



**Shinko Shoji Co.,Ltd.**

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**ANNUAL REPORT**

**2016**

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# History

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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 11 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.

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## To Our Shareholders:

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It has been expected that the Japanese economy during this consolidated accounting year might recover gradually due to the depreciation of the Japanese Yen, inbound demands, and cheaper oil price, etc. However, abrupt appreciation of Yen and procrastinated trend of the cheap stock price since the beginning of the year has forced the economy not to recover strongly as a whole although the Bank of Japan has adopted the minus interest policy that is lack of immediate effectivity.

Looking at the world economy, North America has continue to recover mainly led by the personal spending supported by the improvement of the labor market and the EU has enjoyed the gradual recovery.

Further, the world economy has sifted unclearly as a whole due to such sluggish factors as cheaper price of crude oil, deceleration of the Chinese economy, higher geopolitical risks in Europe and Middle East, trend of deceleration of growth in the new emerging countries, slump of the countries with resources.

Focusing on the semiconductor market, it has suffered the minus growth of about 2 % comparing with the previous year. This sift was very severe.

Under these economic conditions, our group (this company and consolidated subsidiaries) has enjoyed steady growth in the automotive electric components field for North America and ASEAN countries while reuse of entertainment related equipment has been well established and the turnover has decreased to the greater extent due to the cooled down demands immediately after revision of the rules and regulations, and further the turnover related to industrial equipment has decreased due to deceleration of the capital spending in China and new emerging countries, etc., whereby the company has suffered the decrease of the turnover by 20% and the current profit by 48% in comparison with the previous year.

As a part of our financial strategy, our company has sold the land owned in Meguro, Tokyo, by which the company has gained special profit amounting to 661 million Yen (US\$ 6 million).

As a result of the above, the performances of our group in this consolidated accounting year were: consolidated turnover 116,617 million Yen (US \$1,034 million 20.0% decrease compared with the previous period); business profit 2,171 million Yen (US \$19 million 49.2% decrease compared with the previous period); operating income 2,172 million Yen (US \$19 million 47.7% decrease compared with the previous period); and profit (loss) attributable to owners of parent 1,769 million Yen (US \$16 million 28.5% decrease compared with the previous period).

Performances per segment are as follows:

### Electronic Components Business

The turnover in the electronic component business was 100,630 million Yen (US\$ 893 million 14.0% decrease compared with the previous period).

(i) **Integrated Circuits**

Domestically, we have seen the steady sift in the consumer products and automotive electric components. Overseas, we have seen the steady sift in the automotive electric components, but the decrease in the entertainment equipment.

As a result of the above, the turnover related to the integrated circuits was 50,778 million Yen (US\$ 451 million 2.0% decrease compared with the previous period).

(ii) **Semiconductor Chips**

Both domestically and overseas, turnover related to the entertainment equipment and industrial equipment has been decreased.

As a result of the above, the turnover of the semiconductor chips was 15,511 million Yen (US\$137 million 17.8% decrease compared with the previous period).

(iii) **Circuit Components**

Both domestically and overseas, turnover of the entertainment equipment and industrial equipment has decreased.

As a result of the above, the turnover of the circuit components was 15,737 million Yen (US\$ 140 million 9.3% decrease compared with the previous period).

(iv) **LCD, etc.**

Both domestically and overseas, turnover of the entertainment equipment has decreased to the greater extent.

As a result of the above, the turnover related to the LCD etc. was 2,915 million Yen (US\$ 26 million 42.0% decrease compared with the previous period).

(v) Other Electronic Parts

The domestic turnover of the entertainment equipment has decreased and the overseas turnover of the industrial equipment has decreased, too.

As a result of the above, the turnover of other electronic parts was 15,689 million Yen (US\$139 million 34.5% decrease compared with the previous period).

Assembly Business

Assembly Products

Domestic turnover of the entertainment equipment has decreased to the greater extent and overseas turnover of the entertainment equipment and industrial equipment has decreased, too.

As a result of the above, the turnover of the assembly products was 12,641 million Yen (US\$ 112 million 50.0% decrease compared with the previous period).

Other Businesses


Entrusted Software Development for Electronic Devices and Microcomputers

Domestic turnover of computers for entertainment equipment, and entrusted development of software for automotive electric components has decreased.

As a result of the above, the turnover of entrusted software development for the electronic devices and microcomputers was 3,346 million Yen (US\$ 29 million 5.1% decrease compared with the previous period).

