


Briefing Materials on the Financial Results for the Year ended March 2020

May 27, 2020

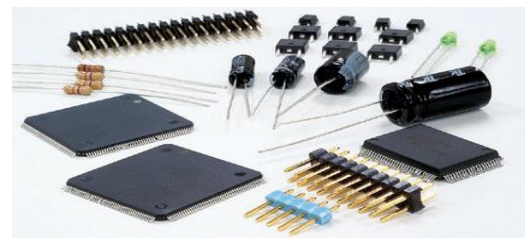
 **SANSBIN ELECTRONICS CO., LTD.**
Toshiro Suzuki, Representative Director, COO
(Stock code: 8150)

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 —

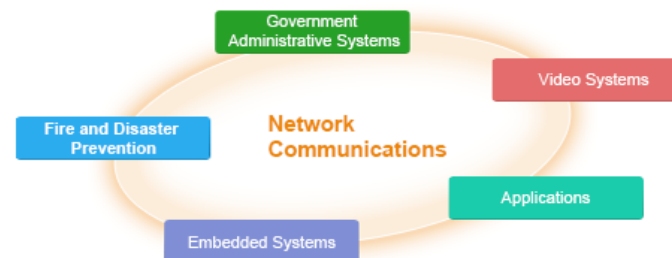
We cover a wide array of manufacturers, from both domestic and overseas major semiconductors/electronic parts makers all the way to emerging manufacturers that are currently developing products with excellent performance. In a time when market needs are constantly diversifying, we respond to our customers’ 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 Ended March 2020 Performance Summary

- Net sales decreased significantly. Operating profit decreased slightly year-on-year despite efforts to improve the gross profit margin and reduce SG&A expenses.
- Ordinary profit increased year-on-year due to a decrease in interest expenses caused by a reduction in borrowings in conjunction with the decrease in net sales.
- Net profit remained the same year-on-year due to extraordinary profits such as gain on the sale of the Atsugi facility in the previous fiscal year.

| | 03/19 Result | 03/20 Result | YoY Change | Forecast ^{*1)} | Achievement Ratio |
|---|---------------|---------------|------------|-------------------------|-------------------|
| Net Sales | 1,478.8 | 1,230.9 | 83% | 1,240.0 | 99% |
| Gross Profit on Sales | 7.7% 114.1 | 9.1% 112.3 | 98% | Not announced | — |
| SG&A Expenses | 6.4% 94.4 | 7.5% 92.7 | 98% | Not announced | — |
| Operating Profit | 1.3% 19.7 | 1.6% 19.6 | 100% | 1.7% 21.5 | 91% |
| Ordinary Profit | 1.2% 17.4 | 1.5% 18.6 | 107% | 1.5% 19.0 | 98% |
| Net Profit Attributable to Shareholders of Parent Company | 1.0% 14.5 | 1.2% 14.5 | 100% | 1.2% 15.0 | 97% |
| ROE | 2.8% | 3.4% | +0.6P | 3.5% | -0.1P |
| Annual Dividend Per Share | ¥70 | ¥70 | ±¥0 | ¥70 | ±¥0 |
| Payout Ratio | 93.3% | 93.2% | -0.1P | 90.1% | +3.1P |
| Exchange Rate (1 US dollar) | ¥110.91 | ¥108.74 | -¥2.17 | Not announced | — |

