



INTEGRATED REPORT 2022

Year ended March 31, 2022

New Ideas for a New Era

As Tachibana Eletech celebrates the 100th anniversary of our founding, we have started looking forward to our 200th year. The next 100 years will be nothing like the past, as events like the COVID-19 pandemic accelerate our digital transformation. How we work, how we implement our business model, and how we think about the environment. In the new era, we will continue to offer new ideas to solve problems with the system technology we have cultivated to transform the future into a more prosperous and better one.

Realize a new way of working
New Normal

Create prosperous cities
Infrastructure

Create the next generation of industry
Industry

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Forward-Looking Statements

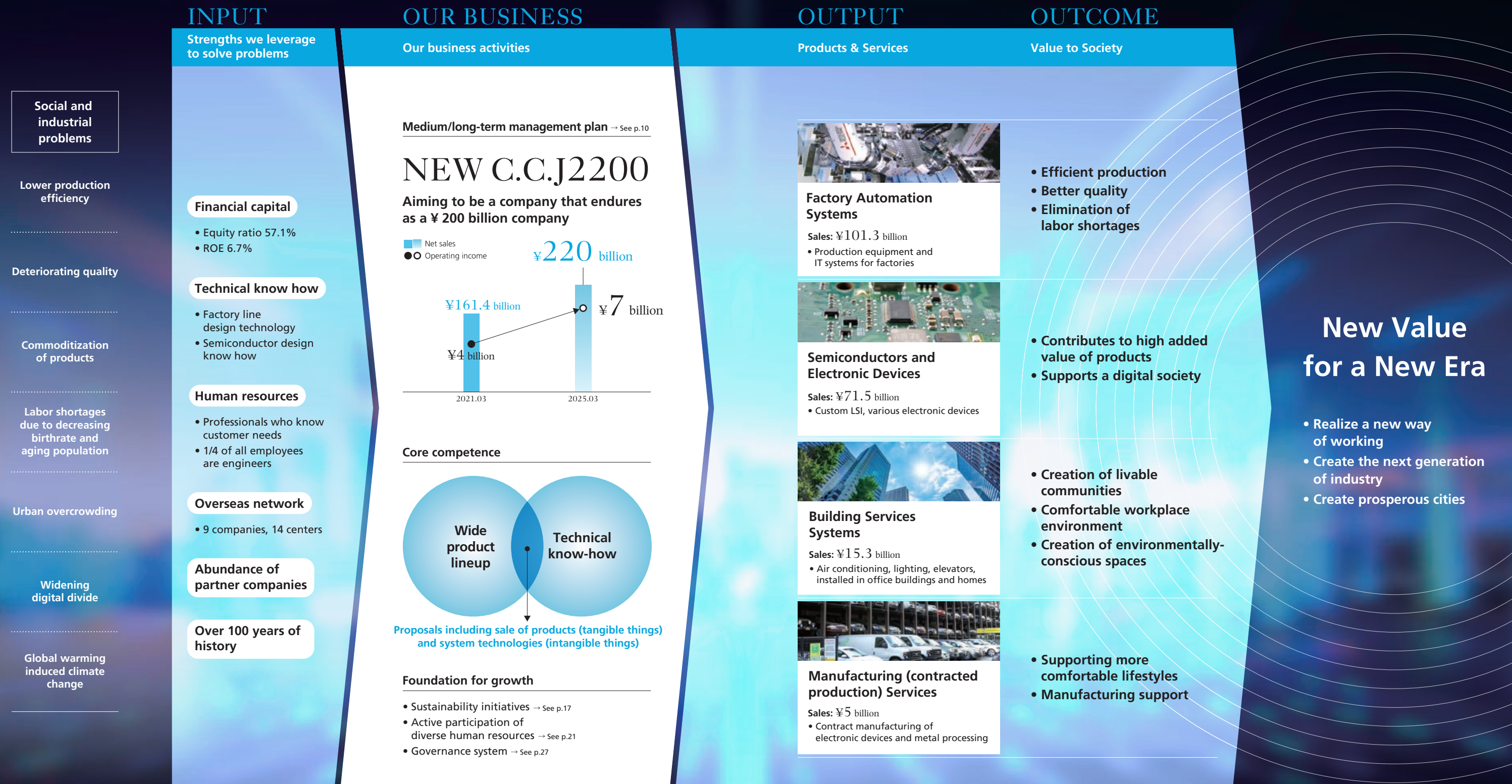
Projections of operating results and changes in the business environment provided in this report are based on information available to the management as of the date the report was prepared. As such, these projections are exposed to uncertainties and potential risks that may affect the projections should they materialize. Readers are therefore cautioned that actual operating results and the business environment in the future may differ materially from the projections provided herein.

Note on financial figures

Financial figures in this integrated report are presented by rounding figures less than a full unit.

Complete solutions for our customer challenges
we can be a “200-year company” capable of

so that
sustained growth



Tachibana anticipates the needs of the changing era and solves problems with its own solutions.

DX

Advancing the use of 3D technology for a new approach to manufacturing

Social Problems

The ever-serious conditions surrounding Japan's manufacturing industry involving the declining birthrate and aging population

- Serious labor shortage
- Late in adopting IT
- Loss of manufacturing due to mass production, etc.
- Loss of opportunities to pass on technology due to engineers aging out

Our Products and Services

Improving business processes with 3D printers and 3D CAD

Tachibana Eletech offers 3D printers and 3DCAD as new technologies to revolutionize manufacturing from the ground up. We provide a wide range of support from installation to post-delivery assistance by leveraging our extensive knowledge of peripheral IoT equipment, as well as equipment selection.



We propose ways to use 3D printers while also allowing our visitors hands-on prototyping with the printer in Exhibition Hall and Lab room at our head office.

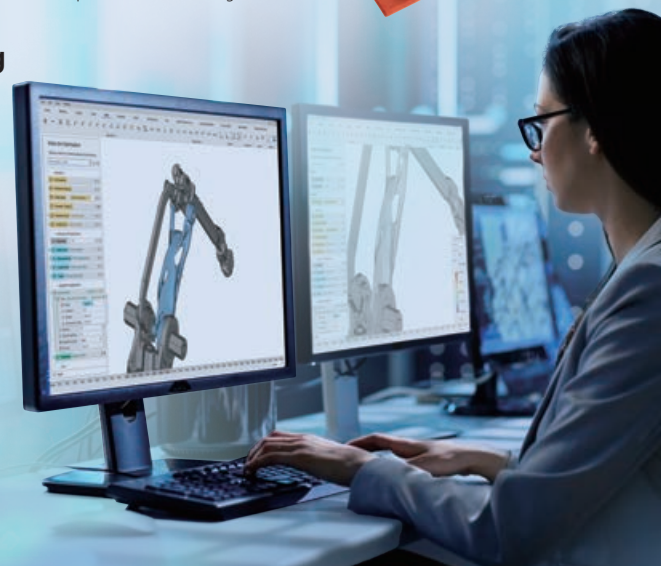
Because 3D printers can reproduce complex shapes, they can be used to manufacture prototypes before mass production, molds for mass production, and jigs. With the advent of metal 3D printers, they are also being used for on-site product manufacturing.



Social Value

Advancing the digital transformation of our customers' manufacturing with new thinking

For example, design development that was typically done with 2D planar graphics, can be carried out on 3DCAD software, and 3D modeling from the design stage can result in shorter overall lead time and early detection of problems. We will contribute to solving the problems of Japan's manufacturing industry by proposing new thinking for manufacturing.



Social Problems

Global warming induced climate change and the energy problems during disasters caused by this change

- Restrictions on the use of fossil fuel resources
- Increased severity of weather disasters
- Frequent large-scale power outages due to heavy rains and typhoons
- Criticality of securing minimal lifeline level power supplies

Our Products and Services

Proposing environmentally-conscious energy systems

We are working to promote the use of clean, renewable energy products that do not use fossil fuels. In particular, we have recently been actively proposing the adoption of power generation equipment that combines photovoltaic power generation with lithium-ion storage batteries.



Combining solar power with storage batteries allows for efficient energy operation that is unaffected by weather or time.

Social Value

Realization of a low-carbon society and carbon neutrality

Linking photovoltaic power generation with storage batteries not only reduces CO₂ emissions, but it can also be used as an emergency power source in the event of a disaster or power outage. In preparation for the growing severity of weather disasters due to climate change, we will work to further promote the use of photovoltaic power generation as a BCP* response for companies and municipalities.

* BCP: Business Continuity Plan

Photovoltaic power generation can be combined with EVs and rapid charging system. In the event of a disaster, electricity stored in EVs can be used to power buildings.



Carbon Neutral

BCP

Optimal clean power generation systems that reduce environmental burden and provide power in case of disaster

To the Next Future

Achieving steady growth to become a 200-year company, we will continue to innovate to answer the needs of a new age



In September 2021, Tachibana Eletech had the good fortune to celebrate its 100th anniversary. With this milestone, I made the decision to resign my position as president, effective as of the General Meeting of Shareholders in June 2022. Going forward as chairman, I will support the new president and focus my energies on the company's development.

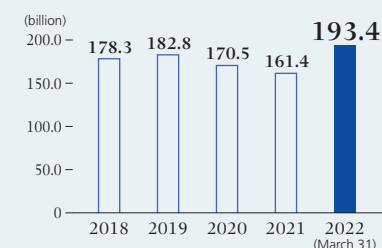
Takeo Watanabe
Chairman, CEO

My name is Hisanobu Nunoyama, and I will be stepping forward to fill Mr. Watanabe's shoes as president. Leveraging experience I have gained abroad and in Tokyo Metropolitan area developing domestic and overseas markets since joining the company, I will dedicate myself to building a steadfast foundation for the next 100 years under a new system of management.

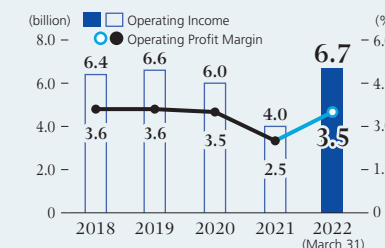
Hisanobu Nunoyama
President, COO

Financial Highlights

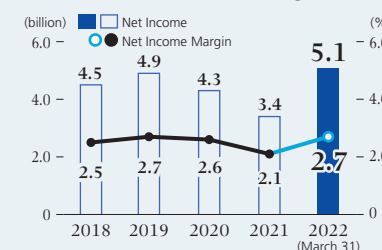
Net Sales



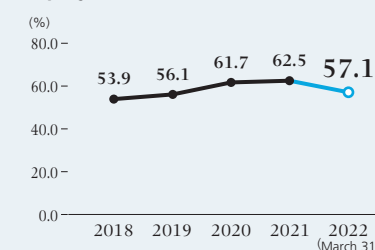
Operating Income, Operating Profit Margin



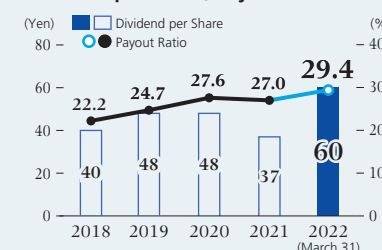
Net Income, Net Income Margin



Equity Ratio



Dividend per Share, Payout Ratio

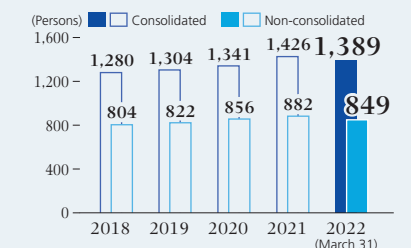


Return on Equity

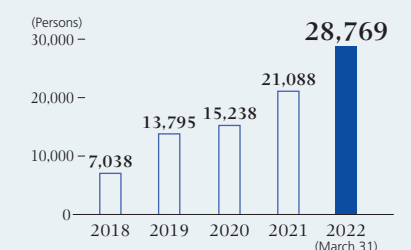


Non-Financial Highlights

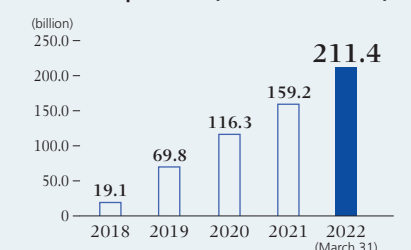
Number of Employees



Number of Total Shareholders



Net sales of environmentally-conscious products (non-consolidated)



Net sales are cumulative from the fiscal year ended March 31, 2018.

Performance for the fiscal year ended March 31, 2022

Sales succeeded in anticipating demand trends, leading to record-high consolidated earnings

In the fiscal year ended March 31, 2022, despite a long-awaited slowdown in COVID-19 infections, the global semiconductor shortage continued, and uncertainty over the global economy abruptly intensified with the unexpected invasion of Ukraine by Russia in February 2022.

Amid these circumstances, along with procuring and expanding our inventory in order to fulfill our obligation to keep the customer supplied, the Tachibana Eletech Group has focused on sales activities that are fully attuned to customers' demand trends. As a result of these efforts, performance for the current consolidated fiscal year set record highs for net sales, operating

income, and ordinary income. Growth was particularly strong for subsidiaries both in Japan and abroad, with consolidated performance surpassing non-consolidated performance. By segment, Factory Automation Systems, which are our main business, Semiconductors and Electronic Devices, and Overseas Operations saw not only revenue growth but also significant profit growth on the back of a weaker yen. On the other hand, earnings declined due to the weaker yen for Building Services Systems and Manufacturing Services in Japan, despite solid revenues.

One of the positive factors in the fiscal year ended March 31, 2022 was rebounded demand resulting from a recovery being made by customers whose business slowed due to COVID-19. This would seem attributable to orders outpacing actual demand as a result of a global semiconductor shortage and battle over scarce products in the market. We will no doubt need to keep a careful watch on demand trends going forward.

Market trends and business outlook for the fiscal year ending March 31, 2023

Sights set on 100 years and beyond, reaching new heights as a consummate technology-driven trading company

Based on the projection that momentum in the second half of the fiscal year ended March 31, 2022 will continue in the first half of the current period, we expect annual net sales and operating income to be JPY 195 billion (up 0.8% compared to the previous fiscal year) and JPY 6.75 billion (up 0.6% compared to the previous fiscal year), respectively, slightly exceeding last year’s performance. We are taking a conservative outlook as we foresee the possibility of the market reversing course from last period and seeing inventory adjustment levels.

With the world economy still recovering from the pandemic, China’s zero-COVID policy continues to pose risks to the global supply chain. Friction between the U.S. and China continues to worsen, and the situation in Ukraine remains unpredictable. Moreover, in the near term, we see the semiconductor shortage, and the resulting tight supply of key devices, to continue. With so many diverse factors so complexly intertwined, steering through this economy will be a difficult task for any company. Nevertheless, we believe in the road we have so far trodden — that of further strengthening our position as a technology-driven trading company excelling in system solutions and supported by digital technologies that include electronic and mechanical technologies, along with semiconductors.

Longer term vision

Build the foundations to enable us to become a 200-year company with “NEW C.C.J2200,” our new medium/long-term management plan

With our 100th anniversary on September 1, 2021, Tachibana Eletech has made a new start. We have also developed the “NEW C.C.J2200” (covering April 2021 through March 2026), a new five-year medium/long-term management plan to continue guiding us through the next 200 years. We will build a foundation for becoming a company that achieves stable growth for 200 years, our long-term vision. Three measures will be the key to this.

(*) C.C.J = Change, Challenge, Jump-up

1 Management strategies adapted for the new age

Refining sales and technical capabilities, strengthening “products + system technologies” solutions

The core of the global economy is changing significantly, shifting from things to information and services. Similarly, with digitization advancing in the electrical and electronic solutions industries, our customers’ needs are transitioning from the tangible to the intangible. Consequently, never before has there

been such a need for added value proposals for not only business selling each product individually (tangible) but also proposals that combine products (tangible things) with system technologies (intangibles).

Stepping up our “products + system technologies” solutions will test the competence of our sales force. Along with leveraging knowledge related to the industry, products, and technologies, we will work closely with customers to ascertain their needs, and propose appropriate solutions. All employees will need to become capable of that. Fortunately, perhaps, our industry is still primarily one where people talk business with customers face-to-face, even as remote work becomes more prevalent. Being able to strengthen communication skills in the course of everyday sales activities is arguably a significant advantage for us. By honing their analog conversation skills while acquiring the latest digital skills, our employees will enhance their expertise in proposing systems solutions.

2 Bolstering our foundation for structural reform

Office automation and HR program reforms to achieve a strong profit structure

The Tachibana Eletech Group will strengthen its business foundation in order to boost productivity and achieve a strong profit structure. With a focus on two strategies — (1) office automation and (2) HR programs for a new age — we will make ourselves capable of responding to business environment changes.

(1) Office automation

We will develop foundation for utilizing data, enabling departments to collect internal and external data and make proactive use of it. In our efforts to develop and utilize this foundation, we will boost sales and office work productivity by shifting the transfer of data between ourselves and our suppliers to online environments, reviewing business processes, and automate routine work, while at the same time working to digitize sales activities.

(2) HR program reforms for a new age

There is an immediate need for human resource development and human resource program reforms appropriate to these changing times. To develop professionals and enable working styles that include remote work becoming more prevalent in the time of COVID-19, we believe it is necessary to implement job-based HR programs.

This means having new HR programs to certify people based on job difficulty and not seniority. However, we will take the time needed to develop programs that incorporate our “harmonious atmosphere” corporate precept rather than focusing on performance supremacy. We want employees to feel satisfied with their job and be happy they joined good company.

Three measures of the medium- to long-term management plan “NEW C.C.J2200” (April 2021-March 2026)

Basic Strategy	FY2025 consolidated stretch goals		
1 Sales strategy adapted for the new era	net sales	operating income	net sales goal and estimated of sales negotiation profits for strategically important business
2 Strengthen the foundation for structural improvement	¥220 billion	¥7.0 billion	¥50 billion
3 Become a company that sustain net sales of 200 billion yen			

Fostering a corporate culture that aims for “more and better”

The years ahead will no doubt be seen as a time of tumult as people compete in the changing world of Industry 4.0 and the many AI and other technologies that will define it. We must never be fully satisfied, and become a group of people that always aims high.

3 Aiming to become a JPY 200 billion company

Continued reforms to build a customer base and become a company capable of sustained growth

Although we did not achieve the goal set in our previous medium/long-term management plan of achieving “JPY 220 billion in consolidated net sales in 2021, the year of our 100th anniversary,” reaching JPY 193.4 billion in net sales (up 19.8% compared to the previous fiscal year) in the fiscal year ended March 31, 2022 set a new record and made us confident that we had made it to the next stage. By expanding our customer base through continued reforms, we aim to become a company capable of sustained growth, that is, a “JPY 200 billion company” whose net sales are always above JPY 200 billion. In the final year of the new medium-long-term management plan, we will also once again try to achieve JPY 220 billion in net sales.

Sustainability initiatives

The responsibilities of the Tachibana Group aspiring to reach 200 years

As we continue to achieve steady growth, we will aim to thrive for a further hundred years and become a 200-year company. We believe that contributing to stable employment and tax revenues are key to a company’s continued existence, and for sustainability. It goes without saying that our continued existence hinges on the continued existence of the environment and society. There remains no time to spare in combating wide-ranging issues that include global warming. We have to take ownership of these problems, asking ourselves what we can do for local

communities and society, rather than finding motivation in ideas like “the need to act is urgent” or “it will have a positive effect on the company’s business.” I aim to make our corporate culture one that, should we encounter a sticky situation where the company’s interests conflict with society’s, we will prioritize society’s. As chairman and a director in charge of corporate governance, this philosophy will guide me in giving opportune advice and encouraging good decision-making in order to ensure that I fulfill my role in ensuring the full effectiveness of the Board of Directors.

A technology-driven trading company in Asia under a forward thinking system of management

As a technology-driven trading company dealing in electrical, mechanical, electronic, and information products and services, Tachibana Eletech aspires to become a leader in Asia. Building the foundation to achieve this is the aim of New “C.C.J2200,” our new medium/long-term management plan. Leading our efforts in this regard will be the mission of the company’s new president Nunoyama. Since he joined the company, I have greatly admired his ability, both in Hong Kong and Singapore, to see things through and produce results. I have no doubt he will get us to our goal of being a JPY 200 billion company.

Takeo Watanabe

Chairman, CEO



Factory Automation Systems

Main products



FA Equipment Department

Programmable controllers, inverters, AC servos, various motors, power distribution control equipment and control devices



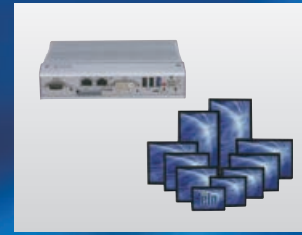
FA System Solution Department

Proposal of industrial robot systems and other complex systems spanning our business segments with the themes of energy-saving, environment, safety and efficiency, and provision of solutions required by production sites



Industrial Mechatronics Department

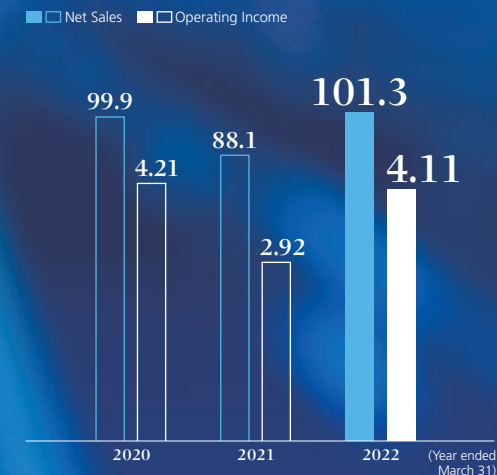
Electrical discharge machinery, laser beam machines, machine tools including machining center, 3D printers



Industrial Device Component Department

Digital connection devices, connectors, FA computers, network devices, touch monitors, Smart Glass

Net Sales / Operating Income (billion)



Our Strengths

Creating manufacturing: We examine each of our customers' manufacturing processes, identify various conditions, and propose systems that address a wide range of issues, from a single piece of equipment to an entire factory, based on our knowledge and experience, and technological capabilities cultivated through a wide range of work. Our sales engineers work with customers to achieve their manufacturing and factory development goals by leveraging our extensive product lineup.

