



ANNUAL REPORT
2022

History

The Company was incorporated in 1953 under its present corporate name by Mr.Toshihisa Kitai, as a trading company principally dealing in electric motors and transformers.

In 1954, the Company began to purchase electron tubes from NEC Corporation for resale to manufacturers of electronic goods. In 1957 the Company entered into an agreement with NEC Corporation under which the Company was appointed as a distributor of certain electronic components manufactured by NEC Corporation. The Company began to distribute NEC Corporation's diodes and transistors in 1958 and, in the late 1960s, its integrated circuits. This relationship has continued to develop and NEC Electronics Corporation (currently Renesas Electronics Corporation) is now the largest supplier to the Company. Distributorship agreements have also been entered into with other suppliers including, in 1963,with TDK Corporation and the Company now has distributorship agreements with several different manufacturers.

In 1961, the Company moved its head office to Meguro, Tokyo and, in the same year, its first sales office was opened in Hiroshima. In addition to its head office, the Company now has 9 sales offices in Japan. The Company established its first overseas subsidiary in 1977. The Company now has twelve trading subsidiaries overseas.

In August 1983, the Company's Shares were first listed on the Tokyo Stock Exchange, moving to the First Section in April 1990.

In 2007, the Company moved its head office to Osaki, Tokyo and the capital was increased to 9,501,935,779yen.

In February 2012,the Company established Novalux Europe S.A. in Spain(Novalux Europe S.A. is currently in the process of liquidation).

In June 2021, the Company established NOVALUX EUROPE GmbH in Germany.

In June 2022, the Company transitioned to a company with an audit and supervisory committee.

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To Our Shareholders:

To Our Shareholders:

1. Summary of Performances, etc.

The Japanese economy in this consolidated accounting year has basically recovered due to the gradual mitigation of worldwide effect of COVID-19 while the economy has turned uncertain since the latter half of the year due to the rebound of COVID-19 caused by mutant strain and surged prices of energy and resources due to Russian invasion into Ukraine, and the price hike, etc. The electronics industry has shown the recovery, while tightened supply and demand in semiconductor products and electronics components has still prolonged.

Under these situations, our group (our Company and consolidated subsidiaries) has achieved the revenue and profit growth as a good result in any of the main fields of businesses related to industrial equipment, automobile electric components, OA equipment and entertainment equipment.

The business performances of our group in this consolidated accounting year were: consolidated turnover 135,205 million Yen (US\$ 1,104 million 31.4% increase compared with the previous period); operating profit 4,163 million Yen (US\$ 34 million 169.7% increase compared with the previous period); ordinary profit 4,103 million Yen (US\$ 33 million 162.8% increase compared with the previous period); and profit attributable to owners of parent 2,821 million Yen (US\$ 23 million 124.7% increase compared with the previous period).

Business performances per segment are as follows:

Electronic Components Business

The turnovers related to the industrial equipment, automobile electric component, OA equipment and entertainment equipment have been kept strongly.

As a result of the above, the turnovers were: semiconductor 75,029 million Yen (US\$ 613 million 29.9% increase compared with the previous period), electronic components 44,306 million Yen (US\$ 362 million 46.0% increase compared with the previous period), and totally 119,336 million Yen (US\$ 975 million 35.4% increase compared with the previous period).

Assembly Business

The turnover related to the entertainment equipment has been in low gear compared to the previous period, however industrial equipment has been kept strongly.

As a result of the above, the turnover of the assembly products was 12,306 million Yen (US\$ 100 million 9.7% increase compared with the previous period).

Other Businesses

The turnover related to the automobile electric component has been kept strongly, however industrial equipment has been in low gear. Therefore the total turnover of the other businesses has been nearly flat.

As a result of the above, the turnovers of the electronic devices and commissioned development of software for microcomputers were 3,563 million Yen (US\$ 29 million 0.2% decrease compared with the previous period).

2. Tasks to be settled

The Japanese economy has recovered basically. However, in addition to the prolonged effects by COVID-19, due to the surged prices of energy and resources caused by Russian invasion into Ukraine, and the price hike, the economy might be subject to uncertain situation. In these circumstances, our group (our Company and consolidated subsidiaries) has established a new midterm business plan from the period ending in March 2023 to the period ending in March 2025. Our group is determined to contribute to realize a sustainable society by enhancement of the existence values upon supply of various electronics goods and services, and embodiment of an evolving electronics component trading company group.

(i) New Midterm Business Plan (new growth strategy)

Numerical target: the period ending in March 2025 (based on consolidation)

Turnover: 180 billion Yen

Net profit in the accounting period: 3.7 billion Yen

ROE: 7%

Business strategy: Restructuring of business portfolio

Tackle for further enlargement of the existing businesses

Tackle of a new business

Tackle of M&A

Investment in human resources looking ahead to the future

(ii) Tight Supply-Demand of Semiconductor and Electronics Components

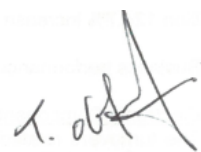
While semiconductor and electronics components are subject to the worldwide tightened supply-demand, this tendency might be prolonged due to the effect by the surged prices of resources and the infection spread of COVID-19 in China. Our group is determined to grasp accurately the demands from our customers, secure the goods upon collaboration with suppliers, and play a role as a trading company.

(iii) Risk in Inventory

Inventories as an important factor for the function of a trading company are comprised of inventory of products of end of life (EOL) and inventory of circulating products (BCM) to continue a supply chain in case of occurrence of natural disaster such as an earthquake in addition to distribution inventory. In recent years, new needs for BCM inventory are increased due to the tight supply-demand of semiconductor and electronics components. Our group considers them as a substantial risk and takes various steps to minimize the risk by strengthening of proper inventory management, securing of cash reserves consistently, and adopting accounting processing prepared for a future risk, etc.