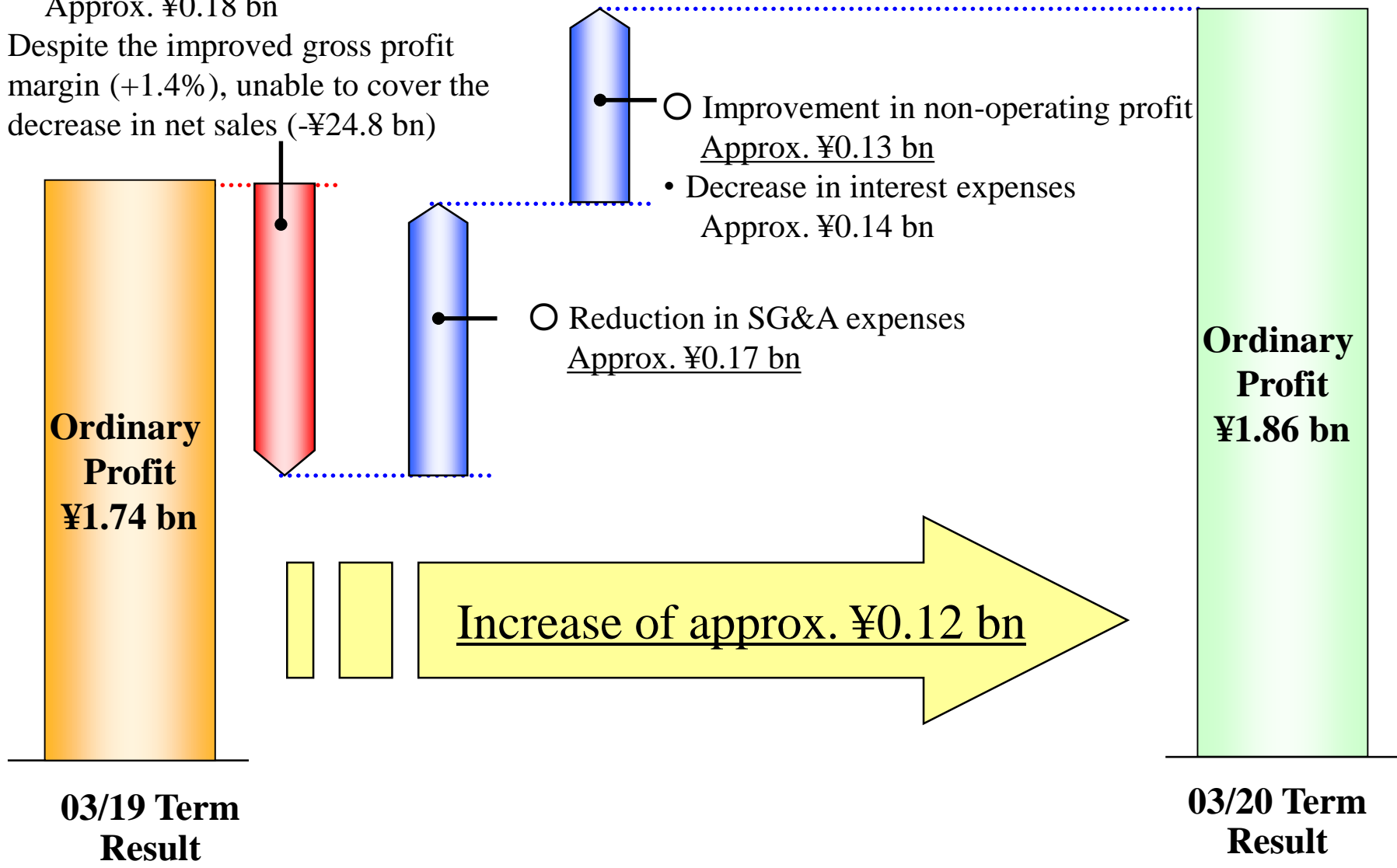
*1) Figures in the Forecast section are based on results announced for the period ended March 31, 2019 (announced on May 13, 2019).

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

● Decrease in gross profit

Approx. ¥0.18 bn

Despite the improved gross profit margin (+1.4%), unable to cover the decrease in net sales (-¥24.8 bn)



■ Changes in the Business Environment

- The overall global economy showed signs of a gradual recovery until the third quarter. However, due to the spread of COVID-19, concern regarding a declining economy increased rapidly from the fourth quarter and after.
- In the electronic industry and IT industry in which the Group does business, there is uncertainty regarding the future due to how the spread of COVID-19 is causing stagnation in various economic activities such as corporate investment.

■ Device Business

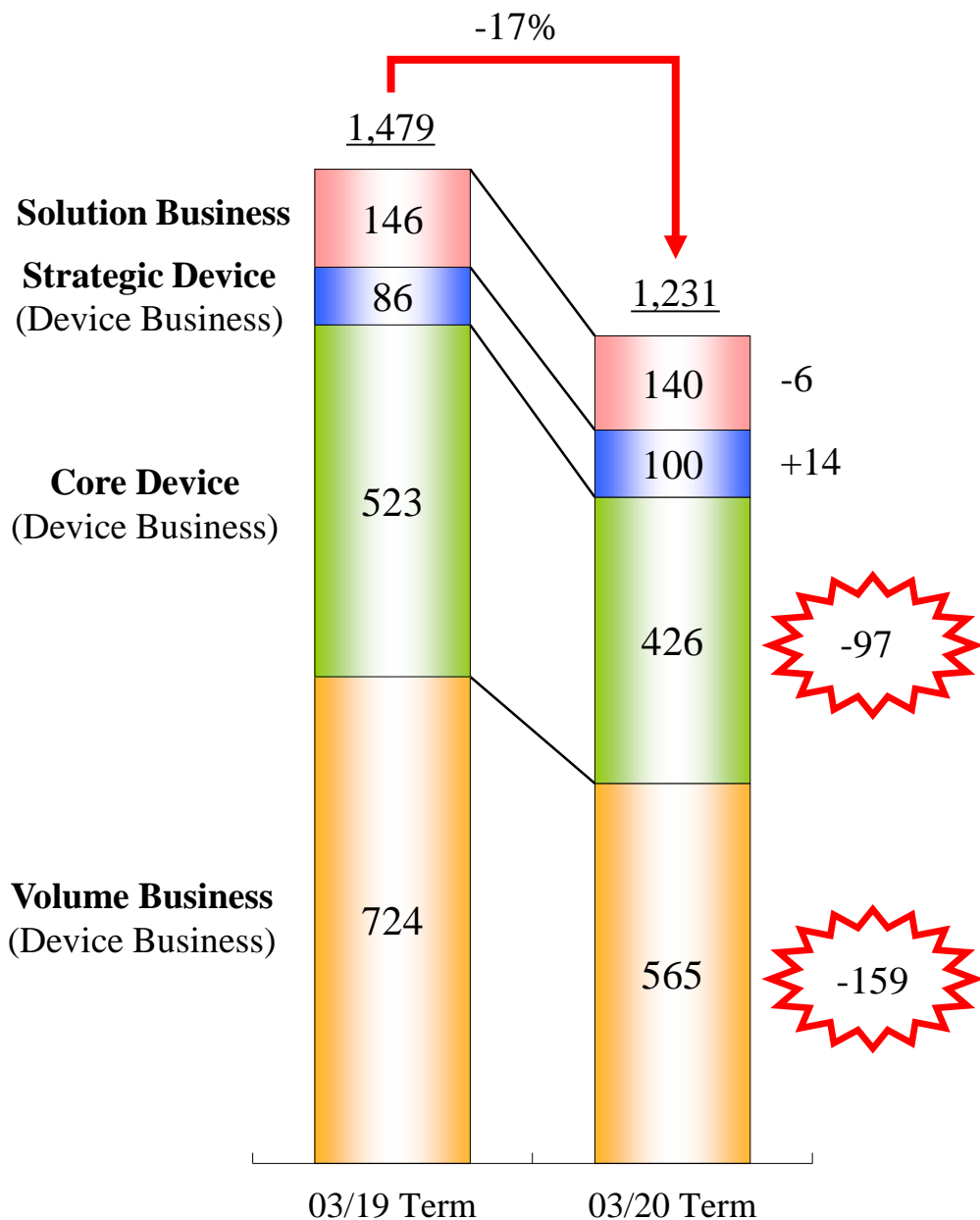
- Net sales increased in the strategic device business due to IT-related business and growth in overseas merchandise; however, overall net sales were down year-on-year due to a decrease in the volume business and the core device business.
- Despite efforts to improve the gross profit margin and to reduce SG&A expenses, segment profit decreased due to decreased net sales.

