SYNNEX CORP
Form 8-K
November 03, 2005
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the

Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported): November 2, 2005

SYNNEX CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	001-31892	94-2703333
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(I.R.S. Employer Identification Number)

44201 Nobel Drive

Fremont, California **94538**
(Address of principal executive offices) **(Zip Code)**

(510) 656-3333

(Registrant s telephone number, including area code)

N/A

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligations of the registrant under any of the following provisions (see General Instruction A.2. below):

¨ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

¨ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

¨ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

¨ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240-13e-4(c))

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Item 8.01. Other Events

Because of the sale of our Japan subsidiary in the second quarter of fiscal 2005, the financial information included in the Registration Statement (No. 333-128947) filed on October 12, 2005 with the Securities and Exchange Commission was updated to give effect to the sale as discontinued operations in accordance with FASB No. 144. This event occurred after the filing of our Form 10-K for the fiscal year ended November 30, 2004, filed with the Securities and Exchange Commission on February 14, 2005. As a result, we are filing this Current Report on Form 8-K to provide investors with this same financial information included in the Registration Statement by updating Part II, Item 6: Selected Consolidated Financial Data, Item 7: Management s Discussion and Analysis of Financial Condition and Results of Operations and Item 8: Financial Statements and Supplementary Data of such Form 10-K.

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PART II

Item 6: Selected Consolidated Financial Data

The following selected consolidated statement of operations data for the years ended November 30, 2002, 2003 and 2004 and the selected consolidated balance sheet data as of November 30, 2003 and 2004 have been derived from our audited consolidated financial statements included elsewhere in this Report. The following selected consolidated statements of operations data for the fiscal years ended November 30, 2000 and 2001 and the selected consolidated balance sheet data as of November 30, 2000, 2001 and 2002 have been derived from our consolidated financial statements that are not included in this Report. The selected consolidated financial data is adjusted to give effect to the discontinued operations resulting from the sale of our Japan subsidiary during the second quarter of fiscal 2005. The selected consolidated financial data should be read together with the information appearing under the heading Management s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and related notes included elsewhere in this Report.

	Fiscal Years Ended November 30,				
	2000	2001	2002	2003	2004
	(in thousands, except for per share data)				
Statements of Operations Data:					
Revenue	$ 3,583,481	$ 3,032,041	$ 3,596,265	$ 3,944,886	$ 5,150,447
Cost of revenue	(3,426,274)	(2,882,604)	(3,432,089)	(3,766,518)	(4,935,075)
Gross profit	157,207	149,437	164,176	178,368	215,372
Selling, general and administrative expenses	(94,025)	(95,168)	(114,657)	(121,352)	(137,712)
Income from continuing operations before non-operating items, income taxes and minority interest	63,182	54,269	49,519	57,016	77,660
Interest expense and finance charges, net	(9,212)	(6,722)	(6,182)	(7,007)	(7,959)
Other income (expense), net	16,683	(5,628)	1,169	(3,478)	(900)
Income from continuing operations before income taxes and minority interest	70,653	41,919	44,506	46,531	68,801
Provision for income taxes	(30,967)	(16,885)	(16,680)	(17,090)	(23,091)
Minority interest in subsidiary			49	267	376
Income from continuing operations	39,686	25,034	27,875	29,708	46,086
Income (loss) from discontinued operations, net of tax	(2,864)	763	157	288	479
Loss on sale of discontinued operations, net of tax	(388)				
Net income	$ 36,434	$ 25,797	$ 28,032	$ 29,996	$ 46,565
Earnings per share:					
Basic					
Income from continuing operations	$ 1.85	$ 1.14	$ 1.26	$ 1.34	$ 1.73
Discontinued operations	$ (0.15)	$ 0.04	$ 0.01	$ 0.02	$ 0.01
Net income per common share basic	$ 1.70	$ 1.18	$ 1.27	$ 1.36	$ 1.74

Diluted					
Income from continuing operations	$ 1.63	$ 1.03	$ 1.15	$ 1.21	$ 1.53
Discontinued operations	$ (0.14)	$ 0.03	$ 0.01	$ 0.01	$ 0.02
Net income per common share diluted	$ 1.49	$ 1.06	$ 1.16	$ 1.22	$ 1.55
Weighted average common shares outstanding-basic	21,466	21,919	22,061	22,091	26,691
Weighted average common shares outstanding-diluted	24,404	24,392	24,251	24,555	30,111

	November 30,				
	2000	2001	2002	2003	2004
			(in thousands)		
Balance Sheet Data:					
Cash and cash equivalents	$ 20,564	$ 15,730	$ 15,503	$ 22,079	$ 28,726
Working capital	116,292	187,235	200,021	217,397	316,935
Total assets	636,434	565,034	629,075	789,928	999,697
Current borrowings under term loans and lines of credit	32,121	18,104	19,685	69,464	74,996
Long-term borrowings	2,090	43,036	38,714	8,134	13,074
Total stockholders equity	157,823	183,372	213,218	252,814	369,656

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Item 7: Management s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of the Company s financial condition and results of operations should be read in conjunction with Selected Consolidated Financial Data and the Consolidated Financial Statements and related Notes included elsewhere in this Report.

When used in this Annual Report on Form 10-K (the Report), the words believes, plans, estimates, anticipates, expects, intends, and similar expressions are intended to identify forward-looking statements. These are statements regarding projections of expenditures, revenues, earnings, cash balances or cash flows, synergies or other financial items; plans, strategies and objectives of management for future operations; future economic conditions or performance; our relationship with our suppliers, customers and significant stockholders such as MiTAC; expectation of market size and market acceptance or penetration of the distribution, contract assembly and complementary IT supply chain services we offer; estimates regarding our infrastructure needs and capital requirements; effect of thefts or other losses from our warehouses and collectibles of related insurance claims; our securitization program; impact of new rules and regulations affecting public companies; the adequacy of our internal controls over financial reporting; and any assumptions underlying any of the foregoing. Forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those projected. These risks and uncertainties include, but are not limited to, those risks discussed below, as well as the seasonality of the buying patterns of our customers, the concentration of sales to large customers, dependence upon and trends in capital spending budgets in the IT industry and fluctuations in general economic condition and the risks set forth below in Management s Discussion and Analysis of Financial Condition and Results of Operations Factors That May Affect Our Operating Results. These forward-looking statements speak only as of the date hereof. We expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

Overview

We are a global information technology, or IT, supply chain services company. We offer a comprehensive range of services to IT original equipment manufacturers and software publishers, collectively OEMs, and reseller customers worldwide. The supply chain services that we offer include product distribution, related logistics, contract assembly and demand generation marketing.

