

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

May 12, 2021

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)

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For Immediate Release:

Notice Regarding the V73 Medium-Term Management Plan

An overview of the V73 Medium-Term Management Plan (hereinafter, “V73”) to be concluded in the fiscal year ending March 31, 2024 was announced in the release entitled “Notice Regarding the New Medium-Term Management Plan” dated February 3, 2021. Details of the Plan have been decided as follows.

Details

1. Quantitative target (consolidated basis)

The Company positions ROE and ordinary profit as important management indices, and seeks to achieve an ROE of 5% at an early stage.

	Results for term ended March 31, 2021	Forecast for term ending March 31, 2022	Target for term ending March 31, 2024
ROE	3.9%	2.7%	5% or higher
Ordinary profit	¥1,873 million	¥1,500 million	¥2,500 million or higher
Net profit attributable to shareholders of parent company	¥1,641 million	¥1,150 million	¥1,800 million or higher

2. Measures for achieving the target

(1) Improve profitability through business structure reform and expand business in growth markets

We now face a situation in which the conventional business structure cannot respond to drastic environmental changes. Specifically, in the device business, the scale of business has shrunk due to the cancellation of the dealership agreement with Renesas Electronics Corporation, which had been a major supplier for many years. In the solution business, there are heightened needs for the construction of new network infrastructure (including the cloud) and security measures in conjunction with the rapid increase in remote work caused by COVID-19. In response to these changes, we will promote business structural reforms by implementing the following measures in each business, and strive to expand our business in growth markets with a view to sustainable growth over the medium- to long-term.

Device business

- 1) We will focus on improving profitability by increasing sales through expansion of lineups for products from overseas manufacturers and by reducing costs through revision of sales operations.
- 2) We will promote portfolio reform by developing highly-profitable new businesses such as selling AI/IoT solutions mainly for the manufacturing/infrastructure markets and by expanding to provide related services through the foothold of sales for parts/modules and finished products in the robotics market.

Solution business

- 1) We will strive to construct a subscription-type business model by expanding application services that utilize the cloud platform.
- 2) We will focus on improving and accumulating in-house technological capability in areas such as AI/IoT, 5G, and virtualization so that we can reliably seize the business opportunities that accompany the progress of DX.
- 3) We will strive to increase the number of customers through solution proposals based on consulting-type sales that are familiar with customer practices and integrated ICT technology from system design/construction to operation/maintenance, as well as co-creation in collaboration with partners.

(2) Improvement of capital efficiency

In the device business, where the demand for funds was particularly large, we expect that our promotion of business structure reform toward highly-profitable businesses will suppress the increased demand for funds. Compared to unit sales of semiconductors and electronic components, the purchase amount relative to net sales will decrease and there will be an increased ratio of service-type businesses with terms for early collection of accounts receivables. The Group will endeavor to improve ROE by optimizing capital in conjunction with improving profitability through such business structural reforms while maintaining financial soundness.

- 1) We will continue to pay dividends with a consolidated payout ratio of approximately 50% and implement a flexible capital policy including the acquisition of treasury stock. Regarding the acquisition of treasury stock, the tender offer for treasury stock is scheduled to begin from June 22, 2021, with the total number of shares to be acquired of up to 7,000 thousand shares and the total acquisition price of up to ¥15,743 million. (For details, please refer to the “Notice Regarding the Scheduled Acquisition of Treasury Stock and Tender Offer of Treasury Stock, and the Reduction of General Reserve, Capital Reserve, and Retained Surplus” dated May 12, 2021.)
- 2) We will strive to maintain financial soundness by securing cash on hand through measures such as improving transaction conditions, liquidating receivables, and selling strategically held shares, by reducing inventories through careful management of orders, and by reducing total assets. We will also consider commitment line contracts with our financial institutions to ensure the agility and stability of financing.

(3) Strengthening corporate governance

We will continue to strengthen corporate governance so that the Board of Directors can fulfill a central role in improving corporate value. In particular, as important management issues that will lead to an increase in corporate value, we will strengthen our efforts to address issues related to sustainability; for example, consideration for global environmental issues such as climate change and ensuring diversity.

- 1) We will review our policies on addressing issues related to sustainability.
- 2) We will strengthen our systems and management to effectively supervise the execution of strategy for the Medium-Term Management Plan.