(iv) Further Enhancement of Risk Management System

Based on the experience of COVID-19, we are determined to strengthen business continuity in case of pandemic in addition to the past countermeasure in case of natural disaster, and to enhance further the risk management system.



Tatsuya Ogawa
President

Note:

U.S.dollar amounts contained in the above statements are translations of the corresponding Japanese yen amounts calculated at the exchange rate of US\$1=¥122.39, which was the mean of the quotations by a leading commercial bank in Tokyo for buying and selling dollars for yen on the spot market by telegraphic transfer on 31st March, 2022.

Main Line of Business

Renesas Electronics Corporation

Microcontroller (MCU)
Microprocessor (MPU)
Analog Products
Automotive Products
Clocks & Timing
Interface & Connectivity
Memory & Logic
Power & Power Management
Programmable Mixed-signal, ASIC & IP Products
RF Products
Sensor Products
Audio & Video

TDK Corporation

Capacitors
Inductors(Coils)
EMC Components
RF Components and Modules
Voltage / Current / Temperature Protection Devices
Sensors and Sensor Systems
Transformers
Ferrites and Accessories
Ceramic Switching / Heating, Piezo Components, Buzzers and
Microphones
Noise Suppressing / Magnetic Sheets
Anechoic Chambers and Radio Wave Absorbers
Power Supplies
Magnets
Flash Storages
Wireless Power Transfer
Solid-State Batteries

TDK-Lambda Corporation

AC-DC Power Supplies
DC-DC Converters
Programmable Power Supplies
High Voltage Power Supplies
Bidirectional Converters

TDK-Micronas GmbH

Hall Switches
Linear Hall Sensors
Direct Angle Sensors
Current Sensing
TMR Angle Sensors
Embedded Motor Controllers

AMD-XILINX (Advanced Micro Devices, Inc)

Complex Programmable Logic Device (CPLD)
Field Programmable Gate Array (FPGA)
SoCs that integrated Processor and FPGA
Adaptable Accelerator Cards for Data Center Workloads
Adaptive System-on-Modules (SOMs)

Kyocera Corporation

Ceramic chip capacitor
Power Devices
FPC/FFC connectors
Crystal Oscillators
Printed Wiring Boards
Industrial TFTs-LCD module

KYOSHA CO.,LTD.

Printed Wiring Boards
Carrier jigs for mounting electrical components

SUSUMU CO.,LTD.

Thin film surface mount resistors
Current sensing surface mount resistors
High frequency surface mount components

TOKIN Corporation

Tantalum Capacitors
Ceramic Capacitors
EMI Countermeasure Parts
Sensors

EM Devices Corporation

Miniature Signal Relays
Miniature Power Relays

KEC Corporation

Transistors
Diode
MOSFET
IGBT
Voltage Regulator

Fujikura Ltd / DDK Ltd.

Rectangular connector
Coaxial connector
FPC/FFC connector

Molex Japan Co., Ltd.

Board-to-Board Connectors
Wire-to-Board Connectors
FFC,FPC connector

NEC Corporation

Factory Computer
Video Solution
Optical Transceivers for Backbone Network

Tianma Micro-electronics Co., Ltd.

TFT-LCD module

Gunze Limited

Touch panel

Nidec Servo Corporation

DC Servomotor
AC Servomotor
Stepping motor
Cooling fan

Iwaki Musen kenkyusho Co., Ltd.

Cement Case Resistors

SEOUL SEMICONDUCTOR.CO.,LTD

LED

Seoulviosys Co., Ltd.

UV LED

KYOCERA AVX Components Corporation

Tantalum Capacitors
Ceramic Capacitors
Varistors
Antenna
Power / Chip Film Capacitors
Connectors

YKC Corporation

Double-sided, multilayer, SBH board
Thin rigid PWB, Flexible PWB

Yamamoto Mfg. Co., Ltd.

Large High-Density,Super-Multi-Layer Printed Circuit Boards
High-Density,Multi-Layer Printed Circuit Boards

Radiation board
Small/Complex-Shaped Multi-Layer Printed Circuit Boards

Ally Japan Co.,Ltd.

Double-side & multi-layer Printed Circuit Boards
HDI Printed Circuit Boards
Vibration & DC Motors
Brushless DC Fans

Nitsuko Electronics Corporation

Film capacitor

EVERLIGHT Electronics Co., Ltd.

Visible LED
Infrared LED
Sensor
Photo Coupler

Remarks : We have distribution agreements with these
manufacturers for domestic sales.
Please contact our International Marketing Department overseas
Subsidiaries and affiliate for sales when you have any issue
outside Japan.

