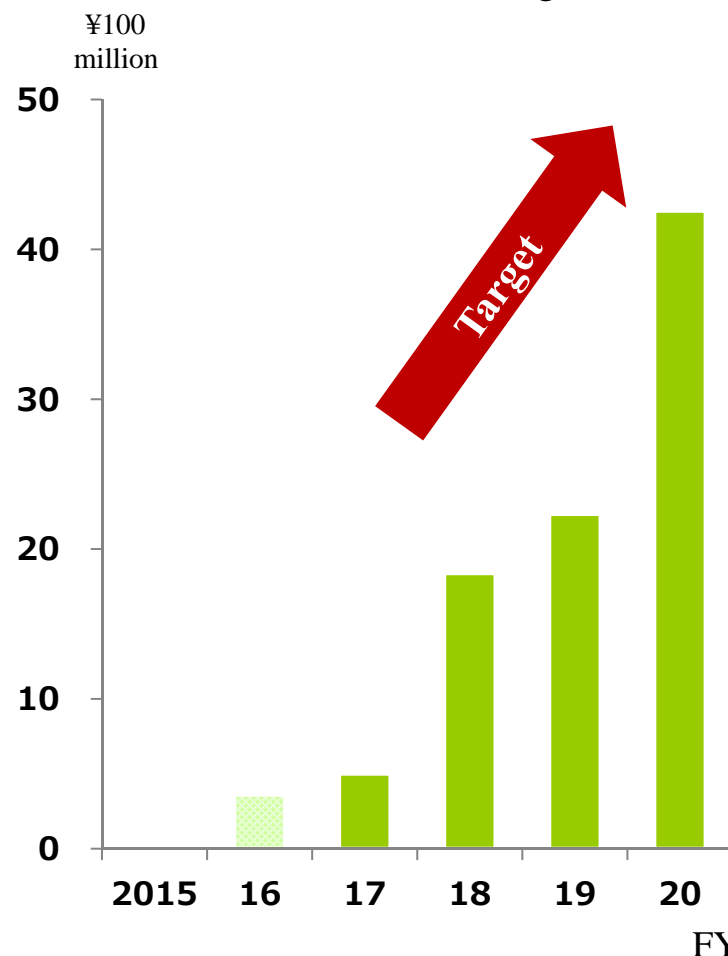
- Beacon solutions (Cooperation with SI companies)

- Position detection and communication by wireless technologies such as Bluetooth and LPWA.
 - Vehicle-mounted beacons (for property and causality insurance companies)
 - Service operation situation management, behavior management