In the electronic industries in which our group engages, newly emerging countries mainly composed of the Asian countries are leading the economic growth. Seen from the global view of point, the growth will continue in the middle and long term. However, a phase that requires difficult decision would continue in view of intensified competition in a worldwide scale. On one hand, it is anticipated in Japan to change a place of production due to the cause affected by depreciation of Yen and low price of crude oil while the restructuring of the industry would be accelerated.

Under these environments, our group is determined to tackle with the restructuring of the business strategy for which our strength as the group is vitalized. Further we are determined to aim at the strengthened sales and technological capabilities and the embedded business and IT related business mainly performed by newly established Embedded System Development Dept. and AI System Marketing Dept. in order to grasp the changing environments appropriately amid the waves of the internationalization and to build up the robust corporate system based on a wide range of the customers aiming the enhanced added values, and concurrently to enhance the corporate governance with higher transparency and to strengthen further the risk management on a continuous basis.



Tatsuya Ogawa  
President

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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=¥112.68, 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, 2016.

# Main Line of Business

## **Renesas Electronics Corporation**

Microcontroller (MCU)  
Microprocessor (MPU)  
Smart Analog  
Power MOSFET  
IGBT  
Intelligent Power Device  
Thyristors & Triacs  
Transistor  
Diode  
Linear IC  
Logic IC  
Power Management IC  
Analog IC for Automotiv  
Photocoupler  
Memory  
ASIC  
USB ASSP  
LSI for Factory Automation  
LSI for Automotive

## **TDK Corporation**

Ferrite core  
Magnetic sensor  
Transformer  
Noise filter  
Inductor  
Converter  
Switching power supply  
Automatic parts insert machine

## **Xilinx, Inc**

Complex programmable logic device  
Field programmable gate array  
Field programmable gate array (All Programmable Soc)

## **Seiko Instruments Inc.**

Quartz Crystal  
Micro Battery  
Rare Earth Magnet (DIANET)

## **SII Semiconductor Corporation**

Automotive Ics  
Power Management Ics  
Memory  
Sensors

## **Kyocera Corporation**

Ceramic resonator  
Ceramic chip capacitor  
Transient Voltage Suppressors

## **Kyocera Display Corporation**

Industrial TFTs  
Touch Screen

## **NEC TOKIN Corporation**

Miniature Relays  
Capacitor

EMI CountermeasurPartse  
Sensors

## **Kyocera Connector Products Corporation**

Memory card connectors  
FPC/FFC connectors  
Power Supply connectors

## **KEC Corporation**

Transistors  
Diode  
MOSFET  
IGBT  
Voltage Regulator

## **Kyocera Crystal Device Corporation**

Crystal Oscillators  
Crystal Units with Thermistor

## **Fujikura Ltd / DDK Ltd.**

Rectangular connector  
Coaxial connector  
FPC/FFC connector

## **Molex Japan Co., Ltd.**

PWB connector  
Peripheral connector  
FFC, FPC connector

## **NEC Corporation**

Personal computer's peripherals  
Fiber optic devices  
Industrial systems  
OA equipments

## **NEC SCHOOT Components Corporation**

Thermal cutoffs

## **Nisuco Electronics corporation**

Film capacitor

## **NLT Technologies Ltd.,**

TFT-LCD module

## **Nippon Seiki Co., Ltd**

Passive LCD  
Passive OLED

## **Gunze Limited**

Touch panel  
Optical Filems

## **Nidec Servo Corporation**

DC Servomotor  
AC Servomotor  
Stepping motor  
Cooling fan

## **Iwaki Musen kenkyusho Co., Ltd.**

Cement Case Resistors

Remarks : We have distribution agreements with these manufacturers for domestic sales.

Please contact our International Marketing Department or overseas Subsidiaries and affiliate for sales when you have any issue outside Japan.