Consolidated Balance Sheets

As of 31st March, 2021 and 2022

	As of 31st March,		
	2021	2022	2022
	(Millions of yen)		(Thousands of U.S.dollars) (Note 1)
ASSETS			
Current assets :			
Cash and deposits	17,697	10,710	87,507
Notes and accounts receivable-trade	23,960	-	-
Notes and accounts receivable - trade, and contract asset	-	31,307	255,797
Merchandise inventories	16,840	29,189	238,492
Work in process	14	28	229
Accounts receivable-other	8,141	10,895	89,019
Other current assets	182	246	2,010
Less : Allowance for doubtful accounts	(4)	(7)	(57)
Total current assets	<u>66,833</u>	<u>82,368</u>	<u>672,997</u>
Fixed Assets :			
Property and equipment, at cost :			
Land (Note 10)	332	332	2,713
Buildings and structures	906	906	7,402
Machinery, equipment and other	1,167	1,175	9,600
Less : Accumulated depreciation	(1,488)	(1,602)	(13,089)
Total property and equipment	<u>916</u>	<u>811</u>	<u>6,626</u>
Intangible assets :			
Software	403	451	3,685
Other intangible assets	92	62	506
Total Intangible assets	<u>495</u>	<u>513</u>	<u>4,191</u>
Investments and other assets :			
Investment securities (Note 4)	3,167	3,106	25,378
Investments in unconsolidated subsidiaries and an affiliate	74	74	604
Deferred tax assets	165	193	1,577
Other assets	1,839	1,883	15,385
Less : Allowance for doubtful accounts	(3)	(2)	(16)
Total investments and other assets	<u>5,244</u>	<u>5,254</u>	<u>42,928</u>
Total fixed assets	<u>6,655</u>	<u>6,578</u>	<u>53,745</u>
Total	<u><u>73,489</u></u>	<u><u>88,946</u></u>	<u><u>726,742</u></u>

As of 31st March,

LIABILITIES AND NET ASSETS

Current liabilities :

	2021	2022	2022
	(Millions of yen)		(Thousands of U.S.dollars) (Note 1)
Notes and accounts payable-trade	11,073	17,324	141,547
Electronically recorded obligations	2,013	1,978	16,161
Short-term bank loans (Note 5)	1,295	7,444	60,822
Current portion of short-term bank loans	2,500	-	-
Income tax payable	149	1,103	9,012
Allowance for bonuses	437	623	5,090
Allowance for bonuses to directors	44	72	588
Provision for loss on liquidation of subsidiaries	-	-	-
Other current liabilities	3,272	2,945	24,062
Total current liabilities	<u>20,785</u>	<u>31,489</u>	<u>257,282</u>

Long-term liabilities :

Long-term bank loans, less current portion (Note 5)	600	3,800	31,048
Provision for share based compensation expenses for directors	75	88	719
Provision for share based compensation expenses for employees	129	186	1,520
Deferred tax liabilities on revaluation	4	4	33
Deferred tax liabilities	274	209	1,708
Net defined benefit liability (Note 6)	963	870	7,108
Other long-term liabilities	317	355	2,901
Total long-term liabilities	<u>2,363</u>	<u>5,512</u>	<u>45,037</u>

Net assets (Note 7) :

Common stock:			
Authorized-79,400,000 shares			
Issued-47,510,566 shares in 2021			
Issued-38,010,566 shares in 2022	9,502	9,502	77,637
Capital surplus	9,599	9,599	78,430
Retained earnings	37,680	31,225	255,127
Treasury stock, at cost	(8,299)	(1,286)	(10,507)
Accumulated other comprehensive income:			
Unrealized gain/(loss) on securities	956	826	6,749
Unrealized gain/(loss) on deferred hedge	0	4	33
Foreign currency translation adjustment	329	1,547	12,640
Revaluation reserve for land (note 10)	(50)	(50)	(408)
Net defined benefit liability	6	3	24
Total	<u>49,723</u>	<u>51,370</u>	<u>419,725</u>
Non-controlling interests	<u>617</u>	<u>575</u>	<u>4,698</u>
Total net assets	<u>50,340</u>	<u>51,945</u>	<u>424,423</u>
Total	<u>73,489</u>	<u>88,946</u>	<u>726,742</u>

Note:

A decrease of 9,500,000 shares in the number of outstanding shares of common stock is due to retirement of treasury stock.

Consolidated Statements of Income

As of 31st March, 2021 and 2022

	Year ended 31st March,		
	2021	2022	2022
	(Millions of yen)		(Thousands of U.S.dollars) (Note 1)
Net sales	¥102,898	¥135,205	\$1,104,706
Cost of sales	93,554	122,294	999,216
Gross Profit	9,343	12,911	105,490
Selling, general and administrative expenses	7,800	8,748	71,476
Operating income	1,543	4,163	34,014
Other income (expenses):			
Interest and dividend income	87	99	808
Interest expense	(58)	(55)	(449)
Exchange Gain/(Loss)	(15)	(129)	(1,054)
Loss on sales and disposal of property and equipment	(9)	(1)	(8)
Appraisal of investment securities	(3)	-	-
Gain on sales of investment securities	-	33	269
Settlement expenses	(64)	-	-
Other, net	144	26	213
Net other income (expenses)	83	(27)	(221)
Income before income taxes and non-controlling interests	1,626	4,136	33,793
Income taxes (Note 8):			
Current year	368	1,341	10,956
Deferred	(1)	(80)	(653)
Total income taxes	367	1,261	10,303
Profit (loss)	1,259	2,875	23,490
Profit (loss) attributable to non-controlling interests	3	53	433
Profit (loss) attributable to owners of parent	¥1,255	¥2,822	\$23,057
	(Yen)		(U.S.dollars) (Note 1)
Per share data :			
Net income	¥33.86	¥76.11	\$0.62
Cash dividends applicable to the year	34.00	59.50	0.49