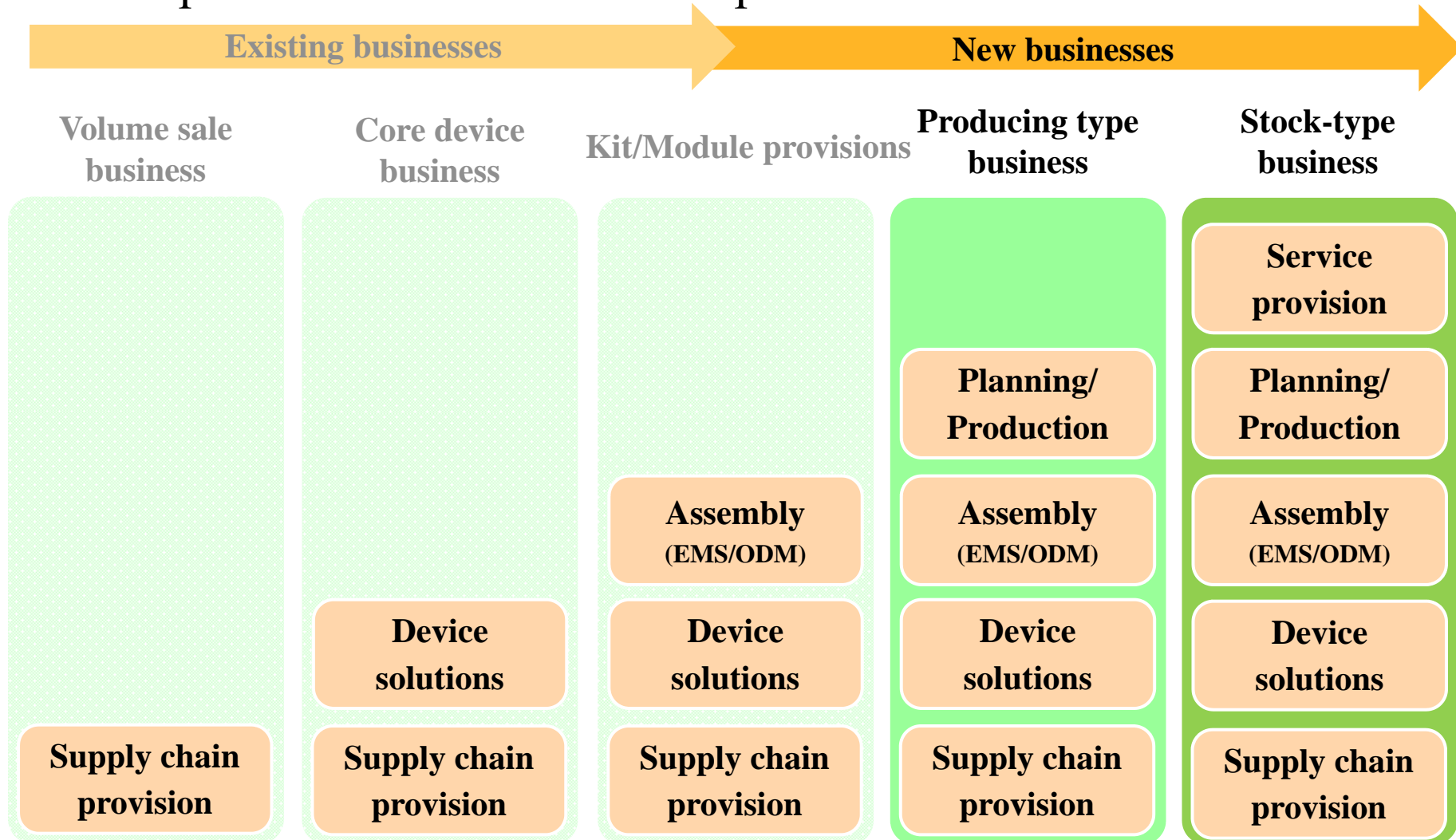
- AI solutions (Cooperation with SI companies)

- AI dialog software mounted devices, etc.