# Consolidated Balance Sheets

As of 31st March, 2015 and 2016

	As of 31st March,		
	2015	2016	2016
	(Millions of yen)		(Thousands of U.S.dollars) (Note 1)
<b>ASSETS</b>			
<b>Current assets :</b>			
Cash and deposits	¥18,985	¥25,784	\$228,825
Notes and accounts receivable-trade	28,430	22,885	203,097
Merchandise inventories	14,202	13,333	118,326
Raw materials	768	436	3,869
Work in process	1	2	18
Deferred tax assets	284	214	1,899
Accounts receivable-other	8,119	9,136	81,079
Short-term investment securities	7,000	100	888
Other current assets	294	323	2,867
Less : Allowance for doubtful accounts	(7)	(6)	(53)
<b>Total current assets</b>	<b>78,076</b>	<b>72,207</b>	<b>640,815</b>
<b>Fixed Assets :</b>			
<b>Property and equipment, at cost :</b>			
Land	853	332	2,946
Buildings and structures	1,131	957	8,493
Machinery, equipment and other	1,394	1,363	12,096
Less : Accumulated depreciation	(1,748)	(1,633)	(14,492)
<b>Total property and equipment</b>	<b>1,630</b>	<b>1,019</b>	<b>9,043</b>
<b>Intangible assets :</b>			
Software	140	159	1,411
Other intangible assets	90	114	1,012
<b>Total Intangible assets</b>	<b>230</b>	<b>273</b>	<b>2,423</b>
<b>Investments and other assets :</b>			
Investment securities (Note 4)	3,306	2,335	20,722
Investments in unconsolidated subsidiaries and an affiliate	93	105	932
Deferred tax assets	32	34	301
Other assets	2,097	1,995	17,705
Less : Allowance for doubtful accounts	(3)	(3)	(26)
<b>Total investments and other assets</b>	<b>5,525</b>	<b>4,466</b>	<b>39,634</b>
<b>Total fixed assets</b>	<b>7,385</b>	<b>5,758</b>	<b>51,100</b>
<b>Total</b>	<b>¥85,461</b>	<b>¥77,965</b>	<b>\$691,915</b>

## LIABILITIES AND NET ASSETS

	2015	2016	2016
	(Millions of yen)		(Thousands of U.S.dollars) (Note 1)
<b>Current liabilities :</b>			
Short-term bank loans (Note 5)	¥1,544	¥1,566	\$13,898
Current portion of short-term bank loans	-	2,500	22,187
Notes and accounts payable-trade	19,468	14,016	124,388
Income tax payable	573	515	4,570
Allowance for bonuses to directors	58	45	399
Other current liabilities	1,098	1,268	11,253
Total current liabilities	<u>22,741</u>	<u>19,910</u>	<u>176,695</u>
<b>Long-term liabilities :</b>			
Long-term bank loans, less current portion (Note 5)	3,100	600	5,325
Deferred tax liabilities on revaluation of land	139	5	44
Deferred tax liabilities	750	434	3,852
Provision for board benefit trust	-	22	195
Net defined benefit liability (Note 6)	1,019	1,068	9,478
Other long-term liabilities	187	180	1,597
Total long-term liabilities	<u>5,195</u>	<u>2,309</u>	<u>20,491</u>
<b>Contingent liabilities (Note 9) :</b>			
<b>Net assets (Note 7) :</b>			
Common stock:			
Authorized-37,000,000 shares			
Issued-24,855,283 shares in 2015 and 2016	9,502	9,502	84,327
Capital surplus	9,600	9,733	86,377
Retained earnings	35,939	36,906	327,529
Treasury stock, at cost	(959)	(2,207)	(19,586)
Accumulated other comprehensive income:			
Unrealized gain/(loss) on securities	908	474	4,207
Unrealized gain/(loss) on deferred hedge	0	-	-
Foreign currency translation adjustment	1,840	933	8,280
Revaluation reserve for land (Note 11)	229	(50)	(444)
Net defined benefit liability	(36)	(44)	(390)
Total	<u>57,023</u>	<u>55,247</u>	<u>490,300</u>
<b>Non-controlling interests</b>	<u>502</u>	<u>499</u>	<u>4,428</u>
<b>Total net assets</b>	<u>57,525</u>	<u>55,746</u>	<u>494,728</u>
<b>Total</b>	<u>¥85,461</u>	<u>¥77,965</u>	<u>\$691,914</u>