Consolidated Comprehensive Statements of Income

Year ended 31st March, 2021 and 2022

	Year ended 31st March,		
	2021	2022	2022
	(Millions of yen)		(Thousands of U.S.dollars) (Note 1)
Profit (loss)	¥1,259	¥2,874	\$23,482
Other comprehensive income			
Net unrealized gain (loss) on available-for-sale securities	545	(129)	(1,054)
Unrealized gain /(loss) on deferred hedge	0	3	24
Foreign currency translation adjustment	(0)	1,223	9,992
Remeasurements of defined benefit plans	(3)	(3)	(24)
Total other comprehensive income	542	1,094	8,938
Comprehensive income	¥1,801	¥3,968	\$32,420
(Details)			
Comprehensive income relating to shareholders of parental company	¥1,796	¥3,910	\$31,947
Comprehensive income relating to other shareholders	¥5	¥58	\$473

Consolidated Statements of Changes in Net Assets

Year ended 31st March, 2021 and 2022

	Thousands			Millions of yen								
	Number of shares of Common stock	Common stock	Capital Surplus	Retained Earnings	Treasury stock	Unrealized gain/(loss) on securities	Deferred hedge gain or loss	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Non-controlling interests	Total
Balance, March 31, 2020	49,710	¥9,502	¥9,788	¥39,065	(¥10,122)	¥411	-	(¥50)	¥330	¥9	¥611	¥49,544
Cumulative effects of changes in accounting policies												-
Restated balance	49,710	¥9,502	¥9,788	¥39,065	(¥10,122)	¥411	-	(¥50)	¥330	¥9	¥611	¥49,544
Gain on disposal of treasury stock												-
Profit (loss) attributable to owners of parent				1,256								1,256
Increase in retained earnings from newly consolidated subsidiary												-
Reversal of revaluation reserve for land												-
Cash dividends, ¥28 per share				(1,064)								(1,064)
Unrealized gain/(loss) on securities												-
Deferred hedge gain/(loss)												-
Revaluation reserve for land												-
Net Increase/(decrease) in foreign currency translation adjustment												-
Increase/(decrease) in treasury stock	(2,200)		(189)	(1,576)	1,765							58
Other net increase/(decrease)						545	1		(1)	(3)	5	546
Balance, March 31, 2021	47,510	¥9,502	¥9,599	¥37,680	(¥8,299)	¥956	¥1	(¥50)	¥329	¥6	¥616	¥50,340
Cumulative effects of changes in accounting policies				(¥18)								(18)
Restated balance	47,510	¥9,502	¥9,599	¥37,662	(8,299)	¥956	¥1	(50)	¥329	¥6	¥616	¥50,322
Gain on disposal of treasury stock												-
Profit (loss) attributable to owners of parent				2,821								2,821
Increase in retained earnings from newly consolidated subsidiary												-
Reversal of revaluation reserve for land												-
Cash dividends, ¥41 per share				(1,634)								(1,634)
Unrealized gain/(loss) on securities												-
Deferred hedge gain/(loss)												-
Revaluation reserve for land												-
Net Increase/(decrease) in foreign currency translation adjustment												-
Increase/(decrease) in treasury stock					(612)							(612)
Cancellation of treasury stock	(9,500)			(7,624)	7,624							-
Other net increase/(decrease)						(130)	4		1,218	(3)	(41)	1,048
Balance, March 31, 2022	38,010	¥9,502	¥9,599	¥31,225	(¥1,287)	¥826	¥5	(¥50)	¥1,547	¥3	¥576	¥51,945

	Thousands			Millions of U.S. dollars								
	Number of shares of Common stock	Common stock	Capital Surplus	Retained Earnings	Treasury stock	Unrealized gain/(loss) on securities	Deferred hedge gains or losses	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Non-controlling interests	Total
Balance, March 31, 2021	47,510	\$77,637	\$78,430	\$307,868	(\$67,808)	\$7,811	-	(\$408)	\$2,888	\$49	\$5,041	\$411,308
Cumulative effects of changes in accounting policies				(\$147)								(147)
Restated balance	47,510	\$77,637	\$78,430	\$307,721	(\$67,808)	\$7,811	\$0	(408)	\$2,888	\$49	\$5,041	\$411,161
Gain on disposal of treasury stock												-
Profit (loss) attributable to owners of parent				23,057								23,057
Increase in retained earnings from newly consolidated subsidiary												-
Reversal of revaluation reserve for land												-
Cash dividends, ¥41 per share				(13,358)								(13,358)
Unrealized gain/(loss) on securities												-
Deferred hedge gain/(loss)												-
Revaluation reserve for land												-
Net Increase/(decrease) in foreign currency translation adjustment												-
Increase/(decrease) in treasury stock					(4,992)							(4,992)
Cancellation of treasury stock	(9,500)			(62,293)	62,293							-
Other net increase/(decrease)						(1,062)	33		9,952	(25)	(343)	8,555
Balance, March 31, 2022	38,010	\$77,637	\$78,430	\$255,127	(\$10,507)	\$6,749	33	(\$408)	\$12,840	\$24	\$4,698	\$424,423

