To Our Shareholders:

Matters Concerning Electronic Provision Measure Excluded from the Delivered Documents upon Request for Delivery of Documents Pursuant to Law sand the Company's Articles of Incorporation

The 77th Fiscal Year (from April 1, 2022, to March 31, 2023)

June 6, 2023

Elematec Corporation

In accordance with laws and Article 17 of the Company's Articles of Incorporation, the above matters are omitted from the Documents on Matters Concerning Electronic Provision Measure to be delivered to shareholders who have made Request for Delivery of Documents.
These were audited by the Audit & Supervisory Board Members and the Accounting Auditor when preparing the Audit Report.

System for Ensuring Proper Business Operation and Operating Status of Such System

I. Details of Resolutions for Developing Systems, etc. to Ensure the Appropriateness of Business Operations

The following are the details of resolutions for systems to ensure that Directors perform their duties in compliance with laws, regulations and the Company's Articles of Incorporation, and other systems to ensure the appropriateness of the Company's business operations.

A. System to ensure that the execution of duties by Directors and employees complies with laws and regulations and the Articles of Incorporation

1) In order to ensure that Directors, Executive Officers, and employees (workers) comply with laws and regulations, social ethics, and corporate ethics, the "Code of Business Practice" is established in the Compliance Regulations.
2) In accordance with corporate ethics, we shall stand resolutely against antisocial forces that threaten the order and safety of civil society, and shall not have any relationship with them.
3) Regarding the establishment and operation of the compliance system, related policies, responses and important matters shall be discussed and decided by the Management Committee (consisting of Representative Directors, Executive Officers (Corporate) and Division Directors, and chaired by the Chief Executive Officer and Chairman of the Board).
4) Compliance with the "Code of Business Practice" and compliance efforts are overseen by the Human Resources & General Affairs Department as the secretariat of the Management Committee, which analyzes risks inherent in new businesses and new projects and reports them to the Management Committee in a timely manner. In addition, the Human Resources & General Affairs Department reports to the Board of Directors as necessary. Furthermore, the Human Resources & General Affairs Department conducts employee training and various internal meetings to raise awareness of the significance of compliance.
5) If Directors, Executive Officers and employee discovers a compliance problem, the Director, Executive Officers and employee shall report or whistle blow the problem through the normal reporting channels or the whistle-blowing system as a means of reporting, which is different from the normal ones, as stipulated in the Compliance Regulations.
6) For internal control over financial reporting, the Company shall develop and enhance systems necessary to ensure the appropriateness and reliability of financial reporting.

B. Matters concerning the storage and management of information regarding the execution of duties by Directors

1) Information regarding the execution of duties by Directors shall be stored and managed by the Human Resources & General Affairs Department in accordance with the Document Management Regulations.
2) Directors and Audit & Supervisory Board Members may inspect documents (including electromagnetic media records) at any time pertaining to the execution of duties by Directors, Executive Officers, and employees, which are required to be managed under the Document Management Regulations.
3) Revision or abolishment of the Document Management Regulations is internally approved for the draft prepared by the Human Resources & General Affairs Department and approved by the Board of Directors.

C. Regulations and other systems concerning the management of risk of loss

1) The Business Support Department supervises risk management in the Company and the Group based on the Risk Management Regulations, which specify the risk analysis, classification and response system. When new risks are identified, the Business Support Department analyzes and classifies them, and proposes to revise or abolish the Risk Management Regulations. Revision or abolishment of the Risk Management Regulations is internally approved for the draft made by the Business Support Department and approved by the Board of Directors.
2) In the event that the risks assumed in the Risk Management Regulations have actualized or other serious risks have occurred, the Chief Executive Officer and Chairman of the Board (or its representative) shall take overall control and organize an emergency headquarters, and a person designated by the Division Director of the emergency headquarters who is directly responsible for calming the crisis shall work with the emergency headquarters to limit the spread of the crisis or damage. The process during this period is reported by the person in charge of implementation to the emergency headquarters. The emergency headquarters decide the policy for the countermeasures and report the details of the implementation to the Board of Directors.
3) In cases where the impact of actualized or occurring risks on the Company’s management is relatively minor and where only a limited number of departments or parties are involved, this shall be dealt with by the Management Committee and the normal division of duties and chain of command.

D. Systems to ensure efficient performance of duties by Directors

1) The Company shall establish decision-making rules for Directors, Executive Officers and employees in accordance with the Authority for Duties Regulations and the Approval Request Regulations, clarify the authority and responsibilities of each officer, and establish a proper and efficient system.
2) Monthly reports and reviews are conducted on the performance of each sales division, profits and losses of the Company and its affiliates, management indicators deemed important by the Company, and

overview of internal audit results. The Division Director Committee (consisting of Representative Directors and all Executive Officers and Division Directors, etc., and chaired by the Chief Executive Officer and Chairman of the Board) is held once a month to decide the following activity policies.

3) Prior to the submission of resolutions to the Board of Directors, for important projects such as investments, including the planning stage, relevant officers meetings are held to discuss and coordinate pending issues and to disseminate information.
4) The Company shall establish a Nomination and Compensation Committee (comprised of three or more Directors selected by resolution of the Board of Directors, of which a majority shall be selected from External Officers, nominated, in principle, among independent external Directors) as a voluntary advisory body to the Board of Directors. The purpose is to maintain fairness, transparency and objectivity in procedures related to the nomination and compensation of Directors, Audit & Supervisory Board Members and Executive Officers and to strengthen corporate governance, and the Committee shall report back to the Board of Directors.
5) The Company shall establish a Special Committee (comprised of three or more External Officers only selected by resolution of the Board of Directors, nominated, in principle, among independent external Directors) as a voluntary advisory body to the Board of Directors in order to protect minority shareholders in transactions or actions that may result in a conflict of interest between controlling shareholders or major shareholders and minority shareholders, and the Committee shall report back to the Board of Directors.
6) The Sales Division Directors Committee (consisting of Representative Directors, Executive Officers and Division Directors (Sales and Development), and chaired by the Chief Executive Officer and Chairman of the Board) is held once a month for the purpose of sharing sales and development information.
7) The Company shall establish a Sustainability Committee (consisting of Representative Directors, Executive Directors, Director of the Corporate Division and General Manager of the Marketing & Development Division, chaired by the Chief Executive Officer and Chairman of the Board) to promote sustainability efforts in order to contribute to the realization of a sustainable society and enhance corporate value and shall periodically report back on its activities to the Board of Directors.
8) At the end of the fiscal year, the budget for the following fiscal year and beyond shall be formulated and approved by the Board of Directors. At the end of the interim fiscal year, the budget achievement forecast for the second half shall be formulated and reported to the Board of Directors.