We have been in the IT distribution business since 1980 and are one of the largest IT product distributors based on 2004 reported revenue. We focus our core wholesale distribution business on a limited number of leading IT OEMs, which allows us to enhance and increase the value we provide to our OEM suppliers and reseller customers.

Because we offer distribution, contract assembly, demand generation marketing, IT solutions and complementary supply chain services, OEM suppliers and resellers can outsource to us multiple areas of their business outside of their core competencies. This model allows us to provide services at several points along the IT product supply chain. We believe that the combination of our broad range of supply chain capabilities, our focus on serving the leading IT OEMs and our efficient operations enable us to realize strong relationships with our OEM suppliers and reseller customers. We are headquartered in Fremont, California and have distribution, sales and assembly facilities in Asia, Europe and North America.

Revenue and Cost of Revenue

We derive our revenue primarily through the distribution of IT systems, peripherals, system components, software and networking equipment, and, to a lesser extent, from contract assembly. We recognize revenue in both our distribution and contract assembly operations as products are shipped, if a purchase order exists, the sales price is fixed or determinable, collection of the resulting receivable is reasonably assured, risk of loss and title have transferred and product returns are reasonably estimable. Shipping terms are typically F.O.B. our warehouse. Provisions for sales returns are estimated based on historical data and are recorded concurrently with the recognition of revenue. Our distribution sales are made to reseller customers on a purchase order basis and generally relate to a specific order from a reseller s end-user customer. Our contract assembly sales are generated from specific purchase orders received from our OEM customers for a specified unit quantity. We do not have long-term sales agreements with our reseller or contract assembly customers.

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Revenue from our distribution business represented 90%, 94% and 89% of our total revenue in fiscal 2002, 2003 and 2004, respectively. In our distribution business, our primary customers are resellers. None of our reseller customers accounted for more than 10% of our total revenue in fiscal 2002, 2003 and 2004. Approximately 37%, 32% and 28% of our total revenue in fiscal 2002, 2003 and 2004, respectively, was derived from the sale of HP products. Most of our remaining revenue is derived from the distribution and assembly of the IT products of a relatively small number of other suppliers.

Approximately 10%, 6% and 11% of our total revenue in fiscal 2002, 2003 and 2004, respectively, was derived from our contract assembly business. We provide contract assembly services primarily to IT product OEMs. Our contract assembly revenue is dependent on a small number of customers. Revenue from contract assembly provided to Sun Microsystems accounted for less than 10% of our total revenue in fiscal 2002 and 2003 and approximately 10% of our total revenue in 2004.

The market for IT products is generally characterized by declining unit prices and short product life cycles. Our distribution business is also highly competitive on the basis of price. We set our sales price based on the market supply and demand characteristics for each particular product or bundle of products we distribute. From time to time, we also participate in the incentive and rebate programs of our OEM suppliers. These programs are important determinants of the final sales price we charge to our reseller customers. To mitigate the risk of declining prices and obsolescence of our distribution inventory, our OEM suppliers generally offer us limited price protection and return rights for products that are marked down or discontinued by them. We carefully manage our inventory to maximize the benefit to us of these supplier provided protections.

A significant portion of our cost of distribution revenue is the purchase price we pay our OEM suppliers for the products we sell, net of any rebates and purchase discounts received from our OEM suppliers. Cost of distribution revenue also consists of provisions for inventory losses and write-downs, and freight expenses associated with the receipt in and shipment out of our inventory. Our contract assembly cost of revenue consists primarily of cost of materials, labor and overhead.

Margins

The IT product distribution and contract assembly industries in which we operate are characterized by low gross profit as a percentage of revenue, or gross margin, and low income from operations as a percentage of revenue, or operating margin. Our gross margin has fluctuated between 4.2% and 4.9% annually over the past five years due to changes in the mix of products we sell, customers we sell to, competition, seasonality and the general economic environment. Increased competition arising from industry consolidation and low demand for IT products may hinder our ability to maintain or improve our gross margin. Generally, when our revenue becomes more concentrated on limited products or customers, our gross margin tends to decrease due to increased pricing pressure from OEM suppliers or reseller customers. Our operating margin has also fluctuated between 1.4% and 1.8% annually over the past five years, based primarily on our ability to achieve economies of scale, the management of our operating expenses, changes in the relative mix of our distribution and contract assembly revenue and the timing of our acquisitions and investments.

Acquisitions, Divestments and Restructuring Charges

We seek to augment our organic growth with strategic acquisitions of businesses and assets that complement and expand our supply chain service capabilities. Our historical acquisitions have brought us new reseller customers and OEM suppliers, extended the geographic reach of our operations, particularly in international markets, and expanded the services we provide to our OEM suppliers and customers. We account for acquisitions using the purchase method of accounting and include acquired entities within our consolidated financial statements from the closing

date of the acquisition.

In September 2004, we completed the acquisition of Canadian-based EMJ Data Systems Ltd, or EMJ, and we have included the results of operations from EMJ in our reported results since the acquisition date. We acquired EMJ to expand our presence in the Canadian distribution market and, to a lesser extent, our market presence in the United States.

Subsequent to November 30, 2004, we divested two of our subsidiaries, SYNNEX K.K. and EMJ America.

In May 2005, we sold approximately 93% of the equity in our Japan subsidiary to MCJ Company Limited, or MCJ, a Japan based public company. We sold our Japan distribution business, as it was not strategic to our current North American focused distribution and assembly business model. We received shares of MCJ stock as consideration for SYNNEX K.K. We are restricted from selling the MCJ stock until one year after the sale date. As a result of this equity investment, we must record the gains or losses in our investment each period based on the closing price of MCJ stock. These non-operating gains or losses are reported in other income (expense), net. In order to reduce the risk of holding the MCJ shares, we have entered into forward exchange contracts to sell MCJ shares for fixed prices in April 2006. As of August 31, and October 7, 2005, such contracts covered 58% and 84%, respectively, of the MCJ shares held by the Company.

In June 2005, we sold our EMJ America subsidiary to the management team of EMJ America. EMJ America was a subsidiary of EMJ and was not in the same business as EMJ.

As a result of the acquisition of EMJ and the associated duplicative facilities and function with our existing Canadian business at the time of the acquisition, we commenced a restructuring program in the first quarter of fiscal 2005. The restructuring program was completed in the third quarter of fiscal 2005 and total charges from the program were $2.5 million.