A Quarter of all Employees are Engineers:

Tachibana Eletech can provide complete support with our comprehensive sales and technical capabilities based on our extensive track record.

Medium/Long-Term Management Plan Initiatives

Tachibana Eletech will promote businesses that fit the new era, such as M2M business, system business, robot business, and 3D printer business.



Takashi Nanmoto
Operating Officer

Performance Summary

Sales and profits increased in response to customer demand despite concerns about product supply shortages

Despite concerns about supply shortages of our products in all business sectors, the entire group worked together to fulfill customer demand by leveraging our trading company functions.

FA Equipment Department

In the FA equipment segment, programmable controllers, inverters, and AC servos performed well on the back of strong capital investment in semiconductor manufacturing equipment, logistics, and food-related equipment.

FA System Solution Department

We established a dedicated systems and robot sales department, and the technology division and sales division collaborated to expand sales and respond to factory automation and labor-saving needs through the use of robots and M2M technology.

Industrial Mechatronics Department

Machine tools and laser processing equipment grew substantially due to a recovery in production-related capital investment and the effect of subsidies. Sales of automation equipment for production lines were also strong.

We also worked to promote new manufacturing technologies using 3D printers.

Industrial Device Component Department

Sales of touch panel monitors, which we have been working to expand sales as a strategic components, grew significantly.

As a result, overall sales of this division increased 15.1% from the previous year, and operating income rose 40.9%, resulting in an increase in both sales and profits.

Growth Strategy

Aiming to be a technology-driven trading company of choice in the coming future society

FA Equipment Department

The FA Equipment Department will develop its product lineup outside Mitsubishi products to expand its scale of revenue. The sales organization will divide itself between "route sales" and "direct demand sales" to increase the strength of its sale proposals and support customers swiftly.

FA System Solution Department

The Factory Automation System Department, which was organized as a sales department opened offices in Tokyo, Nagoya, and Osaka, with a mission to strengthen our ability to make proposals that respond to the needs for factory automation and labor-saving using robotics and M2M technology.

Industrial Mechatronics Department

Tachibana Eletech offers a wide range of general machines and manufacturing machinery from multiple manufacturers, centered around Mitsubishi Electric products. Even with a diverse product line-up, business opportunities are limited if products are each sold individually. By combining the products of Mitsubishi Electric and other companies and forming a tag-team with Slers (system integrators), we will propose total solutions for manufacturing line automation. We will furthermore expand sales of Mitsubishi Electric products throughout all of our industrial manufacturing departments by developing clients and increasing sales with major regional trading companies. In 3D printing, we will continue promoting adoption of the technology and seize opportunities for sales negotiations.

Industrial Device Component Department

Leveraging Tachibana Eletech's expertise in telecommunications technology, network devices will serve as an entry point for increased sales of touch screen monitors and FA PCs. Recently, our Smart Glass technology, useful in supporting remote work and which contributes to increased production at manufacturing sites, has been well received by customers. Smart Glass will serve as a product to "knock on the door with" manufacturing-related customers of the FA Department, for increased sales of manufacturing device component products.

A strategy for each department has been provided thus far, but all departments will work together to implement the sales strategies set forth in the medium/long-term management plan.

In order to respond to changes in the future society, we will improve our sales and technical capabilities to make proposals that are unique to our company, combining the sale of tangible products with intangible systems technology.

We aim to professionalize sales in order to master the M2M business, system business, robotics business, and 3D printer business as a priority. To that end, it is important for each department to hone its specialized knowledge and for individual sales personnel to develop their strengths as professionals. We must know our own products well, understand customers' problems, and be able to make the best proposals. This is the type of sales professionals that we aim for in all departments.

Another area of focus will be increasing the product lineup we offer from other companies, in both core and non-core sectors. Whether it is robots, 3D printers, machine tooling or laser processing equipment, we will expand our products across all departments to secure a diverse range of choices and develop an organization that can tailor an optimal proposal from that selection.

Our ultimate goal is to become a leading technology-driven trading company. Despite the severe limitations on sales activities brought by the COVID-19 crisis, customers still continued purchasing from us, showing not just the importance of deep,

long-term relationships, but also the trust they had in "Technology of Tachibana." We will come together to further develop our professional skills as a technology-driven trading company, to further meet the expectations and trust of our customers.

Topics

Showcased solutions at the first Tachibana Eletech website exhibition, "Tachibana Online Exhibition"

The first "Tachibana Online Exhibition" was held on our corporate website as a place to showcase our solutions during the COVID-19 pandemic. Its main focus was Whole-Company Smartification by connecting companies digitally and proposing the realization of optimal manufacturing. We also proposed next-generation solutions such as the use of 3D digital twins that enables 3D data of an entire factory and virtual simulation of equipment layout.





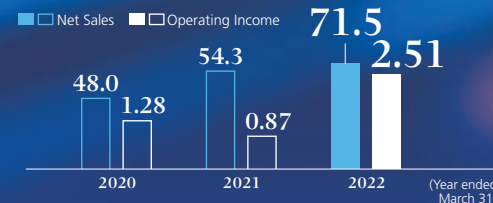
Semiconductors and Electronic Devices

Main products



Semiconductors (microcomputers, ASICs, power devices, memory modules, analog ICs, logic ICs)
Electronic devices (memory cards, contact image sensors, liquid crystals)

Net Sales / Operating Income (billion)



Our Strengths

We propose semiconductors and electronic device products, available as standard designs or customized to meet customer needs. As a system consultant, we also support the development of microcomputer software, custom LSIs, and various semiconductor devices. In the semiconductors and electronic devices segment, which are indispensable for rapid technological innovation in industrial structures and lifestyles, we have strengths in our technological capabilities, in addition to our product lineup and ability to make proposals.

Medium/Long-Term Management Plan Initiatives

We will strengthen our product lineup and refine our technological capabilities, continuing to be the unique trading company specializing in semiconductors with advanced technological and sales capabilities.



Sadayuki Takami
Director
Executive Operating Officer

Performance Summary

Record-high sales and operating income due to continued demand

Demand has remained at a high level since the second half of the previous fiscal year in the Japanese semiconductor sector, with large gains in key products such as microcomputers, memory, logic IC, and power modules. Overseas sales also grew significantly, especially in sales to Japanese companies. However, due to a worldwide shortage of electronic components, Japanese and overseas subsidiaries struggled to secure the necessary parts. On the other hand, in electronic devices, strong demand for liquid crystal panels continued, and connection parts such as connectors increased significantly.

As a result, overall sales for Semiconductors and Electronic Devices increased significantly by 31.7% year over year, reaching a record high.

Growth Strategy

Transforming Tachibana-ism into the ability to make proposals, deepening relationship with existing clients, and expanding product lineup

More than two years have passed since Tachibana Electronics Solutions (TCS) joined the group, and the synergistic effect has been demonstrated in terms of sales. In addition to securing over 100 new companies as first-time customers, sales were further increased by transferring small and medium-sized customers to TCS, which could not be adequately covered by the department previously. By combining the technologies of TCS and Tachibana Eletech, we will be able to further enhance our ability to make proposals and provide services that meet the needs of our customers.

Topics

Exhibited at ET & IoT 2021 and streamed the event live

Tachibana Eletech exhibited at ET & IoT 2021; an embedded technology expo held at Pacifico Yokohama. It was the first time in two years that the event was held in person, and we showcased various solution technologies, including non-contact operation solutions. In addition, we streamed the event live for the first time so visitors who could not come to see our exhibit could view our booth online. We will continue to propose solutions that fuse in-person and online.



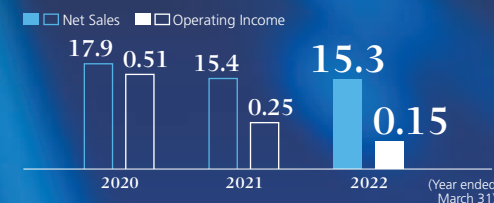
Building Services Systems

Main products



Package air-conditioners and other air-conditioning equipment, equipment for all-electric housing (Eco Cute, IH cooking heaters), room air-conditioners, power receiving/transformation equipment, monitoring and controlling equipment

Net Sales / Operating Income (billion)



Our Strengths

We offer complete solutions for buildings, factories, housing, and facilities. Tachibana Eletech interconnects these four work fields and develops activities with a sincere focus on the relationship between technology, people's lives, and society. We continue to contribute to the creation of comfortable environments that enrich people's lives and industry while proposing valuable advanced technology products and systems.

Medium/Long-Term Management Plan Initiatives

We aim to develop Building Services System business into a main business as our third pillar, and to achieve standardization of regional service levels.



Mitsuru Tada
Operating Officer

Performance Summary

Decline in profits due to the economic environment despite strong performance of building services equipment and logistics-related business

Amid a decrease in projects after the completion of the 2020 Tokyo Olympic and Paralympic Games and a decrease in properties due to delays in various redevelopment projects caused by the postponement of the games, industrial air conditioners and low-temperature chillers experienced sluggish growth due to overseas lockdowns and longer product delivery times caused by semiconductor shortages. On the other hand, room air conditioners, EcoCute, and other building equipment grew as a result of demand for new construction and renovations. Although sales of elevators and escalators and LED lighting for the booming logistics industry were also strong, they were not enough to make up for the negative factors, and overall sales in this segment declined 0.2% from the previous fiscal year.

Growth Strategy

As the market moves towards zero-emissions, focus strategy on proposal and construction strengths

Through the previous medium/long-term plan, we focused on developing and establishing a foothold in major construction and equipment companies, and as a result, we were able to gain a firm foothold to expand sales in the Tokyo area, including the orders for large-scale projects.

We expect the market to recover as the coronavirus and shortages gradually disappear. Also, orders are increasing for logistics centers, hospitals and data centers in Tokyo, Nagoya, and Osaka. Upcoming projects are also jostling at the gates thanks

to the Osaka Expo 2025, with development starting for Umekita Phase 2. However, as the Tokyo metropolitan area market is much larger than the Kansai market, we will focus on making the best use of limited resources to analyze a large number of cases and steadily increase profits.

Amid the major trend toward a zero-emission society, the construction of net Zero Energy Housing (ZEH) and buildings (ZEB) that aim for advanced energy conservation and energy self-sufficiency through solar power generation, storage batteries, and high-efficiency equipment is expected to grow nationwide in the future. Through comprehensive coverage of the equipment required for such construction, we will closely meet our customers' needs through this changing era and focus on system sales to build increased sales and profits.

Topics

Adoption of new emergency power supply system

Tachibana Eletech has developed an on-site power system package that combines EV batteries and fixed storage batteries to secure a minimal lifeline level of electricity in the event of emergency situations. The system allows various construction work can be performed according to the installation site such as factories, hospitals, and offices.





Manufacturing Services

Main products



MMS (Metal Manufacturing Service)

Structural members and pallets for multilevel car parking towers, piping members for ships



EMS (Electronics Manufacturing Service)

Controllers for water heaters, remote controllers for air-conditioners, etc., passenger car trunk closures

Our Strengths

Our strengths are our contract manufacturing services as a technology-driven trading company with design know-how and manufacturing partners. Our fabless production system allows us to accept even small-lot orders, and our combined MMS and EMS capabilities enable us to provide comprehensive services from substrates to finished products including external packaging, that is convenient and meets our customers' needs.

Medium/Long-Term Management Plan Initiatives

We will focus on cultivating manufacturing contractors in Asia with the aim of becoming a "manufacturing trading company."

Performance Summary

Higher sales and lower profits due to global parts shortage, soaring material prices, and weak yen

In the MMS segment, which involves contracted work for metal processing, an increase in the number of pallets upgraded for multilevel car parking facilities contributed to sales, but securing profits was difficult due to overseas lockdowns caused by the prolonged novel coronavirus, the effects of soaring prices of metal components, and a weak yen. In the EMS segment of contracted electronics and electronic parts manufacturing, although there was a significant increase in sales of home electronics-related products, the business was affected by a shortage of components and price hikes. As a result, the business as a whole posted an increase in sales but lower profits compared to the previous fiscal year.

Growth Strategy

Strengthen stable production system, including development of manufacturing bases in Asia

In the MMS segment, our system of thorough quality control by permanently assigning employees to our overseas partner factories has led to customer satisfaction and repeat orders. We will develop new contract manufacturing contracts by continuing to steadily implement this management method and earning the trust of our customers. In the EMS segment, we have earned a reputation for our "building in quality." We will strengthen the trust we have earned based on our past performance and increase new manufacturing contracts.

Our aim is to become a "manufacturing trading company," and we will continue to maintain and develop a stable production

and quality assurance system while diversifying risks at our partner factories in Japan, China, and Thailand. At the same time, we will cultivate new manufacturing contractors in Asia.

Moving forward, we will strengthen sales promotion while updating special pages on our website. At in-person meetings, we will work to expand sales through persuasive proposal sales using actual samples.

Topics

Published examples of Electronics Manufacturing Services (EMS) on our website

Tachibana Eletech showcases manufacturing process in the EMS segment on a special page of our website. In addition to the technologies, services, and manufacturing process in which we excel, it also features video clips of our production sites so that customers can feel confident in placing their orders.

The website emphasizes our ability to be a one-stop shop for services from design support to parts procurement, and from manufacturing to quality assurance.

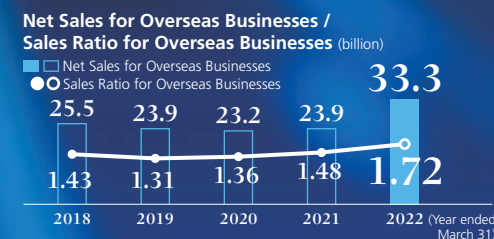


Overseas Operations

Main products

Sales of industrial mechatronics products, including semiconductors, electronic devices, FA equipment, and electric discharge machines

Since the opening of a representative office in Singapore in 1982, we have steadily expanded overseas operations, and in 2012, we established Tachibana Overseas Holdings Ltd. (TOH) in Hong Kong, a holding company to supervise overseas subsidiaries. We are proactively undertaking the FA, Semiconductors and Electronic Devices and other businesses in East Asia and major Southeast Asian countries, including China and Singapore.



Our Strengths

We procure and supply the necessary products and components to factories in Japan and abroad, using our international network and extensive knowledge and experience in international business. We are strong supporters of our customers' expansion into Asia and overseas procurement (import) of products from different parts of Asia.

Medium/Long-Term Management Plan Initiatives

We aim to localize our bases and accelerate the development of local markets in Asia.



Hisanobu Nunoyama
President, COO

Performance Summary

Booming Chinese market backstops higher sales and profit in overseas business

In our overseas business, despite the prolonged trade friction between the US and China, sales grew significantly and reached a record high, backstopped by the strong Chinese market for both Japanese and local customers. As a result, the ratio of overseas business sales to total sales increased by 2.4 points from the previous year to 17.2%.

Growth Strategy

Further strengthening the localization of bases to become a leading company in Asia

Through the previous medium/long-term management plan, we were able to establish a strong linkage between Japan, China, and ASEAN. Based on this network, we believe that we can continue to achieve double-digit growth by tapping into the expanding demand for semiconductor-related products, machinery, and electronic components, which is growing due to the booming market.

Our basic strategy in our overseas business is to thoroughly localize our bases. We will promote localization, the developing of local companies and increasing the number of local employees.

"Local production for local consumption" contracts are steadily increasing, in which our local technology support team aids local clients in design development and other activities, and we will continue building our partnerships with local IDHs* and enhancing our Engineering Centers. We will furthermore participate in Shanghai and Shenzhen related exhibitions to promote Tachibana Eletech's strength in technology along with

our goal to become a leading technology-driven trading company in Asia for electrical and electronic fields.

* Independent Design House

Topics

Exhibited at the FBC Guangdong 2021 Manufacturing Business Meeting in Nanhai

Tachibana Eletech exhibited at the FBC Guangdong 2021 Manufacturing Business Meeting in Nanhai held in Guangdong, China. We engaged in exchanges and matching-making talks for Japanese companies, and primarily exhibited products that are readily available amid the shortage of goods and IoT-related products, which is one of our strengths. We will continue to effectively use our participation in exhibitions throughout China to introduce products that will appeal to our customers and increase our company's name recognition.



Sustainability

Sustainability Management

CSR Policy

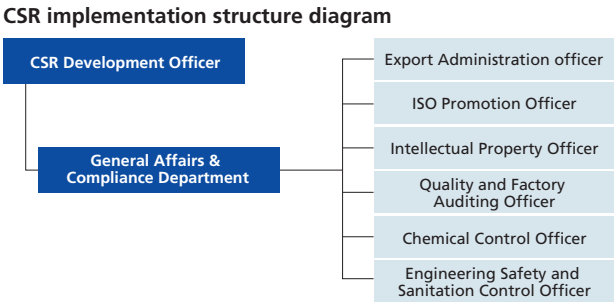
Our basic policy on CSR is to encourage, in recognition of our social responsibilities, sound management practices by steadily realizing our management vision, corporate philosophy, and code of conduct. We also take a proactive stance in promoting CSR based on the pillars of compliance, risk management, quality / safety / environmental management, and social contribution founded on corporate governance.

- 1. Strengthen risk management**
Management risks facing companies today have become larger and more diverse than ever before. This is why thorough risk management is essential for the continuity of business operations and enhancing corporate value. Our goal is to achieve management that is well respected by society because of its proper risk management, enhancements to corporate value and securing of talented human resources.
- 2. Develop talented human resources**
We will move forward with a plan that enables each and every employee to think and act in order to fulfill our corporate social responsibilities through our CSR initiatives.
- 3. Enhance corporate brand value**
We will promote our image as a company that fulfills its social responsibilities and will strive to enhance our corporate brand value as a company that is trusted by customers and investors.
- 4. Make contributions to society**
In addition to economic contributions, we will strive to contribute to society by carrying out initiatives to reduce the burden on the environment, including the reduction of pollutants and CO₂ mitigation, and our involvement in immediate community activities.
- 5. Procurement considerate of CSR**
We will build partnerships with our business partners through fair transactions that comply with CSR and related laws and regulations, such as various labor laws and regulations, regulations on management of contained chemical substances, and regulations on conflict minerals.
- 6. Disclosure**
We will strive to proactively disclose information directly at exhibitions, investor briefings, and investor relations presentations, and indirectly to the general public using tools such as our corporate website and paper-based media.

CSR Implementation Structure

With our fundamental goal to contribute to society through sound business activities, we will pursue CSR on a daily basis

under the leadership of CSR Development Officer and directed by the General Affairs & Compliance Department.



Acquisition of ISO Certification

The Tachibana Eletech Group conducts proper checks on the environment, quality, and information security, which we have positioned as our priority CSR issues, through ISO (International Organization for Standardization) assessments.

As part of our CSR activities, we have acquired ISO14001 certification for our environmental management system, ISO9001 certification for quality control and customer satisfaction, and ISO27001 for our information security management system. Refer to our corporate website for details about our certification.

Information Security Policy

It is our duty to implement appropriate security measures for trade secrets* and personal information to protect it from loss, theft, and unauthorized use in order to maintain the trust of our customers and remain competitive.

This Information Security Policy is our security policy for trade secrets and personal information, which sets forth appropriate protection measures.

Employees shall understand the purpose of this policy and must familiarize themselves with and comply with the Company's security regulations and relevant laws and regulations.

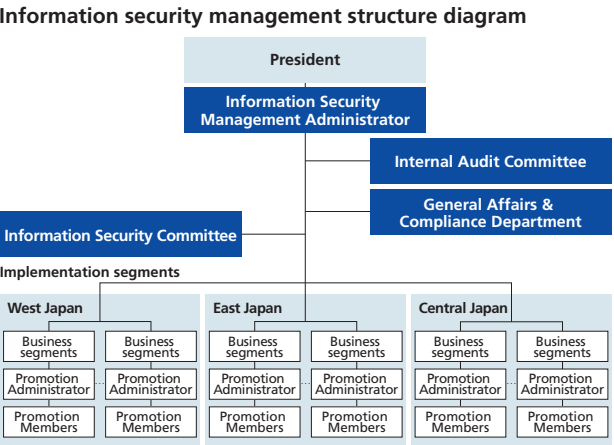
1. Implement appropriate security measures for trade secrets and personal information to strengthen the relationship of trust with customers.
2. Improve corporate ethics and fulfill our social responsibility as a company through the implementation of appropriate security measures and compliance with laws and regulations relating to trade secrets and personal information.
3. Establish and continuously improve the information security management system to realize information security measures.

*Trade secrets are defined as technically or commercially helpful information and information that is useful in the Company's business activities, held by the Company, and information that, if leaked or misused, would be detrimental to the Company or its stakeholders.

Information Security System

We handle the personal information of customers and information related to products and services according to a contract. Therefore, we are seeking to strengthen our information

security system and maintain and manage it at a high level, from various security system implementations to conducting awareness education for employees, in order to protect myriad information assets handed from customers in a more rigorous manner.



Quality Policy

Basic Philosophy

We believe that our business activities must be beneficial to people and society, and we provide the latest technological products and system solutions that meet the requirements of our customers.

- Code of Conduct**
- 1. Improve customer satisfaction**
We respond quickly to changes in technology and society, and provide products and services that always satisfy our customers.
 - 2. Comply with the law**
We will live up to the trust of our customers and society by complying with relevant laws, regulations, and social requirements related to our products and services.
 - 3. Continuous improvement**
We set and implement quality objectives and targets, and strive for continuous improvement to realize our quality policy.
 - 4. Disseminate the policy**
We make this quality policy known to all employees and disclose it outside the company.
 - 5. Review and make improvements**
We periodically review and improve this quality policy in response to social trends and changes in the business environment.