# Consolidated Statements of Income

As of 31st March, 2015 and 2016

	Year ended 31st March,		
	2015	2016	2016 (Thousands of U.S.dollars)
	(Millions of yen)		
<b>Net sales</b>	¥145,705	<b>¥116,617</b>	<b>\$1,034,939</b>
<b>Cost of sales</b>	133,697	<b>106,949</b>	<b>949,139</b>
Gross Profit	12,008	<b>9,668</b>	<b>85,800</b>
<b>Selling, general and administrative expenses</b>	7,735	<b>7,496</b>	<b>66,524</b>
Operating income	4,273	<b>2,172</b>	<b>19,276</b>
<b>Other income (expenses):</b>			
Interest and dividend income	92	<b>112</b>	<b>994</b>
Interest expense	(68)	<b>(57)</b>	<b>(506)</b>
Exchange loss	(203)	<b>(61)</b>	<b>(541)</b>
Gain on sales of Property and equipment	0	<b>661</b>	<b>5,866</b>
Loss on sales and disposal of property and equipment	(7)	<b>(3)</b>	<b>(18)</b>
Impairment loss on fixed assets	(59)	-	-
Appraisal of investment securities	-	<b>(129)</b>	<b>(1,145)</b>
Other, net	47	<b>(2)</b>	<b>(18)</b>
Net other income (expenses)	(198)	<b>521</b>	<b>4,632</b>
<b>Income before income taxes and minority interests</b>	4,075	<b>2,693</b>	<b>23,908</b>
<b>Income taxes (Note 8):</b>			
Current year	1,406	<b>1,084</b>	<b>9,620</b>
Deferred	177	<b>(161)</b>	<b>(1,429)</b>
Total income taxes	1,583	<b>923</b>	<b>8,191</b>
<b>Profit (loss)</b>	2,492	<b>1,770</b>	<b>15,717</b>
Profit (loss) attributable to non-controlling interests	17	<b>2</b>	<b>18</b>
Profit (loss) attributable to owners of parent	¥2,475	<b>¥1,768</b>	<b>\$15,699</b>
	(Yen)		(U.S.dollars)
<b>Per share data :</b>			
<b>Net income</b>	¥104.34	<b>¥75.53</b>	<b>\$0.67</b>
Cash dividends applicable to the year	40.00	<b>40.00</b>	<b>0.35</b>



# Consolidated Comprehensive Statements of Income

Year ended 31st March, 2015 and 2016

	Year ended 31st March,		
	2015	2016	2016
	(Millions of yen)		(Thousands of U.S.dollars) (Note 1)
<b>Profit (loss)</b>	¥2,492	¥1,770	<b>\$15,708</b>
<b>Other comprehensive income</b>			
Net unrealized gain (loss) on available-for-sale securities	539	(434)	(3,852)
Unrealized gain /(loss) on deferred hedge	0	0	0
Revaluation reserve for land	14	0	0
Foreign currency translation adjustment	1,852	(909)	(8,067)
Remeasurements of defined benefit plans	(8)	(8)	(70)
Total other comprehensive income	2,397	(1,351)	(11,989)
<b>Comprehensive income</b>	¥4,889	¥419	<b>\$3,719</b>
 (Details)			
Comprehensive income relating to shareholders of parental company	¥4,863	¥421	\$3,736
Comprehensive income relating to minority shareholders	¥26	(¥2)	(\$17)

# Consolidated Statements of Changes in Net Assets

Year ended 31st March, 2015 and 2016

	Thousands					Millions of yen							Total
	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	Non-controlling interests		
<b>Balance, March 31, 2014</b>	<b>24,855</b>	<b>¥9,502</b>	<b>¥9,600</b>	<b>¥34,394</b>	<b>(¥959)</b>	<b>¥369</b>	<b>¥0</b>	<b>¥215</b>	<b>(¥4)</b>	<b>(¥28)</b>	<b>¥477</b>	<b>¥53,566</b>	
Cumulative effects of changes in accounting policies				¥10								¥10	
Restated balance	24,855	¥9,502	¥9,600	¥34,404	(¥959)	¥369	¥0	¥215	(¥4)	(¥28)	¥477	¥53,576	
Profit (loss) attributable to owners of parent				2,475									
Increase in retained earnings from newly consolidated subsidiary				9									
Reversal of revaluation reserve for land								14					
Cash dividends, ¥40 per share				(949)									
Unrealized gain/(loss) on securities						539							
Deferred hedge gain/(loss)							0						
Net Increase/(decrease) in foreign currency translation adjustment									1,844				
Increase/(decrease) in treasury stock					(0)								
Other net increase/(decrease)										(8)	25		
<b>Balance, March 31, 2015</b>	<b>24,855</b>	<b>¥9,502</b>	<b>¥9,600</b>	<b>¥35,939</b>	<b>(¥959)</b>	<b>¥908</b>	<b>¥0</b>	<b>¥229</b>	<b>¥1,840</b>	<b>(¥36)</b>	<b>¥502</b>	<b>¥57,525</b>	
Profit (loss) attributable to owners of parent				1,768									
Increase in retained earnings from newly consolidated subsidiary				(9)									
Reversal of revaluation reserve for land				281				(279)					
Cash dividends, ¥40 per share				(1,073)									
Unrealized gain/(loss) on securities						(434)							
Deferred hedge gain/(loss)							(0)						
Net Increase/(decrease) in foreign currency translation adjustment									(907)				
Increase/(decrease) in treasury stock			133		(1,248)								
Other net increase/(decrease)										(8)	(3)		
<b>Balance, March 31, 2016</b>	<b>24,855</b>	<b>¥9,502</b>	<b>¥9,733</b>	<b>¥36,906</b>	<b>(¥2,207)</b>	<b>¥474</b>	<b>-</b>	<b>(¥50)</b>	<b>¥933</b>	<b>(¥44)</b>	<b>¥499</b>	<b>¥55,746</b>	