E. System to ensure the appropriateness of business operations within the Company and the Group, which comprises the parent company and subsidiaries

1) The Company and the Group shall establish, maintain and operate internal controls to ensure appropriate

execution of business at each division or Group company by Executive Officers or Division Directors in charge of each division or Group company and the Chief Executive Officer of each Group company. For the establishment and maintenance of internal controls, based on the responses for efficient business execution described in 4) below and the results of the internal audit described in 5) below, Executive Officers (Corporate) and Division Directors of the Company gather information as necessary, and the specialized staff of each administrative division of the Company provide support.

2) The Chief Executive Officer of each Group company shall, in accordance with the Affiliate Company Management Regulations and Budget Management Regulations of the Company, obtain the Company's approval for necessary matters, and report financial conditions, including financial results and administrative results, as well as operating results and other important information to the Executive Officers or Division Directors of the Company in charge of each Group company, and corporate divisions of the Company, which has jurisdiction over reported matters. Upon receiving such reports, Executive Officers or Division Directors in charge of each company, or the administrative division of the Company in charge of matters reported shall report at the Division Directors Committee and Sales Division Directors Committee held once a month. This will maintain and enhance the reporting system to the Company regarding the execution of duties by Directors and others at Group companies.
3) The Group shall maintain and enhance the regulations and other systems for managing the risk of loss at each Group company by positioning each Group company as same as each division of the Company, and comprehensively managing all companies in accordance with the Risk Management Regulations of the Company.
4) System to ensure efficient execution of duties by Directors and others of each Group company shall be maintained and enhanced through the formulation of business plans, etc. on a consolidated basis in accordance with the Budget Management Regulations, etc. of the Company, provision of guidelines, etc. from each administrative division of the Company that contribute to the management of indirect business operations, etc. of each Group company, and reports and consultations to each administrative division of the Company from each Group company.
5) Each Group company shall establish and operate individual Compliance Regulations to ensure that the execution of duties by Directors, etc. and employees complies with laws and regulations and the Articles of Incorporation. The Internal Auditing Office of the Company conducts internal audits of the Company and the Group companies, and reports the results to Representative Directors of the Company, Executive Officers or Division Directors of the Company in charge of each division of the Company or Group companies, Executive Officers (Corporate) and Division Directors of the Company, and explains the results to the General Managers of audited divisions and Chief Executive Officers of the Group companies.

6) While ensuring the independence of management, the Group, as a member of the parent company (Toyota Tsusho Corporation) group, shares the spirit of the group basic principles and seeks to harmonize with a system to ensure the appropriateness of operations for the entire parent company group. In addition, contracts and terms and conditions with the parent company group shall be rationally decided with reference to the contract terms and market prices in transactions with other customers.

F. In cases where Audit & Supervisory Board Members have requested employees to be assigned to assist with their duties, matters concerning the system regarding such employees, the independence of such employees from Directors, and the effectiveness of instructions given to such employees

1) Secretariat of the Audit & Supervisory Board, which is held concurrently by a member of the Finance & Accounting Department, assists in the exchange of information with the Accounting Auditors and in other matters related to audit operations. At the request of Audit & Supervisory Board Members, other members of the Corporate Division also concurrently serve as the Secretariat of the Audit & Supervisory Board.
2) Audit & Supervisory Board Members may order employees of each administrative division including the Internal Auditing Office to carry out matters necessary for audit operations. The member who received such an order shall, in accordance with the directions of the Audit & Supervisory Board Member, investigate the matter independently from the internal chain of command and report the results directly to the Audit & Supervisory Board Member.
3) Representative Directors shall explain to the Audit & Supervisory Board Member in advance and hear the opinions of the Audit & Supervisory Board Member regarding the issuance of personnel changes or disciplinary actions against members who are ordered by the members of the secretariat office of the Audit & Supervisory Board or Audit & Supervisory Board Member to carry out matters necessary for audit operations.

G. A system for the officers and employees, etc. of the Company and its subsidiaries to report to Audit & Supervisory Board Members of the Company, and a system to ensure that those who have made such reports are not treated adversely for the reason of making such reports

1) Directors of the Company shall report to Audit & Supervisory Board Members of the Company on the matters related to each Group company as follows:
   (a) In the event of a situation that may cause serious damage to the Group, facts, circumstances, response policy and its results
   (b) Matters on monthly profit and loss trends and other management status of Group companies
   (c) Matters on the status of internal audits

(d) Important matters on risk management and compliance management

2) When Audit & Supervisory Board Members of the Company request reports from Executive Officers and employees of the Company, or from the officers and employees of Group companies (hereinafter referred to as "Group officers and employees") for information that Audit & Supervisory Board Members judged necessary to perform an audit, the relevant Group officers and employees shall coordinate all business schedules and report to the Audit & Supervisory Board Members of the Company on a first-priority basis.
3) The Company shall not treat Group officers and employees who have reported to the Audit & Supervisory Board Members of the Company in an adverse manner for the reason of making such reports.

H. System to ensure that matters related to policies concerning the processing of costs or obligations that arise in connection with the execution of the duties of Audit & Supervisory Board Members and other audits by Audit & Supervisory Board Members are conducted effectively

1) The Company shall appropriate expenses incurred in connection with the execution of the duties of Audit & Supervisory Board Members in the general and administrative expense budget annually.
2) The Company shall, when requested by Audit & Supervisory Board Members to pay expenses required for ordinary audits or extraordinary expenses in connection with audits (including requests for advance payments of expenses under Article 388 of the Companies Act), hold deliberations in accordance with the decision-making authority of the department in charge, and promptly process payments unless it is determined that expenses and obligations related to such requests are not based on the execution of duties by Audit & Supervisory Board Members.
3) Other than meetings of the Board of Directors, Audit & Supervisory Board Members may attend other important meetings such as the Division Directors Committee of the Company.
4) Audit & Supervisory Board Members may accompany an audit conducted by the Accounting Auditor and an audit conducted by the Internal Auditing Office, and attend meetings that report the results of the audit.