IoT Related Sales Target

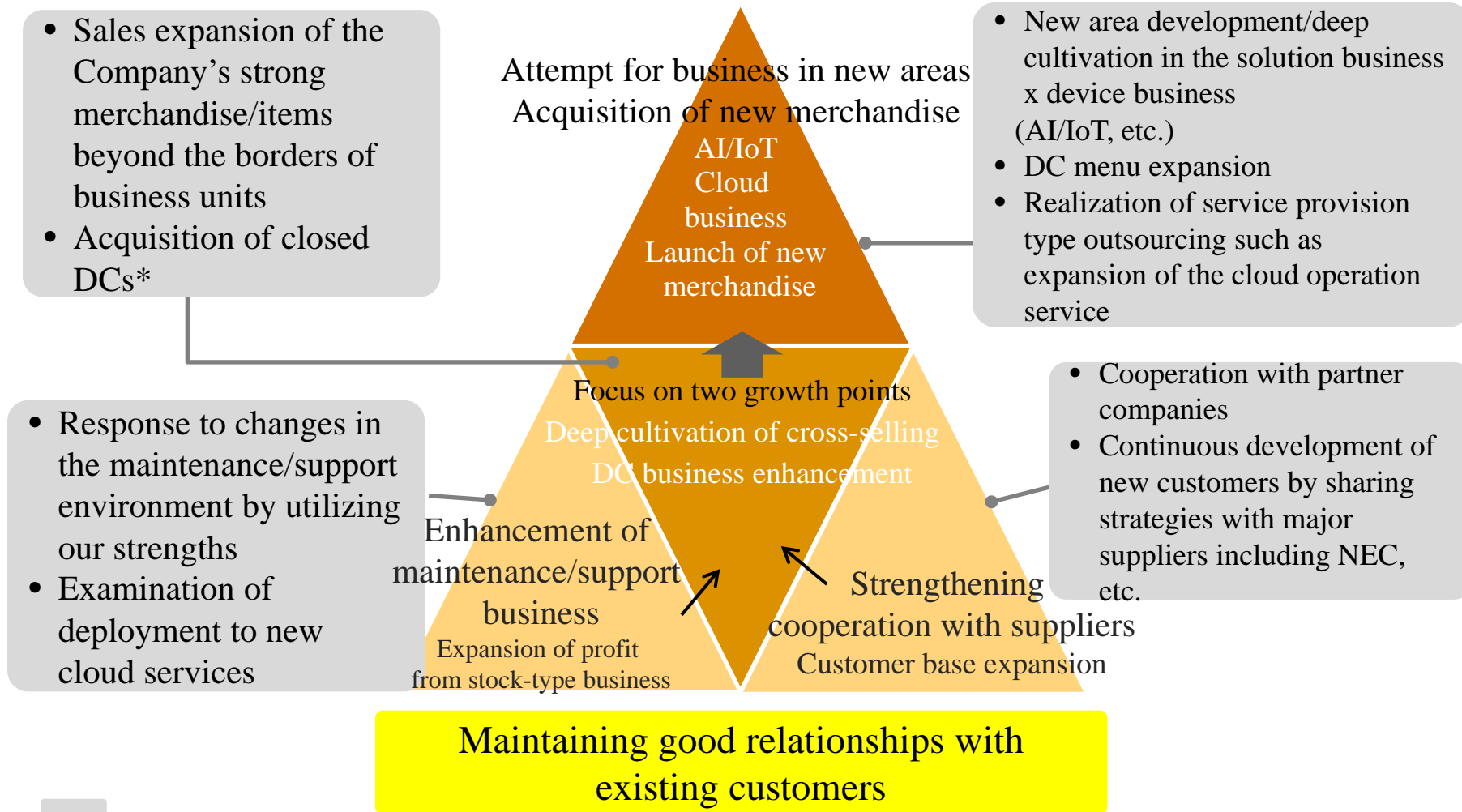


Use of internal and external management resources for producing type businesses and stock-type businesses by service provision
 → Expansion of business areas upstream



4) Solution Business

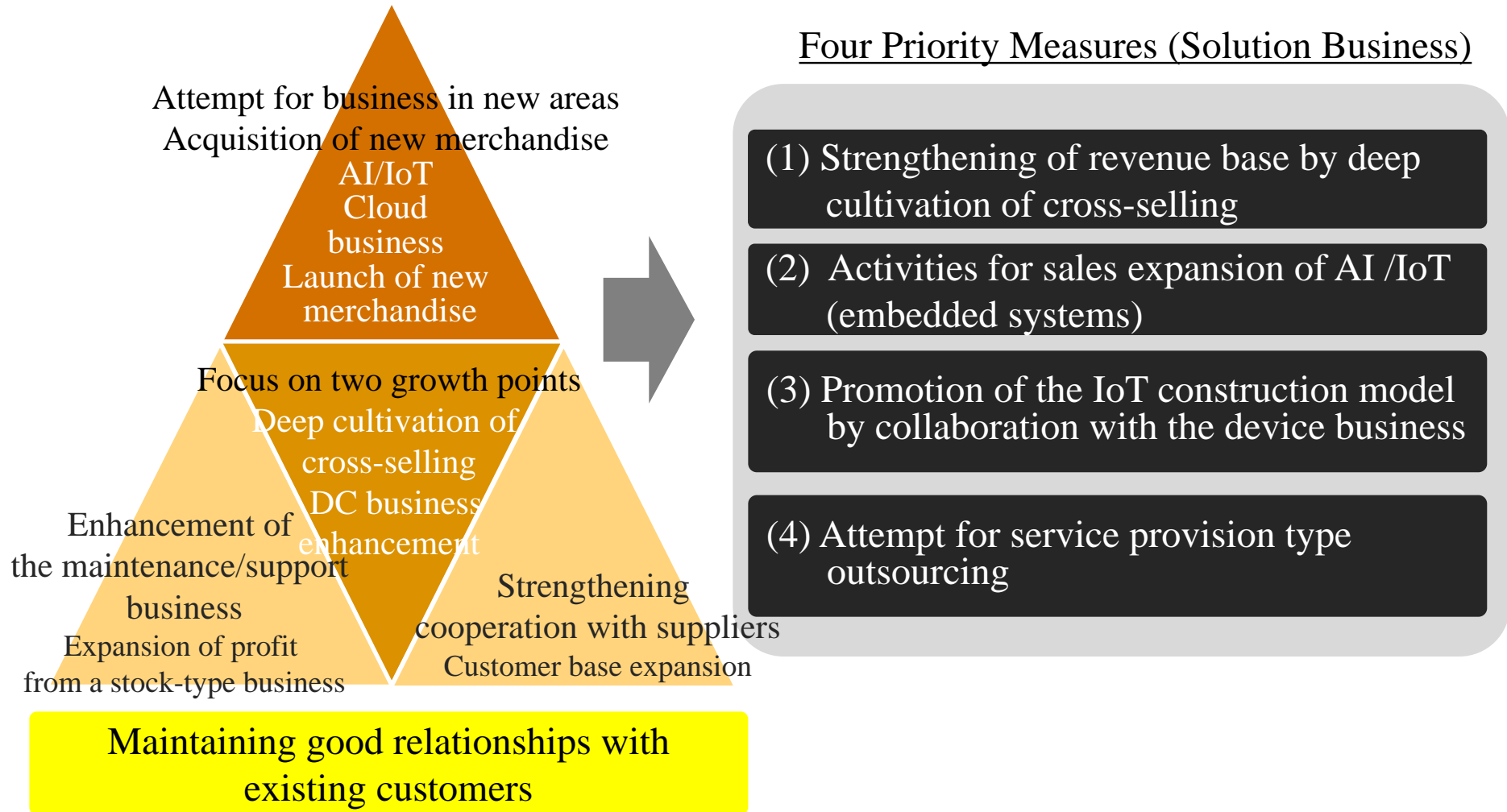
Expansion of new business areas by placing internal and external joint creation and cooperation with external partners at the core