	Thousands					Millions of U.S. dollars							Total
	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	Non-controlling interests		
<b>Balance, March 31, 2015</b>	<b>24,855</b>	<b>\$84,327</b>	<b>\$85,197</b>	<b>\$318,947</b>	<b>(\$8,511)</b>	<b>\$8,058</b>	<b>\$0</b>	<b>\$2,032</b>	<b>\$16,329</b>	<b>(\$319)</b>	<b>\$4,455</b>	<b>\$510,515</b>	
Profit (loss) attributable to owners of parent				15,690									
Increase in retained earnings from newly consolidated subsidiary				(80)									
Reversal of revaluation reserve for land				2,495				(2,476)					
Cash dividends, ¥40 per share				(9,523)									
Unrealized gain/(loss) on securities						(3,851)							
Deferred hedge gain/(loss)							(0)						
Net Increase/(decrease) in foreign currency translation adjustment									(8,049)				
Increase/(decrease) in treasury stock			1,180		(11,075)								
Other net increase/(decrease)										(71)	(27)		
<b>Balance, March 31, 2016</b>	<b>24,855</b>	<b>\$84,327</b>	<b>\$86,377</b>	<b>\$327,529</b>	<b>(\$19,586)</b>	<b>\$4,207</b>	<b>-</b>	<b>(\$444)</b>	<b>\$8,280</b>	<b>(\$390)</b>	<b>\$4,428</b>	<b>\$494,728</b>	

# Consolidated Statements of Cash Flows

Year ended 31st March, 2015 and 2016

	As of 31st March,		
	2015	2016	2016
	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Income before income taxes	¥4,075	¥2,693	\$23,899
Depreciation	182	214	1,899
Impairment loss on fixed assets	59	-	-
Reversal of foreign currency translation adjustment –consolidated subsidiaries	13	-	-
Increase/(Decrease) in allowance for doubtful accounts	(11)	0	0
Increase/(Decrease) in allowance for bonuses to directors	8	(12)	(106)
Increase/(Decrease) in net defined benefit liability	38	41	364
Increase/(Decrease) in provision for board benefit trust	-	22	195
(Gain)/Loss on disposals and sales of property and equipment, net	7	(659)	(5,848)
Appraisal of investment securities	-	129	1,144
Interest and dividends received	(92)	(112)	(993)
Interest expenses	67	56	497
(Increase)/Decrease in notes and accounts receivable–trade	4,132	4,905	43,530
(Increase)/Decrease in accounts receivable–other	(1,345)	(1,191)	(10,569)
(Increase)/Decrease in merchandise inventories	(841)	710	6,301
Increase/(Decrease) in notes and accounts payable–trade	1,695	(4,742)	(42,083)
Other, net	(2,079)	488	4,330
	5,908	2,542	22,560
Cash and cash equivalents received on interest and dividends	91	111	985
Cash and cash equivalents paid on interest expenses	(67)	(56)	(497)
Cash and cash equivalents paid on income taxes	(1,838)	(1,142)	(10,135)
Net cash provided by operating activities	4,094	1,455	12,913
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Payment into time deposits and proceeds from withdrawal of time deposits, net	(300)	(225)	(1,996)
(Purchase)/Sales of investment securities, net	(12)	(10)	(89)
Purchase of investment in affiliated	-	-	-
Proceeds from redemption of investment securities	200	100	887
(Purchase)/Sales of property and equipment, net	(423)	1,094	9,708
Increase in intangible assets	(97)	(139)	(1,233)
Other, net	(108)	71	630
Net cash (used in) investing activities	(740)	891	7,907
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Increase/(Decrease) in short-term bank loans, net	(98)	11	97
Increase/(Decrease) in long-term bank loans, net	100	-	-
Cash dividends paid	(949)	(1,074)	(9,531)
Purchase of treasury shares	-	(1,115)	(9,895)
Other, net	(2)	(2)	(18)
Net cash (used in) financing activities	(949)	(2,180)	(19,347)
Translation Loss on Cash and Cash Equivalents	716	(521)	(4,623)
Net Increase/(Decrease) in Cash and Cash Equivalents	3,121	(355)	(3,150)
Cash and Cash Equivalents at Beginning of Year	21,931	25,144	223,145
Increase in cash and cash equivalents due to new consolidated subsidiary	92	(26)	(231)
Cash and Cash Equivalents at End of Year (Note 3)	¥25,144	¥24,763	\$219,764

# 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 ¥112.68 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 2015 consolidated financial statements to conform to the classifications used in 2016.