II. Outline of the Implementation Status of Systems to Ensure the Appropriateness of Business Operations

A. System to ensure that the execution of duties by Directors and employees complies with laws and regulations and the Articles of Incorporation

1) Compliance system

Within the Company, the Management Committee, which supervises compliance activities, establishes and operates the system, thereby fostering awareness of compliance throughout the entire Group.

In addition, the Management Committee supervises compliance efforts, and the Human Resources & General Affairs Department as the secretariat conducts in-house education to raise awareness of overall compliance issues, reports details as appropriate, and gives reminders, notices, and notifications to all Group employees or relevant persons as necessary.

Furthermore, the Company includes elimination of relationships with antisocial forces as part of the Code of Business Practice in the Compliance Regulations established by the Company, and disseminates it through in-house education conducted by the Human Resources & General Affairs Department.

The Company also specifies details of the whistle-blowing system in the Compliance Regulations, and establishes the system under which reports to internal and external contact points (if any) are reported to the Management Committee via the compliance secretariat or Audit & Supervisory Board Member (full-time) according to the matter without adverse treatment of the whistleblower for the reason of making such reports. Information on whether or not such reports are made is reported to the Management Committee once a month.

2) Internal control over financial reporting

The Company has established the Regulations for Internal Control over Financial Reporting, and holds meetings of the Internal Control Operation Committee every other month.

The Committee conducts discussions and reviews to ensure the appropriateness and reliability of financial reporting mainly for the entire Group based on operational challenges and the results of general control audits conducted by the Internal Auditing Office.

B. Matters concerning the storage and management of information regarding the execution of duties by Directors

The Company establishes and implements the Document Management Regulations approved by the Board of Directors, and the secretariats of various meetings hosted or attended by Directors store the documents or data of the minutes and summaries.

They may be inspected as necessary at the request of Directors and Audit & Supervisory Board Members.

C. Regulations and other systems concerning the management of risk of loss

The Company establishes and implements the Risk Management Regulations, and holds a meeting of the

Risk Analysis Committee every fiscal year to analyze risk events surrounding the Group and to verify the impacts on the management of each item. The details are reported at the Management Committee and to the Accounting Auditor.

In order to minimize losses or disadvantages incurred by the Company and each Group company, the Company has specified the standard for setting up an emergency headquarters according to risks and the manuals for emergency response systems. The Company has also established Business Continuity Management (BCM) and the Business Continuity Plan (BCP), and reviews as appropriate the system, procedures, and others, including these.

With regard to COVID-19, the COVID-19 headquarters, headed by Chief Executive Officer and Chairman of the Board, gathers information, and considers and implements countermeasures, reporting the details as appropriate to the Board of Directors.

D. Systems to ensure efficient performance of duties by Directors

The Company conducts the following two items to ensure efficient execution of duties of Directors.

1) Authority for duties and approval requests

The Company establishes and applies the Authority for Duties Regulations and the approval list as its appendix, and the Approval Request Regulations.

The Internal Auditing Office confirms that the approvals for various operations are granted appropriately through operational audits and others. With regard to approval requests, the Human Resources & General Affairs Department first examines them and circulates documents so that the functional authority and responsibilities of each officer are appropriate.

2) Holding various meetings

Monthly reports and reviews are conducted on the profit-loss situation of Group companies, management indicators, and general conditions of internal audits based on budgets and others by the Division Directors Committee. Sales and development information are shared by the Sales Division Directors Committee.

The draft budget for the following fiscal year and beyond is formulated after discussions at a budget meeting held at the beginning of the year and finalized by the approval of the Board of Directors.

In the middle of the year, the progress and forecast of the budget are reviewed at the budget review meeting for the second half and are reported to the Board of Directors.

In addition, all proposals submitted to the Board of Directors are approved as described in the preceding paragraph, and according to the importance of proposals in the approval process, relevant officers meetings are held to discuss and coordinate pending issues and to disseminate information.

In addition, regarding matters related to sustainability, the Company has established a Sustainability Committee that discusses efforts, etc. on materiality, and reports regularly to the Board of Directors.

3) Voluntary holding of advisory committees

The Company has established the Nomination and Compensation Committee and Special Committee as advisory bodies to the Board of Directors. These committees deliberate on matters for consultation from the Board of Directors as stipulated in the operating rules of each committee and report to the Board of Directors without delay, thereby forming the committee's opinions and making recommendations to the Board of Directors.

E. System to ensure the appropriateness of business operations within the Company and the Group, which comprises the parent company and subsidiaries

In order to establish, develop, and implement the system to ensure the appropriateness of business operations within the Company and the Group companies, issues to be dealt with by each company are reported and reviewed by the Division Directors Committee and the Sales Division Directors Committee through the recognized management status of the monthly financial results of each company and the results of internal audits, etc.

The staff of each administrative division of the Company provide advice and support to resolve and improve these issues.

F. In cases where Audit & Supervisory Board Members have requested employees to be assigned to assist with their duties, matters concerning the system regarding such employees, the independence of such employees from Directors, and the effectiveness of instructions given to such employees

The Company appoints two secretariat members to assist with the duties of Audit & Supervisory Board Members, who provide support at the request of Audit & Supervisory Board Members.

Audit & Supervisory Board Members provide guidance or advice as necessary for audit operations conducted by the Internal Auditing Office.

G. A system for the officers and employees, etc. of the Company and its subsidiaries to report to Audit & Supervisory Board Members of the Company, and a system to ensure that those who have made such reports are not treated adversely for the reason of making such reports

Audit & Supervisory Board Members attend various meetings of the Company, and receive reports on the system to ensure the appropriateness of business operations, monthly financial results of each Group company, and other matters.

All employees of the Group shall provide information and reports necessary for audit operations at the request of Audit & Supervisory Board Members, and the Company shall not treat such employees who provide information or reports in an adverse manner.

H. System to ensure that matters related to policies concerning the processing of costs or obligations that arise in connection with the execution of the duties of Audit & Supervisory Board Members and other audits by Audit & Supervisory Board Members are conducted effectively

Audit & Supervisory Board Members, as their duties, observe an operational audit conducted by the Internal Auditing Office, accompany an audit conducted by the Accounting Auditor, and attend meetings that report the results of the audit, etc. The Company promptly reimburses them for expenses incurred in the execution of their duties at their request.

Basic Policy for Control of Company

I. Summary of the Basic Policy

In the electronics industry, the Group utilizes its traditional trading company function, information-gathering function, logistics function, and other functions to engage in product sales activities, while providing added value to both customers and suppliers.