■ Main direction

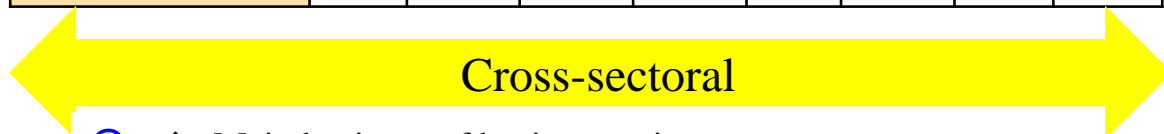
*DC: Data center

Expansion of new business areas by placing internal and external joint creation and cooperation with external partners at the core



Continuous promotion of cross-selling of the Company's strong merchandise

BU Merchandise/ service	NW	Government agencies	Embedded systems	Fire fighting and disaster prevention	Video	AP	Technology	Device business
IT infrastructure	○	○					○	
Communication	○	○				○	○	
Application	★			★	★	○	○	
Platform	○	○	○	○	★	○	○	
Video system	★	★	★		○			
Live relay system		★		★	○	★		
Fire fighting system				○				
Disaster prevention radio system				○				
Embedded system	★		○					★
OEM			○					



- ⇒ Main business of business unit
- ★ ⇒ Activity ongoing (Area expansion)

Specific Results and Future Outlook

- While using the cross-selling route creation as a common policy, each BU continues to work on the deep cultivation of customers.
- Specifically, a certain level of results is seen in the sales expansion of AP merchandise to customers of video systems and network systems.
- We will focus on increasing cross-selling in the embedded system business in particular in addition to expansion of the scale of business negotiations.

Aim for new business acquisition by using the sales expansion of AI and IoT as a trigger

AI

Sales expansion to the manufacturing industry mainly for NEC's application

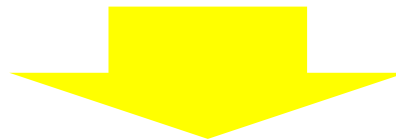
(Ex.) Use in the judgment of quality products/defective products by evaluations with images



IoT/Embedded Systems

Service deployment from sensor devices to the edge and cloud

⇒ Creation of SI type business model



Approach centered on the manufacturing industry customer base in both the device and solution businesses

Further increase of sales expansion potential by cross-business projects

Aim for sales expansion of the IoT construction model by collaboration with the device business