Environmental Policy

Basic philosophy

Tachibana Eletech is deeply aware that environmental issues are spreading around the globe and represent a long-term and important issues that affect the future. Through sound business practices, we aim to achieve socioeconomic development in

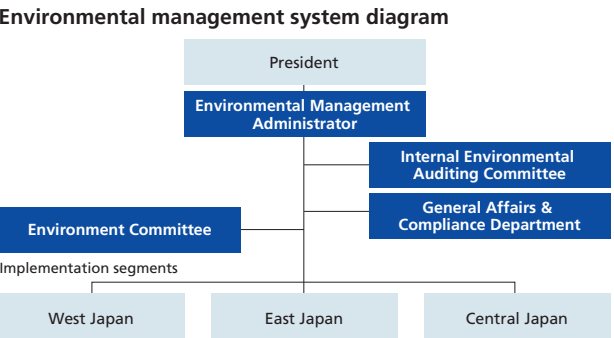
harmony with the global environment and contribute toward the realization of a sustainable society.

Corporate Principles

- 1. Effective use of resources and energy**
We will recognize that natural resources and energy are finite and strive to use them effectively.
 - We will actively promote energy conservation, resource conservation, waste reduction, recycling, and green purchasing in our business activities and strive to reduce our environmental impact.
 - We will strive to improve operational efficiency by improving our business model activities.
- 2. Promotion of environmentally-conscious products and services**
We will strive to provide the sale and service of environmentally-conscious products that save energy and resources throughout the life cycle of the products we offer.
- 3. Compliance with environmental laws and regulations**
We will comply with environmental laws and regulations, and other requirements which we agree upon during the execution of our business activities, in order to strive to prevent environmental pollution.
- 4 Enhancement and improvement of environmental management system**
Under our environmental management system, we will set and implement environmental objectives and targets, and periodically review them for continuous improvement.
- 5. Environmental education and social contribution activities**
We will continuously educate all employees to improve their understanding and awareness of the environment, and engage in social contribution activities in cooperation with local communities.
- 6. Promotion and publication of environmental policy**
We will make this environmental policy known to all employees and publish it outside of the company as well.

Environmental Management System

We have acquired ISO14001 certification for all of our business sites in Japan as well as some other locations since 2001 and we continue to make efforts toward environmental conservation. The following diagram provides a breakdown of our environmental management system, which is led by the President. The entire company also carries out improvements using the PDCA cycle based on annual plans, as part of our spiral-up efforts.



Environment

Environmental Initiatives

Reducing the Environmental Impact of Our Businesses

Reducing Greenhouse Gas Emissions

The Paris Agreement, adopted at the 2015 Conference of the Parties (COP) of the United Nations Framework Convention on Climate Change (UNFCCC), set a global goal to significantly reduce greenhouse gas emissions in order to limit the rise in average global temperatures. In response, the Japanese government announced that it will be net zero greenhouse gas emissions by 2050.

In the midst of this trend, the Tachibana Eletech Group is shifting its efforts to curb greenhouse gas emissions from “low carbon” to “decarbonization.”

In addition to contributing to the reduction of greenhouse gas emissions by providing solutions that help reduce environmental impact, we will also work to reduce our own consumption of electricity and switch to renewable sources of energy.

Initiatives for the management of chemical substances

We support customers in their environmental responsiveness through the provision of accurate information. The General Affairs & Compliance Department is responsible for integrated management of information about chemical substances contained in the products we handle. When we receive inquiries from customers about chemical substances in any of our products, we provide all information obtained from suppliers, and inform customers if the products meet their requirements. 95% of the products we are dealing with meet the RoHS (Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment) Directive issued to draw attention to the effects of substances on human health. Some customers request non-RoHS products, which represents the maximum limit of RoHS adoption. The General Affairs & Compliance Dept. is engaged in appropriate administration and promotion of the chemical substance management system in accordance with in-house rules for the management of contained chemical substances and makes a self-declaration of conformance based on Guidelines for the Management of Chemical Substances in Products (provided by JAMP).

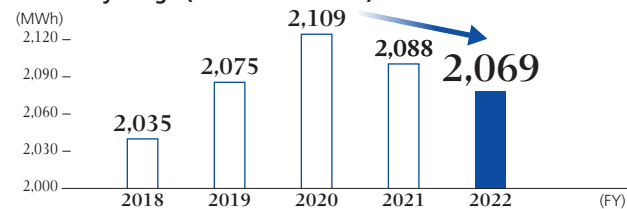
The General Affairs & Compliance Dept. also serves as the contact point for chemical substance management audits requested by customers. Starting in the year ending March 2012, the Office has been providing support for establishment and administration of the chemical substance management systems of overseas subsidiaries. Internally, the office is investing effort into the continuous implementation of various training and education programs on the management of chemical substances.

Energy conservation at offices

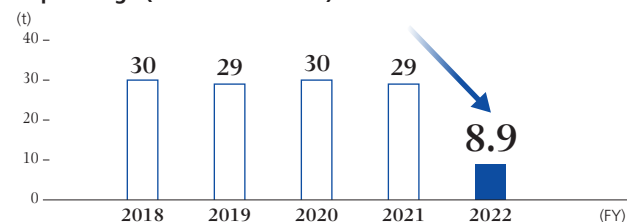
We have been contributing to power saving and carbon dioxide (CO₂) emission reductions for customers by proactively lining up equipment and systems that support their energy-saving efforts and offering a combination of products and energy-saving technologies. We are also making all-out efforts of our own to save on energy consumption. Along with significantly reducing overall power consumption in our office buildings by introducing power-saving LED lighting, we have also reduced out electricity usage by frequently checking the temperature settings of air conditioners. Going forward, we will continue to work toward reducing power consumption.

Furthermore, we are advancing with our paperless office initiative with measures including digitizing reports and adopting DocuWorks to reduce paper consumption, leading to significant outcomes.

Electricity usage (non-consolidated)



Paper usage (non-consolidated)

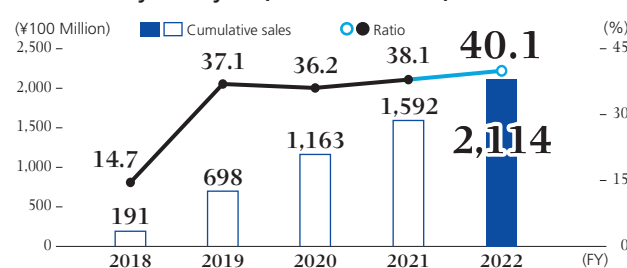


Efforts to Reduce Environmental Burden through Business and Services

Increasing sales of environmentally-conscious products

Under the policy of giving back to society by promoting the effective use of resources and energy, and increasing sales of environmentally-conscious products, we have worked to expand our lineup of environmentally-conscious products effective at protecting the environment, such as photovoltaic power generation systems, LED lighting, high efficiency industrial equipment, air conditioning, and building facilities. We have continued to achieve success with these products.

Net sales of environmentally-conscious products and sales ratio by fiscal year (non-consolidated)



*Net sales are cumulative from the fiscal year ended March 31, 2018.

Photovoltaic panels: Contributing to a clean energy society with energy creation

In addition to energy-saving efforts, society has shown stronger interest and expectations in proactive approaches to energy creation. Photovoltaic power generation systems, which do not produce CO₂ when in operation, are spreading for both general homes and industry.

Tachibana Eletech was among the first in the industry to set up a dedicated team covering photovoltaic power generation systems, which is building up technology and know-how, and responding to demand by supporting the installation of photovoltaic power generation systems and creating optimal designs based on the installation environment and scale of our customers.

LED lighting: Promoting the expanded use of LED lighting internally and externally

LED lighting is not only economical because it uses less power and has a long life, but also has unique traits such as the fact that it does not almost give off heat, does not contain hazardous materials, and does not almost attract insects. Tachibana Eletech has launched the LED Lighting Sales Promotion Project and has since continued to help a number of customers to save power and reduce their electricity costs. We are actively working to expand the adoption of LED lighting both internally and with customers.

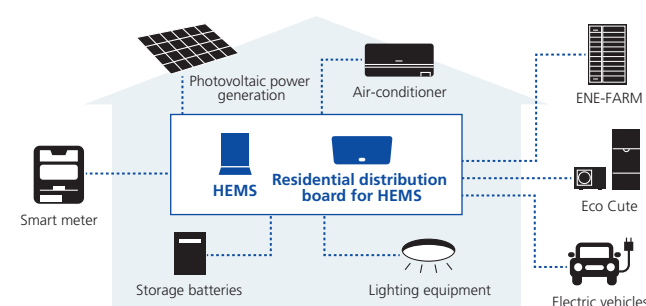
High-ceiling LED lighting is part of the permanent display at our Exhibition Hall on the first floor of the head office, aiding the further expansion of LED lighting sales.



HEMS, which realize a comfortable lifestyle with low energy consumption

A Home Energy Management System (HEMS) connects various household appliances over the network to realize a comfortable lifestyle with low energy consumption.

Tachibana Eletech is supplying HEMS to large tower apartment buildings and condominiums through Kansai Electric Power Group. Through these activities, we are supporting the realization of smart electric apartment buildings.



Providing comprehensive support for energy conservation at factories

Tachibana Eletech offers a rich line-up of equipment and systems to support energy conservation efforts and help reduce environmental burden at production plants. By providing “products + energy conservation technology,” we contribute to helping customers conserve power and reduce CO₂ emissions.

For example, the energy measurement unit and energy-saving data collection server automatically collect information on energy consumption and production yield, and assist in the visualization of the utilization status of the facility. By doing so, they enable the detection of energy loss, and further, allow for the visualization of such data anytime and anywhere through the Internet.

In addition to these equipment and systems that support energy conservation efforts, we also design and provide comprehensive energy conservation plans by combining power distribution equipment that minimizes energy loss, high-efficiency transformers, high-efficiency motors, energy-saving inverter control panels, and other systems.

Of course, by proposing solutions from the perspective of “energy conservation professionals” who understand factories, such as enhancing the maintenance and operation capabilities of systems or expediting delivery through modular systems, we provide strong support to our customers in their energy conservation activities.

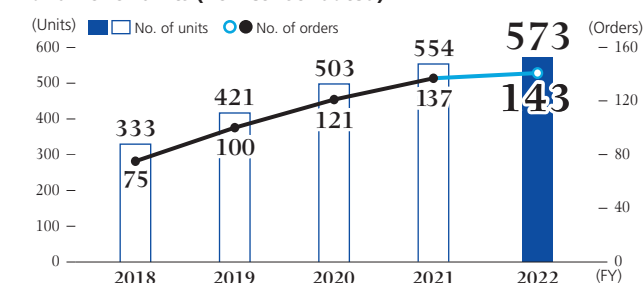


Realizing significant energy savings through motor replacement

It is said that much of the electricity consumed by factories is consumed through motors. Hence, upgrading the motors to the latest models not only improves production efficiency, but also contributes to significant energy savings for the factory.

Going forward, we aim to continue increasing the volume of orders for motor replacement systems, and to contribute to customers' efforts to conserve energy and improve production efficiency.

No. of orders for motor replacement works, and no. of units (non-consolidated)



*Above is cumulative from the fiscal year ended March 31, 2013.

Social

Together with Our Employees

Basic Policy

Tachibana Eletech respects the diverse values of its employees and aspires to achieve a balance between employee self-realization and the growth of the company. To achieve this balance, we make efforts to address issues such as human resource development, work-life balance, diversity, harassment prevention, respect for human rights, and childcare assistance. Our goal is to create an environment where employees can grow and find a sense of fulfillment.

Creating Workplace Environments that Facilitate Work

Initiatives for work-life balance

We have created employee-friendly workplace environments where workers can balance their professional and personal lives, and we have established various action plans to fully harness the skills and talents of our workforce.

For example, we have standardized, streamlined, and leveled business processes, and eliminated our dependence on individual expertise for certain business processes. We have also created an environment that encourages eligible employees to take childcare leave, and which makes it easier for them to return to work after leave.

Following the enforcement of the revised Child Care and Family Care Leave Act on October 1, 2017, we amended our “Regulations for Childcare Leave” on the same day. Previously, leave was up to the age of 1 year and 6 months, but the leave period can now be extended to when the child reaches 2 years of age.

Initiatives towards work-style reforms

Tachibana Eletech will pursue the improvement of operations in terms of their efficiency and the promotion of women’s activity with a view toward work-style reforms. In the fiscal year ended March 31, 2022, Tachibana Eletech further encouraged the use of the Internet and digitalization within the company as part of our efforts to improve operational efficiency to the point where employees handle it skillfully.

We stopped the paper printing of faxes by introducing auto fax software and laptop computers. We have reduced paper usage for meetings by digitizing reports and adopting Microsoft 365.

The major leap towards digitization sparked by the COVID-19 crisis has been the impetus to start several new in-house projects. We will improve productivity by rationalizing and improving the

efficiency of administrative work through the smooth rollout of office automation tools and systems across the whole company.

Initiatives for Diversity

Promotion of employment of the disabled

In order to expand employment opportunities for the disabled, we strive to promote the hiring of persons with disabilities and to provide a working environment that is friendly to persons with disabilities.

Supporting female practical business group leaders

In 2019, we founded a practical business group made up of female staff, and appointed six female staff to serve as leaders, a first for the company.

In April 2022, three new leaders joined the group, bringing the total number of female leaders to nine.

The practical business group will continue growing, as Tachibana Eletech pursues becoming a company in which males and females are equal, where there is no discrimination in work or career advancement and no disparity in pay based on gender.



Promoting Employee Health

Mental Healthcare

Tachibana Eletech provides mental health check-ups at a specialist institution for all employees every year.

Additionally, we have introduced an EAP service that provides clinical psychologists, mental health social workers and counselors to support workplace mental health. These services can be used at any time to help solve problems faced by employees or their families.

Furthermore, we will provide counselling with an occupational health practitioner that can be utilized by everyone in the company once a month.

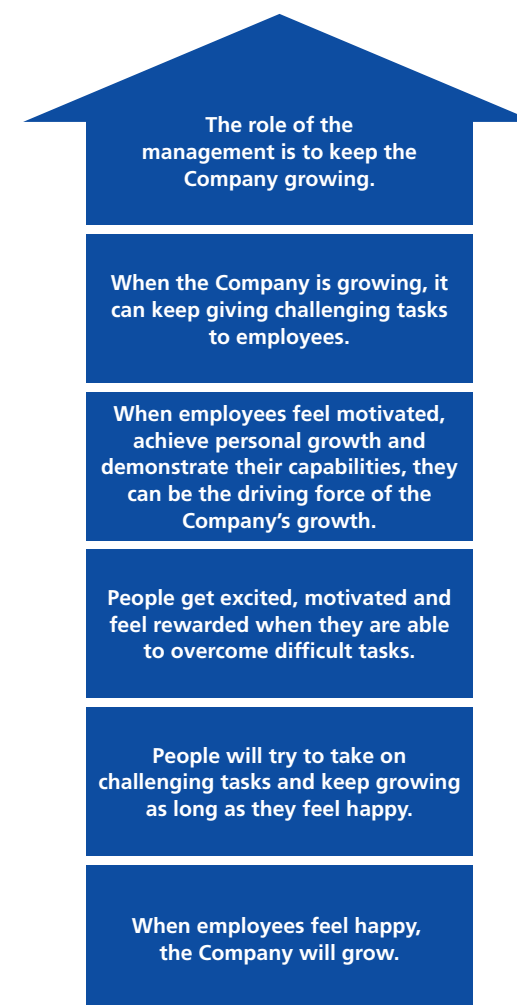
Promoting vaccination

Vaccination against influenza is provided within the company. Staff can pay only part of the cost to receive these vaccinations.

The Philosophy of “People-Oriented Management”

Tachibana Eletech is promoting “People-Oriented Management.” Our philosophy is that if we are a company where employees are motivated to work and can experience their personal growth, they will feel happiness. Based on this philosophy, we are continuing our “C.A.P.UP 1500” and “Human Training Hall” initiatives which seek to create an environment that can heighten the personal growth of each and every employee. “C.A.P.UP 1500” is a structural reform project that aims to maximize the fundamental selling capabilities that a trading company should possess. The “Human Training Hall” is a “training hall” (dojo in Japanese) that fosters comprehensive human skills that includes improving in interpersonal communication skills and inheriting the “wisdom” and “ingenuity” of those before us.

Going forward, we will continue to promote “people-oriented management” that will turn the growth of each individual into the driving force for the Company’s growth.



Note: C.A.P.UP 1500

- **C**: Capability (Capability to act)
- **A**: Ability (Ability to get things done)
- **P**: Power (Power to put into practice), Potential (Possibility, latent ability)
- **1500**: Towards the target of JPY150 billion non-consolidated net sales

Training Policy

Tachibana Eletech has established an education system aimed at promoting the growth of individual employees and the development of the organization.

Since traditional in-person training was difficult to conduct during the COVID-19 pandemic, we proactively conducted rank-based training and specialist training for all of our offices online.

Human Training Hall – Fostering human competence

We have established a Human Training Hall as a kind of social gathering space, with the aim of ensuring the DNA of Tachibana Eletech is passed on to young staff through interaction with their peers in other departments with whom they usually have no contact and fostering their human skills.

Safety training

The General Affairs & Compliance Department holds a safety conference every year. The safety conference is an education program designed to raise employee awareness of occupational safety and health.

In the fiscal year ended March 31, 2022, the event was held online for the first time. The number of participants from inside and outside the company has increased, and they learned about past industrial accidents to newly foster the determination to eliminate all workplace accidents among each and every participant. The conference is scheduled to be held online again in the fiscal year ended March 31, 2023.

Support for skills development

We provide support for obtaining qualifications, so that every single member of staff can enhance their work-related skills.

Currently, credentials eligible for support include health supervisor, licensed electrical engineer and electrician, energy manager, and other construction and engineering-related qualifications, as well as IT and information-related qualifications such as engineers in basic and applied information technology.

Construction Safety and Hygiene Training via Video

COVID-19 made in-person training impractical, so training videos were shared together with documents covering safety and hygiene measures to be followed during construction. The videos discussed accidents and close calls that occurred during actual constructions.

Attendees viewed the videos from a web page by the General Affairs & Compliance Department. Keeping each video under ten minutes, garnered positive comments such as, “I could schedule watching the videos in between my work.”

Online Disaster Training via Video

From March 28 to April 8, 2022, employees across Japan were invited to participate in an educational disaster drill using online videos. This type of education meets the requirements for disaster drills and firefighting drills as stipulated by the Fire Defense Law. The videos covered scenarios such as earthquakes and fires, and the training was conducted by sharing the links to the videos on the company intranet together with materials detailing evacuation routes of headquarters and a post-training

test to confirm understanding. Participants can watch the videos at any time during the period, review the materials, and then answer and submit the post-training test. Approximately 270 people responded to and submitted their post-training test, with almost all achieving 100% scores. The videos are recommended by the Osaka Municipal Fire Department and consist of four 20-minute videos that simulate an earthquake and fire in a high-rise building and explain how to use fire extinguishers and indoor fire hydrants.

In the materials, the participants were reminded of the importance of checking not only the location of emergency stairways and evacuation routes, but also the location of fire doors that automatically close in case of fire, fire extinguishing equipment, and AEDs at each work location. They were also reminded to follow broadcasts during evacuation to avoid panic, that evacuation points are different for fire and tsunami warnings, and that the use of elevators is prohibited in the event of an emergency.

Topics

Symbiosis with Local Communities and Society Nagomi no Sato – Preserving Japan's Satoyama Environment

Since 2019, Tachibana Eletech has participated in activities to preserve Japan's traditional Satoyama (border zone or area between mountain foothills and arable flat land) environments around Hirakata City in Osaka Prefecture.

A commemorative Somei Yoshino cherry tree planting ceremony was held in November 2021, and 125 cherry trees were planted by March 2022. Participants also dug bamboo shoots as part of conservation activities.

We will continue to plant trees and engage in other efforts, with the aim of opening the park to the public as well as employees and their families by 2023.

We will continue to engage in such activities that contribute to society while remaining connected to the community.



Products Contributing to the Resolution of Social Problems

In modern society, companies are expected to contribute to the resolution of social and environmental problems through their business activities. Tachibana Eletech also leverages its knowledge and experience as a technology-driven trading company to sell products that can contribute to the resolution of social and environmental problems, and this section introduces a portion of those products.

Prepare for Occurrence of Natural Disasters

Environmentally Aware BCP Preparation - Photovoltaic Power and Storage Battery System

Tachibana Eletech is actively proposing the adoption of power generation equipment that combines photovoltaic power and lithium-ion storage batteries.

Demand for photovoltaic power generation equipment is increasing due to the growing environmental consciousness toward the realization of a low-carbon society and carbon neutrality. Additionally, the need to prepare for increasingly frequent major natural disasters has made measures for Business Continuity Plans (BCP) the subject of great focus. In addition to being highly effective in securing a minimum lifeline power source in the event of a disaster or power outage, the use of renewable energy sources that do not require fossil fuels helps reduce CO₂ emissions.

Demand for photovoltaic power generation as a renewable source of energy is also increasing due to growing awareness of environmental consciousness toward the realization of a low-carbon society and carbon neutrality. Lithium-ion storage batteries are both compact and lightweight, making them widely adopted in mobile phones, laptops, and electric vehicles.

Combining storage batteries with a photovoltaic power system allows excess electricity to be stored, and then drawn from the batteries during periods of low power generation, providing an efficient system robust against weather conditions or time of day. In the event of a disaster, power is supplied from storage batteries as an emergency power source.