We consider it is necessary for the Group, which has a social responsibility to give the utmost consideration to providing benefits to a wide range of stakeholders, not just shareholders, customers, suppliers, and employees, to conduct business activities by paying attention to maintaining harmony with local communities and the environment. We consider that a person who controls the Group's financial and business policy decisions should be in a position to pay attention to contributing benefits of these stakeholders, and to maintaining and enhancing the Company's corporate value and the common interests of shareholders over the medium to long term.

On the other hand, the shares of the Company as a listed company are permitted to be freely traded by its shareholders and investors. Even if a large-scale acquisition of the Company's shares is conducted, the Company will not unconditionally reject it, and believes that shareholders should freely make the final decision. Even if a large-scale acquisition of the Company's shares is conducted, the Company will not unconditionally reject it, and believes that shareholders should freely make the final decision.

However, a large-scale acquisition to obtain control, which would have immediate and significant impacts on the Company's management if were to succeed, has the potential to materially impact the Company's corporate value and the common interests of shareholders.

The Company believes that, among others, a large-scale acquisition that would be detrimental to the Company's corporate value and the common interests of shareholders would be inappropriate, and that a person who conducts such an acquisition would be inappropriate for controlling the Company's financial and business policy decisions.

II. Efforts that Contribute to Achieving the Basic Policy

The Group aims to contribute to the development of society by fulfilling its corporate social responsibilities and achieving sound business growth in the course of its daily business activities. In order to enable a large number of shareholders and investors to invest in the Company on a long-term and ongoing basis, we will strive to maximize the Company's corporate value over the medium to long term.

The specific details of the management strategy aimed at maximizing corporate value are as described in "1. Current Status of the Group" in "(1) Business conditions during the fiscal year under review," in "IV. Corporate Strategies and Issues to Be Addressed" in the Notice of the 77th Ordinary General Meeting of

Shareholders.

III. Specific Efforts to Prevent a Person Considered Inappropriate in light of Basic Policy from Controlling the Company's Financial and Business Policy Decisions

As efforts to prevent a person considered inappropriate in the light of the Basic Policy described in I. above from controlling the Company's financial and business policy decisions, the Company introduced the takeover defense plan at the 61st Ordinary General Meeting of Shareholders held on June 22, 2007, and revised it upon receiving approval by a resolution of the 62nd Ordinary General Meeting of Shareholders held on June 20, 2008 (hereinafter the revised takeover defense plan is referred to as the "Plan").

However, the threat of a large-scale acquisition that would be detrimental to the Company's corporate value and the common interests of shareholders is considered to be relatively small. Furthermore, revisions to the Financial Instruments and Exchange Act and other laws and regulations have established and revised procedures regarding large-scale acquisitions. As a result, the objective of the Plan, which was to ensure that shareholders had the information and time needed to reach a proper decision, has been achieved to some degree.

After giving careful consideration in a review of the Plan expiring at the close of the Ordinary General Meeting of Shareholders held in June 2011 at a Board of Directors meeting held on May 10, 2011, comprehensively taking into account these situations, the Company resolved not to continue the Plan after the 65th Ordinary General Meeting of Shareholders held on June 17, 2011.

If a large-scale acquisition of the Company's shares is conducted, the Company will actively gather and appropriately disclose information with regard to whether or not such acquisition would be detrimental to the Company's corporate value or the common interests of shareholders, and will take actions that its Board of Directors decide are necessary and appropriate to the extent permitted by the Companies Act, other relevant laws and regulations, and the Articles of Incorporation. In addition, depending on upcoming social trends, if the Board of Directors determines that a takeover defense plan needs to be reintroduced, it will submit a proposal at a shareholders meeting in accordance with the provisions of the Articles of Incorporation.

IV. Decisions on Special Efforts by the Company's Board of Directors and the Reasons Therefor

Based on the Basic Policy described in I. above, the Company has formulated the activities described in II. above as key measures to enhance the Company's corporate value and secure the common interests of shareholders, and they are truly in accordance with the Basic Policy. These efforts are aimed at enhancing the Company's corporate value and securing the common interests of shareholders and are not for the purpose of maintaining the positions of the Company's Officers.

Consolidated Financial Statements

1. Notes to the Significant Matters as the Basis for the Preparation of the Consolidated Financial Statements

(1) Scope of Consolidation

Status of consolidated subsidiaries

Number of consolidated subsidiaries 22 companies

The names of major consolidated subsidiaries are as described in “1. Current Status of the Group” in “(2) Status of Parent Company and Significant Subsidiaries” in “2) Status of Significant Subsidiaries” in the Business Report.

(2) Application of the Equity Method

Status of non-consolidated subsidiaries and associates to which the equity method is applied

Number of affiliates to which the equity method is applied 0 companies

(3) Accounting Policies

I. Evaluation standards and methods for significant assets

A. Securities

Available-for-sale securities

Other than shares, etc. without a market price:
The market value method is applied (any valuation gain or loss to be reported in a designated component of net assets; cost of sale to be computed by the moving-average method).

Shares, etc. without a market price:
The moving-average cost method is mainly applied.

B. Derivatives

Stated at market value method

C. Inventories

Merchandise, finished goods and raw materials:
Stated at cost based on the moving-average method (amounts in the balance sheet are calculated after book value is written down based on a decrease in profitability)

II. Method of depreciation and amortization for significant depreciable assets

A. Property, plant and equipment (excluding leased assets) and investment property

Amortization is calculated by the straight-line method

B. Intangible assets

Amortization is calculated by the straight-line method

C. Leased assets

Depreciation of leased assets is calculated by the straight-line method, with lease periods of such assets being useful lives, and residual values being zero.

III. Accounting standards for significant allowances and provisions

A. Allowance for doubtful accounts:

To prepare for possible losses on accounts receivable, the Company sets aside an amount that is expected to be irrecoverable, after considering the recoverability of (a) general accounts receivable, by loan loss ratio, and (b) doubtful accounts receivable and distressed receivables, on a case-by-case basis.

B. Provision for bonuses:

To prepare for the provision of bonuses for employees, the Company sets aside an estimated amount for the provision of bonuses for the current fiscal year in which such amounts shall be disbursed.