Sensing + Uploading

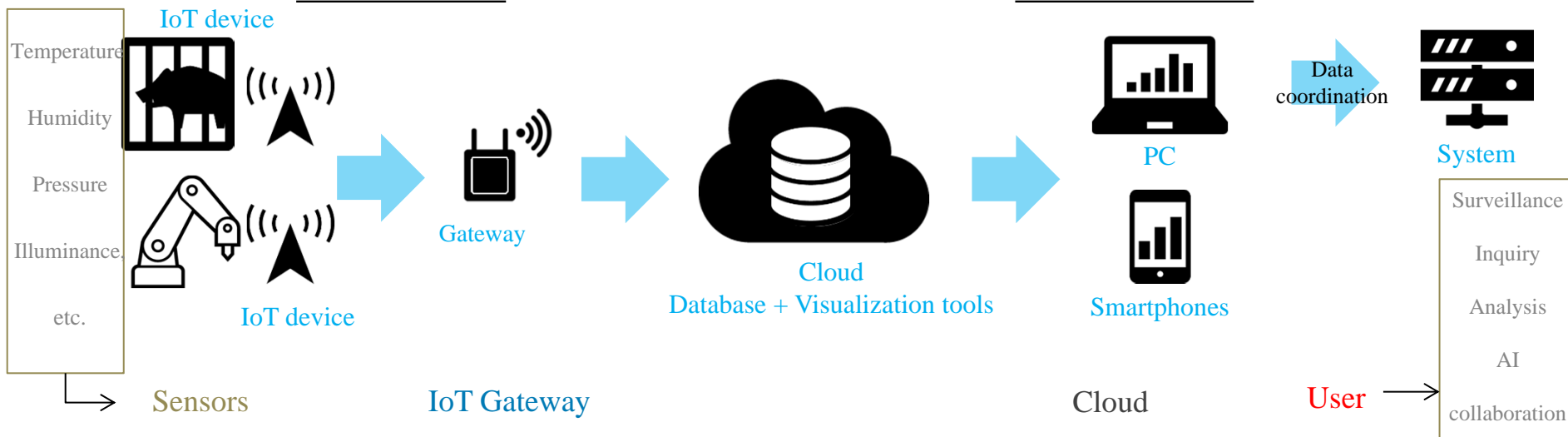
Cloud + Network + Visualization Tools

Device division
(Sanshin System Design/IoT Unit)

Solution division
(Network related departments)