Economic and Industry Trends

Our revenue is highly dependent on the end-market demand for the IT products that we distribute and assemble. This end-market demand is influenced by many factors including the introduction of new IT products and software by OEMs, replacement cycles for existing IT products and overall economic growth and general business activity. A difficult and challenging economic environment may also lead to consolidation or decline in the IT distribution industry and increased price-based competition.

Deferred Compensation Plan

We have a deferred compensation plan for a limited number of our directors and employees. We maintain a liability on our balance sheet for salary and bonus amounts deferred by participants and we accrue interest expense on unpaid amounts. Interest expense on the deferred amounts is classified in interest expense and finance charges, net on our consolidated statement of operations. The plan allows for the participants to direct investment of deferred amounts in equity securities. These equity investments are classified as trading securities. GAAP requires that gains (losses) on the deferred compensation equity securities be recorded in other income (expense), net and that an equal amount be charged (or credited if losses) to selling, general and administrative expenses relating to compensation amounts which are payable to the plan participants. Deferred compensation expense was $286,000 in fiscal 2003 and $243,000 in fiscal 2004 and a credit of $528,000 in fiscal 2002.

Unearned Stock-Based Compensation

In prior years, in connection with the granting of employee stock options that had exercise prices determined to be below fair market value on the date of grant, we have recorded unearned stock-based compensation. Unearned stock-based compensation represents the difference between the fair market value of our common stock for financial reporting purposes on the date of grant and the exercise price of these options. Unearned stock-based compensation is included as a reduction of stockholders equity and is amortized over the vesting period of the applicable options, generally five years, using the straight-line method. Our stock-based compensation expense relates to stock options granted to individuals and is reflected in cost of revenue and selling, general and administrative expenses. At November 30, 2004, the stock-based compensation was fully

amortized.

Seasonality

Our operating results are affected by the seasonality of the IT products industry. We have historically experienced higher sales in our fourth fiscal quarter due to patterns in the capital budgeting, federal government spending and purchasing cycles of our customers and end-users. These patterns may not be repeated in subsequent periods.

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Insurance Coverage

Although from time to time we have experienced incidents of theft at various facilities, in fiscal 2003 and fiscal 2005 we experienced theft as a result of break-ins at four of our warehouses in which approximately $13.4 million of inventory was stolen. Based on our investigation, discussions with local law enforcement and meetings with federal authorities, we believe the thefts at our warehouses were part of an organized crime effort that targeted a number of technology equipment warehouses throughout the United States.

As a result of the losses in 2003, we reduced our inventory value by $9.4 million, and recorded estimated proceeds, net of deductibles as a receivable from our insurance company, included within other current assets on our balance sheet as of November 30, 2003. In January 2004 we received a final settlement from our insurance company that amounted to substantially all of the receivable recorded as of November 30, 2003.

In March 2005, approximately $4.0 million of inventory was stolen from our facility in the City of Industry, California. We have filed a claim with our insurance provider for the amount of the loss, less a small deductible. To date, we have received $1.8 million of the claimed amount. Based on the information we have received to date from our insurance provider, we expect the remaining claim to be collected.

These types of incidents may make it more difficult or expensive for us to obtain theft coverage in the future. There is no assurance that future incidents of theft will not re-occur.

Critical Accounting Policies and Estimates

The discussions and analysis of our consolidated financial condition and results of operations are based on our consolidated financial statements, which have been prepared in conformity with generally accepted accounting principles in the United States. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of any contingent assets and liabilities at the financial statement date, and reported amounts of revenue and expenses during the reporting period. On an ongoing basis, we review and evaluate our estimates and assumptions, including those that relate to accounts receivable, vendor programs, inventories, goodwill and intangible assets and other long-lived assets, income taxes, and contingencies and litigation. Our estimates are based on our historical experience and a variety of other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making our judgment about the carrying values of assets and liabilities that are not readily available from other sources. Actual results could differ from these estimates under different assumptions or conditions.

We believe the following critical accounting policies are affected by our judgment, estimates or assumptions used in the preparation of our consolidated financial statements.

Accounts Receivable. We provide allowances for doubtful accounts on our accounts receivable for estimated losses resulting from the inability of our customers to make required payments. If the financial condition of our customers were to deteriorate, which may result in the impairment of their ability to make payments, additional allowances may be required. In estimating our allowance, we take into consideration the overall quality and aging of our receivable portfolio, the existence of a limited amount of credit insurance, our continuing credit evaluation of our customers financial conditions and collateral requirements from our customers in certain circumstances.

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OEM Supplier Programs. We receive funds from OEM suppliers for inventory price protection, product rebates, marketing and infrastructure reimbursement, and promotion programs. Inventory price protection and product rebates are recorded as a reduction of cost of revenue. Marketing, infrastructure and promotion programs are recorded, net of direct costs, in selling, general and administrative expense. Any excess funds associated with these programs are recorded in cost of revenue. We accrue rebates based on the terms of the program and sales of qualifying products. Some of these programs may extend over one or more quarterly reporting periods. Amounts received or receivable from OEM suppliers that are not yet earned are deferred on our balance sheet. Actual rebates may vary based on volume or other sales achievement levels, which could result in an increase or reduction in the estimated amounts previously accrued. In addition, if market conditions were to deteriorate due to an economic downturn, OEM suppliers may change the terms of some or all of these programs or cease them altogether. Any such change could lower our gross margins on products we sell or revenue earned. We also provide reserves for receivables on OEM supplier programs for estimated losses resulting from OEM suppliers inability to pay, or rejections of such claims by OEM suppliers.

Inventories. Our inventory levels are based on our projections of future demand and market conditions. Any sudden decline in demand or rapid product improvements and technological changes can cause us to have excess or obsolete inventories. On an ongoing basis, we review for estimated obsolete or unmarketable inventories and write down our inventories to their estimated net realizable value based upon our forecasts of future demand and market conditions. These write downs are reflected in our cost of revenue. If actual market conditions are less favorable than our forecasts, additional inventory reserves may be required. Our estimates are influenced by the following considerations: sudden decline in demand due to economic downturns, rapid product improvements and technological changes, our ability to return to OEM suppliers a certain percentage of our purchases, and protection from loss in value of inventory under our OEM supplier agreements.