IV. Basis for recognition of revenues and expenses

The Group's principal business is the provision of electronic materials, components, and equipment for the electronics products field. The provision of these products is recognized as revenue when the control of promised goods or services is transferred to customers based on contracts at the amount expected to be received in exchange for the goods or services.

In accordance with the alternative treatment prescribed in Paragraph 98 of the "Guidance on Accounting Standard for Revenue Recognition," the Group recognizes revenue for domestic sale of goods at the time of shipment if the period between the time of shipment and the time when control of the goods or services is transferred to the customer is a normal period.

If the promise to the customer is a performance obligation to arrange for such goods or services to be provided by another party, revenue is recognized as an agency transaction in the net amount received from the customer less the amount paid to the suppliers.

The consideration for the transaction is received within one year of fulfilling the performance obligation and does not include a material financial component.

V. Significant Hedge Accounting Methods

A. Method of hedge accounting: Deferred hedge accounting is applied.

B. Hedging instruments and hedged items

Hedging instruments: Forward exchange contracts and currency options.

Hedged items: Monetary claims and monetary liabilities denominated in foreign currencies, and forecasted transactions denominated in foreign currencies.

C. Hedging policy: The Company engages in hedge transactions for the purpose of avoiding exchange fluctuation risk arising from monetary claims and monetary liabilities denominated in foreign currencies, etc.

D. Method of evaluating hedging effectiveness: With regard to forward exchange contracts and currency options, a judgment on hedging effectiveness is omitted as an important condition while regarding hedging instruments and items hedged are the same, and they are considered to be able to completely offset exchange fluctuations or they are based on future forecasted transactions with a very high likelihood of being exercised.

VI. Other significant matters as the basis for the preparation of the consolidated financial statements

Basis for recording retirement benefit asset and liability

To prepare for the payment of retirement benefits to employees, the retirement benefit liability is recorded based

on the estimated amount of retirement benefit obligations less the amount of pension assets at the end of current fiscal year. If the amount of pension assets exceeds the amount of retirement benefit obligations, it is recorded as retirement benefit asset.
In the event that the pension asset amount exceeds retirement benefit obligations, the excess amount is recorded as net defined benefit assets. In calculating retirement benefit obligations, the method of attributing expected retirement benefits up until the current fiscal year is based on the benefit formula.
Actuarial gains and losses are amortized by the straight-line method over a fixed number of years (10 years) within the average remaining service period of employees at the time of their accrual, and the amount is amortized from the following fiscal year of their accrual.
Prior service costs are amortized using the straight-line method over a certain number of years (10 years) within the average remaining service period of employees at the time of their accrual.
Unrecognized actuarial differences and unrecognized prior service costs are posted to the remeasurements of defined benefit plans under accumulated other comprehensive income in the net assets section after adjusting for tax effects.

2. Notes to Changes in Accounting Policies

(ASC No. 842, "Leases")

Effective from the beginning of period under review, the Group's U.S. GAAP-applied subsidiaries have adopted ASC No. 842, "Leases." As a result, all leases of lessees are generally recognized as assets and liabilities on the balance sheet.

In applying this accounting standard, the cumulative effect of adopting this standard, which is permitted as a transitional measure, is recognized at the date of adoption.

As a result of adopting this standard, right-of-use assets under "Other (net)" of property, plant and equipment, lease liabilities under "Other" of current liabilities, and lease liabilities under "Other" of non-current liabilities increased by 25 million yen, 17 million yen, and 7 million yen, respectively, at the beginning of consolidated period under review.

The effect of this change on profit and loss for the current consolidated fiscal year is immaterial.

3. Notes Relating to Accounting Estimates

Allowance for doubtful accounts (current assets)

The Group provides an allowance for doubtful accounts in the amount deemed to be uncollectible in the event of default. With regard to the classification of claims, general claims are those for which there is no actual possibility of a bad debt, and doubtful accounts receivable are those for which there is an actual possibility of a bad debt. For general receivables for which there is no actual possibility of a bad debt, each company of the Group estimates the uncollectible amounts in a lump sum against the ending balance of receivables based on historical write-off rates. Allowance for doubtful accounts (current assets) of 1 million yen is recorded at the end of the current fiscal year.

As stated above, the main assumptions used in calculating the amount of allowance for doubtful accounts (current assets) are the classification of receivables and the historical loan loss ratio. Although this amount is the best estimate at present, assessments of the financial positions of business partners and examinations of collectability, including the status of dormant trade receivables, are subject to the management's judgment, and changes in these conditions may affect the amount of allowance for doubtful accounts (current assets) set in the consolidated financial statements for the following fiscal year and beyond.

4. Notes to the Consolidated Balance Sheet

(1) Assets Pledged as Collateral

Investment securities 47 million yen

The above assets are pledged as collateral for notes and accounts payable-trade of 377 million yen.

(2) Accumulated Depreciation of Property, Plant and Equipment 4,883 million yen

(3) Accumulated Depreciation of Investment Property 151 million yen

(4) Amounts of notes and accounts receivable-trade arising from contracts with customers are as follows.

	Period under review

Notes receivable-trade	7,751 million yen
Accounts receivable-trade	50,154 million yen

5. Notes to Consolidated Statement of Changes in Equity

(1) Total Numbers of Shares Outstanding

Type of shares	Number of shares at the beginning of the current fiscal year	Increase in number of shares in the current fiscal year	Decrease in number of shares in the current fiscal year	Number of shares at the end of the current fiscal year
Common shares	42,304 thousand	- thousand	- thousand	42,304 thousand

(2) Numbers of Treasury Shares

Type of shares	Number of shares at the beginning of the current fiscal year	Increase in number of shares in the current fiscal year	Decrease in number of shares in the current fiscal year	Number of shares at the end of the current fiscal year
Common shares	1,358 thousand	- thousand	- thousand	1,358 thousand

(3) Appropriation of Retained Earnings

I. Amounts paid as dividends and other matters

A. Matters relating to dividends resolved at the Board of Directors meeting held on May 23, 2022

- Total amount of dividends 1,474 million yen
- Amount of dividend per share 36 yen
- Record date March 31, 2022
- Date to come into effect June 22, 2022

B. Matters relating to dividends resolved at the Board of Directors meeting held on October 28, 2022

- Total amount of dividends 1,105 million yen
- Amount of dividend per share 27 yen
- Record date September 30, 2022
- Date to come into effect December 5, 2022

II. Of the dividends with a record date in the current fiscal year, those that will take effect in the following fiscal year are scheduled to be resolved at the Board of Directors' meeting held on May 22, 2023, as follows:

- Source of dividends Retained earnings
- Total amount of dividends 2,006 million yen
- Amount of dividend per share 49 yen
- Record date March 31, 2023
- Date to come into effect June 29, 2023

6. Notes to Financial Instruments

(1) Matters Concerning the Status of Financial Instruments

I. Policy for handling financial instruments

The Group raises funds as needed in light of plans for collection of accounts receivable-trade, payment of accounts payable, and capital expenditures. Surplus funds generated are invested in low-risk financial instruments such as time deposits. The Group uses derivatives transactions to avoid the risks described below, and will not enter into any speculative transactions.