## 2. Summary of Significant Accounting Policies

### (a) Principle of consolidation

The consolidated financial statements as of March 31, 2015 include the accounts of the Company and its thirteen significant subsidiaries, and March 31, 2016 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	3 to 50 years
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Machinery and equipment	2 to 15 years
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*( 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 10).

*( 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.

### 3. Cash and cash equivalents

At 31st March, 2015 and 2016, Cash and cash equivalents consisted of the following:

	2015	2016	2016
	(Millions of yen)		(Thousands of U.S.dollars) (Note 1)
Cash and deposits	¥18,985	¥25,784	\$228,825
Time deposits due over three months	(841)	(1,013)	(8,990)
Short-term investment securities	7,000	-	-
Separate deposit (Board benefit trust)	-	(8)	(71)
Cash and cash equivalents	<u>¥25,144</u>	<u>¥24,763</u>	<u>\$219,764</u>

### 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, 2016 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	100	100	0	887	887	0
Sub-total	100	100	0	887	887	0
Securities whose fair value do not exceed their book value on the consolidated balance sheets						
Bonds	-	-	-	-	-	-
Other	-	-	-	-	-	-
Sub-total	-	-	-	-	-	-
<b>Total</b>	<b>¥100</b>	<b>¥100</b>	<b>¥0</b>	<b>\$887</b>	<b>\$887</b>	<b>\$0</b>

(b) Other securities as at 31st March, 2016 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	2,029	1,284	745	18,006	11,395	6,611
Sub-total	2,029	1,284	745	18,006	11,395	6,611
Securities whose book value on the consolidated balance sheets do not exceed their acquisition cost						
Equity securities	285	372	(87)	2,529	3,301	(772)
Sub-total	285	372	(87)	2,529	3,301	(772)
<b>Total</b>	<b>¥2,314</b>	<b>¥1,656</b>	<b>¥658</b>	<b>\$20,535</b>	<b>\$14,696</b>	<b>\$5,839</b>

(Note1) Unlisted stocks (¥20 million or US\$177 thousands) in consolidated balance sheet for the year ended 31st March, 2016) which do not have market prices are not included since the estimation of fair value is deemed 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, 2016 was approximately 1.46 percent.

At 31st March, 2015 and 2016, long-term bank loans consisted of the following:

	<u>2015</u>	<u>2016</u>	<u>2016</u>
	(Millions of yen)		(Thousands of U.S.dollars)
Long-term banks loans	<b>¥3,100</b>	<b>¥3,100</b>	<b>\$27,512</b>
Less:current portion	-	<b>(2,500)</b>	<b>(22,187)</b>
Total	<u><u>¥3,100</u></u>	<u><u>¥600</u></u>	<u><u>\$5,325</u></u>

The aggregate annual maturities of long-term bank loans as at 31st March, 2016 were as follows:

	(Millions of yen)	(Thousands of U.S.dollars)
2017	<u><u>¥2,500</u></u>	<u><u>\$22,187</u></u>
2018	<u><u>¥600</u></u>	<u><u>\$5,325</u></u>
Total	<b>¥3,100</b>	<b>\$27,512</b>

## 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 2016 were as follows:

Defined benefit plans

	<u>2016</u>	<u>2016</u>
	(Millions of yen)	(Thousands of U.S.dollars)
Projected benefit obligation at beginning and end of year		
Projected benefit obligation at beginning of year	¥888	\$7,880
Service cost	34	301
Interest cost	6	53
Actuarial (gain) loss	22	195
Benefit paid	(38)	(337)
Projected benefit obligation at end of year	¥912	\$8,092

	As of 31st March,	
	<u>2016</u>	<u>2016</u>
	(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	¥130	\$1,153
Retirement benefit cost	25	221
Benefit paid	(1)	(8)
Projected benefit obligation at end of year	¥154	\$1,366

	As of 31st March,	
	<u>2016</u>	<u>2016</u>
	(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	1,068	9,478
Net liability (asset) for retirement benefits in the consolidated balance sheet	¥1,068	\$9,478