■ Solution Business

- Net sales were strong in the NW and AP sectors; however, overall net sales were down year-on-year due to a decrease in the public systems and embedded software sectors.
- Segment profit increased due to an improved gross profit margin.

| | | 03/19 Term Result | 03/20 Term Result | YoY Change |
|-----------------------------|---------------------|----------------------|----------------------|------------|
| Device Business | Net Sales | 1,332.8 | 1,090.8 | 82% |
| | Operating Profit | 1.3% 17.1 | 1.4% 15.3 | 90% |
| | Segment Profit | 0.3% 4.7 | 0.4% 4.2 | 89% |
| Solution Business | Net Sales | 146.0 | 140.1 | 96% |
| | Operating Profit | 11.3% 16.5 | 13.2% 18.4 | 112% |
| | Segment Profit | 8.7% 12.7 | 10.3% 14.4 | 114% |
| Exchange rate (1 US dollar) | | ¥110.91 | ¥108.74 | -¥2.17 |

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



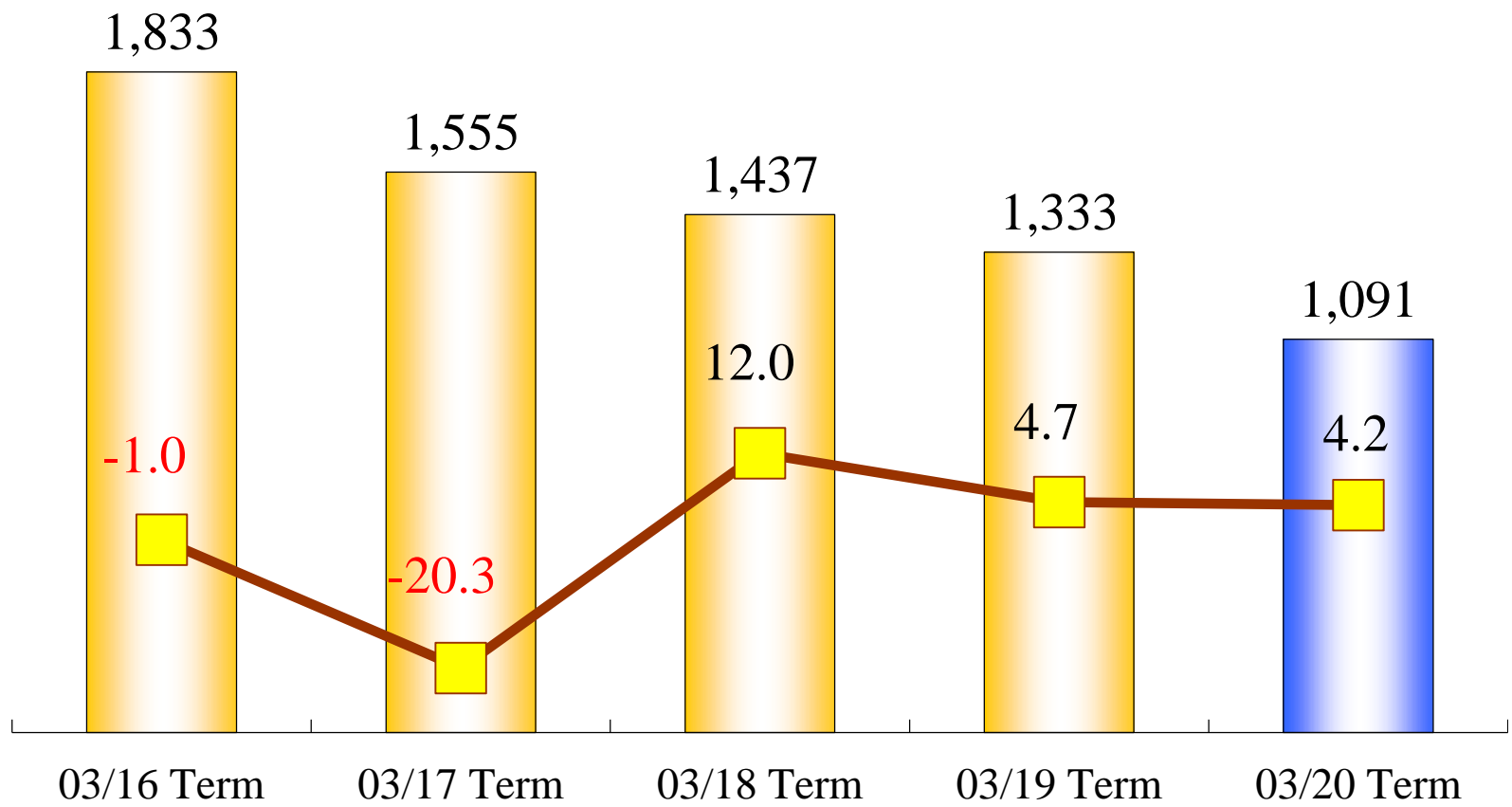
【 Year-to-Year Comparison of Fluctuations 】