II. Details of financial instruments and related risks

Trade receivables such as notes and accounts receivable-trade, and distressed receivables are exposed to customers' credit risk. Trade receivables denominated in foreign currencies are exposed to exchange fluctuation risk, which are hedged using forward exchange contracts and currency options in principle.

Investment securities are primarily shares of companies with which the Group has business relations and are exposed to market price fluctuation risk.

Trade payables such as notes and accounts payable-trade have payment due dates mostly within one year and are exposed to liquidity risk. Short-term loans payable mainly for the purpose of financing working capital are also exposed to liquidity risk.

Derivatives transactions conducted by the Group are forward exchange contracts and currency options with the purpose of hedging exchange fluctuation risk in respect of receivables and payables denominated in foreign currencies.

The method of hedge accounting, hedging instruments and hedged items, hedging policy, and method of evaluating hedging effectiveness are as described in "1. Notes to Significant Matters as the Basis for the Preparation of the Consolidated Financial Statements," in "(3) Accounting Policies," in "V. Significant hedge accounting methods" above.

III. Risk management system relating to financial instruments

A. Management of credit risk (customer's default risk)

The Company adheres to the Credit Management Regulations for its trade receivables by having the Finance & Accounting Department monitor the status of major customers regularly and managing due dates and balances by customer, while working to detect at an early stage any concerns about collectability due to a deterioration in their financial conditions and other reasons, and mitigate them. The Company's consolidated subsidiaries follow the same procedures in conformity with the Company's Credit Management Regulations.

With regard to derivatives transactions, credit risk is recognized to be immaterial because these transactions are only entered into with financial institutions that have high credit ratings.

B. Management of market risk (fluctuation risks in exchange rates and interest rates, etc.)

The Company uses forward exchange contracts and currency options to hedge trade receivables and payables denominated in foreign currencies basically for an amount equivalent to the difference between their balances identified by month and by currency.

With regard to investment securities, the Company regularly confirms the market prices and financial and other conditions of customers, and continuously reviews its holdings taking into consideration market conditions and relations with customers.

Derivatives transactions are executed and managed by the Finance & Accounting Department with the approval of the responsible person in accordance with the Regulations for Handling Forward Exchange Contracts and the Guidelines for Forward Exchange Contract Operations. In addition, transaction results are reported monthly to the Division Directors Committee (consisting of Representative Directors and all Executive Officers and Division Directors, and chaired by the Chief Executive Officer and Chairman of the Board). The Company's consolidated subsidiaries also execute and manage various financial instruments and risk hedging in accordance with the method stipulated by the Company, and the Company pays attention to the management status by having the Finance & Accounting Department monitor as appropriate.

C. Management of liquidity risk in financing activities (risk of default of payment when due)

With regard to trade payables and short-term loans payable that are exposed to liquidity risk, each company within the Group manages liquidity risk such as by preparing monthly cash management plans.

IV. Supplementary explanation of matters relating to the fair values of financial instruments

The contract amounts of derivatives transactions in "(2) Fair Values of Financial Instruments and Other Matters" do not themselves indicate the market risk associated with derivatives transactions.

(2) Fair Values of Financial Instruments and Other Matters

Carrying amount, fair value and unrealized gain/loss of the financial instruments as of March 31, 2023, are as follows.

(Million yen)

	Carrying amount	Fair value	Unrealized gain (loss)
(1) Investment securities	523	523	–
(2) Distressed receivables	3,645		
Allowance for doubtful accounts (*2)	(3,645)		
	–	–	–
Total Assets	523	523	–
Derivatives transactions (*3)	(81)	(81)	–

(*1) "Cash and deposits," "Notes and accounts receivable-trade," "Notes and accounts payable-trade," "Short-term borrowings" and "Income taxes payable" are omitted because the fair value approximates the book value as deposits are settled in a short period of time.

(*2) Allowance for doubtful accounts individually recorded for distressed receivables is deducted.

(*3) Receivables and payables arising from derivatives transactions are presented in net amounts, and net payables in total are indicated in parentheses.

(*4) Shares, etc. without a market price are not included in "(1) Investment securities." The consolidated carrying amounts of such financial instruments are as follows.

(Million yen)

Category	Carrying amount
Unlisted shares	24

(3) Breakdown of the fair value of financial instruments by appropriate classification

The fair value of financial instruments is classified into the following three levels based on observability and materiality of the inputs used to measure fair value.

Level 1: Fair value measured using inputs for the measurement of observable fair value that are quoted prices for the asset or liability subject to the measurement of fair value in an active market.

Level 2: Fair value measured using inputs other than Level 1 inputs to measure observable fair value.

Level 3: Fair value measured using inputs for fair value measurement that are not observable.

When multiple inputs that have a significant impact on the measurement of fair value are used, fair value is classified in the level with the lowest priority in the measurement of fair value among the levels to which each input belongs.

I. Financial assets and liabilities whose fair value is used as the carrying amount

(Million yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities Available-for-sale securities Shares	523	–	–	523
Total Assets	523	–	–	523
Derivatives transactions	–	81	–	81
Total liabilities	–	81	–	81

II. Financial assets and liabilities whose fair value is not used as the carrying amount

Not applicable.

Notes: Explanation of valuation techniques and inputs used in measuring fair value

Investment securities

Listed shares are valued using quoted market prices. Since listed shares are traded in an active market, their fair value is classified as Level 1.

Derivatives transactions

Fair value is measured based on prices, etc. provided by trading financial institutions and is classified as Level 2.

7. Notes to the Rental properties

The Group owns office buildings for rent, etc. (including land) in Tokyo. Net rental income from real estate for rent, etc. in FY2023 is 57 million yen (rental revenue is recorded under non-operating income; rental expenses are recorded under non-operating expenses). The carrying amount, the amount of increase/decrease during the current fiscal year and the fair value of such rental properties are as follows.