Goodwill, Intangible Assets and Other Long-Lived Assets. We assess potential impairment of our goodwill, intangible assets and other long-lived assets when there is evidence that recent events or changes in circumstances have made recovery of an asset s carrying value unlikely. We also assess potential impairment of our goodwill, intangible assets and other long-lived assets on an annual basis. If indicators of impairment were present in intangible assets used in operations and future cash flows were not expected to be sufficient to recover the assets carrying amount, an impairment loss would be charged to expense in the period identified. The amount of an impairment loss would be recognized as the excess of the asset s carrying value over its fair value. Factors we consider important, which may cause an impairment include: significant changes in the manner of use of the acquired asset, negative industry or economic trends, and significant underperformance relative to historical or projected operating results.

Income Taxes. As part of the process of preparing our consolidated financial statements, we have to estimate our income taxes in each of the taxing jurisdictions in which we operate. This process involves estimating our current tax expense together with assessing any temporary differences resulting from the different treatment of certain items, such as the timing for recognizing revenue and expenses, for tax and accounting purposes. These differences may result in deferred tax assets and liabilities, which are included in our consolidated balance sheet. We are required to assess the likelihood that our deferred tax assets, which include net operating loss carry forwards and temporary differences that are expected to be deductible in future years, will be recoverable from future taxable income or other tax planning strategies. If recovery is not likely, we have to provide a valuation allowance based on our estimates of future taxable income in the various taxing jurisdictions, and the amount of deferred taxes that are ultimately realizable. The provision for current and deferred taxes involves evaluations and judgments of uncertainties in the interpretation of complex tax regulations by various taxing authorities. Actual results could differ from our estimates.

Contingencies and Litigation. There are various claims, lawsuits and pending actions against us incident to our operations. If a loss arising from these actions is probable and can be reasonably estimated, we record the amount of the loss, or the minimum estimated liability when the loss is estimated using a range within which no point is more probable than another. Based on current available information, we believe that the ultimate resolution of these actions will not have a material adverse effect on our financial position, results of operations or cash flows. As additional information becomes available, we assess any potential liability related to these actions and may need to revise our estimates. Future revisions of our estimates could materially impact the results of our operations, financial position or cash flows.

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Results of Operations

The following table presents certain consolidated statement of operations data for the periods indicated as a percentage of net sales and is adjusted to give effect to the discontinued operations resulting from the sale of our Japan subsidiary during the second quarter of fiscal 2005.

	Fiscal Years ended November 30,		
	2002	2003	2004
Statements of Operations Data:			
Revenue	100.00%	100.00%	100.00%
Cost of revenue	(95.43)	(95.48)	(95.82)
Gross profit	4.57	4.52	4.18
Selling, general and administrative expenses	(3.19)	(3.08)	(2.67)
Income from continuing operations before non-operating items, income taxes and minority interest	1.38	1.44	1.51
Interest expense and finance charges, net	(0.17)	(0.18)	(0.15)
Other income (expense), net	0.03	(0.08)	(0.02)
Income from continuing operations before income taxes and minority interest	1.24	1.18	1.34
Provision for income taxes	(0.46)	(0.43)	(0.45)
Minority interest in subsidiary			
Income from continuing operations	0.78	0.75	0.89
Income from discontinued operations, net of tax		0.01	0.01
Net income	0.78%	0.76%	0.90%

Fiscal Years Ended November 30, 2003 and 2004

Revenue:

	Year Ended November 30, 2003	Year Ended November 30, 2004	% Change
	(in thousands)	(in thousands)	
Revenue	$ 3,944,886	$ 5,150,447	30.6%
Distribution revenue	$ 3,714,385	$ 4,573,438	23.1%
Contract assembly revenue	$ 230,501	$ 577,009	150.3%

The increase in our distribution revenue was primarily attributable to market share increases, increased demand for products through the IT distribution channel, primarily in North America, and the acquisition of EMJ Data Systems Limited in September 2004, which contributed approximately $48.0 million in revenue in fiscal 2004. Our market share increases were a result of our increased selling efforts, including a 19% increase in sales staff in the United States, and overall improved service offerings, including inventory availability, financing and marketing. The increase in our distribution revenue was somewhat mitigated by continued significant competition in the IT distribution marketplace and gradual declines in the average selling price of products we sell.

The increase in contract assembly revenue was the result of an increase in products we assemble for our primary OEM customer, Sun Microsystems, as well as sales to new customers.

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Gross Profit:

	Year Ended November 30, 2003	Year Ended November 30, 2004	% Change
	(in thousands)	(in thousands)	
Gross profit	$ 178,368	$ 215,372	20.7%
Percentage of revenue	4.52%	4.18%	(7.5)%

Our gross margin has been affected by a variety of factors, including competition, the mix and average selling prices of products we sell and the mix of customers to whom we sell, rebate and discount programs from our suppliers, freight costs and reserves for inventory losses.

The decrease in gross margin percentage was primarily a result of lower margins in our distribution segment. Distribution gross margin percentage decreased primarily due to changes in customer mix, as sales volumes to larger customers, which generally carry lower margins due to competitive and volume reasons, increased. Our contract assembly gross margin percentage also decreased due to our overall increased business over the prior year and the associated changes in product and customer mix.

Selling, General and Administrative Expenses:

	Year Ended November 30, 2003	Year Ended November 30, 2004	% Change
	(in thousands)	(in thousands)	
Selling, general and administrative expenses	$ 121,352	$ 137,712	13.5%
Percentage of revenue	3.08%	2.67%	(13.3)%

Our selling, general and administrative expenses consist primarily of salaries, commissions, bonuses, and related expenses for personnel engaged in sales, product marketing, distribution and contract assembly operations and administration. Selling, general and administrative expenses also include stock-based compensation expense, deferred compensation expense or income, temporary personnel fees, the costs of our facilities, utility expense, professional fees, depreciation expense on our capital equipment and amortization expense on our intangible assets.

While selling, general and administrative expenses increased in fiscal 2004 from the prior year, as a percentage of revenue, selling, general and administrative expenses declined in fiscal 2004 to 2.7% from 3.1% in fiscal 2003. The decrease as a percentage of sales was due to our continued efforts to control costs. The dollar increase was primarily the result of incremental expenses associated with our increased revenue in the United States, including a 19% increase in sales personnel, and the acquisition of EMJ in September 2004, which accounted for an increase of approximately $2.7 million in selling, general and administrative expenses. In addition, our general and administrative costs increased due to incremental costs associated with being a public company, including compliance with the Sarbanes-Oxley Act of 2002. Netted against selling, general and administrative expenses are reimbursements from OEM suppliers of $16.3 million for fiscal 2004, compared to $13.7 million in fiscal 2003. The reimbursements relate to marketing, infrastructure and promotion programs such as advertisements in trade publications, direct marketing campaigns through mail and e-mail and product demonstrations at trade shows. We make the arrangements and pay for the advertising, facility fees and other costs of the programs, which feature the OEM suppliers products.