- Solution Business
 - Decrease in public systems/embedded systems
 - Increase in NW/AP software
- Strategic Device (Device Business)
 - Increase in IoT-related business/wireless overseas merchandise
- Core Device (Device Business)
 - Decrease for gaming consoles/vehicle mounted systems
 - Decrease due to EOL for Renesas EL
 - Increase for storage, motors, etc.
- Volume Business (Device Business)
 - Partial decrease for mobile devices
 - Decrease for social infrastructure

In order to shift to a high revenue stream, restructure the business portfolio and focus on recovery on profitability

Net Sales/Segment Profit

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



Sales for the Full Year

【Year-to-Year Comparison of Fluctuations】

■ Renesas EL

● Decrease for gaming consoles/vehicle-mounted systems

● Decrease due to EOL

■ Electromechanical Parts Manufacturers

○ Increase for mobile devices, etc.

■ Overseas Manufacturers

● Partial decrease for mobile devices

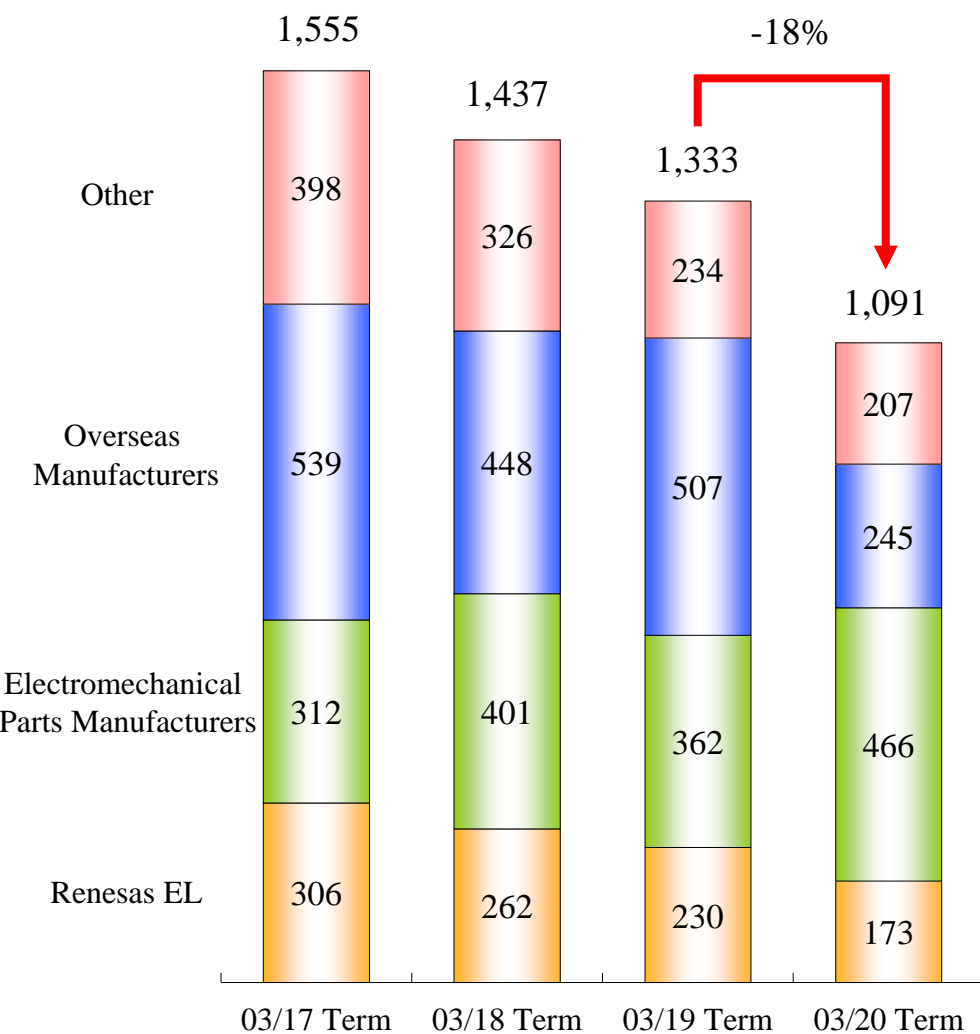
○ Increase for storage/motors/vehicle-mounted systems

○ Increase in wireless systems IC, etc.