(Million yen)

Carrying amount			Fair value at the end of the current fiscal year
Consolidated balance at beginning of period	Amount of increase/decrease during the current fiscal year	Amount at the end of the current fiscal year	
312	(9)	302	1,045

Notes: 1. The carrying amount is acquisition cost less accumulated depreciation.

2. The amount of decrease during the current fiscal year is attributable to depreciation.
3. The fair value at the end of the current consolidated fiscal year is the amount calculated by the Company using indices deemed to appropriately reflect market prices.

8. Notes to Revenue Recognition

(1) Information on the disaggregated revenue arising from contracts with customers

The following is a disaggregated revenue from contracts with customers.

(Million yen)

	Reportable Segment					Adjustments Notes:	Carrying Amount
	Japan	China	Other Asia	Europe and America	Total		
Net Sales							
(1) Net sales to external customers	133,354	54,058	34,672	17,689	239,774	—	239,774
(2) Inter-segment internal net sales or transfers	44,295	14,655	7,944	2,752	69,647	(69,647)	—
Total	177,649	68,714	42,616	20,441	309,421	(69,647)	239,774
Segment profit	4,900	3,871	1,628	558	10,960	1,092	12,052

Note: Adjustments to segment profit (operating income) include inter-segment eliminations.

(2) Information that acts as the basis for understanding revenues arising from contracts with customers

Information that provides a basis for understanding revenues from contracts with customers is as described in the "Notes to Consolidated Financial Statement," in "1. Notes to the Significant Matters as the Basis for the Preparation of the Consolidated Financial Statements," in "(3) Accounting Policies," in "IV. Basis for recognition of revenues and expenses."

(3) Information to understand the amount of revenue for the current and subsequent fiscal years

Information regarding the relationship between the fulfillment of performance obligations under contracts with customers and cash flows from such contracts, and the amount and timing of revenues expected to be recognized from contracts with customers that existed at the end of current consolidated fiscal year to be recognized in the subsequent fiscal years.

A breakdown of receivables arising from contracts with customers is as follows.

(Million yen)

Notes and accounts receivable-trade	Period under review
Balance at beginning of period	61,224
Balance at end of period	57,906

Balance, etc. of contract liabilities

Contract liabilities relate to advances received from customers under the terms of payment and are reversed as revenue is recognized. They are included in “Other” under current liabilities in the consolidated balance sheet, and the balance at the end of the consolidated period was 756 million yen.

Transaction price allocated to remaining performance obligations

Since the Group has no significant transactions with an initial expected contract period exceeding one year, the practical expedient method is applied and notes on transaction prices allocated to remaining performance obligations are omitted.

9. Notes to the Per-share Information

(1)	Net asset amount per share	1,601.56 yen
(2)	Profit per share	187.96 yen

Non-consolidated Financial Statements

1. Notes to Significant Accounting Policies

(1) Evaluation Standards and Methods for Assets

I. Securities

A. Shares of subsidiaries and affiliates Cost-based by moving-average method

B. Available-for-sale securities

Other than shares, etc. without a market price:

The market value method is applied (any valuation gain or loss to be reported in a designated component of net assets; cost of sale to be computed by the moving-average method).

Shares, etc. without a market price:

The moving-average cost method is mainly applied.

II. Derivatives

Stated at market value method

III. Inventories

Merchandise:

Stated at cost based on the moving-average method (amounts in the balance sheet are calculated after book value is written down based on a decrease in profitability)

(2) Methods of Depreciation and Amortization for Non-current Assets

I. Property, plant and equipment and investment property

Amortization is calculated by the straight-line method.

II. Intangible assets

Amortization is calculated by the straight-line method

(3) Accounting Standards for Allowances and Provisions

I. Allowance for doubtful accounts:

To prepare for possible losses on accounts receivable, the Company sets aside an amount that is expected to be irrecoverable, after considering the recoverability of (a) general accounts receivable, by loan loss ratio, and (b) doubtful accounts receivable and other specific receivables, on a case-by-case basis.

II. Provision for bonuses:

To prepare for the provision of bonuses for employees, the Company sets aside an estimated amount for the provision of bonuses for the current fiscal year in which such amount shall be disbursed.

III. Provision for retirement benefits:

To prepare for the retirement benefits of employees, provision for retirement benefits is recorded based on the estimated amount of retirement benefit obligations and pension assets as of the end of the current fiscal year. In the event that pension assets exceed the amount upon deducting actuarial differences, etc. from retirement benefit obligations, the excess amount is recorded as prepaid pension expenses in investments and other assets.

In calculating retirement benefit obligations, the method of attributing expected retirement benefits up until the current fiscal year is based on the benefit formula.

Actuarial gains and losses are amortized mainly by the straight-line method over a fixed number of years (10 years) within the average remaining service period of employees at the time their accrual, starting from the fiscal year following the year of their accrual.

Prior service costs are amortized using the straight-line method over a certain number of years (10 years) within the average remaining service period of employees at the time of their accrual.

(4) Basis for recognition of revenues and expenses

The Company's principal business is the provision of electronic materials, components, and equipment for the electronics products field. The provision of these products is recognized as revenue when the control of promised goods or services is transferred to customers based on contracts at the amount expected to be received in exchange for the goods or services.

In accordance with the alternative treatment prescribed in Paragraph 98 of the "Guidance on Accounting Standard for Revenue Recognition," the Group recognizes revenue for domestic sale of goods at the time of shipment if the period between the time of shipment and the time when control of the goods or services is transferred to the customer is a normal period.

If the promise to the customer is a performance obligation to arrange for such goods or services to be provided by another party, revenue is recognized as an agency transaction in the net amount received from the customer less the amount paid to the suppliers.

The consideration for the transaction is received within one year of fulfilling the performance obligation and does not include a material financial component.

(5) Significant Hedge Accounting Methods

I. Method of hedge accounting: Deferred hedge accounting is applied.

II. Hedging instruments and hedged items:

Hedging instruments: Forward exchange contracts and currency options

Hedged items: Receivables and payables and forecast transactions denominated in foreign currencies

III. Hedging policy: The Company engages in hedge transactions for the purpose of avoiding exchange fluctuation risk arising from monetary claims and monetary liabilities denominated in foreign currencies, etc.