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Income from Continuing Operations before Non-operating Items, Income Taxes and Minority Interest:

	Year Ended November 30, 2003	Year Ended November 30, 2004	% Change
	(in thousands)	(in thousands)	
Income from continuing operations before non-operating items, income taxes and minority interest	$ 57,016	$ 77,660	36.2%
Distribution income from continuing operations before non-operating items, income taxes and minority interest	$ 51,885	$ 63,255	21.9%
Contract assembly income from continuing operations before non-operating items, income taxes and minority interest	$ 5,131	$ 14,405	180.7%

Income from continuing operations before non-operating items, income taxes and minority interest as a percentage of revenue of 1.5% for fiscal 2004 improved slightly from 1.4% in fiscal 2003 due to the decline in selling, general and administrative expense as a percentage of sales, partially offset by the decline in gross margin percentage. Despite the increase in our sales, our distribution operating income percentage was essentially unchanged primarily due to additional costs associated with being a public company and an increase in the operating loss from our operations in Mexico to a loss of $1.4 million in fiscal 2004 from a loss of $0.1 million in fiscal 2003. The increase in the operating loss in Mexico was primarily a result of a weak local economy and an increase in bad debt expense. The increase in contract assembly operating margin was primarily due to a significant increase in production volumes in fiscal 2004, which allowed for the absorption of fixed overhead and other administrative expenses.

Interest Expense and Finance Charges, net:

	Year Ended November 30, 2003	Year Ended November 30, 2004	% Change
	(in thousands)	(in thousands)	
Interest expense and finance charges, net	$ 7,007	$ 7,959	13.6%

Amounts recorded in interest expense and finance charges, net, are primarily interest expense paid on our lines of credit, long-term debt and deferred compensation liability, fees associated with third party accounts receivable flooring arrangements and the sale of accounts receivable through our securitization facility, offset by income earned on our excess cash investments.

The increase in interest expense and finance charges, net, was primarily a result of a $1.2 million increase in finance charges as a result of having to finance increased working capital requirements in fiscal 2004 due to higher sales volume in fiscal 2004 compared to fiscal 2003, offset by higher interest income earned in fiscal 2004.

Other Income (Expense), net:

	Year Ended November 30, 2003		Year Ended November 30, 2004		% Change
	(in thousands)		(in thousands)		
Other income (expense), net	$	(3,478)	$	(900)	74.1%

Amounts recorded in other income (expense), net, include deferred compensation, foreign currency transaction gains and losses, investment gains and losses, including those in our deferred compensation plan and other non-operating gains and losses.

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Other income (expense), net decreased in fiscal 2004 from fiscal 2003 primarily due to a $3.0 million decrease in foreign currency transaction losses. The foreign currency transaction losses in fiscal 2003 were incurred primarily as a result of purchases of forward contracts not conducted within normal Company hedging practices and procedures, combined with a weakening U.S. dollar.

Provision for Income Taxes. Income taxes consist of our current and deferred tax expense resulting from our income earned in domestic and foreign jurisdictions. Our effective tax rate was 33.6% in fiscal 2004 as compared with an effective tax rate of 36.7% in fiscal 2003. The decrease in our income tax provision and effective tax rate was primarily a result of tax benefits from stock option exercises and a $2.0 million income tax benefit related to the release of a valuation allowance resulting from the final tax accounting of our acquisition of Merisel Canada, Inc.

Minority Interest. Minority interest is the portion of earnings from operations from our subsidiaries attributable to other owners of the subsidiaries. Our subsidiary in Mexico has minority stockholders. Minority interest benefit increased to $376,000 in fiscal 2004 from a benefit of $267,000 in fiscal 2003 due to increased losses at our Mexico subsidiary.

Discontinued Operations. During the second quarter of fiscal 2005, we sold approximately 93% of SYNNEX K.K. to MCJ, in exchange for 8,603 shares of MCJ. We have reported the results of operations and financial position of this business in discontinued operations within the condensed consolidated statements of operations for all periods presented.

The results of operations of SYNNEX K.K., prior to the sale, were as follows (in thousands):

	Year Ended November 30,	
	2003	**2004**
	(unaudited)	
Revenue	$ 181,354	$ 163,544
Cost of revenue	(172,006)	(153,938)
Gross profit	9,348	9,606
Selling, general and administrative expenses	(8,498)	(8,286)
Income from operations before non-operating items, income taxes and minority interest	850	1,320
Interest expense and finance charges, net	(500)	(464)
Other income (expense), net	253	158
Income before income taxes and minority interest	603	1,014
Provision for income taxes	(270)	(459)
Minority interest in subsidiary	(45)	(76)
Net income	$ 288	$ 479

Fiscal Years Ended November 30, 2002 and 2003

Revenue:

	Year Ended November 30, 2002	Year Ended November 30, 2003	% Change
	(in thousands)	(in thousands)	
Revenue	$ 3,596,265	$ 3,944,886	9.7%
Distribution revenue	$ 3,223,110	$ 3,714,385	15.2%
Contract assembly revenue	$ 373,155	$ 230,501	(38.2)%

The increase in our distribution revenue was mainly attributable to market share increases as a result of increased selling efforts, primarily in the United States, and the acquisition of Gates/Arrow distributing in May 2002. The increase was also attributable to the commencement of our Mexico distribution operations in April 2002. Our Mexico operations accounted for $61.1 million of the distribution revenue increase in fiscal 2003 compared to fiscal 2002. Despite the significant increase in revenue from our Mexico operations, we were not satisfied with the operating margins of this entity, as discussed below. After several years of decline, product demand in the IT distribution channel stabilized in the second half of

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2003, especially in the United States. The increase in our distribution revenue was somewhat mitigated by significant competition in the IT distribution marketplace, continued efforts by some OEMs, including HP, our largest OEM, to sell more of their product directly to end-users, bypassing the IT distribution channel, and general declines in average selling prices of the products we sell. The decline in contract assembly revenue was the result of a decline in demand for IT products that we assemble for our primary OEM customer, Sun Microsystems. Despite the overall decline in assembly revenue in fiscal 2003, we did experience an increase in revenues in the second half of fiscal 2003 with revenues totaling $145.4 million in the last six months of fiscal 2003 compared to $85.1 million in the first six months of fiscal 2003 due to an increase in new product sales to Sun Microsystems.