	As of 31st March,	
	<u>2016</u>	<u>2016</u>
	(Millions of yen)	(Thousands of U.S.dollars)
Retirement benefit expenses		
Service cost	¥34	\$301
Interest cost	6	53
Expected return on plan assets	—	—
Amortization of actuarial (gain) loss	11	97
Amortization of priorservice costs	—	—
Total retirement benefit costs based on the simplified method	25	221
Other	7	62
Total retirement benefit cost for the year ended 31st,march, 2016	¥83	\$734



	As of 31st March,	
	2016	2016
	(Millions of yen)	(Thousands of U.S.dollars)
Remeasurements of defined benefit plans (before deducting effect)		
Unrecognized past service costs	—	—
Unrecognized actuarial (gain) loss	10	88
Total	¥10	\$88

#### Basis of actuarial assumption

Basis of actuarial assumption at the end of year

Discount rate -----0.409%

#### Defined contribution pension plans

The amount to be paid by our Group (our Company and consolidated subsidiaries) to the defined contribution plans was 168 million Yen (US\$ 1,490 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 2016 is 890 million Yen (US\$7,898 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 35.6% in 2015 and 33.1% in 2016. The effective tax rate reflected in the accompanying consolidated statements of income and retained earnings for the year ended 31st March, 2015 and 2016 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, 2015 and 2016 primarily consisted of the following:

	As of 31st March,		
	2015	2016	2016
Deferred tax assets:	(Millions of yen)		(Thousands of)
Accrued enterprise tax	¥32	¥37	\$328
Accrued business office tax	2	3	26
Accrued bonuses	146	116	1,029
Allowance for doubtful accounts	2	2	17
Long-term accounts payable	27	—	—
Net defined benefit liability	332	332	2,946
Unrealized loss on securities	26	26	230
Others	165	163	1,446
subtotal	732	679	6,022
Less valuation allowance	(53)	(104)	(923)
Total	679	575	5,099
Deferred tax liabilities:			
Unrealized gain on securities	(427)	(208)	(1,845)
Dividend income eliminated in consolidation	(682)	(551)	(4,889)
Others	(4)	(2)	(17)
Total	(1,113)	(761)	(6,751)
Net deferred tax assets	¥434	¥186	\$1,652

A reconciliation between the statutory tax rate for the year ended March 31, 2015 and 2016, and the effective tax rates reflected in the accompanying consolidated statement of income is as follows:

	2015	2016
Statutory tax rate	35.6%	
Expense not deductible for income tax purposes	0.9%	
Income not taxable for income tax purposes	-0.2%	
Inhabitants taxes-per capita	0.5%	
Effect of dividend income eliminated in consolidation	3.4%	
Tax rate difference of overseas consolidated subsidiaries	-3.7%	
Valuation allowance	0.1%	
Decrease in deferred tax assets resulting from tax rate change	1.3%	
Others	1.0%	
Effective tax rate	38.9%	

For the year ended March 31, 2016, 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.

## 9. Contingent Liabilities

At 31st March, 2015 and 2016, contingent liabilities consisted of the following:

	As of 31st March,		
	2015	2016	2016
Guarantee of loans borrowed by	(Millions of yen)		(Thousands of
Employees of the Company (under welfare plan)	¥10	¥6	\$53
	<u>¥10</u>	<u>¥6</u>	<u>\$53</u>

## 10. Subsequent Event

The following appropriations of retained earning at March 31, 2016 were approved at the Board of Directors held on May 16, 2016:

	As of 31st March,	
	2016	2016
Cash dividends	(Millions of yen)	(Thousands of
	<u>¥462</u>	<u>\$4,100</u>

## 11. 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,	
	2016	2016
Unrecognized difference between the book value of land and the fair value of land after revaluation	(Millions of yen)	(Thousands of
	<u>(¥92)</u>	<u>(\$816)</u>