Device Field

Solution Field



Merchandise handled by Sanshin

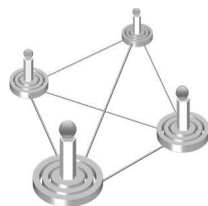
IoT devices



Gateway



Cloud, database, visualization tools

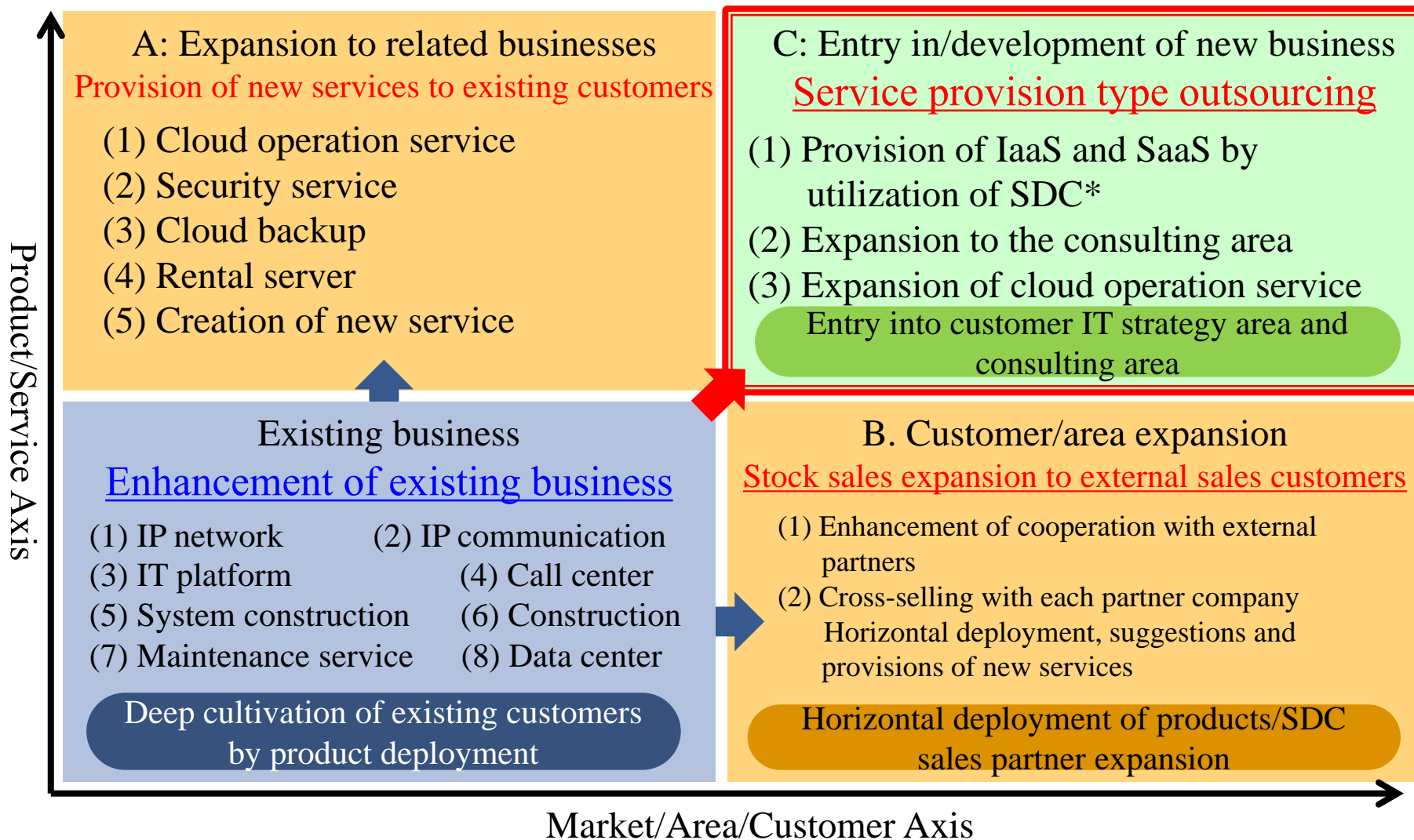


Company A
Company B



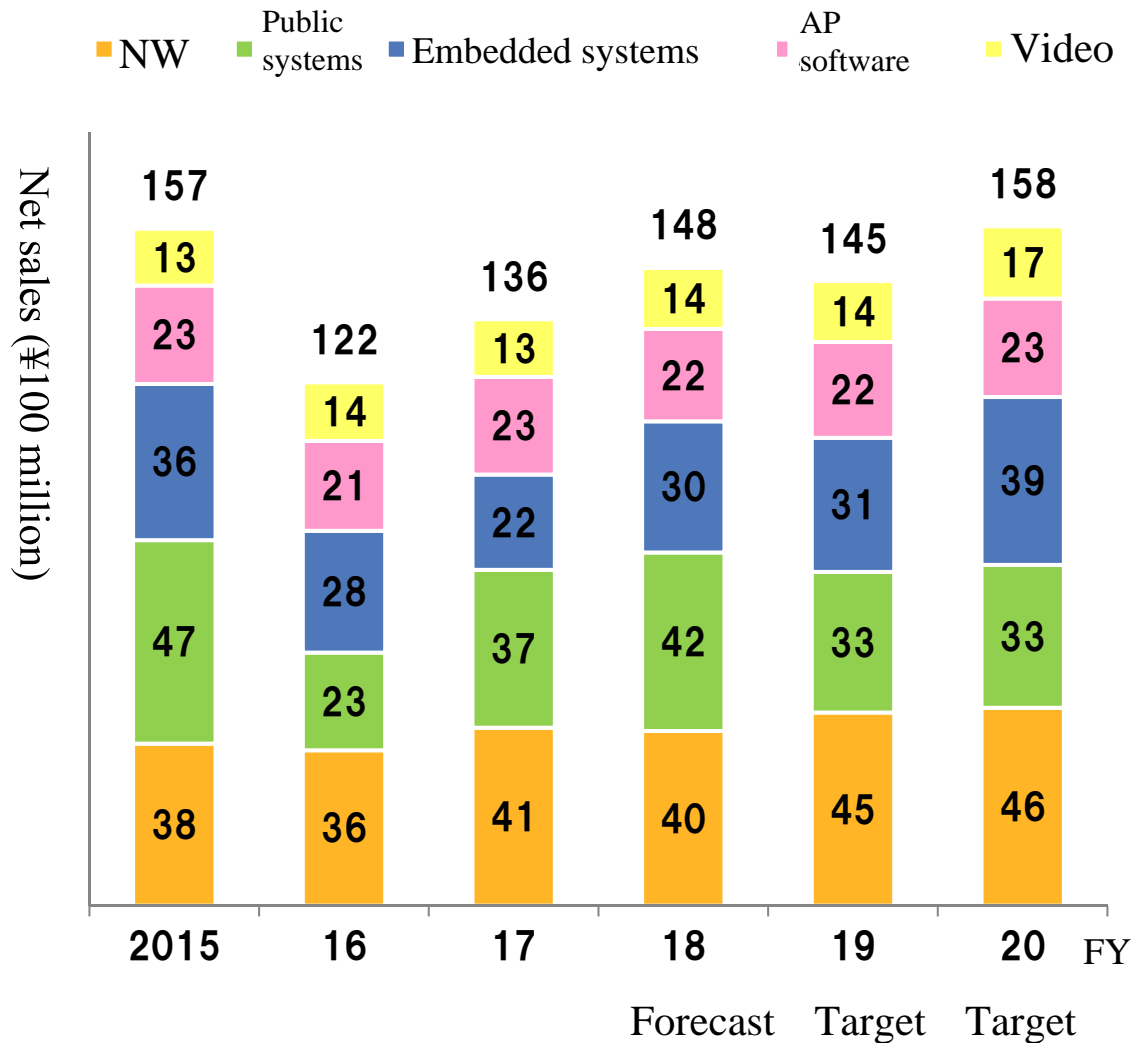
(4) Attempt for Service Provision Type Outsourcing