Gross Profit:

	Year Ended November 30, 2002	Year Ended November 30, 2003	% Change
	(in thousands)	(in thousands)	
Gross profit	$ 164,176	$ 178,368	8.6%
Percentage of revenue	4.57%	4.52%	(1.1)%

Gross margins of 4.5% of revenue in fiscal 2003 remained virtually flat as compared with fiscal 2002. Overall gross margin was negatively impacted as the result of the change in revenue mix between our lower gross margin distribution business and our higher gross margin contract assembly business, however this was mostly offset by an increase in contract assembly gross margins. Distribution gross margin was essentially unchanged for fiscal 2003 as compared with fiscal 2002 as a result of our efforts to maintain our pricing policies in selling our products. However, we did experience a decline in our distribution gross margins in the third and fourth quarter of fiscal 2003 primarily due to increased sales volumes to larger customers, which generally carry lower margins and competitive pricing pressures. Contract assembly margins increased, primarily in the second half of the year, in fiscal 2003 compared to fiscal 2002 as a result of a favorable mix of products with higher gross margins.

Selling, General and Administrative Expenses:

	Year Ended November 30, 2002	Year Ended November 30, 2003	% Change
	(in thousands)	(in thousands)	
Selling, general and administrative expenses	$ 114,657	$ 121,352	5.8%
Percentage of revenue	3.19%	3.08%	(3.4)%

The increase in selling, general and administrative expense was primarily a result of the commencement of our Mexico distribution operations in April 2002, which accounted for $3.4 million of the selling, general and administrative expense increase, a $2.0 million charge relating to the departure of a former executive officer, and a loss on a disposition of property and equipment of $0.9 million. Incremental expenses associated with our increased revenue in North America also contribute to the rise in selling, general and administrative expenses, however these were partially offset by decreases in selling, general and administrative expenses outside of North America and Mexico. Netted against selling, general and administrative expenses are reimbursements from OEM suppliers of $13.7 million for fiscal 2003, compared to $9.5 million fiscal 2002. The reimbursements relate to marketing, infrastructure and promotion programs such as advertisements in trade publications, direct marketing campaigns through mail and e-mail and product demonstrations at trade shows. We make the arrangements and pay for the advertising, facility fees and other costs of the programs, which feature the OEM suppliers products.

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Income from Continuing Operations before Non-Operating Items, Income Taxes and Minority Interest:

	Year Ended November 30, 2002	Year Ended November 30, 2003	% Change
	(in thousands)	(in thousands)	
Income from continuing operations before non-operating items, income taxes and minority interest	$ 49,519	$ 57,016	15.1%
Distribution income from continuing operations before non-operating items, income taxes and minority interest	$ 42,124	$ 51,885	23.2%
Contract assembly income from continuing operations before non-operating items, income taxes and minority interest	$ 7,395	$ 5,131	(30.6)%

Income from continuing operations before non-operating items, income taxes and minority interest as a percentage of revenue improved slightly to 1.4% in fiscal 2003. On a segmented basis, our distribution operating income as a percentage of distribution revenue increased to approximately 1.4% in fiscal 2003 as compared to 1.3% in fiscal 2002, and our contract assembly operating income as a percentage of contract assembly revenue was approximately 2.2% in fiscal 2003 up from 2.0% in fiscal 2002. The increase in distribution operating margin was primarily due to efficiencies realized on higher revenues resulting in lower selling, general and administrative costs as a percentage of revenue, offset somewhat by the charge relating to the departure of our former executive officer and an operating loss in our Mexico operation. The loss in Mexico was primarily related to an increase in bad debt provisions. The increase in contract assembly operating margin was primarily due to the increase in gross margins resulting from a favorable product mix, as discussed above.

Interest Expense and Finance Charges, net:

	Year Ended November 30, 2002	Year Ended November 30, 2003	% Change
	(in thousands)	(in thousands)	
Interest expense and finance charges, net	$ 6,182	$ 7,007	13.3%

The increase in interest expense and finance charges, net, was primarily the result of increased borrowing activity in fiscal 2003 compared to fiscal 2002 in order to support our increase in revenue and operations.

Other Income (Expense), net:

	Year Ended November 30, 2002	Year Ended November 30, 2003	% Change
	(in thousands)	(in thousands)	
Other income (expense), net	$ 1,169	$ (3,478)	(397.5)%

Other income (expense), net, increased in fiscal 2003 from fiscal 2002 primarily due to a $4.7 million increase in foreign currency transaction losses. The foreign currency transaction losses were incurred primarily as a result of purchases of forward contracts not conducted within normal Company hedging practices and procedures, combined with a weakening U.S. dollar.

Provision for Income Taxes. Income taxes consist of our current and deferred tax expense resulting from our income earned in domestic and foreign jurisdictions. Our effective tax rate was 36.7% in fiscal 2003 as compared with an effective tax rate of 37.4% in fiscal 2002. The decrease in our income tax provision and effective tax rate was primarily a result of the lower effective tax rate of our subsidiaries in Canada and China.

Minority Interest. Minority interest is the portion of earnings from operations from our subsidiaries attributable to other owners of the subsidiaries. Our subsidiary in Mexico has minority stockholders. Minority interest benefit increased to $267,000 in fiscal 2003 from $49,000 in fiscal 2002 due to increased losses at our Mexico subsidiary.

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Discontinued Operations. The results of operations of SYNNEX K.K., prior to the sale, were as follows (in thousands):

	Year Ended November 30,	
	2002	2003
	(unaudited)	
Revenue	$ 171,617	$ 181,354
Cost of revenue	(161,893)	(172,006)
Gross profit	9,724	9,348
Selling, general and administrative expenses	(8,761)	(8,498)
Income from operations before non-operating items, income taxes and minority interest	963	850
Interest expense and finance charges, net	(461)	(500)
Other income (expense), net	(155)	253
Income before income taxes and minority interest	347	603
Provision for income taxes	(157)	(270)
Minority interest in subsidiary	(33)	(45)
Net income	$ 157	$ 288

Liquidity and Capital Resources

Cash Flows

Our business is working capital intensive. Our working capital needs are primarily to finance accounts receivable and inventory. We rely heavily on debt, accounts receivable flooring programs and the sale of our accounts receivable under our securitization program for our working capital needs.