Consolidated Statements of Cash Flows

Year ended 31st March, 2021 and 2022

	As of 31st March,		
	2021	2022	2022
	(Millions of yen)		(Thousands of U.S.dollars) (Note 1)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Income before income taxes	¥1,626	¥4,136	\$33,793
Depreciation	336	327	2,671
Amortization of goodwill	18	13	106
Reversal of foreign currency translation adjustment –consolidated subsidiaries	(141)	–	–
Increase/(Decrease) in allowance for doubtful accounts	(2)	1	8
Increase/(Decrease) in allowance for bonuses to directors	2	27	220
Increase/(Decrease) in net defined benefit liability	(57)	(99)	(808)
Increase/(Decrease) in provision for board benefit trust	(28)	12	98
Increase/(Decrease) in provision for employee benefit trust	31	57	465
(Gain)/Loss on disposals and sales of property and equipment, net	8	1	8
(Gain)/Loss on sales of investment securities, net	–	(33)	(269)
Appraisal of investment securities	3	–	–
Interest and dividends received	(87)	(99)	(808)
Interest expenses	58	55	449
Loss on settlement expenses	64	–	–
(Increase)/Decrease in notes and accounts receivable–trade	(3,350)	(6,624)	(54,122)
(Increase)/Decrease in accounts receivable–other	(530)	(1,619)	(13,228)
(Increase)/Decrease in merchandise inventories	(1,900)	(11,868)	(96,968)
Increase/(Decrease) in notes and accounts payable–trade	(522)	5,730	46,817
Other, net	615	(1,415)	(11,561)
	(3,856)	(11,398)	(93,129)
Cash and cash equivalents received on interest and dividends	87	100	817
Cash and cash equivalents paid on interest expenses	(58)	(57)	(465)
Cash and cash equivalents paid on income taxes	(636)	(276)	(2,255)
Loss on settlement expenses	(64)	–	–
Net cash provided by operating activities	(4,527)	(11,631)	(95,032)
CASH FLOWS FROM INVESTING ACTIVITIES:			
(Purchase)/Sales of investment securities, net	(209)	(10)	(82)
Purchase of investment in affiliated	–	–	–
(Purchase)/Sales of property and equipment, net	(150)	(117)	(956)
Increase in intangible assets	(233)	(156)	(1,274)
Other, net	(122)	(123)	(1,005)
Net cash (used in) investing activities	(714)	(406)	(3,317)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Increase/(Decrease) in short–term bank loans, net	(100)	5,995	48,982
Increase/(Decrease) in long–term bank loans, net	–	700	5,719
Cash dividends paid	(1,061)	(1,630)	(13,318)
Dividends paid to non–controlling interests	–	(100)	(817)
Purchase of treasury shares	(0)	(645)	(5,270)
Other, net	(70)	(68)	(555)
Net cash (used in) financing activities	(1,232)	4,252	34,741
Translation Loss on Cash and Cash Equivalents	146	768	6,275
Net Increase/(Decrease) in Cash and Cash Equivalents	(6,327)	(7,017)	(57,333)
Cash and Cash Equivalents at Beginning of Year	23,924	17,596	143,769
Cash and Cash Equivalents at End of Year (Note 3)	¥17,596	¥10,579	\$86,436

Notes to the Consolidated Financial Statements

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared from accounts and records maintained in Japanese yen by Shinko Shoji Co., Ltd. (the "Company") and its subsidiaries (together, hereinafter referred to as the "Companies") in conformity with accounting principles and practices generally accepted in Japan (hereinafter referred to as the "GAAP of Japan"), which are different in certain respects as to application and disclosure requirements of International Accounting Standards. Also, the accompanying consolidated financial statements have been prepared from the consolidated financial statements filed with the Ministry of Finance of Japan as required by the Financial Instruments and Exchange Laws of Japan. Certain reclassifications of account balances have been made so as to present the financial statements in a form that are more familiar to readers outside Japan.

The accounts and records of the Companies are maintained in Japanese yen. The accompanying consolidated financial statements have been presented in Japanese yen and have also been presented in US dollars by translating all Japanese yen amounts using the rate of ¥122.39 to US\$1. The presentation of such dollar amounts is solely for the convenience of the readers and is not intended to imply that yen amounts have been or could be converted, realized or settled in dollars at that or at any other rate.

Certain reclassifications have been made in the 2021 consolidated financial statements to conform to the classifications used in 2022.

2. Summary of Significant Accounting Policies

(a) Principle of consolidation

The consolidated financial statements as of March 31, 2021 include the accounts of the Company and its eleven significant subsidiaries, and March 31, 2022 include the accounts of the Company and its twelve significant subsidiaries. (together the "Group").

For the purposes of preparing the consolidated financial statements, all significant intercompany transactions, account balances and unrealized profits among the Companies have been eliminated.

The accounts of other subsidiaries were not consolidated, since their aggregate sales, total assets, net income and retained earnings have little effect on the total consolidated results of operations and assets. Investments in unconsolidated subsidiaries and an affiliate are carried at cost due to their immateriality.

(b) Cash and cash equivalents

For purposes of the consolidated statements of cash flows, the Companies consider all highly liquid debt instruments with maturities of three months or less to be cash equivalents.

(c) Investment securities

The GAAP of Japan have required the classification of investment securities(except for "unconsolidated subsidiaries and affiliates")of the Companies into three categories as follows:

- I)Debt securities that are expected to be held-to-maturity: carried at accumulated cost using the straight-line method
- II)Other securities, whose fair values are readily determinable: carried at fair value with unrealized gain or loss included in Equity as "Unrealized gain/(loss) on securities", net of applicable income taxes
- III)Other securities, whose fair values are not readily determinable: carried at cost using the moving-average method

With respect to investments in unconsolidated subsidiaries and affiliates, the Companies are carrying their amounts at cost, determined by the moving-average method.

(d) Merchandise inventories

Mainly the cost method using the moving average method(the carrying value on the balance sheet is written down to reflect the effect of lower profit margins).