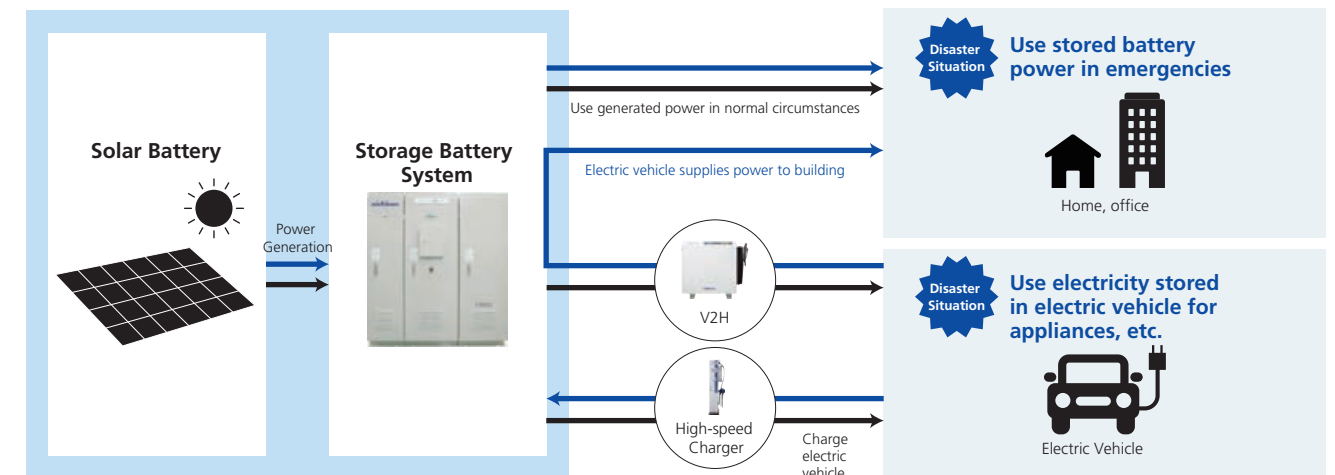
Furthermore, combining photovoltaic power generation with a rapid charging system and electric vehicle (EV) allows the vehicle to be charged with solar power. In the event of a disaster, electricity from an EV can be used to power buildings, enabling even more efficient energy operation. Going forward, we will continue our commitment to providing renewable energy products to help achieve a low-carbon society.

A charging and discharging equipment for PHEV vehicles that also serves as a power supply

PHEVs (plug-in hybrid electric vehicles) feature a gasoline engine which operates when there is insufficient battery power and are gaining attention as next-generation eco-cars. The device goes beyond simply powering the vehicle but also serves as a "power supply" which supplies electricity to homes, facilities, and other locations during a power-outage or disaster.

Photovoltaic Power and Storage Battery System Diagram

→ Normal Operation → Emergency Operation



Eco Cute that provides power during emergencies

We are promoting the use of Eco Cute electric heat pump and water heaters as water supply sources during emergencies. The tank holds water at approximately 90 degrees Celsius, making it a safe source of water during emergencies if the water supply is stopped.



Protecting the Safety of Workers Active on Construction Sites

Protecting against heat in factories

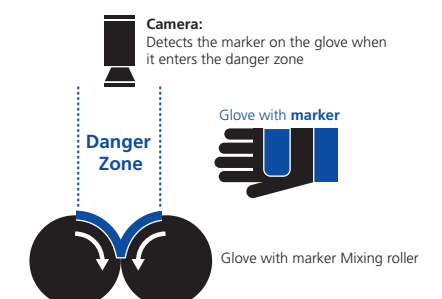
Summers have grown more fierce in recent years, and the radiant heat of machinery has made it easier for factories to grow dangerously hot. Excessive indoor heat reduces the efficiency of workers and presents the danger of heat stroke. Even with air conditioners, it can be difficult to sufficiently cool a large factory space, making measures to combat indoor heat a critical topic for the manufacturing industry.

The Move Oasis System offered by Tachibana Eletech creates a cool work environment even on days of extreme heat with simple installation. Indoors and outdoors, it can improve working conditions for on-site staff.



Safety system for mixing rolls

Sometimes it is necessary to put one's hand into a mixing roll, and this can easily result in severe entanglement accidents. We have proposed a system to prevent accidents wherein markers are attached to the gloves that workers wear and the equipment stops running if the marker is sensed at a certain point, set as the "Danger Zone." We hope to further increase worker safety, by preventing accidents before they occur.



Supporting the Lives of the Elderly

A headphone-type hearing aid offering excellent wearability

Hearing aids are indispensable in improving the quality of life (QOL) for elderly people with hearing loss. Tachibana Eletech develops, manufactures, and delivers headphone-type hearing aids with a noise cancellation function for nursing care facilities.

The hearing aids have gained popularity at nursing care sites as “hearing aids which are soft on the ears, and can be worn naturally, just like glasses.”

Wheelchair accessible home elevator

Home elevators installed in individual houses are extremely useful devices for elderly people, especially for wheelchair users who frequently visit the second floor or higher.

Responding to the growing interest of individual users, we will continue our PR activities in the future.



Supporting Traffic Safety

Seat belt control unit necessary for automated driving

Self-driving vehicles are said to be important for solving problems of the aging society as well. The use of seat belts is under consideration as a way to alert a driver of danger in driving a vehicle in the automated driving mode. We undertake the whole process from development to delivery of the unit that lets vehicle passengers know the danger by automatically adjusting the tensions of seat belts when it detects a dangerous situation while the vehicle is moving, thereby supporting the automated driving of vehicles.

Platform screen door in stations to prevent falling accidents

For elderly people with unsteady legs and those with visual impairment, the platform of a train station is never a “safe area.” The installation of safety barriers that prevent falls from the platform and contact accidents with the train is an urgent matter for society.

Tachibana Eletech contributes to securing the safety of the station platform through the development, manufacturing, and supply of platform screen doors.

New-form barrier-free boarding bridge

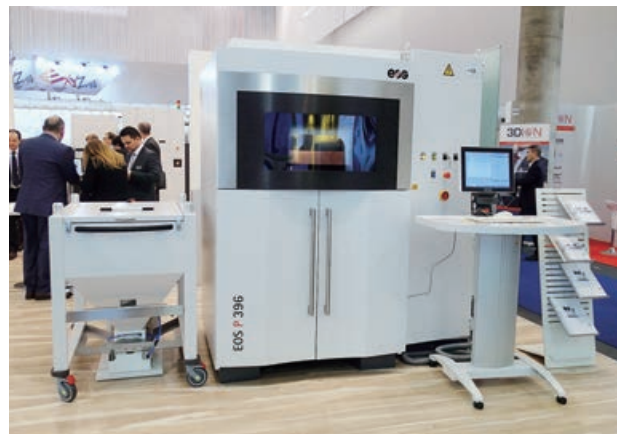
Tachibana Eletech supplied parts for the full flat model boarding bridges newly installed at three domestic airports. In the pursuit of passenger safety and comfort, we managed to make the floor fully flat, using a universal design. We have achieved a boarding bridge that is easy to traverse with wheelchairs and luggage.



Supporting Advanced Medical Care

A 3D printer for medical devices, supporting high-level medical service

3D printers are gaining attention as a technology that will revolutionize manufacturing. Recently, there are an increasing number of examples of their adoption in the medical field for items such as robotic hands and artificial bones. Tachibana Eletech is collaborating with various organizations and government agencies such as the Ministry of Economy, Trade and Industry to promote the dissemination of 3D printers and educate citizens and students.



Engagement with Clients and Suppliers

Tachibana Eletech is committed to offering superb products and services as a trusted company, and building a strong partnership with clients and suppliers through fair transactions done in strict accordance with all applicable laws.

Quality Management System

While the design, development, and contract manufacturing divisions (Technology Headquarters, Semiconductor Technology Headquarters, MS Headquarters), which are engaged in the work of manufacturing, have previously acquired ISO9001 accreditation for quality management systems, all divisions engaged in the semiconductors and electronic devices business (sales, planning, technological support, and quality management) also acquired the accreditation in August of 2015. Efforts are underway to implement activities to improve the quality of products and services with the aim of raising awareness on quality management among all employees in the semiconductors and electronic devices business, and to improve customer satisfaction.

Quality Management System for Semiconductors

As semiconductors make up a very large share of the products we carry, we have established the Semiconductor Quality Control Office as a dedicated department for strengthening quality control. The Office has the following main responsibilities:

1. Deal with defects in semiconductor products:

When defects are discovered in delivered products, the Office works with the supplier to identify the cause and come up with countermeasures.

2. Manage environmental chemicals in semiconductor products:

In response to customer requests, the Office examines whether or not there are hazardous substances contained in products and prepares reports on the quantities.

3. Audit new suppliers:

The office conducts advanced investigations into whether or not new suppliers can deliver the required quality.

In the year ended March 2014, the Office increased its specialist staff in order to accommodate an increase in the number of requests for environmental chemical investigations and conflict mineral resource investigations made by customers.

The Office is currently pursuing quality enhancement efforts on such themes as the strengthening of the logistics management system, quality control education programs for

sales representatives, and the creation of a database of environmental chemicals.

In the fiscal year ended March 31, 2022, we received about 353 inquiries related to product quality and about 14,100 inquiries related to environmental issues.

Audits Covering the Plants of Suppliers

We have been seeking out new suppliers both in Japan and overseas in response to customers’ calls for higher-quality products and cheaper prices. With consideration to the subsequent broadening of the scope of suppliers, we have established a Quality Management Division in each business that manages supplier quality through activities such as auditing supplier factories. Tachibana Eletech periodically checks the factories, technologies, and production systems of supplying manufacturers from the viewpoint of quality management, and requests improvements when problems are found, and provides products to customers from a position of continuously taking responsibility for the quality and delivery of our products.

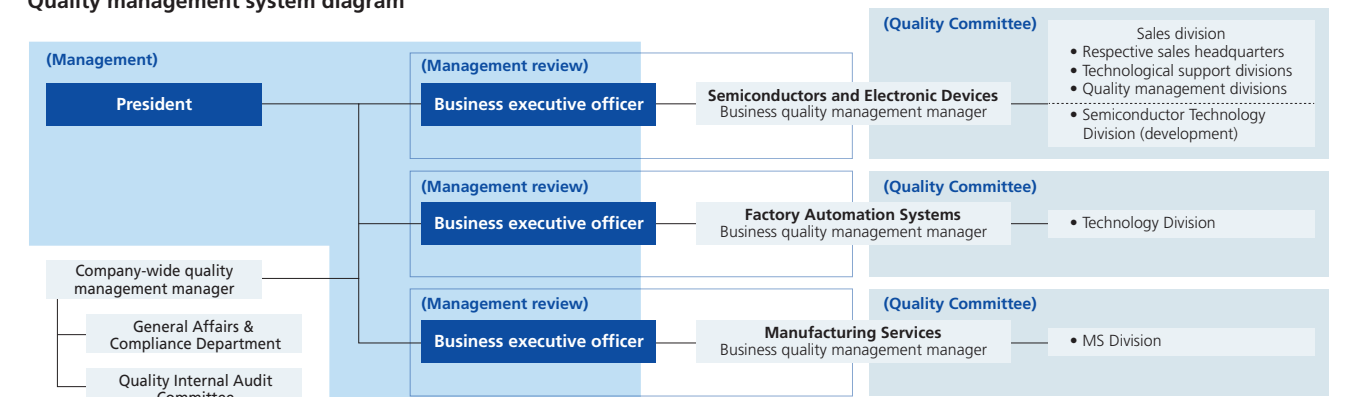
Furthermore, conflict mineral investigations have begun in earnest with the enforcement of the U.S. Dodd-Frank Act. Tachibana Eletech agrees with the measures and policies laid out in the act, carries out investigations into the use of conflict minerals contained in the products we handle and reports the results to customers.

Policy on the Environment and CSR Procurement

Tachibana Eletech created a policy on the environment and CSR procurement as part of its commitment to strengthen its CSR activities and maintain its fair business practices, based on the development of long-term and productive relationships with its suppliers.

All procurement activities must maintain fairness and the decision to begin or continue a business relationship is determined based on a comprehensive evaluation of the supplier’s compliance with laws and social norms and its consideration for the environment.

Quality management system diagram



Governance

Corporate Governance

Corporate Governance Structure and Initiatives

Tachibana Eletech recognizes that corporate governance is the most important issue for our sustainable growth and enhancement of corporate value over the medium to long term. We are building a structure to realize management that serves the interests of all stakeholders, including shareholders by improving management efficiency and ensuring financial soundness and transparency.

Tachibana Eletech transitioned to a company with an Audit and Supervisory Committee as of June 29, 2022.

This serves to enhance corporate governance and further improve management transparency by strengthening the supervisory function of the Board of Directors through, for example, the voting rights of directors who are members of the Audit and Supervisory Committee at Board of Directors meetings.

1 Board of Directors

The Board of Directors consists of nine members: six directors (excluding directors who are members of the Audit and Supervisory Committee) and three directors who are members of the Audit and Supervisory Committee, of which five are external directors. These external directors provide advice and recommendations on the Company's management from their objective and professional perspectives, thereby enhancing the transparency and reliability of the Board of Directors and strengthening the management oversight function.

2 Audit and Supervisory Committee

The Audit and Supervisory Committee formulates and implements audit policies, audit plans, audit methods, the

allocation of audit work, and exchanges opinions with the audit corporation. Two of the three directors who are members of the Audit and Supervisory Committee are external directors.

3 Accounting Auditor

Deloitte Touche Tohmatsu LLC has been contracted to serve as our accounting auditor in order to perform accounting audits in accordance with the Companies Act and the Financial Instruments and Exchange Act.

There are no special vested interests that exist between Tachibana Eletech and Deloitte Touche Tohmatsu and their audit engagement partners that perform audits for us.

4 Corporate Executive Committee

The Corporate Executive Committee is comprised of 14 operating officers selected by the Board of Directors. The operating officers carry out duties quickly and pertinently based on management policy decided upon at meetings of the Board of Directors and accommodate sudden changes in management environment in an agile and appropriate manner, under the supervision of the Board of Directors.

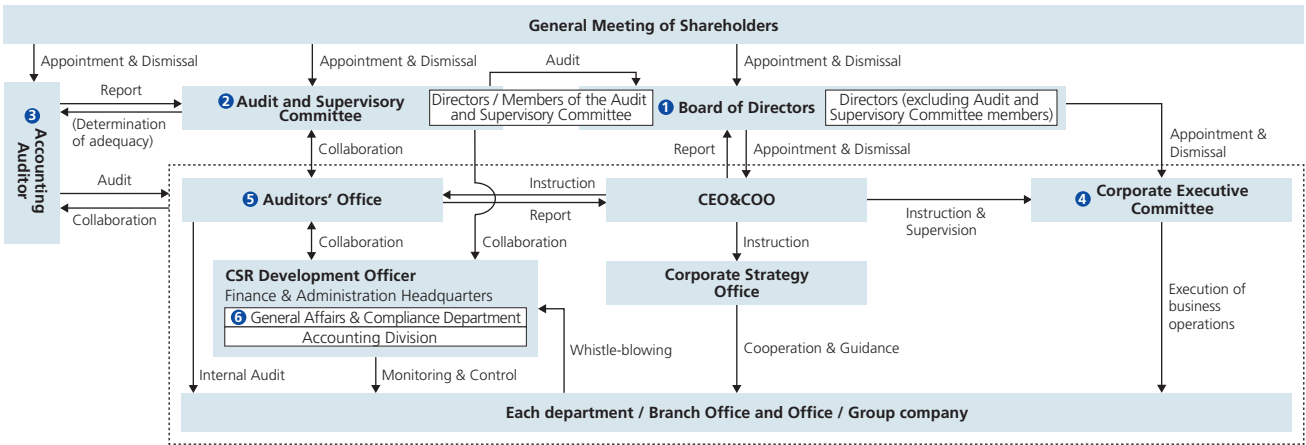
Meetings of the Corporate Executive Committee were convened 13 times in the fiscal year ended March 31, 2022.

5 Auditors' Office

The Auditors' Office is an independent organization that directly reports to the President that is responsible for carrying out internal audits. The office strives to improve the company's internal control by investigating the management of operations and assets in accordance with the Internal Audit Rules stipulated by the company.

6 General Affairs & Compliance Department

The General Affairs and Compliance Department promotes greater awareness of the hotline to all employees of the Tachibana Eletech Group. In the event of a compliance-related incident, the manager of the General Affairs & Compliance Department reports the matter to the CSR Development Officer, who promptly reports it to the president and members of the Audit and Supervisory Committee. In addition, the manager of the department consults with relevant parties to ensure a prompt and appropriate response.



Board member

	Independent Director	Expertise and Skills								Status of Attendance	
		Management	Sales & marketing	Technology	Global	Governance	Finance & accounting	Legal affairs & compliance	Human resources & development	Board of Directors Meetings	Board of Auditors Meetings
 Takeo Watanabe Chairman, CEO In charge of Governance		●	●	●	●	●	●	●	●	12 times in attendance (100%)	—
 Hisanobu Nunoyama President, COO In charge of Manufacturing Services In charge of Overseas Operations		●	●	●	●	●	●	●	●	12 times in attendance (100%)	—
 Sadayuki Takami Director Executive Operating Officer In charge of the Semiconductors and Electronics Devices		●	●	●	●	●		●	●	12 times in attendance (100%)	—
 Takayasu Sato External Director Vice President of Kansai Branch Manager of business promotion Administrative Director, Smart City Promotion Department Mitsubishi Electric Corporation			●			●		●		—	—
 Masato Tsujikawa External Director Kansai Law & Patent Office Staff attorney Miyaji Engineering Group, Inc. External Director (member of the Audit and Supervisory Committee)	●	●				●		●		12 times in attendance (100%)	—
 Takao Tsuji External Director External Director, Feed One, Co., Ltd. External Director (member of the Audit and Supervisory Committee), SNT Corporation	●	●	●	●	●	●		●	●	—	—
 Kiyoshi Matsuhashi Director (member of the Audit and Supervisory Committee)						●	●	●		12 times in attendance (100%)	6 times in attendance (100%)
 Yasuhiro Otani External Director (member of the Audit and Supervisory Committee) Certified Public Accountant Representative employee of KVI Licensed Tax Accountant Corporation Representative employee of Gravitas Co.	●	●				●	●			12 times in attendance (100%)	6 times in attendance (100%)
 Hiroumi Shioji External Director (member of the Audit and Supervisory Committee) Attorney at law Senior Partner, Shioji Law Office External Director, Fuji Seal, Inc.	●	●				●		●		12 times in attendance (100%)	6 times in attendance (100%)

Relationship with Shareholders and the Investment Community

Tachibana Eletech is committed to proactively disclosing information to our shareholders and investors in a fair, timely and appropriate manner.

Measures for Shareholders' Meetings

As the highest decision-making organ, shareholders' meetings make decisions on important matters and hear reports on the auditing results of consolidated financial statements.

Voting rights may be exercised via the Internet such as through a personal computer or smartphone.

Our 93rd Shareholders' Meeting was held on June 29, 2022. Thorough measures were taken to prevent the spread of COVID-19, such as providing hand sanitizer, requiring participants to wear masks, and installing partitions. Following the meeting, a video of the shareholder's meeting was posted on our corporate website for a limited time.



Share Holders' Meeting

Enhancing Corporate Value through Investor Relations Activities

Standards of disclosure

To achieve honest and highly transparent management, we comply with all applicable laws and carry out business activities according to highly esteemed corporate ethics, and we strive to provide information to shareholders and the investment community in a timely manner.

Our disclosures are fully in line with the timely disclosure rules set by the securities exchange and other relevant laws, such as the Companies Act and the Financial Instruments and Exchange Act.

Earnings presentations for institutional investors and securities analysts

We hold earnings presentations for securities analysts and institutional investors twice a year in Tokyo—once for full-year business results and another for interim results.

The presentation for the fiscal year ended March 31, 2022 was postponed due to the fact that COVID-19 still lingered, but it was streamed live online.

The content of the presentation is available on demand for six months and the link to the video is on our corporate website.

Company briefings for individual investors

Every year, we hold company information sessions for individual investors with the aim of increasing name recognition, corporate awareness, and acquiring new investors and fans.

In the fiscal year ended March 31, 2022, we held our first online earnings presentation for private investors. The presentation covered the company profile, an overview of the interim financial results for the fiscal year ended March 31, 2022, and the basic policy of the medium/long-term management plan "NEW C.C.J2200."

Individual briefing sessions for institutional investors

We hold individual briefings for institutional investors with the goal of increasing our market cap through improved corporate value and achieving of a fair stock price.

Individual briefings were held online during the fiscal year ended March 31, 2022, with focus placed on sharing Tachibana Eletech's unique characteristics and strengths.

Rich IR Media

We offer a rich collection of IR tools to help educate shareholders and the investment community about our company and its business performance

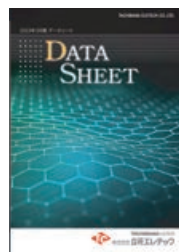
- Integrated report
- Shareholder newsletter
- Datasheet (5 years of consolidated financial statements)
- Stock Voice – an Internet TV show for individual investors
- IR section of our corporate website
- IR Video clip for the introduction of our company



Integrated report



Shareholder newsletter



Datasheet



Internet TV show Stock Voice



IR section of our corporate website



IR Video clip for the introduction of our company

Risk Management

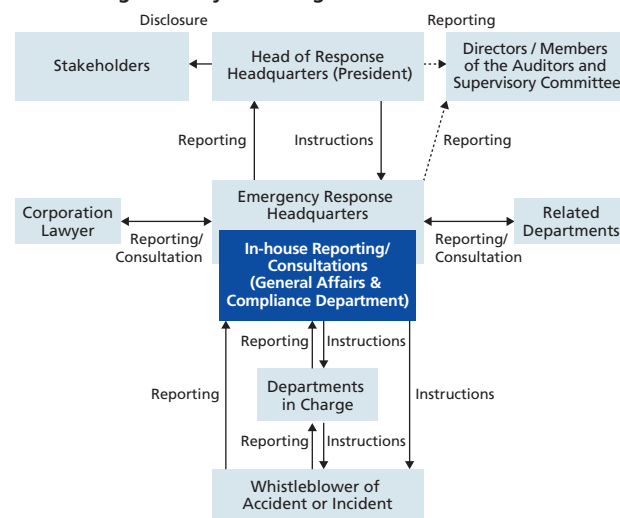
All employees of the Tachibana Eletech Group comply with all relevant laws and ordinances while also respecting social norms. They strive to act as responsible and independent members of society with a sound conscious and all Tachibana Eletech Group employees carefully abide by the code of conduct set forth in our Compliance Management Regulations that contain guidelines on standards of conduct.