## 12. Derivative Transactions

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

### 13. Segment Information

Information concerning sales, income or loss, assets, liabilities, and other items in each report segment for the year ended 31st March, 2015 and 2016 were summarized as follows:

millions of Yen						
Year ended 31st March, 2015						
	Electronics components business	Assembly business	Other business	Total	Adjustment amount	Consolidated income statement amount
Net sales						
Sales to external customers	¥117,033	¥25,146	¥3,526	¥145,705	—	¥145,705
Inter—segment sales and transfer	—	—	—	—	—	—
<b>Total</b>	<b>117,033</b>	<b>25,146</b>	<b>3,526</b>	<b>145,705</b>	<b>—</b>	<b>145,705</b>
Segment income	5,526	182	251	5,959	(1,686)	4,273
Segment assets	38,469	11,160	1,390	51,019	34,442	85,461
Segment liabilities	12,539	6,448	480	19,467	8,469	27,936
Other items						
Depreciation expenses	—	57	—	57	125	182
Increase of tangible fixed assets and intangible fixed assets	—	241	—	241	280	521

millions of Yen

Year ended 31st March, 2016

	Electronics components business	Assembly business	Other business	Total	Adjustment amount	Consolidated income statement amount
Net sales						
Sales to external customers	¥100,630	¥12,641	¥3,346	¥116,617	—	¥116,617
Inter – segment sales and transfer	—	—	—	—	—	—
<b>Total</b>	<b>100,630</b>	<b>12,641</b>	<b>3,346</b>	<b>116,617</b>	<b>—</b>	<b>116,617</b>
Segment income	3,679	(20)	219	3,878	(1,706)	2,172
Segment assets	38,170	5,494	1,331	44,995	32,970	77,965
Segment liabilities	10,821	2,737	458	14,016	8,203	22,219
Other items						
Depreciation expenses	—	56	—	56	158	214
Increase of tangible fixed assets and intangible fixed assets	—	18	—	18	209	227

Thousands of U.S.dollars

Year ended 31st March, 2016

	Electronics components business	Assembly business	Other business	Total	Adjustment amount	Consolidated income statement amount
Net sales						
Sales to external customers	\$893,060	\$112,185	\$29,694	\$1,034,939	—	\$1,034,939
Inter – segment sales and transfer	—	—	—	—	—	—
<b>Total</b>	<b>893,060</b>	<b>112,185</b>	<b>29,694</b>	<b>1,034,939</b>	<b>—</b>	<b>1,034,939</b>
Segment income	32,650	(177)	1,943	34,416	(15,140)	19,276
Segment assets	338,747	48,758	11,812	399,316	292,598	691,915
Segment liabilities	96,033	24,290	4,064	124,387	72,799	197,186
Other items						
Depreciation expenses	—	496	—	496	1,402	1,898
Increase of tangible fixed assets and intangible fixed assets	—	159	—	159	1,854	2,013

(note1) "Adjustment amount" column represent corporate expenses, assets, and liabilities which are not allocated to reporyable segments

## Board of Directors and Auditors (As of 24th June, 2016)

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<b>Chairman*</b> Akio Kitai	<b>Director</b> Teru Masaki Fumitaka Yuge	<b>Standing Corporate Auditor</b> Toshihiko Sato
<b>President*</b> Tatsuya Ogawa	Katsuhiro Hosono Kiyotaka Miyazawa	<b>Corporate Auditor</b> Kunio Sakamaki Ginjiro Yanai
<b>Managing Director</b> Junichi Inaba	<b>Outside director</b> Toshio Oura Tatsuyoshi Yoshiike	* Representative Director

## Corporate Data (As of 31st March, 2016)

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<b>Head Office</b>	Art Village Osaki Central Tower 13F, 1-2-2 Osaki, Shinagawa-ku, Tokyo 141-8540, Japan Tel. 03(6361)8111(Main) Fax. 03(5437)8484 [URL] <a href="http://www.shinko-sj.co.jp/">http://www.shinko-sj.co.jp/</a>
<b>Date of Establishment</b>	November 25, 1953
<b>Paid-in Capital</b>	9,502 million Yen
<b>Number of Employees</b>	803
<b>Domestic Branches</b>	Tachikawa, Saitama, Matsumoto, Nagoya, Osaka, Utsunomiya, Kofu, Hiroshima, Hamamatsu, Sendai, Hokuriku
<b>Domestic Subsidiaries</b>	NOVALUX JAPAN CO., LTD. Art Village Osaki Central Tower 13F, 1-2-2 Osaki, Shinagawa-ku, Tokyo 141-8540, Japan Tel. 03(6361)8101 Fax. 03(5434)2257  Shinko Shoji LSI Design Center Co., Ltd. 3F, Maruito Kita 4-jyo Bldg., 2-8-2 Kita 4-jyo Higashi, Chuo-ku, Sapporo City, Hokkaido 060-0034, Japan Tel. 011(223)2513 Fax. 011(223)2717  NT Sales CO., LTD. Art Village Osaki Central Tower 13F, 1-2-2 Osaki, Shinagawa-ku, Tokyo 141-8540, Japan Tel. 03(5435)5250 Fax. 03(5435)5260

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