(e) Property and equipment

Property and equipment are stated at cost. Depreciation is computed primarily by the declining –balance method, as prescribed by Japanese income tax laws, using estimated useful lives of assets principally as follows:

Buildings and structures	8 to 50 years
Machinery and equipment	2 to 20 years

(f) Intangible assets

Intangible assets including software are amortized by the straight-line method over the estimated useful lives of assets principally as follows:

software	5 years
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(g) Foreign currency translation

Foreign currency deposits and foreign currency receivables and payables are translated into Japanese yen at the rates prevailing at the balance sheet date, except for those subject to forward contracts, which are translated at the contracted rates. All asset, liability, income and expense of foreign subsidiaries are translated into Japanese yen at the rates prevailing at the balance sheet date, and the resulting translation adjustments are charged to Net assets as “Foreign currency translation adjustment”.

(h) Income taxes

Deferred tax assets and liabilities arising from temporary differences between financial and tax reporting are measured using the effective statutory tax rates and laws which will be in effect when the differences are expected to reverse. For the purpose of preparing consolidated financial statements, deferred tax assets and liabilities also arose from the elimination of unrealized profits among the Companies and the adjustment of allowance for doubtful accounts caused by the offsetting of inter-company receivables and payables.

(i) Appropriations of retained earnings

Appropriations of retained earnings of the Company at each year-end are reflected in the consolidated financial statements for the following year upon shareholders’ approval (See Note 9).

(j) Net income and cash dividends per share

The computations of net income per share are based on the weighted-average number of Shares outstanding during each year. Cash dividends per share are based on the cash dividends applicable to the respective years, including dividends to be paid after the end of the year.

Changes in accounting policies

(Application of Accounting Standard for Revenue Recognition and Its Implementation Guidance)

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 31, 2020) from the start of the fiscal year under review, and it has recognized promised goods or services as revenue at the amount expected to be received upon exchange of said goods or services at the time the control of said promised goods or services is transferred to the customer.

The application of the Accounting Standard for Revenue Recognition and its Implementation Guidance is subject to the transitional treatment provided for in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of

the retrospective application, assuming the new accounting policy had been applied to periods prior to the start of the fiscal year under review, was added to or subtracted from the opening balance of retained earnings of the fiscal year under review, and thus the new accounting policy was applied from such opening balance; provided, however, that the new accounting policy was not retrospectively applied to contracts where recognitions of nearly all the revenue amounts for periods prior to the start of the fiscal year under review, were subject to the previous treatment by applying the method provided for in paragraph 86 of the Accounting Standard for Revenue Recognition.

As a result of this change, for the fiscal year under review, accounts receivable decreased by 960 million Yen(US\$ 8 million), merchandise inventories increased by 831 million Yen(US\$ 7 million), accounts receivable-other increased by 649 million Yen (US\$ 5 million) and other current liabilities increased by 569 million Yen(US\$ 5 million). Net sales decreased by 2,861 million Yen(US\$ 23 million), cost of sales decreased by 2,812 million Yen(US\$ 23 million) and operating profit, ordinary profit and profit before income taxes each decreased by 49 million Yen(US\$ 400 thousand).

3. Cash and cash equivalents

At 31st March, 2021 and 2022, Cash and cash equivalents consisted of the following:

	As of 31st March,		
	2021	2022	2022
	(Millions of yen)		(Thousands of U.S.dollars) (Note 1)
Cash and deposits	¥17,697	¥10,710	\$159,853
Separate deposit (Board benefit trust)	(100)	(130)	(15,910)
Cash and cash equivalents	¥17,596	¥10,579	\$143,943

4. Securities

Information that required to be disclosed in the Notes of the consolidated financial statements by the regulations and rules on disclosures under the Financial Instruments and Exchange Laws of Japan, consist of the following:

(a) Held-to-maturity debt securities as at 31st March, 2022 were as follows:

	(Millions of yen)			(Thousands of U.S. dollars)		
	Book Value	Fair value	Difference	Book Value	Fair value	Difference
Securities whose fair value exceed their book value on the consolidated balance sheets						
Bonds	-	-	-	-	-	-
Other	-	-	-	-	-	-
Sub-total	-	-	-	-	-	-
Securities whose fair value do not exceed their book value on the consolidated balance sheets						
Bonds	-	-	-	-	-	-
Other	-	-	-	-	-	-
Sub-total	-	-	-	-	-	-

(b) Other securities as at 31st March, 2022 were as follows:

	(Millions of yen)			(Thousands of U.S. dollars)		
	Book Value	Acquisition Cost	Difference	Book Value	Acquisition Cost	Difference
Securities whose book value on the consolidated balance sheets exceed their acquisition cost						
Equity securities	2,345	1,114	1,231	19,160	9,102	10,058
Sub-total	2,345	1,114	1,231	19,160	9,102	10,058
Securities whose book value on the consolidated balance sheets do not exceed their acquisition cost						
Equity securities	683	737	(54)	5,580	6,021	(441)
Sub-total	683	737	(54)	5,580	6,021	(441)
Total	¥3,028	¥1,851	¥1,177	\$24,740	\$15,123	\$9,617

(Note1) Unlisted stocks (¥77 million or US\$629 thousands) in consolidated balance sheet for the year ended 31st March, 2022) which do not have market prices are not included since the estimation of fair value is seemed to be extremely difficult.

5. Short-Term and Long-Term Bank Loans

The weighted-average interest rates of short-term bank loans as at the year ended 31st March, 2022 was approximately 0.53 percent.