IV. Method of evaluating hedging effectiveness: With regard to forward exchange contracts and currency options, a judgment on hedging effectiveness is omitted as an important condition regarding hedging instruments and items hedged are the same, and they are considered to be able to completely offset exchange fluctuations or they are based on future forecasted transactions with a very high likelihood of being exercised.

2. Notes Relating to Accounting Estimates

Allowance for doubtful accounts (current assets)

The Company provides an allowance for doubtful accounts in the amount deemed to be uncollectible in the event of default. With regard to the classification of claims, general claims are those for which there is no actual possibility of a bad debt, and doubtful accounts receivable are those for which there is an actual possibility of a bad debt. For general receivables for which there is no actual possibility of a bad debt, no allowance for doubtful accounts (current assets) was recorded at the end of current fiscal year, estimating the uncollectible amounts in a lump sum against the ending balance of receivables based on loan loss ratio.

As stated above, the main assumptions used in calculating the amount of allowance for doubtful accounts (current assets) are the classification of receivables and the historical loan loss ratio. Although this amount is the best estimate at present, assessments of the financial positions of business partners and examinations of collectability, including the status of dormant trade receivables, are subject to the management's judgment, and changes in these conditions may affect the amount of allowance for doubtful accounts (current assets) set in the non-consolidated financial statements for the following fiscal year and beyond.

3. Notes to the Non-consolidated Balance Sheet

(1) Assets Pledged as Collateral

Investment securities	47 million yen

The above assets are pledged as collateral for notes and accounts payable-trade of 377 million yen.

(2) Accumulated Depreciation of Property, Plant and Equipment
2,614 million yen

(3) Accumulated Depreciation of Investment Property 151 million yen

(4) Guarantee Obligations

The Company conducts acts similar to guarantees for notes and accounts payable-trade from the following affiliates as follows.

Elematec (Shanghai) Trading Co., Ltd.	
(0 thousand USD)	0 million yen
Total	0 million yen

(5) Monetary Receivables from, and Monetary Payables to, Subsidiaries and Associates

I. Short-term monetary receivables	12,314 million yen
II. Short-term monetary payables	1,779 million yen

4. Notes to Non-consolidated Statements of Income

Amounts of transaction with subsidiaries and associates

I. Net Sales	40,310 million yen
II. Purchase of goods	14,276 million yen
III. Selling, general and administrative expenses	159 million yen
IV. Non-operating transactions	2,289 million yen

5. Notes to Non-consolidated Statement of Changes in Equity

Type and number of treasury shares

Type of shares	Number of shares at the beginning of the current fiscal year	Increase in number of shares in the current fiscal year	Decrease in number of shares in the current fiscal year	Number of shares at the end of the current fiscal year
Common shares	1,358 thousand	- thousand	- thousand	1,358 thousand

6. Notes to Tax-Effect Accounting

Main reasons deferred tax assets and deferred tax liabilities exist

Deferred tax assets	
Disallowed accrued enterprise taxes	65 million yen
Amount exceeding the limit for the provision for bonuses	86 million yen
Amount exceeding the limit for the provision of allowance for doubtful accounts	91 million yen
Loss on abandonment of inventory goods, currently not deductible	12 million yen
Loss on valuation of golf club membership, currently not deductible	37 million yen
Loss on valuation of shares of subsidiaries and associates, currently not deductible	94 million yen
Loss on valuation of investments in capital of subsidiaries and associates, currently not deductible	169 million yen
Excess of limit on reduction of investment property	29 million yen
Impairment losses, etc., currently not deductible	25 million yen
Other	94 million yen
Total deferred tax assets	706 million yen
Deferred tax liabilities	
Reserve for tax purpose reduction entry	(16 million yen)
Valuation difference on available-for-sale securities	(75 million yen)
Prepaid pension costs	(19 million yen)
Other	(1 million yen)
Total deferred tax liabilities	(112 million yen)
Net deferred tax assets	593 million yen

7. Notes to Transactions with Related Parties

(1) Parent Company and Major Corporate Shareholders, Etc.

A description is omitted because the amount is immaterial.

(2) Officers and Major Individual Shareholders, Etc.

Not applicable.

(3) Subsidiaries

(Million yen)

Attribute	Name of companies and others	Capital stock or investments in capital	Details of business or occupation	Percentage of voting rights, etc. owned (%)	Relationship with related parties		Detail of transactions	Transaction amount Notes:	Item	Balance at end of period
					Officers serving both companies	Business relations				
Subsidiary	Elematec (Qingdao) Trading Co., Ltd.	3,339,000 RMB	Sale of electronic materials and others	100	1	Mutual supply of some products	Sale of products (Note 1)	2,446	Accounts receivable-trade	1,187
Subsidiary	Elematec (Shanghai) Trading Co., Ltd.	5,794,000 RMB	Sale of electronic materials and others	100	2	Mutual supply of some products	Sale of products (Note 1)	7,330	Accounts receivable-trade	1,551
Subsidiary	Elematec Hong Kong Limited	12,000 USD	Sale of electronic materials and others	100	2	Mutual supply of some products	Sale of products (Note 1)	6,059	Accounts receivable-trade	1,343
							Dividend income (Note 2)	1,133	–	–
Subsidiary	Elematec Philippines, Inc.	215,000 USD	Sale of electronic materials and others	100	–	Mutual supply of some products	Sale of products (Note 1)	2,149	Accounts receivable-trade	1,134
Subsidiary	Elematec Vietnam Co., Ltd.	373,000 USD	Sale of electronic materials and others	100	–	Mutual supply of some products	Sale of products (Note 1)	3,266	Accounts receivable-trade	912
Subsidiary	Elematec (Thailand) Co., Ltd.	106 million THB	Sale of electronic materials and others	100	–	Mutual supply of some products	Sale of products (Note 1)	5,707	Accounts receivable-trade	1,687

Notes: 1. Prices and other transaction terms are decided in consideration of factors such as market prices.
2. Dividend income is decided based on the dividend policy of the consolidated subsidiaries to the Company.

8. Notes to Revenue Recognition

(Information that acts as the basis for understanding revenues arising from contracts with customers)

omitted because the same information is presented in the “Notes to Consolidated Financial Statements,” in “8. Notes to Revenue Recognition.”

9. Notes to the Per-share Information

(1)	Net asset amount per share	1,201.04 yen
(2)	Profit per share	130.40 yen