■ Other

● Decrease for social infrastructure

○ Increase in IoT-related business



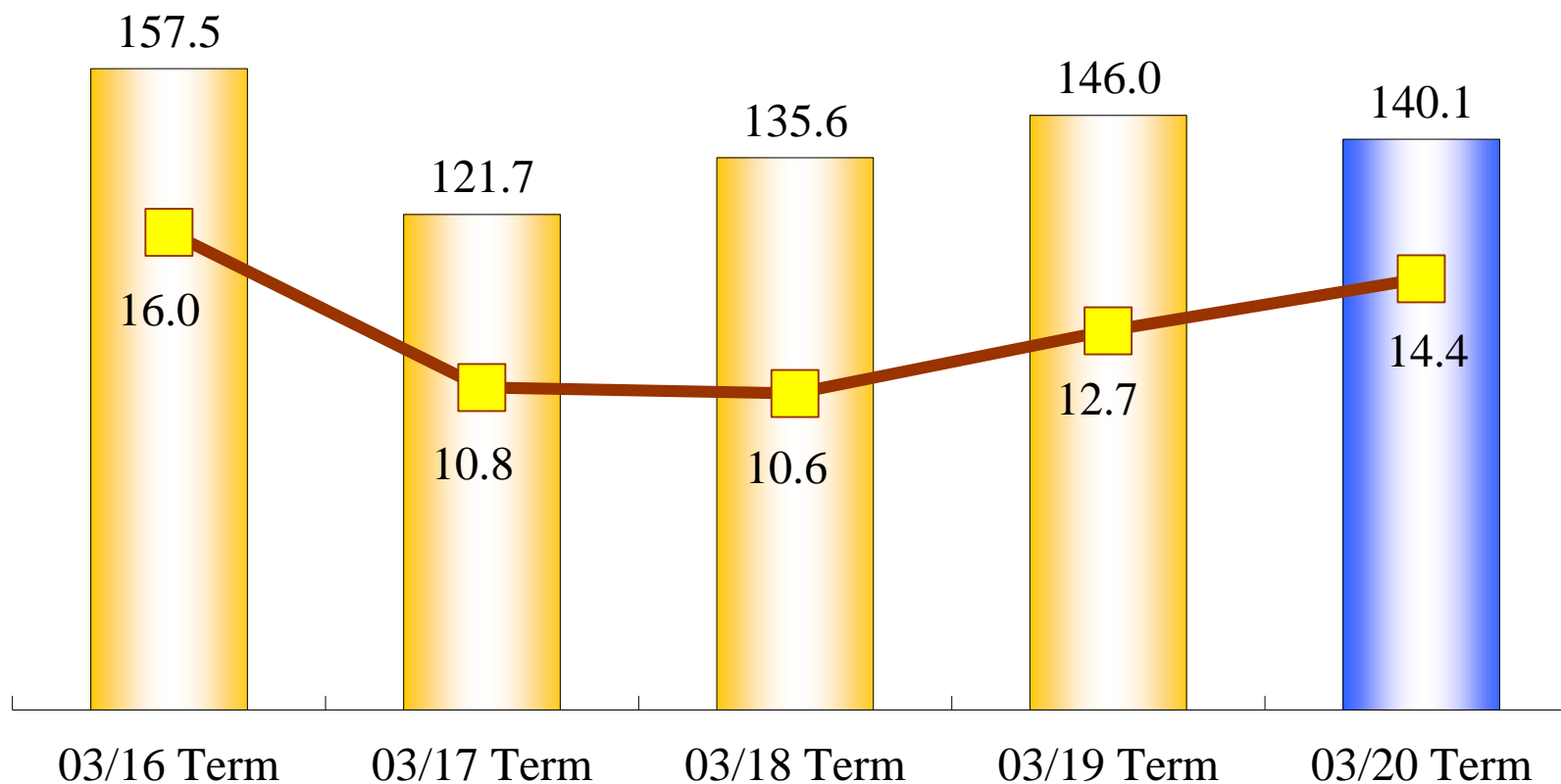
| | YoY Change |
|---------------------------------------|------------|
| Renesas EL | -25% |
| Electromechanical Parts Manufacturers | +29% |
| Overseas Manufacturers | -52% |
| Other | -12% |

Despite a decrease in sales, we achieved an increase in profit for the fiscal year under review.
We will continue to focus on strengthening the revenue base for the future.