Unearthing DC projects by using collaboration with external partners as a basis → Entry into the consulting area



*SDC: Sanshin Data Center

Sales Target by Business Units (Solution Business)



- Against the backdrop of the penetration of use of cloud and the rise of interest in security merchandise, sales increase of NW and AP software is expected.
- Backed up by promotion of visualization of social infrastructure and making social infrastructure smart and recovery of customers' motivation for capital investment, embedded systems are expected to expand.
- Sales by video business unit are also forecast to expand due to the increase in demand for IP relay and live transmission.
- On the other hand, against the backdrop of peak out of upgrading to the digitalization of wireless communication for firefighting and emergency services, etc., sales by the public systems business unit are projected to decrease or remain flat.

5) Establishment of the Management Foundation

Aiming for enhancement of the Group's medium-to-long term business performance and corporate value, we will increase the effectiveness of our corporate governance system.

Strengthening of functions of External Directors

- Continuing to appoint multiple independent External Directors
- Holding Nomination and Remuneration Advisory Committees where independent External Directors are the main members
- Periodical meetings between the independent External Directors and Company's management

Increase of effectiveness of the monitoring function and advisory function

Operation of a performance-based compensation plan for Executive Directors

- Performance-based stock compensation plan for Executive Directors
- Performance-based bonus payment policy for Directors (Clarification of their management accountability in each fiscal year)

Sharing benefits and risks with shareholders

Toward enhancement of medium-to-long term business performance and corporate value

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 financial foundation

Deepening technical ability

- Strengthening our ability in applied technology with full knowledge of the development style unique to each customer
- Acquisition of each elemental technology such as the technologies related to embedded OS, graphics, wireless, IoT, and power devices and enhancement of technology teams

Deepening human resource development

- Focus on the development of specialists that enable system provision in terminals as well as the cloud
- Against the backdrop of acceleration from on-premise to cloud, focus on the development of specialists in anticipation of an increase of hybrid environment use
- Acceleration of development of Field Application Engineers (FAE) and project managers

Direction of capital policy

- Enhancement of returns to shareholders toward attainment of 5% of ROE which is the quantitative target of V70 and aiming for a further increase of capital efficiency
- As a part of returns to shareholders, acquisition of the Company's treasury stock based on the policy of acquisition of the Company's treasury stock which was already released
- Continuous examination of acquisition of the Company's treasury stock for the purpose of maximizing value for shareholders in consideration of corporate value and stock price level

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

- Examination of a management system that enables execution of expertise in both the device/solution businesses from the technology/human resource aspects.
- 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

***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