Risk Management System

Risk Management System

Operational risks are constantly evolving and their impacts may also change. We prevent crises by identifying risks every year and analyzing, assessing and addressing these risks. If such risks emerge, our goal is to minimize damages to every extent possible.

Risk Management System Diagram



Crisis Management System

We established a crisis management system to address crises that threaten large numbers of lives and impede the company's operations.

Reports and orders concerning safety and damages along with the restart of operations will be handled using an information conveyance system that emphasizes promptness and accuracy. In the fiscal year ended March 31, 2022, the Crisis Management Office, which became a permanent department in April 2020, provided information on COVID-19 countermeasures and other subjects to all employees.

Crisis Management Office Diagram



Business Continuity Plan (BCP)

In order to ensure the safety of employees and continuation of business activities in preparation for major disasters, we have defined our response protocol at the time of disasters, while stockpiling emergency rations and training employees. We believe that safeguarding the lives of our employees and contributing to the continuity of our customers' businesses represents one aspect of our corporate social responsibilities, and have established a business continuity plan to respond to unpredictable situations.

Statement of Business Risks and Other Risks

Risks which may affect the Tachibana Eletech Group's business performance, financial position, etc. include, but are not limited to, the following.

Forward-looking statements in this report are based on the Group's judgment as of the end of the fiscal year under review (March 31, 2022).

1. Impacts of the COVID-19 pandemic

It remains unclear when the COVID-19 pandemic will subside, making it difficult to predict the business environment the Group faces at this time. The Group's business performance may be affected depending on how the future events unfold.

Given this situation, the Group has established the Crisis Management Department, headed by the administrative director and under the direct supervision of the President, CEO, and COO, organized to be responsible for the Group's pandemic response. As a result, the Group now has a monopole structure covering information gathering and command chain. In addition, the Group is striving to mitigate risks so that business activities do not stagnate by thoroughly managing health and introducing systems for working from home or staggering shifts.

2. Impact of shortages due to disruptions in the supply chain

Due to the wave of COVID-19 infections and parts shortages for semiconductors and electronic components, the delivery date of our products equipped with these has become unstable. If this situation persists and becomes prolonged to the point products cannot be procured as planned, it may affect the Group's business performance and financial position.

3. Changes in economic climate

The Tachibana Eletech Group is engaged primarily in the business of selling systems which include FA equipment and products, semiconductor device products, and facility equipment products. Our customers are in a wide range of industries centered around the manufacturing industry. As the circumstances of each customer are susceptible to a fall in demand in the industry in which it operates and a reduction in capital investment attributable to changes in the economic climate, there is a possibility that the Group's business performance and financial position will be affected.

4. Relationship with major customers

The Tachibana Eletech Group mainly deals in FA equipment and products, such as inverters, servos and programmable controllers, and semiconductor products, including microcomputers, ASICs, power modules and contact image sensors, which are primarily supplied by Mitsubishi Electric Corporation and Renesas Electronics Corporation. Accordingly, there is a possibility that the Group's business performance and financial position will be affected by the business strategies, etc. of these major suppliers.

Likewise, there is a possibility that the Group will also be affected by trends in the market strategies and product strategies of its major clients to which the products are supplied.

5. The occurrence of large-scale disasters

There is a risk that the Tachibana Eletech Group will suffer damage to its company office buildings, and furthermore, the Head Office function and logistical and sales functions may also experience damage if a large-scale disaster occurs, such as earthquake, typhoon or fire, etc. Furthermore, if product procurement or sales are greatly affected due to damage experienced by our suppliers or clients, or by a delay in the restoration of societal infrastructure, there is a risk that the Group's business performance and financial position will be adversely affected.

6. Occurrence of social or political unrest

There is a risk that the Group's business in general will be adversely affected in case of major social or political unrest caused by terrorism, international conflict or pandemic causing business activities to stagnate.

7. Information security

The Tachibana Eletech Group possesses confidential information regarding clients and suppliers, sales, and technology, for promoting the development of its business activities. While the management structure of this information is being enhanced, and security measures have been implemented for the information system, in the event of an unforeseen incident involving data destruction or leakage due to a computer virus or unauthorized access, etc., there is a risk that the Group's business performance or financial position will be affected due to a loss in reputation or an obligation to pay indemnity liabilities.

8. Collection of receivables

The Tachibana Eletech Group pays due attention to credit management, including investigating and analyzing customers on a regular basis. However, the Group could incur a loss from bad debt if receivables become uncollectible in the event of the rapid deterioration in cash flows of customers, bankruptcy of customers, etc.

9. Fluctuations in foreign exchange rates

The Tachibana Eletech Group's business operations include selling products to overseas customers as well as procurement from overseas suppliers. Local currency-quoted items in each region, including net sales, costs and assets, are converted into yen in the consolidated balance sheet. Values for these items when converted into yen, even if they remain unchanged in local

currencies, could be affected by fluctuations in foreign exchange rates at the time of conversion. In order to mitigate risks of exchange rate fluctuations, the Tachibana Eletech Group is striving to minimize the impact of exchange rate fluctuations among major currencies, including the US dollar and the Japanese yen, by utilizing currency hedge transactions such as forward exchange contracts. However, the Group's business performance and financial position could still be affected by the timing of concluding forward exchange contracts and rapid exchange rate fluctuations.

10. Retirement benefit obligations

The Tachibana Eletech Group's employee retirement benefit expenses and obligations are calculated on the basis of assumptions set in actuarial calculations such as the discount rate, and the expected long-term rate of return of pension assets. Retirement benefit expenses could increase due to a reduction in the discount rate and changes in investment yields in the future.

11. Environmental issues

In the future, stricter environmental laws and regulations and increasing societal demands for environmental issues may incur additional legal compliance costs and restrict business activities. Therefore, future trends in laws and regulations relating to the environment may affect the Group's business results and financial position.

Compliance Hotline

We have established a hotline for employees to report and receive consultation on compliance violations. This hotline is made known to all employees and is run appropriately to ensure that employees reporting a violation are not subjected to unfair treatment. This ensures the early detection of issues.

Management of Intellectual Properties

Tachibana Eletech considers intellectual property as vital management resources going forward.

We treat business activities, development activities and intellectual property activities in a unified manner, and in coordination with our business growth strategy, will proactively protect our intellectual property rights while enhancing our strengths in global intellectual property capability which contribute to the business and society.

Our company holds 3 patents, primarily in the field of technologies related to automobile safety equipment. While these technologies are often not directly seen, they nevertheless make vital, powerful contributions to society. Additionally, we hold 7 trademark rights as a corporate identity which contributes to the penetration of our corporate image.

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Financial Overview (Year Ended March 31, 2022)

1 Analysis of financial position in the fiscal year under review

In the consolidated fiscal year ended March 31, 2022, total assets increased by JPY 14.907 billion year-on-year to JPY 135.172 billion. This was primarily due to an increase in products of JPY 12.227 billion.

Total liabilities increased by JPY 12.873 billion year-on-year to JPY 57.932 billion, mainly due to an increase in trade notes and trade accounts payable of JPY 8.118 billion, an increase in short-term bank loans of JPY 2.880 billion, and an increase in unpaid corporate tax of JPY 1.562 billion.

Total net assets increased by JPY 2.033 billion year-on-year to JPY 77.240 billion. This was primarily due to an increase in retained earnings of JPY 2.946 billion.

2 Analysis of management results in the fiscal year under review

The Japanese economy in the consolidated fiscal year ended March 31, 2022 continued to face an unpredictable business environment with no end in sight to the COVID-19 pandemic, a prolonged impact on production activities due to the shortage of parts for semiconductors and other products, and the situation in Russia and Ukraine increasing the risk of a further slowdown in the global economy.

Under these circumstances, the Tachibana Eletech Group was able to significantly increase revenues as a result of our efforts to secure and expand inventories in order to fulfill our responsibility to provide products to our customers amid lengthening product delivery times, along with our focus on sales activities that accurately grasp customer demand trends. In particular, both domestic and overseas subsidiaries achieved significant growth, and consolidated sales growth exceeded that of non-consolidated sales.

In addition, during the fiscal year ended March 31, 2022, we established a sales department specializing in systems and robots, and in cooperation with the engineering department, expanded sales through integrating the sales division and technology division as a technology-driven trading company of choice in the coming future society. We have endeavored to automate factories using robots and M2M technology, respond to labor-saving needs, and spread new manufacturing technology using 3D printers. In addition, while we have foregone some actual participation in large-scale exhibitions due to the COVID-19 pandemic, we have been working to offer solutions and expand business to solve problems at manufacturing sites by holding online exhibitions on our own website and holding our own webinars as a place to communicate and showcase the technological capabilities of the Group. We have also been working on streamlining and improving the efficiency of administrative work by promoting digital transformation to increase profitability.

As a result, for the consolidated fiscal year ended March 31, 2022, net sales increased 19.8% from the previous year to JPY 193.431 billion, operating income increased 66.4% from the previous year to JPY 6.710 billion, ordinary income increased 68.9% from the previous year to 7.412 billion, and net income attributable to owners of the parent company was up 48.8% from the previous year to 5.144 billion. Net sales, operating income, and ordinary income reached record highs for the consolidated fiscal year.

1. Cost of sales, and selling, general and administrative expenses

In tandem with the increase in net sales, cost of sales increased by JPY 27.179 billion from the previous fiscal year, or 19.4% year-on-year, to JPY 167.504 billion. The ratio of cost of sales to net sales decreased slightly by 0.3 points to 86.6%.

Selling, general and administrative expenses increased by JPY 2.133 billion, or 12.5% year-on-year, to JPY 19.216 billion. This was mainly due to increases in personnel and distribution expenses due to earnings growth.

2. Operating income

Operating income increased by JPY 2.676 billion, or 66.4% year-on-year, to JPY 6.710 billion. The ratio of operating income to net sales increased by 1.0 points from the previous consolidated fiscal year to 3.5%.

3. Non-operating income/loss

Non-operating income increased by JPY 150 million year-on-year to JPY 793 million. This was mainly due to an increase in foreign exchange gains. Non-operating expenses decreased by JPY 196 million from the previous consolidated fiscal year to JPY 90 million.

4. Ordinary income

Ordinary income increased by JPY 3.023 billion, or 68.9% year-on-year, to JPY 7.412 billion. Ordinary income to net sales ratio increased by 1.1 points from the previous consolidated fiscal year to 3.8%.

5. Extraordinary income/loss

Extraordinary income fell by JPY 284 million year-on-year to JPY 113 million. This was mainly due to the gain on negative goodwill of JPY 395 million due to the acquisition of Tachibana Electronics Solutions Co., Ltd. as a subsidiary in fiscal year ended March 21, 2021.

Extraordinary loss increased JPY 12 million over the previous consolidated fiscal year.

6. Net income attributable to shareholders of the parent company

Net income attributable to shareholders of the parent company increased by JPY 1.687 billion, or 48.8% year-on-year, to JPY 5.144 billion.

3 Analysis of sources of capital and liquidity of funds

1. Status of cash flows

The Tachibana Eletech Group's balance of cash and cash equivalents on March 31, 2022 stood at JPY 9.958 billion, a decrease of JPY 7.457 billion over a year earlier.

(Cash flow from operating activities)

Net cash provided by operating activities came to JPY 7.595 billion, against net cash earnings of JPY 4.948 billion in the previous fiscal year. This was mainly attributed to an increase in net income before income taxes to JPY 7.513 billion and in trade payables to JPY 7.638 billion, while account receivable-trade fell by JPY 8.682 billion and inventories declined JPY 12.022 billion.

(Cash flow from investing activities)

Net cash used in investing activities amounted to JPY 968 million, against net cash earned of JPY 1.302 billion in the previous fiscal year. This primarily arose from outlays of JPY 642 million for the acquisition of tangible fixed assets, JPY 710 million for the purchase of investment securities.

(Cash flow from financing activities)

Net cash used by financing activities amounted to JPY 702 million, against net cash used of JPY 1.835 billion in the previous fiscal year. This was mainly attributable to outlays of JPY 2.920 billion due to a increase in short-term funding and JPY 1.259 billion for the dividends Itc

2. Funding demand

The Tachibana Eletech Group's demand for operational funds was mainly driven by cash advances made between payments for purchases and collection of payments for sales, as well as operating expenses such as selling, general and administrative expenses. Funding is procured through our own reserved and through loans from financial institutions.

Consolidated Balance Sheet

TACHIBANA ELETECH CO., LTD. and Consolidated Subsidiaries March 31, 2022 and 2021

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	(Note 1)
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents (Note 13)	¥ 9,958	¥ 17,416	\$ 81,623
Short-term investments (Notes 5, 7, and 13)	1,365	1,673	11,189
Receivables (Note 13):			
Trade notes	20,820	17,202	170,656
Trade accounts	43,549	37,614	356,959
Other	3,135	1,744	25,697
Allowance for doubtful receivables	(60)	(48)	(492)
Inventories (Note 6)	26,572	14,337	217,803
Other current assets (Note 14)	1,273	787	10,434
Total current assets	106,612	90,725	873,869
PROPERTY AND EQUIPMENT:			
Land	3,077	2,528	25,221
Buildings and structures	8,045	7,965	65,943
Machinery and equipment	59	59	484
Furniture and fixtures	1,521	1,461	12,467
Construction in progress	1	71	8
Lease assets (Note 12)	79	59	648
Total	12,782	12,143	104,771
Accumulated depreciation	(7,186)	(6,950)	(58,902)
Net property and equipment	5,596	5,193	45,869
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 5 and 13)	20,307	21,873	166,451
Investments in associated companies	122	63	1,000
Asset for retirement benefits (Note 8)	1,022	919	8,377
Deferred tax assets (Note 10)	180	160	1,475
Other assets	1,333	1,332	10,927
Total investments and other assets	22,964	24,347	188,230
TOTAL	¥ 135,172	¥ 120,265	\$ 1,107,968

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	(Note 1)
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Short-term bank loans (Notes 7 and 13)	¥ 4,938	¥ 2,014	\$ 40,475
Current portion of long-term debt (Note 7)	23	56	189
Payables (Note 13):			
Trade notes	9,357	7,652	76,697
Trade accounts	32,686	26,273	267,918
Other	1,116	1,188	9,148
Income taxes payable	2,009	446	16,467
Accrued expenses	1,858	1,382	15,230
Other current liabilities (Note 14)	2,864	2,211	23,474
Total current liabilities	54,851	41,222	449,598
LONG-TERM LIABILITIES:			
Long-term debt (Notes 7, 12 and 13)	128	83	1,049
Long-term other payable	64	64	525
Liability for retirement benefits (Note 8)	657	707	5,385
Deferred tax liabilities (Note 10)	2,044	2,814	16,754
Other long-term liabilities	188	169	1,544
Total long-term liabilities	3,081	3,837	25,257
COMMITMENTS AND CONTINGENT LIABILITIES			
EQUITY (Notes 9 and 17):			
Common stock — authorized, 96,000,000 shares; issued, 25,025,242			
shares in 2022 and 26,025,242 shares in 2021	5,874	5,874	48,148
Capital surplus	6,147	6,999	50,385
Retained earnings	58,965	56,018	483,320
Treasury stock — at cost, 46,888 shares in 2022 and			
787,464 shares in 2021	(58)	(894)	(477)
Accumulated other comprehensive income (loss):			
Unrealized gain on available-for-sale securities	5,370	6,759	44,016
Deferred gain on derivatives under hedge accounting	3	4	25
Foreign currency translation adjustments	525	(42)	4,303
Defined retirement benefit plans	414	488	3,393
Total equity	77,240	75,206	633,113
TOTAL	¥ 135,172	¥ 120,265	\$ 1,107,968

See notes to consolidated financial statements.

Consolidated Statement of Income

TACHIBANA ELETECH CO., LTD. and Consolidated Subsidiaries Years Ended March 31, 2022 and 2021

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021	2022
	¥ 193,431	¥ 161,440	\$ 1,585,500
NET SALES (Notes 4, 11, and 18)			
COST OF SALES	167,505	140,325	1,372,992
Gross profit	25,926	21,115	212,508
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES (Notes 9 and 12)	19,216	17,082	157,508
Operating income (Note 4)	6,710	4,033	55,000
OTHER INCOME (EXPENSES):			
Interest and dividend income	425	378	3,484
Gain from bargain purchase		396	
Interest expense	(23)	(23)	(189)
Foreign exchange gain (loss)	146	(61)	1,197
Other — net	255	64	2,090
Other income — net	803	754	6,582
INCOME BEFORE INCOME TAXES (Note 4)	7,513	4,787	61,582
INCOME TAXES (Note 10):			
Current	2,490	1,203	20,410
Deferred	(121)	127	(992)
Total income taxes	2,369	1,330	19,418
NET INCOME	5,144	3,457	42,164
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS			
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ 5,144	¥ 3,457	\$ 42,164
	Yen		U.S. Dollars
	2022	2021	2022
PER SHARE OF COMMON STOCK (Notes 2 and 16):			
Net income per common share	¥ 204.16	¥ 136.99	\$ 1.67
Cash dividends applicable to the year	60.00	37.00	0.49

Diluted net income per share is not disclosed because no dilutive securities exist.
See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

TACHIBANA ELETECH CO., LTD. and Consolidated Subsidiaries Years Ended March 31, 2022 and 2021

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021	2022
	¥ 5,144	¥ 3,457	\$ 42,164
NET INCOME			
OTHER COMPREHENSIVE INCOME (LOSS) (Note 15):			
Unrealized gain (loss) on available-for-sale securities	(1,389)	2,755	(11,386)
Deferred gain (loss) on derivatives under hedge accounting	(1)	12	(8)
Foreign currency translation adjustments	567	(241)	4,647
Defined retirement benefit plans	(74)	292	(607)
Total other comprehensive income (loss)	(897)	2,818	(7,354)
COMPREHENSIVE INCOME	¥ 4,247	¥ 6,275	\$ 34,810
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥ 4,247	¥ 6,275	\$ 34,810
Noncontrolling interests			

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

TACHIBANA ELETECH CO., LTD. and Consolidated Subsidiaries Years Ended March 31, 2022 and 2021

	Thousands	Millions of Yen								
	Number of Shares of Common Stock Outstanding	Accumulated Other Comprehensive Income (Loss)								
		Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain (Loss) on Available-for-Sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total Equity
BALANCE, APRIL 1, 2020	25,238	¥ 5,874	¥ 6,999	¥ 53,596	¥ (894)	¥ 4,004	¥ (8)	¥ 199	¥ 196	¥ 69,966
Net income attributable to owners of the parent				3,457						3,457
Cash dividends, ¥37 per share				(1,035)						(1,035)
Purchase of treasury stock	(0)				(0)					(0)
Disposal of treasury stock	0				0					0
Net change in the year						2,755	12	(241)	292	2,818
BALANCE, MARCH 31, 2021 (APRIL 1, 2021, as previously reported)	25,238	5,874	6,999	56,018	(894)	6,759	4	(42)	488	75,206
Cumulative effects of changes in accounting policies				(3)						(3)
BALANCE, APRIL 1, 2021 (as restated)	25,238	5,874	6,999	56,015	(894)	6,759	4	(42)	488	75,203
Net income attributable to owners of the parent				5,144						5,144
Cash dividends, ¥60 per share				(1,262)						(1,262)
Purchase of treasury stock	(260)				(410)					(410)
Disposal of treasury stock										
Amortization of treasury stock			(314)	(932)	1,246					
Change in the parent's ownership interest due to transaction with noncontrolling interests			(538)							(538)
Net change in the year						(1,389)	(1)	567	(74)	(897)
BALANCE, MARCH 31, 2022	24,978	¥ 5,874	¥ 6,147	¥ 58,965	¥ (58)	¥ 5,370	¥ 3	¥ 525	¥ 414	¥ 77,240

	Thousands of U.S. Dollars (Note 1)								
	Accumulated Other Comprehensive Income (Loss)								
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain (Loss) on Available-for-Sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total Equity
BALANCE, MARCH 31, 2021 (APRIL 1, 2021, as previously reported)	\$ 48,148	\$ 57,369	\$ 459,164	\$ (7,328)	\$ 55,402	\$ 33	\$ (344)	\$ 4,000	\$ 616,444
Cumulative effects of changes in accounting policies			(25)						(25)
BALANCE, APRIL 1, 2021 (as restated)	48,148	57,369	459,139	(7,328)	55,402	33	(344)	4,000	616,419
Net income attributable to owners of the parent			42,164						42,164
Cash dividends, \$0.49 per share			(10,344)						(10,344)
Purchase of treasury stock				(3,368)					(3,368)
Disposal of treasury stock									
Amortization of treasury stock		(2,580)	(7,639)	10,219					
Change in the parent's ownership interest due to transaction with noncontrolling interests		(4,404)							(4,404)
Net change in the year					(11,386)	(8)	4,647	(607)	(7,354)
BALANCE, MARCH 31, 2022	\$ 48,148	\$ 50,385	\$ 483,320	\$ (477)	\$ 44,016	\$ 25	\$ 4,303	\$ 3,393	\$ 633,113

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

TACHIBANA ELETECH CO., LTD. and Consolidated Subsidiaries Years Ended March 31, 2022 and 2021

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021	2022
OPERATING ACTIVITIES:			
Income before income taxes	¥ 7,513	¥ 4,787	\$ 61,582
Adjustments for:			
Income taxes — paid	(1,003)	(1,598)	(8,221)
Depreciation and amortization	490	456	4,016
Gain from bargain purchase		(396)	
Provision for doubtful receivables	11	(13)	90
Changes in assets and liabilities:			
Decrease (increase) in receivables — trade	(8,683)	4,480	(71,172)
Decrease (increase) in accounts receivable — other	(1,463)	93	(11,992)
Increase in inventories	(12,022)	(2,107)	(98,541)
Increase in payables — trade	7,638	448	62,607
(Decrease) increase in provision for employee bonuses	287	(158)	2,352
Decrease in liability for retirement benefits	(258)	(235)	(2,115)
Other — net	(105)	(809)	(861)
Total adjustments	(15,108)	161	(123,837)
Net cash (used in) provided by operating activities	(7,595)	4,948	(62,255)
INVESTING ACTIVITIES:			
Net change in time deposits	328	(250)	2,689
Proceeds from redemption of short-term investments	100		819
Purchases of property and equipment	(643)	(276)	(5,270)
Purchases of intangible assets	(138)	(325)	(1,131)
Proceeds from sales of property and equipment	21	1	172
Purchases of investment securities	(710)	(229)	(5,820)
Proceeds from sales of investment securities	176	74	1,443
Proceeds from redemption of investment securities		150	
Payment for purchase of Tachibana Electronic Solutions Co., Ltd. net of cash acquired		(458)	
Other — net	(102)	11	(836)
Net cash used in investing activities	(968)	(1,302)	(7,934)
FINANCING ACTIVITIES:			
Net change in short-term bank loans	2,920	(813)	23,934
Proceeds from long-term debt	50	60	410
Repayments of long-term debt	(50)	(33)	(410)
Net change in treasury stock	(411)		(3,369)
Dividends paid	(1,259)	(1,035)	(10,320)
Purchases of treasury stock of subsidiaries	(538)		(4,404)
Other — net	(11)	(14)	(86)
Net cash provided by (used in) financing activities	701	(1,835)	5,755
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	404	(152)	3,311
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(7,458)	1,659	(61,123)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	17,416	15,757	142,746
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 9,958	¥ 17,416	\$ 81,623

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

TACHIBANA ELETECH CO., LTD. and Consolidated Subsidiaries As of and for the Years Ended March 31, 2022 and 2021

1 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain

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

The consolidated financial statements are stated in Japanese yen, the currency of the country in which TACHIBANA ELETECH CO., LTD. (the “Company”) is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥122 to \$1, the approximate rate of exchange at March 31, 2022. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation — The consolidated financial statements as of and for the years ended March 31, 2022 and 2021, include the accounts of the Company and its 16 (16 in 2021) significant subsidiaries (together, the “Group”).