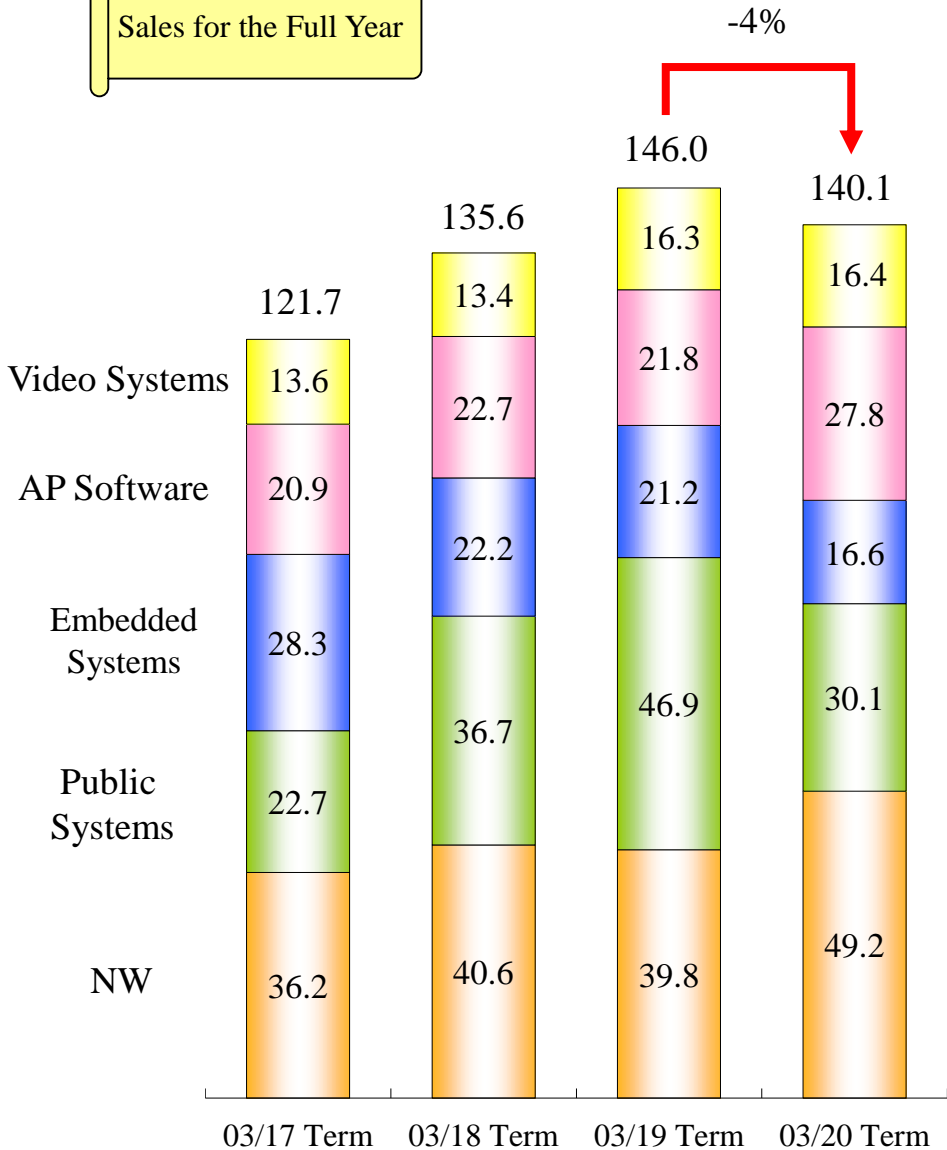
Net Sales/Segment Profit

*Bar Graph: Net Sales

*Polygonal Line: Segment Profit



Sales for the Full Year



【Year-to-Year Comparison of Fluctuations】

NW

○ Increase in infrastructure-related business for private sector

Public Systems (fire stations & government agencies)

● Decrease in firefighting, disaster prevention, infrastructure, etc.

Embedded Systems

● Decrease in server, RAID, IoT technology, etc.

AP Software

○ Increase in production, sales management, etc.

Video Systems

○ Increase in transmitter systems, IPTV, etc.

| | YoY Change |
|------------------|------------|
| NW | +24% |
| Public Systems | -36% |
| Embedded Systems | -22% |
| AP Software | +28% |
| Video Systems | +0.2% |

- Regarding the results of the fiscal year ended March 31, 2020, total assets were ¥74.7 bn (down ¥14.6 bn from the end of the previous fiscal year) and the equity ratio was 57.0% (up 8.7% from the end of the previous fiscal year).
→ Total assets shrank due to a decrease in net sales, operating cash flow increased by ¥12.07 bn, and we focused on reduction of interest-bearing liabilities.

1) Balance Sheets

| | FY ended Mar. 18 Result (A) | FY ended Mar. 19 Result (B) | B-A Increase/ Decrease | FY ended Mar. 20 Result (C) | C-B Increase/ Decrease |
|----------------------------------|-----------------------------------|-----------------------------------|------------------------------|-----------------------------------|------------------------------|
| Cash and deposits | 171.8 | 170.6 | -1.1 | 184.4 | 13.8 |
| Accounts receivable | 480.7 | 473.9 | -6.8 | 283.9 | -190.0 |
| Inventories | 168.9 | 147.2 | -21.7 | 161.7 | 14.5 |
| Other assets | 118.3 | 90.9 | -27.4 | 106.6 | 15.7 |
| Total assets | 939.7 | 882.6 | -57.1 | 736.6 | -146.0 |
| Accounts payable | 156.3 | 184.6 | 28.3 | 140.4 | -44.2 |
| Interest bearing liabilities | 138.1 | 240.7 | 102.6 | 149.5 | -91.2 |
| Other liabilities | 27.4 | 30.1 | 2.7 | 26.4 | -3.8 |
| Total net assets | 617.9 | 427.1 | -190.8 | 420.3 | -6.8 |
| Total liabilities and net assets | 939.7 | 882.6 | -57.1 | 736.6 | -146.0 |
| Equity ratio | 65.7% | 48.3% | -17.4% | 57.0% | 8.7% |