We have financed our growth and cash needs to date primarily through working capital financing facilities, bank credit lines and cash generated from operations. The primary uses of cash have been to fund increases in inventory and accounts receivable resulting from increased sales, and for acquisitions.

We had positive net working capital of $217.4 and $316.9 million at November 30, 2003 and 2004, respectively. We believe that cash flows from operations, our current cash balance and funds available under our working capital and credit facilities will be sufficient to meet our working capital needs and planned capital expenditures for the next 12 months.

To increase our market share and better serve our customers, we may further expand our operations through investments or acquisitions. We expect that this expansion would require an initial investment in personnel, facilities and operations, which may be more costly than similar investments in current operations. As a result of these investments, we may experience an increase in cost of sales and operating expenses that is disproportionate to revenue from those operations. These investments or acquisitions would likely be funded primarily by incurring additional debt or issuing additional capital stock.

Net cash provided by operating activities was $69.3 million in fiscal 2002. Cash provided by operations in fiscal 2002 was primarily attributable to net income of $28.0 million plus depreciation and amortization of $8.3 million. Also contributing to the cash provided by operations was an increase in cash from net working capital of $32.7 million. The increase in cash from working capital was primarily attributable to a net increase in sales of our accounts receivable under our accounts receivable securitization program of $86.0 million in fiscal 2002. The cash used for working capital in fiscal 2002 was primarily due to increases in accounts receivable, inventory and other assets as well as a decrease in payable to affiliates, partially offset by increases in accounts payable and accrued liabilities. The fluctuations in our accounts receivable, inventory, other assets, accounts payable and accrued liabilities were primarily related to the increase in our distribution revenue in the period. The decrease in payable to affiliates was primarily related to the decline in our contract assembly operations in fiscal 2002.

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Net cash used in operating activities was $12.7 million in fiscal 2003. Cash used in operating activities in fiscal 2003 was primarily attributable to cash generated from net income of $30.0 million and depreciation and amortization of $7.4 million offset by the use of cash for working capital of $51.2 million. The cash used for working capital in fiscal 2003 was primarily due to increases in accounts receivable, receivables from vendors and inventory, partially offset by increases in accounts payable and payables to affiliates. The fluctuations in these working capital balances were primarily due to our strategy to increase inventory levels to support market share increases and overall higher revenue levels and a net increase in sales of accounts receivable under our securitization program of $52.0 million.

Net cash provided by operating activities was $0.2 million in fiscal 2004. Cash provided by operating activities in fiscal 2004 was primarily attributable to cash generated from net income of $46.6 million and depreciation and amortization of $7.8 million offset by the use of cash for working capital of $58.1 million. The cash used for working capital in fiscal 2004 was primarily due to increases in accounts receivable, receivables from vendors and inventory, partially offset by increases in accounts payable and payables to affiliates. The fluctuations in these working capital balances were primarily due to our over all increase in revenue in fiscal 2004. Also contributing to the cash used for working capital was a net decrease in sales of our accounts receivable under our accounts receivable securitization program of $13.7 million in fiscal 2004.

Net cash used in investing activities was $63.0 million in fiscal 2002, $2.3 million in fiscal 2003 and $49.6 million in fiscal 2004. The use of cash in fiscal 2004 was primarily the result of the acquisition of EMJ Data Systems Limited for $42.2 million and capital expenditures of $6.4 million, mostly for leasehold improvements and computer equipment upgrades. The use of cash in fiscal 2003 was primarily the result of a final payment of $1.5 million to Arrow Electronics for our Gates/Arrow Distributing acquisition and capital expenditures of $2.9 million. The use of cash in fiscal 2002 was primarily a result of our acquisition of Gates/Arrow Distributing for $42.9 million, net of cash acquired, and capital expenditures of $8.9 million.

Net cash used in financing activities of $7.3 million in fiscal 2002 was primarily due to the net repayment of borrowings under our credit facilities. Net cash provided by financing activities was $19.9 million in fiscal 2003 and was primarily related to our cash overdraft of $9.8 million and net borrowings under our credit facilities. Net cash provided by financing activities was $56.8 million in fiscal 2004 and was primarily related to proceeds from our initial public offering and stock option exercises of $61.0 million and our cash overdraft of $2.9 million, offset by net debt payments of $7.0 million.

Capital Resources

Our cash and cash equivalents totaled $22.1 million and $28.7 million at November 30, 2003 and 2004, respectively.

Off-Balance Sheet Arrangements

We have a six-year revolving accounts receivable securitization program in the United States, which provides for the sale of up to $210.0 million of U.S. trade accounts receivable to two financial institutions. In December 2004 the accounts receivable securitization program was amended to allow us to sell up to $275.0 million. The program expires in August 2008. In connection with this program substantially all of our U.S. trade accounts receivable are transferred without recourse to our wholly owned subsidiary, which, in turn, sells the accounts receivable to the financial institutions. Sales of the accounts receivables to the financial institutions under this program result in a reduction of total accounts receivable in our consolidated balance sheet. The remaining accounts receivable not sold to the financial institutions are carried at their net realizable value, including an allowance for doubtful accounts. Our effective borrowing cost under the program is the prevailing commercial paper rate of return plus 0.90% per annum. Subsequent to November 2004, the program was amended to reduce this amount to 0.75%. At November 30, 2003 and

2004, the amount of our accounts receivable sold to and held by the financial institutions under this accounts receivable securitization program totaled $210.0 million and $196.3 million, respectively. We believe that available funding under our accounts receivable financing programs provides us increased flexibility to make incremental investments in strategic growth initiatives and to manage working capital requirements, and that there are sufficient trade accounts receivable to support the U.S. financing programs. As we have in prior periods, we expect we will increase this program if our revenue levels continue to increase. Under the program, we continue to service the accounts receivable, and receive a service fee from the financial institutions. The program contains customary financial covenants, including, but not limited to, requiring us to maintain on a consolidated basis:

a minimum net worth at the end of each fiscal quarter in each fiscal year ending on or after November 30, 2003 of not less than (i) the minimum net worth required under the arrangement for the immediately preceding fiscal