Under the control and influence concepts, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in associated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is also eliminated.

b. Principles of Consolidation — The accompanying consolidated financial statements as of March 31, 2022, include the accounts of the Company and its 16 (16 in 2021) significant subsidiaries. Consolidation of the remaining subsidiaries would not have a material effect on the accompanying consolidated financial statements. Investments in the remaining one unconsolidated subsidiary and one associated company (one unconsolidated subsidiary and one associated company in 2021) are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

c. Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements — Under Accounting Standards Board of Japan (“ASBJ”) Practical Issues Task Force No. 18, “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements,” the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should, in principle, be unified for the preparation of the

consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America (Financial Accounting Standards Board Accounting Standards Codification) tentatively may be used for the consolidation process, except for the following items that should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalized development costs of research and development; (d) cancellation of the fair value model of accounting for property, plant, and equipment and investment properties and incorporation of the cost model of accounting; and (e) recording a gain or loss through profit or loss on the sale of an investment in an equity instrument for the difference between the acquisition cost and selling price, and recording impairment loss through profit or loss for other than-temporary declines in the fair value of an investment in an equity instrument, where a foreign subsidiary elects to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument.

d. Cash Equivalents — Cash equivalents are short-term investments that are readily convertible into cash and exposed to insignificant risk of changes in value.

Cash equivalents include time deposits, all of which mature within three months of the date of acquisition.

e. Allowance for Doubtful Receivables — The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the Group’s past credit loss experience and an evaluation of potential losses in the receivables outstanding.

f. Inventories — Inventories are stated at the lower of cost, principally determined by the average cost method, or net selling value.

Notes to Consolidated Financial Statements

TACHIBANA ELETECH CO., LTD. and Consolidated Subsidiaries As of and for the Years Ended March 31, 2022 and 2021

g. Marketable and Investment Securities — Marketable and investment securities are classified and accounted for, depending on management’s intent, as follows: (1) trading securities, which are held for the purpose of earning capital gains in the near term, are reported at fair value, and the related unrealized gains and losses are included in earnings; (2) held-to-maturity debt securities, for which there is a positive intent and ability to hold to maturity, are reported at amortized cost; and (3) available-for-sale securities, which are not classified as either of the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

Nonmarketable available-for-sale equity securities are stated at cost determined by the moving-average method. For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income. Effective April 1, 2021, the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30 of July 4, 2019) and the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30 of July 4, 2019) (the “New Accounting Standards”). The Company applied the New Accounting Standards prospectively. As a result, there is no effect on the accompanying consolidated financial statements.

h. Property and Equipment — Property and equipment are stated at cost. Depreciation is computed primarily by the declining-balance method, while the straight-line method is applied to buildings acquired after April 1, 1998, and building improvements and structures acquired on or after April 1, 2016. The range of useful lives is principally from three to 50 years for buildings and structures, from four to 12 years for machinery and equipment, and from two to 20 years for furniture and fixtures.

i. Long-Lived Assets — The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

j. Retirement and Pension Plans — The Company and certain subsidiaries participate in defined benefit pension plans. The Company accounts for the liability for retirement benefits based on the projected benefit obligations and plan assets at the consolidated balance sheet date. The projected benefit obligations are attributed to periods on a straight-line basis. Actuarial gains and losses and prior service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects. Actuarial gains and losses are amortized on a straight-line basis over 10 years within the average remaining service period. Prior service costs are amortized on a straight-line basis over 10 years within the average remaining service period.

k. Asset Retirement Obligations — An asset retirement obligation is recorded for a legal obligation imposed either by law or contract that results from the acquisition, construction, development, and normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

l. Revenue Recognition — The Group recognizes revenue based on a five-step approach.

Step 1: Identify the contract(s) with a customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligations in the contract.

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

The Group is obligated to deliver the products based on the sales contract with the customer. In such a transaction, since the customer obtains control of products and the performance obligations are satisfied as of when the products are delivered to the customer, revenue is recognized at such time.

With respect to transactions for which the Group is obligated to install certain products, since the performance obligations are satisfied as of when the installation is completed, revenue is recognized at such time. In the case of domestic transactions without installation obligations, revenue is recognized at the time of shipment if the period from the time of shipment until the customer obtains control of products is an ordinary period.

For construction contracts in which performance obligations are satisfied over time, except for works with a very short construction period, the Group recognizes revenue over time by selecting an appropriate method for measuring the progress towards complete satisfaction of that performance obligation. On the other hand, in the case of construction contracts for which performance obligations are satisfied at one time, revenue is recognized upon completion of construction. The method of measuring the progress towards complete satisfaction of that performance obligation is based on the ratio of cost incurred to estimated total cost (input method).

The transaction price is calculated by deducting the variable consideration (discount, rebate, etc.) estimated based on the contract terms from the price promised in the contract with the customer.

Since the consideration is generally received within one year after the performance obligation is completed, the contract does not include a material financial element.

m. Leases — Finance lease transactions are capitalized by recognizing lease assets and lease obligations in the consolidated balance sheet. All other leases are accounted for as operating leases.

n. Income Taxes — The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

o. Foreign Currency Transactions — Both short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the consolidated balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income to the extent that they are not hedged by forward exchange contracts.

However, short-term and long-term receivables and payables covered by forward exchange contracts are translated at the contract rates. Any differences between the foreign exchange contract rates and historical rates resulting from the translation of receivables and payables are recognized as income or expense over the lives of the related contracts.

p. Foreign Currency Financial Statements — The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the consolidated balance sheet date, except for equity, which is translated at the historical rate. Differences arising from such translations are shown as “Foreign currency translation adjustments” under accumulated other comprehensive income in a separate component of equity. Revenue and expense accounts of consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate.

q. Derivatives and Hedging Activities — The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange. Foreign exchange forward contracts are utilized by the Group to reduce foreign currency exchange risks. The Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: (1) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statement of income and (2) for derivatives used for hedging purposes, if such derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

Foreign currency forward contracts are employed to hedge foreign currency exposures on procurement of products from overseas

suppliers. Forward contracts applied for forecasted (or committed) transactions are measured at fair value, and unrealized gains/losses are deferred until the underlying transactions are completed.

r. Per Share Information — Net income per common share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period.

Diluted net income per share is not disclosed because there are no dilutive securities.

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective years, including dividends to be paid after the end of the year.

s. Accounting Changes and Error Corrections — Under ASBJ Statement No. 24, “Accounting Standard for Accounting Changes and Error Corrections,” and ASBJ Guidance No. 24, “Guidance on Accounting Standard for Accounting Changes and Error Corrections,” accounting treatments are required as follows: (1) Changes in Accounting Policies – When a new accounting policy is applied following revision of an accounting standard, the new policy is applied retrospectively, unless the revised accounting standard includes specific transitional provisions, in which case the entity shall comply with the specific transitional provisions. (2) Changes in Presentation – When the presentation of financial statements is changed, prior period financial statements are reclassified in accordance with the new presentation. (3) Changes in Accounting Estimates – A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods. (4) Corrections of Prior-Period Errors – When an error in prior-period financial statements is discovered, those statements are restated.

t. New Accounting Pronouncements

Fair Value Measurement — On June 17, 2021, the ASBJ Guidance No. 31, “Implementation Guidance on Accounting Standard for Fair Value Measurement.” Calculation of the market value of investment trusts and treatment of notes, as well as treatment of notes on the market value of investments in partnerships, etc., in which the amount equivalent to equity interests is recorded in the balance sheet at a net amount, were stipulated.

The accounting standards are effective for annual periods beginning on or after April 1, 2022.

The Company expects to apply the accounting guidance for annual periods beginning on April 1, 2022, and is in the process of measuring the effects of applying the accounting standard and guidance in future applicable periods.

Notes to Consolidated Financial Statements

TACHIBANA ELETECH CO., LTD. and Consolidated Subsidiaries As of and for the Years Ended March 31, 2022 and 2021

3 SIGNIFICANT ACCOUNTING ESTIMATE

Recoverability of Deferred Tax Assets

(1) Carrying amounts

	Millions of Yen	Thousands of U.S. Dollars
	2022	2022
Deferred tax assets	¥ 180	\$ 1,475
Deferred tax liabilities	(2,044)	(16,754)

(2) Information on the significant accounting estimate

The Group records deferred tax assets as long as the deductible temporary differences and operating loss carryforwards are deemed to be recoverable. The recoverability of deferred tax assets is determined by whether each entity of the Group has sufficient taxable income and is measured by estimation of its future taxable income based on future business plan. This estimation may be affected by changes in uncertain economic conditions in the future, etc. If the future taxable income falls below the estimated amount due to deviations from the business plan, the deviation may have a material impact on the amount of deferred tax assets in the consolidated financial statements for the following fiscal year.

4 ACCOUNTING CHANGE

(Accounting Standard for Revenue Recognition)

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29 of March 31, 2020; hereinafter, referred to as, “Revenue Recognition Standard”) and the “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30 of March 26, 2021) from the fiscal year ended March 31, 2022, and recognizes revenue at the amount expected to be received in exchange for promised products or services when the customers gain the control of the products.

As a result, rebates paid to customers by suppliers in our company via our company, which were not previously deducted from revenue and cost of sales, have been deducted from sales and cost of sales. Sales discounts, which were previously recorded as nonoperating expenses, have been reduced from sales. In addition, the timing of the reduction of the sales rebate from revenue has been changed from the time when the customer is notified to the time when revenue is recognized.

The Company applies the Revenue Recognition Standard, etc., in accordance with the transitional treatment provided for in the proviso to Paragraph 84 of the Revenue Recognition Standard. The cumulative effects of retrospectively applying the new accounting policies to prior periods is adjusted to retained earnings at the beginning of the reporting period.

As a result, sales decreased by ¥901 million (\$7,385 thousand), cost of sales decreased by ¥726 million (\$5,951 thousand), and operating income decreased by ¥174 million (\$1,426 thousand). There is no impact on income before income taxes and minority interests. The balance of retained earnings at the beginning of the period decreased by ¥3 million (\$25 thousand). In accordance with the transitional treatment provided in Paragraph 89-3 of the Revenue Recognition Standard, the notes to “Revenue Recognition” for the previous fiscal year are not stated.

(Accounting Standard for Fair Value Measurement, etc.)

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30 of July 4, 2019; hereinafter, referred to as, “Fair Value Measurement Standard”) from the fiscal year ended March 31, 2022, and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Standard, etc., in accordance with the transitional treatment provided in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10 of July 4, 2019). The application of the standard has no effect on the non-consolidated financial statements.

In addition, in Note 13, matters concerning the breakdown of the market value of financial instruments by level, etc., will be noted. However, in accordance with the transitional treatment set forth in “Guidance on Disclosure of Fair Value of Financial Instruments” (ASBJ Guidance No. 19, July 4, 2019), Paragraph 7-4, the notes pertaining to the previous consolidated fiscal year are not stated.

5 SHORT-TERM INVESTMENTS AND INVESTMENT SECURITIES

Short-term investments and investment securities as of March 31, 2022 and 2021, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Short-term investments:			
Time deposits other than cash equivalents	¥ 1,265	¥ 1,572	\$ 10,369
Government and corporate bonds	100	101	820
Total	¥ 1,365	¥ 1,673	\$ 11,189
Investment securities:			
Marketable equity securities	¥ 12,457	¥ 14,394	\$ 102,107
Government and corporate bonds	7,505	7,144	61,516
Nonmarketable equity securities	146	146	1,197
Others	199	189	1,631
Total	¥ 20,307	¥ 21,873	\$ 166,451

The costs and aggregate fair value of investment securities classified as available-for-sale at March 31, 2022 and 2021, were as follows:

March 31, 2022	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Equity securities	¥ 4,672	¥ 7,934	¥ (149)	¥ 12,457
Government and corporate bonds	7,758	8	(161)	7,605
Others	138	61		199
Total	¥ 12,568	¥ 8,003	¥ (310)	¥ 20,261

March 31, 2021	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Equity securities	¥ 4,713	¥ 9,698	¥ (17)	¥ 14,394
Government and corporate bonds	7,265	15	(35)	7,245
Others	132	57		189
Total	¥ 12,110	¥ 9,770	¥ (52)	¥ 21,828

March 31, 2022	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Equity securities	\$ 38,295	\$ 65,033	\$ (1,221)	\$ 102,107
Government and corporate bonds	63,590	66	(1,320)	62,336
Others	1,131	500		1,631
Total	\$ 103,016	\$ 65,599	\$ (2,541)	\$ 166,074

The impairment loss on available-for-sale equity securities for the year ended March 31, 2022, was ¥12 million (\$98 thousand).

Notes to Consolidated Financial Statements

TACHIBANA ELETECH CO., LTD. and Consolidated Subsidiaries As of and for the Years Ended March 31, 2022 and 2021

6 INVENTORIES

Inventories at March 31, 2022 and 2021, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Merchandise	¥ 26,558	¥ 14,329	\$ 217,688
Work in process	13	7	107
Raw materials	1	1	8
Total	¥ 26,572	¥ 14,377	\$ 217,803

7 SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans at March 31, 2022 and 2021, included bank overdrafts. The annual interest rates applicable to the short-term bank loans ranged from 0.27% to 1.79% and 0.28% to 1.60% at March 31, 2022 and 2021, respectively.

Long-term debt at March 31, 2022 and 2021, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Collateralized			
Unsecured	¥ 110	¥ 110	\$ 902
Obligation under finance leases	41	29	336
Total	151	139	1,238
Less current portion	23	56	189
Long-term debt, less current portion	¥ 128	¥ 83	\$ 1,049

Annual maturities of long-term debt at March 31, 2022, were as follows:

Years Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2023	¥ 23	\$ 189
2024	29	238
2025	79	647
2026	19	156
2027	1	8
2028 and thereafter		
Total.....	¥ 151	\$ 1,238

The carrying amounts of assets pledged as collateral for the above secured and collateralized long term debt at March 31, 2022, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Time deposits included in short-term investments	¥ 157	\$ 1,287
Land	46	377
Buildings and structures — net of accumulated depreciation	1	8
Total	¥ 204	\$ 1,672

8 RETIREMENT AND PENSION PLANS

The Company and certain subsidiaries participate in defined benefit pension plans, and the Company has a retirement benefit trust. In addition, the Company participates in defined contribution pension plans.

For defined benefit pension plans and unfunded lump-sum payment plans, which some subsidiaries of the Company adopted, the liability for retirement benefits and the periodic retirement benefit costs are computed by the simplified method.

Defined Benefit Pension Plans

(1) The changes in defined benefit obligation, excluding plans adopting the simplified method, for the years ended March 31, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Balance at beginning of year	¥ 5,024	¥ 4,804	\$ 41,180
Current service cost	252	251	2,066
Interest cost	48	48	393
Actuarial losses	(8)	(67)	(66)
Benefits paid	(277)	(220)	(2,270)
Increase due to new consolidation		208	
Balance at end of year	¥ 5,039	¥ 5,024	\$ 41,303

(2) The changes in plan assets, excluding plans adopting the simplified method, for the years ended March 31, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Balance at beginning of year	¥ 5,893	¥ 5,088	\$ 48,303
Expected return on plan assets	60	52	492
Actuarial losses	33	500	270
Contributions from the employer	298	339	2,443
Benefits paid	(246)	(219)	(2,016)
Increase due to new consolidation		133	
Balance at end of year	¥ 6,038	¥ 5,893	\$ 49,492

(3) The schedule of the net defined benefit liability accounted for by the simplified method for the years ended March 31, 2022 and 2021, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Balance at beginning of year	¥ 656	¥ 653	\$ 5,377
Periodic benefit cost	60	56	492
Benefits paid	(77)	(48)	(631)
Contributions to the pension plans	(5)	(5)	(41)
Balance at end of year	¥ 634	¥ 656	\$ 5,197

(4) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Funded defined benefit obligation	¥ 5,347	¥ 5,345	\$ 43,828
Plan assets	(6,105)	(5,958)	(50,041)
	(758)	(613)	(6,213)
Unfunded defined benefit obligation	393	401	3,221
Net liability arising from defined benefit obligation	¥ (365)	¥ (212)	\$ (2,992)

Notes to Consolidated Financial Statements

TACHIBANA ELETECH CO., LTD. and Consolidated Subsidiaries As of and for the Years Ended March 31, 2022 and 2021

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Liability for retirement benefits	¥ 657	¥ 707	\$ 5,385
Asset for retirement benefits	(1,022)	(919)	(8,377)
Net liability arising from defined benefit obligation	¥ (365)	¥ (212)	\$ (2,992)

(5) The components of net periodic retirement benefit costs for the years ended March 31, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Service cost	¥ 251	¥ 251	\$ 2,058
Interest cost	48	48	393
Expected return on plan assets	(60)	(53)	(492)
Recognized actuarial gains	(152)	(151)	(1,246)
Amortization of prior service cost	5	5	41
Periodic benefit cost in simplified method	60	56	492
Net periodic retirement benefit costs	¥ 152	¥ 156	\$ 1,246

(6) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Prior service cost	¥ 5	¥ 5	\$ 41
Actuarial gains	(111)	416	(910)
Total	¥ (106)	¥ 421	\$ (869)

(7) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Unrecognized prior service cost		¥ 5	
Unrecognized actuarial gains	¥ (597)	(708)	\$ (4,893)
Total	¥ (597)	¥ (703)	\$ (4,893)

(8) Plan assets

a. Components of plan assets

Plan assets as of March 31, 2022 and 2021, consisted of the following:

	2022	2021
Debt investments	17%	17%
Equity investments	38	39
General account	39	39
Others	6	5
Total	100%	100%

b. Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the long-term rates of return, which are expected currently and in the future from the various components of the plan assets.

(9) Assumptions used for the years ended March 31, 2022 and 2021, were set forth as follows:

	2022	2021
Discount rate	1.0%	1.0%
Expected rate of return on plan assets	1.0%	1.0%
Expected rate of salary increase	4.5%	4.5%

Defined Contribution Pension Plans

The amounts of required contributions to the defined contribution pension plans of the Company and certain subsidiaries for the years ended March 31, 2022 and 2021, were ¥157 million (\$1,287 thousand) and ¥156 million, respectively.

9 EQUITY

Japanese companies are subject to the Companies Act of Japan (the “Companies Act”). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders’ meeting. For companies that meet certain criteria, such as (1) having a board of directors, (2) having independent auditors, (3) having an Audit and Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Company’s board of directors (the “Board of Directors”) may declare dividends (except for dividends in kind) at any time during the fiscal year if a company has prescribed so in its articles of incorporation. The Company meets all the above criteria. The Companies Act permits companies to distribute dividends in kind (noncash assets) to shareholders subject to certain limitations and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of a company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(b) Increases/Decreases and Transfer of Common Stock, Reserve, and Surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of

retained earnings) or as additional paid-in capital (a component of capital surplus), depending on the equity account charged upon the payment of such dividends, until aggregate amount of the legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus, and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution of the shareholders.