2) Cash Flows

| | FY ended Mar. 18 Result | FY ended Mar. 19 Result | FY ended Mar. 20 Result |
|--|-------------------------------|-------------------------------|-------------------------------|
| Decrease (increase) in accounts receivable-trade | 33.6 | 17.0 | 183.4 |
| Decrease (increase) in inventories | -57.8 | 24.0 | -15.8 |
| Increase (decrease) in accounts payable-trade | -7.6 | 25.4 | -41.6 |
| Other | 11.9 | 24.3 | -5.3 |
| Operating C/F | -20.0 | 90.6 | 120.7 |
| Investing C/F | -10.5 | 18.2 | -2.7 |
| Financing C/F | 5.8 | -110.2 | -102.9 |
| Foreign currency conversion adjustments | | 0.3 | -1.3 |
| Increase (decrease) in cash and deposits | -24.6 | -1.1 | 13.8 |
| Increase in cash and deposits from newly consolidated subsidiary | 0.4 | | |
| Balance of cash and deposits at term-end | 171.8 | 170.6 | 184.4 |

● 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.

● Profit Distribution Policy for the Year Ended March 31, 2020

- Pay dividends with a consolidated payout ratio of about 100% for the three-year period from the fiscal year ended March 31, 2018 to the fiscal year ended March 31, 2020
- Scheduled dividends for the year ended March 31, 2020: An annual dividend of ¥70 per share
 - ¥15 at midterm; ¥55 at term-end
 - Consolidated dividend payout ratio of 93.2%
 - Average consolidated dividend payout ratio from the term ended Mar. 2016 to the term ended Mar. 2020: 168.3%

II. V70 Medium-Term Management Plan and Full-Year Business Forecast for the Year Ending March 31, 2021

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

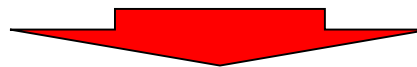
- ◆ Increase profitability by restructuring the business portfolio of the device business
- ◆ Strengthen the revenue base for the future of the solution business

2. Enhancement of capital efficiency

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

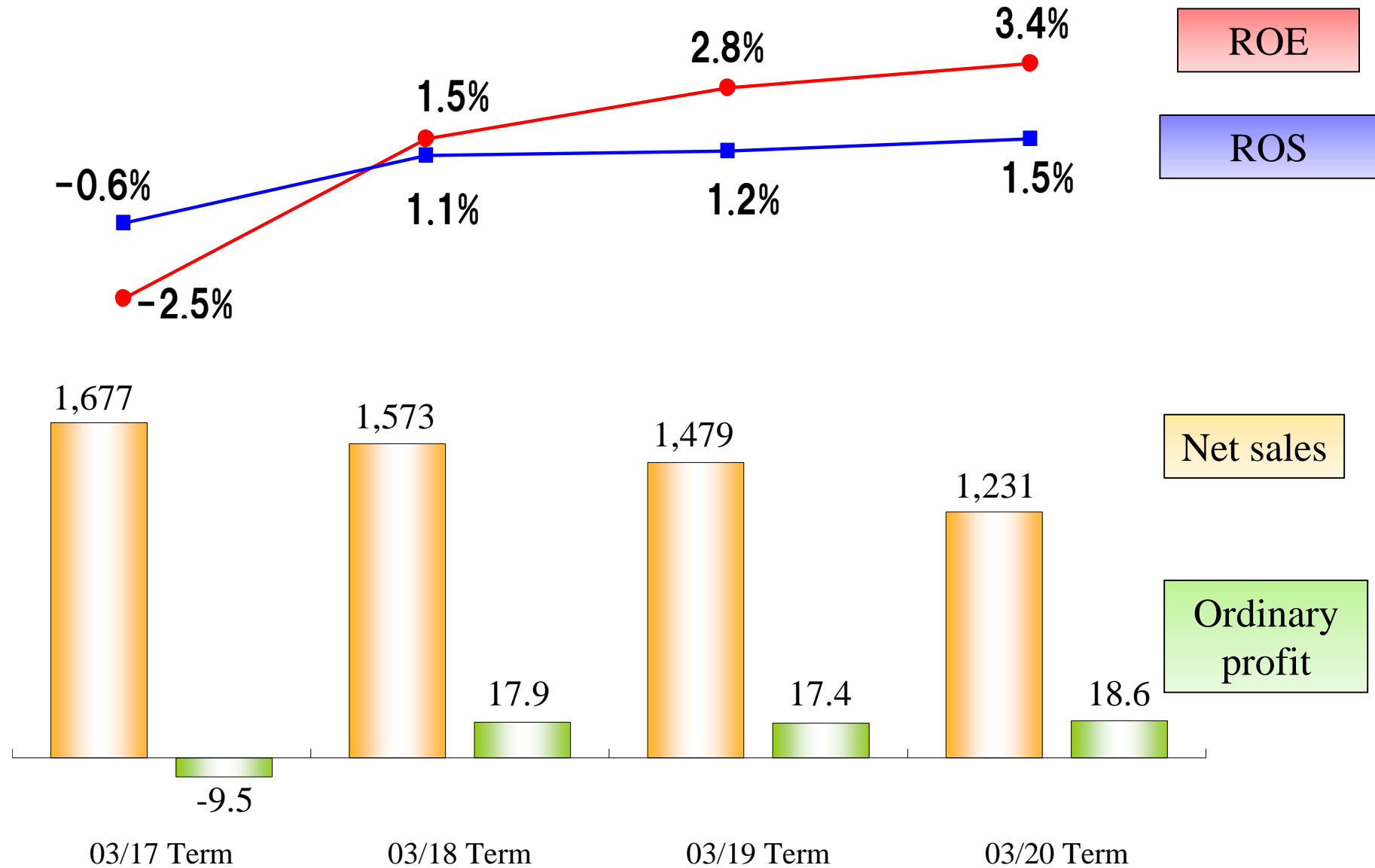
3. Strengthening of corporate governance