At 31st March, 2021 and 2022, long-term bank loans consisted of the following:

	As of 31st March,		
	2021	2022	2022
	(Millions of yen)		(Thousands of U.S.dollars)
Long-term banks loans	¥3,100	¥3,800	\$31,048
Less:current portion	(2,500)	-	-
Total	¥600	¥3,800	\$31,048

The aggregate annual maturities of long-term bank loans as at 31st March, 2022 were as follows:

	(Millions of yen)	(Thousands of U.S.dollars)
2023	¥1,000	\$8,170
2024	¥600	\$4,903
2025	¥700	\$5,719
2026	¥1,500	\$12,255
Total	¥3,800	\$31,047

The Company has overdraft agreements and commitment line contracts with four financial institutions to ensure agility and stability in procurement of working capital. The balance of unexecuted borrowings based on these contracts at March 31, 2022 was as follow:

	(Millions of yen)	(Thousands of U.S.dollars)
Total amount of overdraft and commitment line	¥17,700	\$144,619
Borrowing amount	¥5,700	\$46,572
Balance	¥12,000	\$98,047

6. Retirement Benefits

Employees of the Company and a domestic consolidated subsidiary are usually entitled to lump-sum employee retirement benefits determined by reference to their current basic rate of pay, length of service and conditions under which the termination occurs.

"Net defined benefit liability" recognized in the consolidated balance sheet as at 31st March 2022 were as follows:

Defined benefit plans

	As of 31st March,	
	2022	2022
	(Millions of yen)	(Thousands of U.S.dollars)
Projected benefit obligation at beginning and end of year		
Projected benefit obligation at beginning of year	¥745	\$6,087
Service cost	24	196
Interest cost	3	24
Actuarial (gain) loss	3	24
Benefit paid	(110)	(898)
Projected benefit obligation at end of year	¥665	\$5,433

	As of 31st March,	
	2022	2022
	(Millions of yen)	(Thousands of U.S.dollars)
Projected benefit obligation at beginning and end of year		
of the companies to which the simplified method is applied		
Projected benefit obligation at beginning of year	¥218	\$1,782
Retirement benefit cost	16	130
Benefit paid	(31)	(253)
Projected benefit obligation at end of year	¥203	\$1,659

	As of 31st March,	
	2022	2022
	(Millions of yen)	(Thousands of U.S.dollars)
Reconciliation of projected benefit and plan assets, and defined benefit liability		
and net defined benefit asset in the consolidated balance sheet		
Funded retirement benefit obligations	—	—
Plan assets	—	—
Subtotal	—	—
Unfunded retirement benefit obligations	¥870	\$7,108
Net liability (asset) for retirement benefits in the consolidated balance sheet	¥870	\$7,108

	As of 31st March,	
	<u>2022</u>	<u>2022</u>
	(Millions of yen)	(Thousands of U.S.dollars)
Retirement benefit expenses		
Service cost	¥24	\$196
Interest cost	3	24
Amortization of actuarial (gain) loss	(1)	(8)
Total retirement benefit costs based on the simplified method	16	130
Other	7	57
Total retirement benefit cost for the year ended 31st,march, 2021	¥49	\$399

	As of 31st March,	
	<u>2022</u>	<u>2022</u>
	(Millions of yen)	(Thousands of U.S.dollars)
Remeasurements of defined benefit plans, net of tax (before deducting tax effect)		
Priorservice costs	—	—
Actuarial difference	¥3	\$24
Total	¥3	\$24

	As of 31st March,	
	<u>2022</u>	<u>2022</u>
	(Millions of yen)	(Thousands of U.S.dollars)
Remeasurements of defined benefit plans (before deducting effect)		
Unrecognized past service costs	—	—
Unrecognized actuarial (gain) loss	(¥4)	(\$32)

Basis of actuarial assumption

Basis of actuarial assumption at the end of year

Discount rate ----- 0.408%

Defined contribution pension plans

The amount to be paid by our Group (our Company and consolidated subsidiaries) to the defined contribution plans was 214 million Yen (US\$ 1,748 thousands).

7. Net assets

Under the Japanese Corporate Law, at least 50% of the issue price of new shares is required to be designated as common stock. The portion that is to be designated as common stock is determined by resolution of the Board of Directors proceeds in excess of the amounts designated as common stock are credited to additional paid-in capital.

The law provides that an amount equal to 10% of dividends shall be appropriated and set aside as a legal reserve until the total amount of legal reserve and additional paid-in capital equals 25% of common stock.

The legal reserve and additional paid-in capital may be used to eliminate or reduce a deficit by resolution of the shareholders' meeting or may be capitalized by resolution of the Board of Directors. On condition that the total amount of legal reserve and additional paid-in capital remains being equal to or exceeding 25% of common stock, they are available for distributions or certain other purposes by the resolution of shareholders' meeting. Legal reserve is included in retained earnings in Consolidated Balance Sheets. The legal reserve as at 31st March 2022 is 890 million Yen (US\$ 7,271 thousands).

8. Income taxes

The Companies is subject to corporate (national), inhabitants and enterprise (local) taxes based upon taxable income. The aggregate normal effective tax rate on income taxes was 30.6% in 2021 and 2022. The effective tax rate reflected in the accompanying consolidated statements of income and retained earnings for the year ended 31st March, 2021 and 2022 differs from the statutory tax rate primarily due to such items as permanently nondeductible expenses and temporary differences in recognizing certain income and expense items for financial and tax reporting purposes.