(c) Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by a specific formula. Under the Companies Act, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

10 INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 30.6% for the years ended March 31, 2022 and 2021. Its foreign subsidiaries are subject to income taxes of the countries in which they operate.

Notes to Consolidated Financial Statements

TACHIBANA ELETECH CO., LTD. and Consolidated Subsidiaries As of and for the Years Ended March 31, 2022 and 2021

The tax effects of significant temporary differences and tax loss carryforwards, which resulted in deferred tax assets and liabilities at March 31, 2022 and 2021, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Deferred tax assets:			
Allowance for doubtful receivables	¥ 45	¥ 41	\$ 370
Accrued bonuses	393	306	3,221
Enterprise tax	115	41	943
Valuation loss on investment securities	109	114	893
Liability for retirement benefits	202	16	1,656
Loss on devaluation of merchandise	190	161	1,557
Tax loss carryforwards	2	30	16
Other	470	338	3,852
Total deferred tax assets	1,526	1,047	12,508
Less valuation allowance for tax loss carryforwards	(2)	(13)	(16)
Less valuation allowance for temporary differences	(524)	(517)	(4,295)
Total less valuation allowance	(526)	(530)	(4,311)
Deferred tax assets	1,000	517	8,197
Deferred tax liabilities:			
Undistributed earnings of overseas subsidiaries	194	161	1,590
Unrealized gains on available-for-sale securities	2,251	2,886	18,451
Other	419	124	3,435
Deferred tax liabilities	2,864	3,171	23,476
Net deferred tax liabilities	¥ (1,864)	¥ (2,654)	\$ (15,279)

The expiration of tax loss carryforwards, the related valuation allowances, and the resulting net deferred tax assets as of March 31, 2022 and 2021, were as follows:

March 31, 2022	Millions of Yen					
	1 Year or Less	After 1 Year through 2 Years	After 2 Years through 3 Years	After 3 Years through 4 Years	After 4 Years through 5 Years	After 5 Years
Deferred tax assets relating to tax loss carryforwards						¥ 2
Less valuation allowances for tax loss carryforwards						(2)
Net deferred tax assets relating to tax loss carryforwards						

March 31, 2021	Millions of Yen					
	1 Year or Less	After 1 Year through 2 Years	After 2 Years through 3 Years	After 3 Years through 4 Years	After 4 Years through 5 Years	After 5 Years
Deferred tax assets relating to tax loss carryforwards						¥ 30
Less valuation allowances for tax loss carryforwards						(13)
Net deferred tax assets relating to tax loss carryforwards						17

March 31, 2022	Thousands of U.S. Dollars					
	1 Year or Less	After 1 Year through 2 Years	After 2 Years through 3 Years	After 3 Years through 4 Years	After 4 Years through 5 Years	After 5 Years
Deferred tax assets relating to tax loss carryforwards						\$ 16
Less valuation allowances for tax loss carryforwards						(16)
Net deferred tax assets relating to tax loss carryforwards						

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

	2021
Normal effective statutory tax rate	30.6%
Expenses not deductible for income tax purposes	1.5
Income not taxable for income tax proposes	(0.5)
Taxation on per capita basis	0.9
Change in valuation allowance	(0.5)
Gain from bargain purchase	(2.5)
Difference in subsidiaries’ tax rates	(1.2)
Other — net	(0.5)
Actual effective tax rate	27.8%

Information on reconciliation of tax rates for the year ended March 31, 2022, were not disclosed as difference between the statutory tax rate and the effective tax rate was not more than 5% of the statutory tax rate.

11 REVENUE

(1) Disaggregation of Revenue

The breakdown of revenue from contracts with customers is as described in “Note 18. Segment Information, etc.”

(2) Basic Information to Understand Revenues from Contracts with Customers

Information that provides the basis for understanding the revenue generated from contracts with customers is provided in “Note 2. Summary of Significant Accounting Policies, I. Revenue Recognition.”

(3) Contract Balances

Receivables from contract with customers, contract assets, and contract liabilities at the beginning and end of the year are as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2022	2022
Receivables from contracts with customers:		
Balance at beginning of year	¥ 54,787	\$ 449,074
Balance at end of year	64,369	527,615
Contract assets:		
Balance at beginning of year	29	238
Balance at end of year	28	230
Contract liabilities:		
Balance at beginning of year	1,013	8,303
Balance at end of year	1,572	12,885

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TACHIBANA ELETECH CO., LTD. and Consolidated Subsidiaries As of and for the Years Ended March 31, 2022 and 2021

The contracted assets relate to the rights of the Group to unclaimed consideration for performance obligations that are satisfied over a certain period of time under construction contracts that have been fulfilled at the balance sheet date. Contract assets are transferred to receivables arising from contracts with customers when the rights of the Group to consideration become unconditional.

Contract liabilities primarily relate to advances received from customers under the terms and conditions of payment stipulated in the contract for performance obligations to be satisfied at one time under the contract. Contract liabilities are reversed as revenue is recognized.

The amount of revenue recognized in the consolidated fiscal year under review that was included in contractual liabilities at the beginning of the fiscal year was ¥962 million (\$7,885 thousand).

(4) Transaction Prices Allocated to Remaining Performance Obligations

The transaction prices allocated to the remaining performance obligations are omitted as there are no significant contracts with an initial expected duration of more than one year.

12 LEASES

The Group leases certain machinery, computer equipment, and other assets. Total rental expenses for the years ended March 31, 2022 and 2021, were ¥513 million (\$4,205 thousand) and ¥508 million, respectively.

Future minimum payments under noncancelable operating leases are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Due within one year	¥ 54	¥ 25	\$ 442
Due after one year	172	12	1,410
Total	¥ 226	¥ 37	\$ 1,852

13 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group Policy for Financial Instruments

The Group uses mainly bank loans to fund its ongoing operations. Cash surpluses are invested in bank deposits or low-risk financial assets. Derivatives are used to reduce foreign currency exchange risk for receivables and payables denominated in foreign currencies, not for speculative purposes.

(2) Nature, Extent of Risks Arising from Financial Instruments, and Risk Management for Financial Instruments

Trade receivables, such as trade notes and trade accounts, are exposed to customer credit risk.

The Group manages its credit risk from receivables based on internal guidelines, which include monitoring of payment terms and balances and monitoring major customers’ financial statuses on a regular basis.

Other receivables are mainly rebate receivables from major vendors, and the Company considers their credit risks to be limited.

Securities included in short-term investments and investment securities, mainly equity instruments of customers and suppliers of the Group and high credit rating bonds, are exposed to market price fluctuations. The market values are reported to the Group’s administrative director on a regular basis.

Payment terms of trade payables, such as trade notes and trade accounts, are mainly less than one year.

Although foreign currency trade receivables and payables are exposed to fluctuations in foreign currency exchange rates, the Group reduces such foreign currency exchange risk by using forward foreign currency contract hedges.

Short-term bank loans and long-term bank loans are mainly used to finance the Group’s operating activity payments.

(3) Fair Values of Financial Instruments

Fair values of financial instruments are based on quoted prices in active markets. If a quoted price is not available, another rational valuation technique is used instead. Please see Note 14 for the details of the fair value of derivatives.

(a) Fair value of financial instruments

	March 31, 2022			March 31, 2021			March 31, 2022		
	Millions of Yen			Millions of Yen			Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Unrealized Gain/Losses	Carrying Amount	Fair Value	Unrealized Gain/Losses	Carrying Amount	Fair Value	Unrealized Gain/Losses
Short-term investments and investment securities	¥ 21,512	¥ 21,512		¥ 23,400	¥ 23,400		\$ 176,328	\$ 176,328	
Total	¥ 21,512	¥ 21,512		¥ 23,400	¥ 23,400		\$ 176,328	\$ 176,328	
Long-term bank loans	¥ 110	¥ 109	¥ (1)	¥ 110	¥ 108	¥ (2)	\$ 902	\$ 893	\$ (12)
Total	¥ 110	¥ 109	¥ (1)	¥ 110	¥ 108	¥ (2)	\$ 902	\$ 893	\$ (12)
Derivative financial instruments	¥ 2	¥ 2		¥ 5	¥ 5		\$ 16	\$ 16	

(b) Carrying amount of investments in equity instruments that do not have a quoted market price in an active market

	Carrying Amount	
	Millions of Yen	Thousands of U.S. Dollars
	2022	2021
Unlisted equity instruments	¥ 383	¥ 210

Cash and cash equivalents, trade receivables, accounts receivable, trade payables, and short term borrowings

Because they are settled in a short period of time, their book value approximates fair value.

Short-term investments and investment securities

The fair values of short-term investments and investment securities are based on market prices of stocks and bonds obtained from financial institutions. Fair value and classification of short term investments and investment securities are described in Note 5.

Long-term debt

The fair value of long-term debts payable is calculated based on the amount of cash flows calculated by discounting the total amount of principal and interest at the interest rate assumed for similar new loans.

Derivatives

Fair value information on derivative transactions is disclosed in Note 14.

(4) Maturity Analysis for Financial Assets and Securities with Contractual Maturities

	March 31, 2022				March 31, 2022			
	Millions of Yen				Thousands of U.S. Dollars			
	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Cash and cash equivalents	¥ 11,223				\$ 91,992			
Trade notes	20,820				170,656			
Trade receivables	43,549				356,959			
Other receivables	3,135				25,697			
Short-term investments and investment securities:								
Available-for-sale securities with contractual maturities:								
Government and corporate bonds ..	100	¥ 2,100	¥ 4,900	¥ 500	819	\$ 17,213	\$ 40,164	\$ 4,098
Others								
Total	¥ 78,827	¥ 2,100	¥ 4,900	¥ 500	\$646,123	\$ 17,213	\$ 40,164	\$ 4,098

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	March 31, 2021			
	Millions of Yen			
	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Cash and cash equivalents	¥ 18,987			
Trade receivables and notes	54,816			
Other receivables	1,744			
Other receivables				
Short-term investments and investment securities:				
Available-for-sale securities with contractual maturities:				
Government and corporate bonds ..	100	¥ 800	¥ 5,800	¥ 400
Others				
Total	¥ 75,647	¥ 800	¥ 5,800	¥ 400

Please see Note 7 for annual maturities of long-term bank loans.

(5) Financial Instruments Categorized by Fair Value Hierarchy

The fair value of financial instruments is categorized into the following three levels, depending on the observability and significance of the inputs used in making fair value measurements.

Level 1 market value:The market value of an asset or liability that is subject to the calculation of its observable market value and is formed in an active market.

Level 2 market value:Market value calculated using observable market value calculation inputs other than Level 1 inputs.

Level 3 market value:Market value calculated using inputs related to the calculation of unobservable market value.

If multiple inputs are used that have a significant impact on the measurement of fair value, fair value is categorized at the lowest level in the fair value measurement among the levels to which each of these inputs belongs.

(1) The financial assets and liabilities measured at the fair values in the consolidated balance sheet

	March 31, 2022				March 31, 2022			
	Millions of Yen				Thousands of U.S. Dollars			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Marketable and investment securities:								
Available-for-sale securities:								
Equity securities	¥ 12,456			¥ 12,456	\$ 102,098			\$ 102,098
Government and corporate bonds		¥ 7,604		7,604		\$ 62,328		62,328
Others		84		84		689		689
Derivative transactions:								
Foreign currency forward contracts		1		1		8		8
Total assets	¥ 12,456	¥ 7,689		¥ 20,145	\$ 102,098	\$ 63,025		\$ 165,123

(2) The financial assets and liabilities not measured at the fair values in the consolidated balance sheet

	March 31, 2022				March 31, 2022			
	Millions of Yen				Thousands of U.S. Dollars			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Long-term debt		¥ 108		¥ 108		\$ 885		\$ 885
Total liabilities		¥ 108		¥ 108		\$ 885		\$ 885

The following is a description of valuation methodologies and inputs used for measurement of the fair value of assets and liabilities:

Marketable and Investment Securities

Listed stocks and corporate bonds held by the Group are valued using quoted prices. Listed stocks are categorized as Level 1 because they are traded in active markets. In addition, corporate bonds held by the Group are categorized as Level 2 because they are traded infrequently in the market and are not recognized as quoted prices in active markets. Others are categorized as Level 2 because they are investment trusts and evaluated using the net asset value per unit calculated by securities companies, which is an observable input.

Derivatives

Foreign currency forward contracts are categorized as Level 2 fair value because they are measured using observable inputs, i.e., exchange rates.

Long-Term Debt

Long-term debt is calculated at present value, which is calculated by discounting the total amount of principal and interest at the interest rate assumed for similar new borrowings. Since this is an observable input, it is categorized as Level 2 fair value.

14 DERIVATIVES

The Group enters into foreign currency forward contracts to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies.

All derivative transactions are entered into to hedge foreign currency exposures incorporated within the Group’s business. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged assets or liabilities.

Because the counterparties to these derivatives are limited to major international financial institutions, the Group does not anticipate any losses arising from credit risk.

These derivative transactions entered into by the Group are executed by the international division and an overseas subsidiary.

Derivative transactions entered into by the Group are controlled by the financial department in accordance with internal policies which regulate the authorization and credit limit amount.

Derivative transactions to which hedge accounting is not applied

	March 31, 2022				March 31, 2021				March 31, 2022			
	Millions of Yen				Millions of Yen				Thousands of U.S. Dollars			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts:												
Selling USD	¥ 15		¥ (1)	¥ (1)	¥ 10		¥ (0)	¥ (0)	\$ 125		\$ (10)	\$ (10)
Selling CNY	14		(1)	(1)	5		(0)	(0)	116		(7)	(7)

The fair value of derivative transactions is measured at the quoted price obtained from financial institutions.

Derivative transactions to which hedge accounting is applied

	Hedged Item	March 31, 2022			March 31, 2021			March 31, 2022		
		Millions of Yen			Millions of Yen			Thousands of U.S. Dollars		
		Contract Amount	Contract Amount Due after One Year	Fair Value	Contract Amount	Contract Amount Due after One Year	Fair Value	Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts:										
Buying USD	Payables	¥ 22		¥ 1	¥ 75		¥ 4	\$ 180		\$ 8
Buying HKD	Payables	7		0	4		0	57		1
Buying CNY	Payables	30		2	18		2	246		16

The fair value of derivative transactions is measured at the quoted price obtained from financial institutions.

The contract or notional amounts of derivatives, which are shown in the above table do not represent the amounts exchanged by the parties and do not measure the Group’s exposure to credit or market risk.

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15 OTHER COMPREHENSIVE INCOME (LOSS)

The components of other comprehensive income (loss) for the years ended March 31, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Unrealized gain (loss) on available-for-sale securities:			
Gains arising during the year	¥ (1,903)	¥ 3,898	\$ (15,598)
Reclassification adjustments to profit or loss	(122)	1	(1,000)
Amount before income tax effect	(2,025)	3,899	(16,598)
Income tax effect	636	(1,144)	5,212
Total	¥ (1,389)	¥ 2,755	\$ (11,386)
Deferred gain (loss) on derivatives under hedge accounting:			
Gains arising during the year	¥ (2)	¥ 17	\$ (16)
Amount before income tax effect	(2)	17	(16)
Income tax effect	1	(5)	8
Total	¥ (1)	¥ 12	\$ (8)
Foreign currency translation adjustments:			
Adjustments arising during the year	¥ 567	¥ (241)	\$ 4,647
Reclassification adjustments to profit or loss			
Total	¥ 567	¥ (241)	\$ 4,647
Defined retirement benefit plan:			
Gains arising during the year	¥ 35	¥ 510	\$ 287
Reclassification adjustments to profit or loss	(143)	(89)	(1,172)
Amount before income tax effect	(108)	421	(885)
Income tax effect	34	(129)	278
Total	¥ (74)	¥ 292	\$ (607)
Total other comprehensive income (loss)	¥ (897)	¥ 2,818	\$ (7,354)

16 NET INCOME PER SHARE

The average number of common shares used in the computation was 25,197,751 shares for 2022 and 25,237,784 shares for 2021.

17 SUBSEQUENT EVENTS

Appropriation of Retained Earnings

The following appropriation of retained earnings at March 31, 2022, was approved at the Board of Directors’ meeting held on May 23, 2022:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥30 (\$0.25) per share	¥ 749	\$ 6,139

18 SEGMENT INFORMATION

Under ASBJ Statement No. 17, “Accounting Standard for Segment Information Disclosures,” and ASBJ Guidance No. 20, “Guidance on Accounting Standard for Segment Information Disclosures,” an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate

financial information is available, and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

1. Description of Reportable Segments

The Group has three reportable segments, each of which has products and services as described in the table below. The segments are categorized by available separate financial information and evaluated by management regularly. Management discusses the segments’ financial information in order to make decisions, such as how to allocate resources among the Group. The Group plans domestic and overseas strategies based on the segments.

Reportable Segment	Products and Services
Factory Automation Systems Business	Programmable controllers, inverters, AC servos, various types of motors, power distribution control equipment and control devices, industrial robots, electric discharge machines, laser beam machines, connectors, embedded systems, industrial computers, and touch panels
Semiconductors and Electronic Devices Business	Semiconductors (microcomputers, ASIC, power devices, memory modules, analog IC, and logic IC)Electronic devices (memory card contact image sensors and LCD)
Building Services Systems Business	Package air conditioners and other air-conditioning equipment, LED lighting, photovoltaic power generation systems, all electrical appliances, room air-conditioners, elevators, power receiving/transformation equipment, and monitoring and controlling equipment

2. Methods of Measurement for the Amounts of Sales, Profit (Loss), Assets, and Other Items for Each Reportable Segment

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, “Summary of Significant Accounting Policies.”

As described in Changes in Accounting Policies, the Company adopted the Accounting Standard for Revenue Recognition, etc., from the beginning of the current consolidated fiscal year, and changed the accounting method for revenue recognition and method of calculating profit or loss of business segments.

As a result of this change, in the current consolidated fiscal year, net sales of the “FA Systems Business” decreased by ¥886 (\$7,262 thousand) million and segment profit decreased by ¥159 million (\$1,303 thousand) compared with the previous method. The impact on net sales and segment profit of the Semiconductor Device Business and the Facility Business is immaterial.

3. Information about Sales, Profit (Loss), Assets, and Other Items and Breakdown of Revenue

	Millions of Yen							
	Reportable Segments			Total	Others	Total	Reconciliation	Consolidated
	Factory Automation Systems Business	Semiconductors and Electronic Devices Business	Building Services Systems Business					
Sales:								
Japan	¥ 96,972	¥ 45,854	¥ 15,352	¥ 158,178	¥ 4,141	¥ 162,319		¥ 162,319
Asia and others	4,410	25,745		30,155	957	31,112		31,112
Revenue from contracts with customers:	101,382	71,599	15,352	188,333	5,098	193,431		193,431
Sales to external customers	101,382	71,599	15,352	188,333	5,098	193,431		193,431
Intersegment sales or transfers								
Total	¥ 101,382	¥ 71,599	¥ 15,352	¥ 188,333	¥ 5,098	¥ 193,431		¥ 193,431
Segment profit	¥ 4,112	¥ 2,511	¥ 160	¥ 6,783	¥ (73)	¥ 6,710		¥ 6,710
Operating profit								
Segment assets	52,609	36,339	10,781	99,729	3,913	103,642	¥ 31,530	135,172
Other:								
Depreciation	291	123	60	474	16	490		490
Increase in property and equipment and intangible assets	491	206	105	802	30	832		832

Notes to Consolidated Financial Statements

TACHIBANA ELETECH CO., LTD. and Consolidated Subsidiaries As of and for the Years Ended March 31, 2022 and 2021

Year Ended March 31, 2021		Millions of Yen						
		Reportable Segments						
		Factory Automation Systems Business	Semiconductors and Electronic Devices Business	Building Services Systems Business	Total	Others	Total	Reconciliation Consolidated
Sales:								
Sales to external customers		¥ 88,071	¥ 54,347	¥ 15,382	¥ 157,800	¥ 3,640	¥ 161,440	¥ 161,440
Intersegment sales or transfers								
Total		¥ 88,071	¥ 54,347	¥ 15,382	¥ 157,800	¥ 3,640	¥ 161,440	¥ 161,440
Segment profit		¥ 2,920	¥ 868	¥ 248	¥ 4,036	¥ (3)	¥ 4,033	¥ 4,033
Operating profit								
Segment assets		44,319	23,261	8,594	76,534	2,816	79,350	¥ 40,915 120,265
Other:								
Depreciation		279	109	53	441	15	456	456
Increase in property and equipment and intangible assets		336	140	73	549	20	569	569

Year Ended March 31, 2022		Thousands of U.S. Dollars						
		Reportable Segments						
		Factory Automation Systems Business	Semiconductors and Electronic Devices Business	Building Services Systems Business	Total	Others	Total	Reconciliation Consolidated
Sales:								
Sales Japan		\$ 794,852	\$ 375,852	\$ 125,836	\$ 1,296,540	\$ 33,944	\$ 1,330,484	\$ 1,330,484
Asia and others		36,148	211,025		247,173	7,843	255,016	255,016
Revenue from contracts with customers:		831,000	586,877	125,836	1,543,713	41,787	1,585,500	1,585,500
Sales to external customers		831,000	586,877	125,836	1,543,713	41,787	1,585,500	1,585,500
Intersegment sales or transfers								
Total		\$ 831,000	\$ 586,877	\$ 125,836	\$ 1,543,713	\$ 41,787	\$ 1,585,500	\$ 1,585,500
Segment profit		\$ 33,705	\$ 20,582	\$ 1,331	\$ 55,598	\$ (598)	\$ 55,000	\$ 55,000
Operating profit								
Segment assets		431,221	297,861	88,369	817,451	32,074	849,525	\$ 258,433 1,107,968
Other:								
Depreciation		2,385	1,008	492	3,885	131	4,016	4,016
Increase in property and equipment and intangible assets		4,024	1,689	861	6,574	246	6,820	6,820

Notes: Segment assets included in the reconciliation line as of March 31, 2022 and 2021, which were ¥31,530 million (\$258,443 thousand) and ¥40,915 million, respectively, are corporate assets, which are not allocated to each reportable segment and primarily comprise financial resources (cash and cash equivalents and short-term investments) and long-term investment funds (investment securities).