V70 quantitative targets

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

Consolidated ordinary profit of ¥3 billion in the final year



| | 03/17 Term Result | 03/18 Term Result | 03/19 Term Result | 03/20 Term Result |
|--|--|--|--|--|
| 1) Consolidated net profit | -¥1,575 million | ¥947 million | ¥1,449 million | ¥1,451 million |
| 2) Comprehensive profit | -¥720 million | ¥912 million | ¥1,585 million | ¥666 million |
| 3) Consolidated equity ratio | 65.4% | 65.7% | 48.3% | 57.0% |
| 4) Total dividends (Dividend per share) | ¥704 million (¥25) | ¥934 million (¥33) | ¥1,352 million (¥70) | ¥1,352 million (¥70) |
| 5) Consolidated payout ratio | - | 98.2% | 93.3% | 93.2% |
| 6) Value of treasury stock acquired (Number of shares acquired) | - | - | ¥19.72 billion (9 million shares) | - |
| 7) Total payout ratio (4+6) ÷ 1 | - | 98.2% | 1,454.2% | 93.2% |
| 8) Cancellation of treasury stock | - | - | 5,000 thousand shares | - |
| 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) | 24,281 thousand shares (19,178 thousand shares) | 24,281 thousand shares (19,180 thousand shares) |
| 10) Net profit per share | -¥55.90 | ¥33.62 | ¥67.48 | ¥75.66 |
| 11) Net assets per share | ¥2,183.84 | ¥2,191.19 | ¥2,224.47 | ¥2,188.84 |

*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 (excluding 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 value of treasury stock acquired until 03/20 term is ¥25.75 billion (17,281 thousand shares, of which 12,252 thousand shares were cancelled).

Withdrawal of V70 Quantitative Targets

- Due to the impact of the spread of COVID-19, the cancellation of the dealership agreement with Renesas EL, etc., **we have decided to withdraw the V70 quantitative targets** (*).
- However, we will continue to position ROE and ordinary profit as important management indices. Therefore, we will continue to implement priority measures with the aim of improving these two management indices.

| V70 Medium-Term Management Plan (Final Year: Year Ending March 2021) | | Future Response |
|---|---|--|
| Quantitative Targets (withdrawn) | <ul style="list-style-type: none"> • ROE: 5% • Ordinary profit: ¥3 bn | Formulate a medium-term management plan with new quantitative targets. |
| Priority Measures (continue) | 1. Strengthen business capability | (Device business) <ul style="list-style-type: none"> ■ Shift personnel responsible for sales promotion of Renesas EL to sales promotion for products of other companies such as overseas semiconductor manufacturers. Work to expand sales channels. ■ Accelerate the expansion of new business through M&As. (Solutions business) <ul style="list-style-type: none"> ■ Continue to strengthen the cloud segment. ■ Accelerate the expansion of business fields with an eye on M&As. |
| | 2. Improve capital efficiency | <ul style="list-style-type: none"> ■ Continue to review timely and appropriate capital policy |
| | 3. Strengthen corporate governance | <ul style="list-style-type: none"> ■ Develop systems for appropriate risk-taking; for example, increasing the number of independent external directors. |

*Please refer to the “Notice Regarding the Withdrawal of the V70 Medium-Term Management Plan Quantitative Targets” which was released on May 27, 2020.

● Full Year Business Forecast for the Year Ending March 31, 2021

Due to the uncertainty caused by the impact of the spread of COVID-19 and the cancellation of the dealership agreement with Renesas EL, the Company has withdrawn the V70 quantitative targets. However, at the current time, it is difficult to rationally estimate the specific amount of the impact. Therefore, the Company has decided to postpone the business forecast for the second quarter (cumulative) and full-term. The Company will disclose these forecasts once a rational estimate becomes possible.

● Dividends Forecast for the Year Ending March 31, 2021

While aiming for a consolidated payout ratio of 50%, the Company's basic policy is to decide on dividends while considering a balance of return to shareholders, investment for acquiring growth opportunities, maintenance of internal reserves for enabling sustainable growth, and improvement of capital efficiency. Based on this policy, we plan to decide on and disclose dividends in conjunction with the business performance forecast.

**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.*