Deferred tax assets and liabilities of the Companies as of 31st March, 2021 and 2022 primarily consisted of the following:

	As of 31st March,		
	2021	2022	2022
	(Millions of yen)		(Thousands of U.S.dollars)
Deferred tax assets:			
Accrued enterprise tax	¥10	¥75	\$613
Accrued business office tax	2	2	16
Allowance for bonuses	133	192	1,569
Allowance for doubtful accounts	2	4	32
Long-term accounts payable	32	16	131
Net defined benefit liability	299	271	2,214
Appraisal loss of investment securities	19	17	139
Others	344	405	3,309
subtotal	841	982	8,023
Less valuation allowance	(70)	(85)	(695)
Total	771	897	7,328
Deferred tax liabilities:			
Unrealized gain on securities	(402)	(366)	(2,990)
Dividend income eliminated in consolidation	(470)	(506)	(4,134)
Others	(8)	(41)	(335)
Total	(880)	(913)	(7,459)
Net deferred tax assets	(¥109)	(¥16)	(\$131)

A reconciliation between the statutory tax rate for the year ended March 31, 2022 and 2021, and the effective tax rates reflected in the accompanying consolidated statement of income is as follows:

For the year ended March 31, 2022 notes have been omitted as the difference between the statutory tax rate and the effective tax rate after adoption of tax effect accounting was less than 5% of the statutory tax rate.

	<u>2021</u>
Statutory tax rate	30.6%
Expense not deductible for income tax purposes	1.8%
Income not taxable for income tax purposes	0.2%
Inhabitants taxes-per capita	1.4%
Effect of dividend income eliminated in consolidation	4.4%
Valuation allowance	-7.5%
Tax rate difference of oversea consolidated subsidiaries	-6.1%
Gain on reversal of foreign currency translation adjustment	-2.6%
Others	0.3%
Effective tax rate	<u>22.5%</u>

9. Subsequent Event

The following appropriations of retained earning at March 31, 2022 were approved at the Board of Directors held on June 3, 2022:

	As of 31st March,	
	<u>2022</u>	<u>2022</u>
	(Millions of yen)	(Thousands of U.S.dollars)
Cash dividends	<u>¥1,362</u>	<u>\$11,128</u>

10. Revaluation on land

At March 31, 2002, land owned by the Company was revalued under the Land Revaluation Law and unrealized were credited directly to Equity as "Revaluation reserve for land" after offsetting the related deferred tax liability as stipulated by the law.

	As of 31st March,	
	<u>2022</u>	<u>2022</u>
	(Millions of yen)	(Thousands of U.S.dollars)
Unrecognized difference between the book value of land and the fair value of land after revaluation	<u>(¥68)</u>	<u>(\$555)</u>

11. Derivative Transactions

The disclosure of derivative transactions has been omitted because disclosing such information in this Financial Results is considered immaterial.

12. Segment Information

Information concerning sales, income or loss, assets, liabilities, and other items in each report segment for the year ended 31st March, 2021 and 2022 were summarized as follows:

millions of Yen						
Year ended 31st March, 2021						
	Electronics components business	Assembly business	Other business	Total	Adjustment amount	Consolidated income statement amount
Net sales						
Sales to external customers	¥88,107	¥11,222	¥3,569	¥102,898	—	¥102,898
Inter—segment sales and transfers	—	—	—	—	—	—
Total	88,107	11,222	3,569	102,898	—	102,898
Segment income	3,059	253	269	3,581	(2,038)	1,543
Segment assets	37,944	6,093	1,717	45,754	27,735	73,489
Segment liabilities	9,591	3,106	388	13,085	10,063	23,148
Other items						
Depreciation expenses	-	-	13	13	323	336
Increase of tangible fixed assets and intangible fixed assets	-	-	8	8	374	382

millions of Yen						
Year ended 31st March, 2022						
	Electronics components business	Assembly business	Other business	Total	Adjustment amount	Consolidated income statement amount
Net sales						
Sales to external customers	¥119,336	¥12,306	¥3,563	¥135,205	—	¥135,205
Inter—segment sales and transfers	—	—	—	—	—	—
Total	119,336	12,306	3,563	135,205	—	135,205
Segment income	5,951	77	178	6,206	(2,043)	4,163
Segment assets	57,149	6,967	2,194	66,310	22,636	88,946
Segment liabilities	15,972	3,965	408	20,348	16,656	37,005
Other items						
Depreciation expenses	-	-	14	14	313	327
Increase of tangible fixed assets and intangible fixed assets	-	-	11	11	262	273

Thousands of U.S.dollars						
Year ended 31st March, 2022						
	Electronics components business	Assembly business	Other business	Total	Adjustment amount	Consolidated income statement amount
Net sales						
Sales to external customers	\$975,047	\$100,547	\$29,112	\$1,104,706	—	\$1,104,706
Inter—segment sales and transfers	—	—	—	—	—	—
Total	975,047	100,547	29,112	1,104,706	—	1,104,706
Segment income	48,623	629	1,454	50,706	(16,692)	34,014
Segment assets	466,942	56,924	17,926	541,792	184,950	726,742
Segment liabilities	130,501	32,396	3,333	166,230	136,089	302,319
Other items						
Depreciation expenses	-	-	114	114	2,557	2,671
Increase of tangible fixed assets and intangible fixed assets	-	-	90	90	2,140	2,230

Board of Directors and Auditors (As of 24th June, 2022)

President*

Tatsuya Ogawa

Managing Director

Junichi Inaba

* Representative Director

Directors

Katsuhiko Hosono

Shuji Isshiki

Katsuei Kobayashi

Kunihiro Inoue

Masanori Ishito

Fumitaka Yuge (Member of the Audit Committee)

Outside Directors

Toshio Oura

Tatsuyoshi Yoshiike

Toshihiko Ishihara (Member of the Audit Committee)

Yoshiteru Sakamaki (Member of the Audit Committee)

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Date of Establishment

November 25, 1953

Paid-in Capital

9,502 million Yen

Number of Employees

658

Domestic Branches

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Kofu, Hiroshima, Hamamatsu, Sendai, Fukuoka, Oita

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