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INDEPENDENT AUDITOR’S REPORT

To the Board of Directors of TACHIBANA ELETECH CO., LTD.:

Opinion
We have audited the consolidated financial statements of TACHIBANA ELETECH CO., LTD. and its consolidated subsidiaries (the “Group”), which comprise the consolidated balance sheet as of March 31, 2022, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.
In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation
Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S.

dollar amounts are presented solely for the convenience of readers outside Japan.

Basis for Opinion
We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter
A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

Appropriateness of the timing of revenue recognition of sales transactions involving installation work	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
As described in Note 18, “Segment Information” to the consolidated financial statements, the net sales of the Factory Automation Systems Business were 101,381 million yen and the net sales of the Building Services Systems Business were 15,352 million yen for the year ended March 31, 2022. In these reporting segments, there are certain sales transactions involving installation work in addition to delivery of products. As described in Note 2, “Summary of Significant Accounting Policies” and Note 11, “Revenue” to the consolidated financial statements, performance obligations in such sales transactions are satisfied and revenue are recognized not at the time of shipment of the product but at the time inspected and accepted by customer subsequent to completion of installation work. Sales transactions involving installation work are separately classified in the Enterprise Resource Planning (“ERP”) system. Revenue for sales transactions involving installation work are not recognized upon recording of a product shipment date in the ERP system, but rather recognized upon recording of a completion date of installation work in the system. The determination of whether the sales transaction involves installation work is based on the nature of transaction and other contract terms. If this determination is incorrect, there is a risk of recognizing revenue in the wrong period. Moreover, many sales transactions involving installation work are inspected and accepted in March, and the contract prices are relatively high. In the case that the sales transactions involving installation work are recognized in the wrong fiscal year, the impact on the consolidated financial statements would be significant. Therefore, we determined the appropriateness of the timing of revenue recognition for sales transactions involving installation work as a key audit matter.	In evaluating the appropriateness of the timing of revenue recognition of the sales transactions involving installation work, our audit procedures included the following, among others: • We tested the design and operating effectiveness of controls over the process of recording the sales transactions involving installation work. In this assessment, we focused our testing on internal controls over management’s judgement and approval in determining whether the transactions were classified into sales transactions involving installation work. • We analyzed the fluctuation of sales transactions involving installation work recorded in March 2022 by customer and made inquiries of management of sales departments about the reason of the significant fluctuation, if any. • We performed an analysis on the sales transactions that were recorded at the time of product shipment in March 2022, by sales department, customer and sales amount. Based on the analysis, we evaluated the selected sales transactions whether the transactions should have been classified into sales transactions involving installation work, by inspecting the nature of transaction and other contract terms included in external vouchers, such as purchase orders from customers.

Other Information
Management is responsible for the other information. The Audit and Supervisory Committee is responsible for overseeing the Directors’ execution of duties relating to the design and operating effectiveness of the controls over the other information. The other information comprises the information included in the Integrated report, but does not include the consolidated financial statements and our auditor’s report thereon. The Integrated report is expected to be made available to us after the date of this auditor’s report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.
In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Responsibilities of Management and the Audit and Supervisory Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Audit and Supervisory Committee is responsible for overseeing the Directors’ execution of duties relating to the design and operating effectiveness of the controls over the Group’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor’s judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit

evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Supervisory Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit and Supervisory Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with it all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit and Supervisory Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Tomoyoshi Wada
Designated Engagement Partner
Certified Public Accountant


Ikushi Murakami
Designated Engagement Partner
Certified Public Accountant

Deloitte Touche Tohmatsu LLC
July 15, 2022

Company Outline

Company Name in English TACHIBANA ELETECH CO., LTD.	
Date of Founding September 1, 1921	
Date of Establishment July 12, 1948	
Capital 5,874 billion yen	
Number of Employees 849 (Consolidated 1,389) as of March 31, 2022	
Stock Listings The Prime Market of the Tokyo Stock Exchange	
ISO Acquisitions Product Quality Management System ISO9001 JQA-QMA10303 Environmental Management System ISO14001 EMS693431 Information Security Management System ISO27001 IS 509430	
Offices	
Head Office	1-13-25 Nishi-honmachi, Nishi-ku, Osaka
Branch Offices	Tokyo, Nagoya
Branches	East Kanto, North Kanto, Kanagawa, Mikawa, Tokai, Hokuriku, Mie, Shiga, South Osaka, Kobe, Himeji, Hiroshima, Shikoku, Kyushu
Sales Offices	Tohoku, Okayama

History

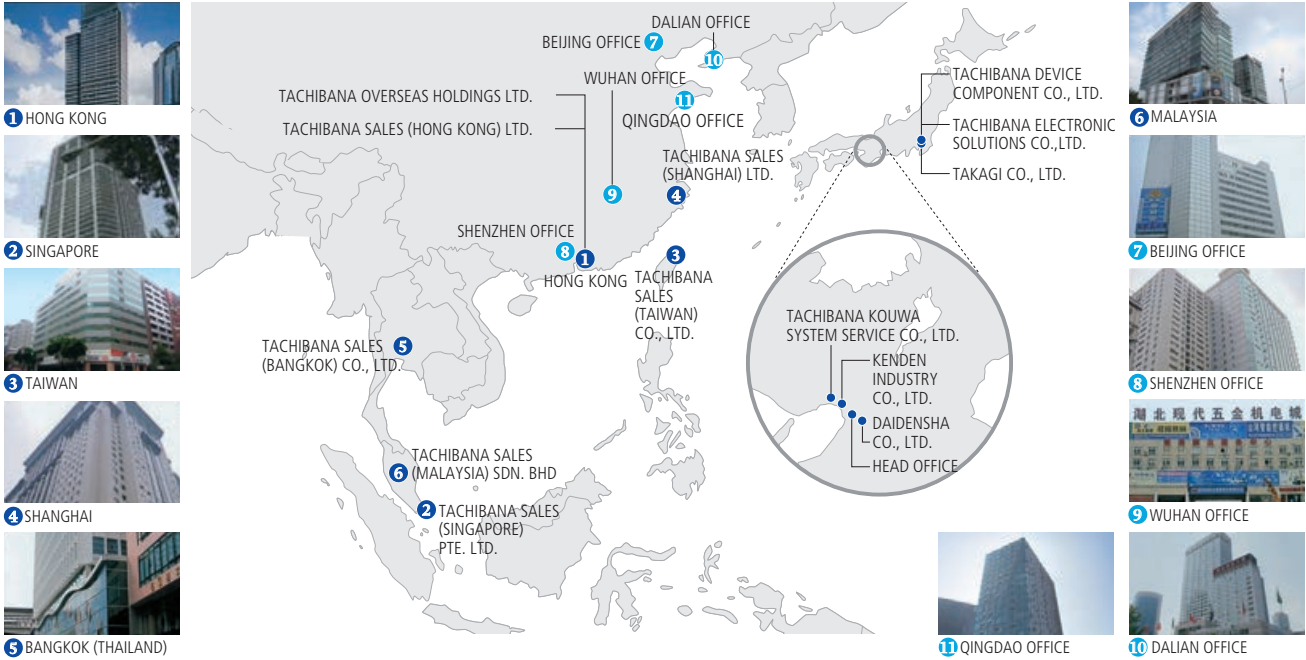
1921	Norimitsu Tachibana founded Tachibana Shokai. ❶	
1925	Special contract made with Mitsubishi Corporation.	
1947	Special contract made with Mitsubishi Electric Corporation.	
1948	Tachibana Shokai Ltd established. ❷	
1961	Head Office moved to Nishi-ku in Osaka City. ❸	
1962	Special contract with Mitsubishi Electric Corporation annulled to make new agency agreement.	
1982	Singaporean branch office established.	
1985	Osaka Software Center established.	
1986	Listed as the specified brand in the Second Section (New Second Section) of the Osaka Securities Exchange.	
1987	Tachibana Sales (Singapore) Pte. Ltd. established.	
1988	Hong Kong branch office established.	
1990	Listed as stock on the Second Section of the Osaka Securities Exchange.	
1992	Tachibana Sales (Hong Kong) Ltd. established.	
1994	Head Office newly built. ❹	
1997	Tachibana Sales (Taiwan) Co., Ltd. established.	
2000	Shenzhen Semiconductor Technology Center established.	
2001	Ritsuryokai established. Renamed “Tachibana Eletech Co., Ltd”. ❺ Acquired ISO14001.	
2002	Tachibana Sales (Shanghai) Ltd. established.	
2003	Acquired ISO9001.	
2004	Listed on the Second Section of the Tokyo Stock Exchange.	
2005	Listed on the First Section of the Tokyo Stock Exchange and the Osaka Securities Exchange. ❻	
2006	Acquired ISMS.	
2007	Tachibana Sales (Bangkok) Co., Ltd. established.	

Directors, Directors (Audit Committee Members) and Operating Officers

Takeo Watanabe Chairman, CEO	Hiroshi Yoneda Managing Operating Officer
Hisanobu Nunoyama President, COO	Mitsuru Tada Operating Officer
Sadayuki Takami Director, Executive Operating Officer	Yoshinori Matsuura Operating Officer
Takayasu Sato External Director	Masaki Shiroshita Operating Officer
Masato Tsujikawa External Director	Satoru Nagayasu Operating Officer
Takao Tsuji External Director	Hiroyuki Sano Operating Officer
Kiyoshi Matsuhashi Director Audit & Supervisory Committee Member	Koji Kobayashi Operating Officer
Yasuhiro Otani External Director Audit & Supervisory Committee Member	Daisuke Tsunomura Operating Officer
Hiroumi Shioji External Director Audit & Supervisory Committee Member	Hiroyuki Ikeda Operating Officer
	Kenji Konishi Operating Officer
	Takashi Nanmoto Operating Officer

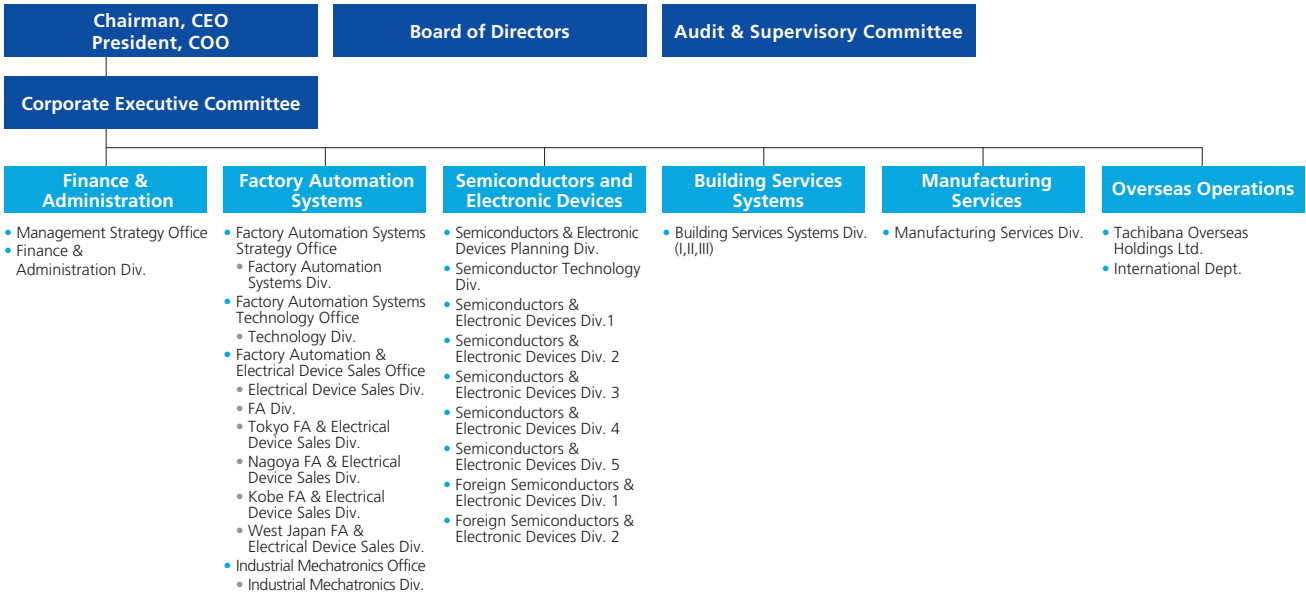
2007	Tachibana Overseas Holdings (in-house company) established. Move from ISMS certification standard to ISO27001.	
2008	Minami Osaka Building completed (the Minami Osaka branch office and the “Risshikan” training center with accommodation/dormitory). ❷	
2010	Tachibana Kouwa System Service Co., Ltd. established through the merger between Tachibana ES and Kouwa Kogyo. Daidensha Co., Ltd. becomes wholly owned subsidiary. ❸ Beijing Office, Shenzhen Office established.	
2011	Wuhan Office established.	
2012	Tachibana Overseas Holdings Ltd. incorporated as a supervising holding company for overseas subsidiaries. ❹ Dalian Office established. Conclude a capital and business tie-up agreement with Takagi Co., Ltd. Tachibana Device Component Co., Ltd. established.	
2013	Malaysia Office established.	
2014	Qingdao Office established. Acquisition of company building for the Tokyo Branch Office, and relocation ❺ Conversion of Takagi Co., Ltd. to consolidated subsidiary ❻	
2015	Start of Medium/Long-Term Management Plan (C.C.J 2200)	
2019	Conversion of Takagi Co., Ltd. wholly owned subsidiary.	
2020	Tachibana Sales (Malaysia) Sdn.Bhd established. Acquisition of all shares of Yashima Electronic Solutions Co., Ltd.; renamed Tachibana Electronic Solutions Co., Ltd. as a wholly-owned subsidiary.	
2021	100th Anniversary	
2022	The company is listed in the Prime Market of the Tokyo Stock Exchange.	

Subsidiaries and Affiliates



[Domestic]	[Overseas]
KENDEN INDUSTRY CO., LTD. 2-6-23, Mitejima, Nishiyodogawa-ku, Osaka 555-0012 Tel. 81-6-6471-9451	TACHIBANA OVERSEAS HOLDINGS LTD. Unit 2605, 26F., One Kowloon No.1, Wang Yuen Street, Kowloon Bay, Kowloon, Hong Kong Tel. +852(2838)8103
TACHIBANA KOUWA SYSTEM SERVICE CO., LTD. 2-5-1, Ohama-Cho, Amagasaki City 660-0095 Tel. 81-6-6413-3623	TACHIBANA SALES (SINGAPORE) PTE. LTD. Office: Malaysia 10 Anson Road #30-07 International Plaza Singapore 079903 Tel. +65(6270)4567
DAIDENSHA CO., LTD. 1-6-17, Nipponbashi-nishi, Naniwa-ku, Osaka 556-0004 Tel. 81-6-6632-6111	TACHIBANA SALES (HONG KONG) LTD. Unit 2605, 26F., One Kowloon No.1, Wang Yuen Street, Kowloon Bay, Kowloon, Hong Kong Tel. +852(2838)8103
TACHIBANA DEVICE COMPONENT CO., LTD. 4-18-32 Shibaura, Minato-ku, Tokyo, Japan 108-0023 Tel. 81-3-5418-9200	TACHIBANA SALES (TAIWAN) CO., LTD. Room #507, No.372, Linsen N. Rd., Zhongshan Dist., Taipei, 104, Taiwan R.O.C. Tel. +886(2)2541-8177
TAKAGI CO., LTD. 2-2-7 Kitasenzoku, Ota-ku, Tokyo 145-0062 Tel. 81-3-3783-6314	TACHIBANA SALES (SHANGHAI) LTD. Office: Beijing, Shenzhen, Wuhan, Dalian, Qingdao Room K, 18F, Huamin Empire Plaza, No.728 West Yanan Road, Shanghai, 200050, PRC Tel. +86(21)3100-1700
TACHIBANA ELECTRONIC SOLUTIONS CO.,LTD. 4-18-32 Shibaura, Minato-ku, Tokyo, Japan 108-0023 Tel. 81-3-6699-1870	TACHIBANA SALES (BANGKOK) CO., LTD. 62 Thaniya Building 8FL., Room No.803-804, Silom Road Suriyawong Bangrak, Bangkok 10500, Thailand Tel. +66(2)652-5191
	TACHIBANA SALES (MALAYSIA) SDN. BHD First Subang S-14-05, Jalan SS15/4G, 47500 Subang Jaya, Selangor, Malaysia Tel. +603(5888)6502

Organizational Structure



Investor Information

Authorized Number of Shares:
96,000 thousand

Issued Number of Shares:
25,025 thousand

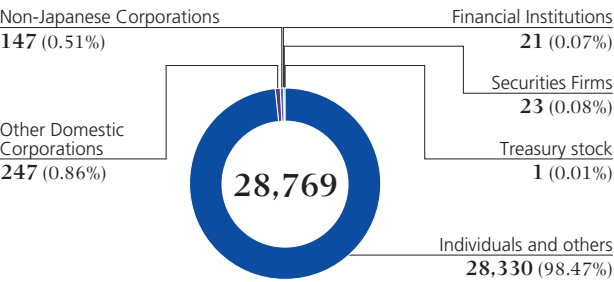
Number of Shareholders:
28,769

Major Shareholders

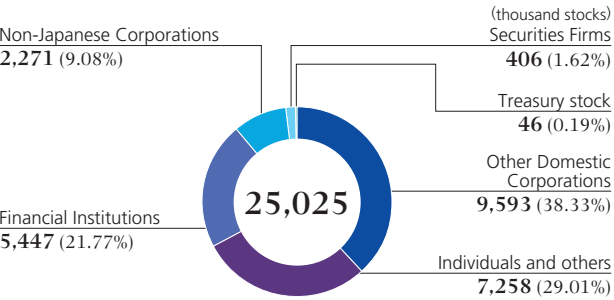
Shareholders	Shares (thousand stocks)	Ratio of shareholders (%)
Mitsubishi Electric Corporation	1,921	7.69
Sansei Technos Co., Ltd	1,563	6.26
The Master Trust Bank of Japan, Ltd. (trust account)	1,440	5.77
Tachibana Eletech's Employees Shareholders' Association	1,214	4.86
MUFG Bank, Ltd.	1,082	4.33
Kinden Corporation	754	3.02
Noritz Corporation	742	2.97
Nippon Life Insurance Company	471	1.89
Takebishi Corporation	459	1.84
The Iyo Bank,Ltd.	435	1.74
Total	10,085	40.38

Notes: 1. Shown with less than 1,000 shares truncated.
2. Shareholding ratio is calculated excluding 46,888 shares of treasury stock.

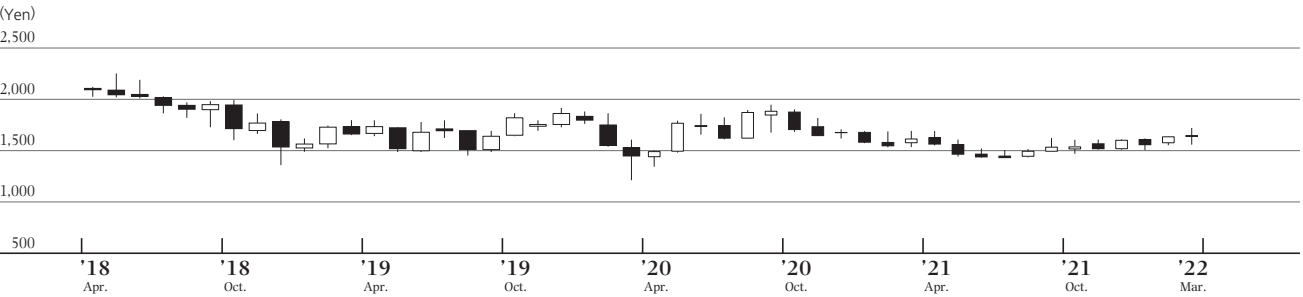
Distribution by Number of Shareholders



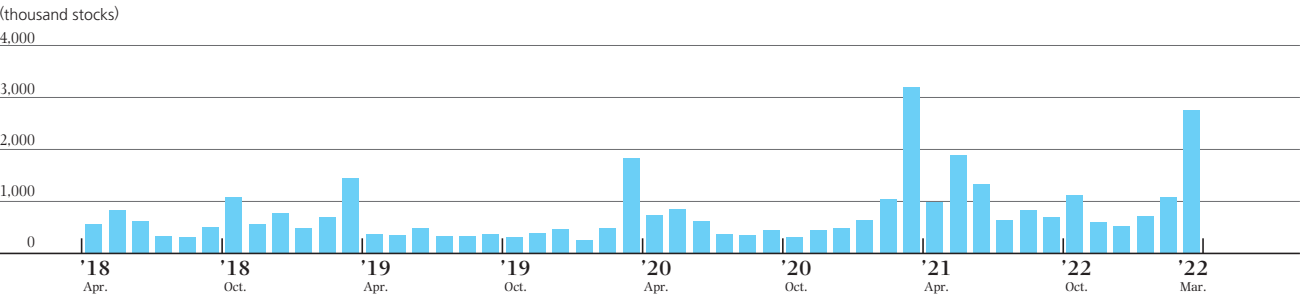
Distribution by Number of Shares Held



Share Price Trends (Tokyo Stock Exchange)



Trade Volume Trends (Tokyo Stock Exchange)





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<https://www.tachibana.co.jp/>