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year plus (ii) an amount equal to 50% of the positive net income of us and our subsidiaries on a consolidated basis for the immediately preceding fiscal year plus (iii) an amount equal to 100% of the amount of any equity raised by or capital contributed to us during the immediately preceding fiscal year;

a fixed charge ratio for each rolling period from and after the closing of the arrangement of not less than 1.70 to 1.00. The fixed charge ratio is the ratio of EBITDA for the rolling period ending on such date to fixed charges for such period. Fixed charges means, with respect to any of our fiscal periods (a) cash interest expense during such period, plus (b) regularly scheduled payments of principal on our debt (other than debt owing under the amended arrangement, as defined) paid during such period, plus (c) the aggregate amount of all capital expenditures made by us during such period other than capital expenditures related to the purchase of and improvements to the building occupied by our subsidiary in China in an amount not to exceed $8.5 million, plus (d) income tax expense during such period, plus (e) any dividend, return of capital or any other distribution in connection with our capital stock. Rolling period means as of the end of any or our fiscal quarters, the immediately preceding four fiscal quarters (including the fiscal quarter then ending); and

with respect to our wholly owned subsidiary, a net worth percentage of not less than 5.0%.

We are also obligated to provide periodic financial statements and investment reports, notices of material litigation and any other information relating to our U.S. trade accounts receivable as requested by the financial institutions.

As is customary in trade accounts receivable securitization arrangements, a credit rating agency s downgrade of the third party issuer of commercial paper or of a back-up liquidity provider (which provides a source of funding if the commercial paper market cannot be accessed) could result in an adverse change or loss of our financing capacity under these programs if the commercial paper issuer or liquidity back-up provider is not replaced. Loss of such financing capacity could have a material adverse effect on our financial condition and results of operations.

We have issued guarantees to certain vendors of our subsidiaries for the total amount of $73.6 million as of November 30, 2003 and $77.9 million as of November 30, 2004.

We have also issued guarantees of C$25.0 million in relation to a revolving loan agreement between SYNNEX Canada and a financial institution.

We are obligated under these guarantees to pay amounts due should our subsidiaries not pay valid amounts owed to their vendors or lenders. The vendor guarantees are typically less than one-year arrangements, with 30-day cancellation clauses and the lender guarantees are typically for the term of the loan agreement.

On-Balance Sheet Arrangements

We have a senior secured revolving line of credit arrangement, or the Revolver, with a group of financial institutions, which is secured by our inventory and expires in 2008. The Revolver s maximum commitment is 40% of eligible inventory valued at the lower of cost or market, less liquidation reserve (as defined) up to a maximum borrowing of $45.0 million. Interest on borrowings under the Revolver is based on the financial institution s prime rate or LIBOR plus 1.75% at our option. The balance outstanding at November 30, 2003 was $5.0 million. There

were no borrowings outstanding under the Revolver at November 30, 2004.

Our subsidiary, SYNNEX Canada, has a revolving loan agreement with a group of financial institutions. At November 30, 2004 the credit limit was C$100.0 million and matures in September 2007. In December 2004 the credit limit was increased to C$125.0 million. Borrowings under the loan agreement are collateralized by substantially all of SYNNEX Canada s assets, including inventories and accounts receivable. Borrowings bear interest at the prime rate of a Canadian bank designated by the financial institution or at the financial institution s Bankers Acceptance rate plus 1.2% for Canadian dollar denominated loans, at the prime rate of a U.S. bank designated by the financial institution or at LIBOR plus 1.2% for U.S. dollar denominated loans. The balance outstanding at November 30, 2003 and 2004 was $39.8 and $56.9 million, respectively.

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We have other lines of credit and revolving facilities with financial institutions, which provide for borrowing capacity aggregating approximately $64.2 and $60.6 million at November 30, 2003 and 2004, respectively. At November 30, 2003 and 2004, we had borrowings of $19.4 and $16.5 million, respectively, outstanding under these facilities. We also have various term loans, bonds and mortgages with financial institutions totaling approximately $18.4 and $14.7 million at November 30, 2003 and 2004, respectively. Future principal payments due under these term loans, bonds and mortgages and payments due under our operating lease arrangements after November 30, 2004 are as follows (in thousands):

	Payments Due By Period				
	Total	Less than 1 Year	1-3 Years	3-5 Years	>5 Years
Contractual obligations					
Principal debt payments	$ 14,671	$ 1,597	$ 9,027	$ 2,418	$ 1,629
Non-cancelable operating leases	39,784	8,113	14,741	7,432	9,498
Total	$ 54,455	$ 9,710	$ 23,768	$ 9,850	$ 11,127

We are in compliance with all covenants or other requirements set forth in our accounts receivable financing programs and credit agreements discussed above.

Recent Accounting Pronouncements

In December 2004, the Financial Accounting Standards Board, or FASB, issued FASB Statement No. 123R (revised 2004), Share-Based Payment which is a revision of FASB Statement No. 123, Accounting for Stock-Based Compensation . Statement 123R supersedes APB Opinion No. 25, Accounting for Stock Issued to Employees, and amends FASB Statement No. 95, Statement of Cash Flows . Generally, the approach in Statement 123R is similar to the approach described in Statement 123. However, Statement 123R requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values. Pro forma disclosure is no longer an alternative. The new standard will be effective for us in the quarter ending February 28, 2006. We are in the process of assessing the impact of adopting this new standard. The impact will be dependent on the transition method, the option-pricing model used to compute fair values, and the inputs to that model, such as volatility and expected life.

On March 29, 2005, the SEC issued Staff Accounting Bulletin, or SAB, 107 which expresses the view of the SEC regarding the interaction between SFAS No. 123R and certain SEC rules and regulations and provides the SEC s views regarding the valuation of share-based payment arrangements for public companies. In particular, SAB 107 provides guidance related to share-based payment transactions with non-employees, the transition from nonpublic to public entity status, valuation methods (including assumptions such as expected volatility and expected term), the accounting for certain redeemable financial instrument issues under shares-based payment arrangements, the classification of compensation expense, non-GAAP financial measures, first-time adoption of SFAS No. 123R in an interim period, capitalization of compensation costs related to shares-based payment arrangements, the accounting for income tax effects of share-based payment arrangements, the accounting for income tax effects of share-based payment arrangements upon adoption of SFAS No. 123R, the modification of employee share options prior to adoption of SFAS No. 123R, and disclosures in Management s Discussion and Analysis of Financial Condition and Results of Operations subsequent to adoption of SFAS No. 123R.

In May 2005, the FASB issued SFAS No. 154, Accounting Changes and Error Corrections . SFAS No. 154 replaces APB Opinion No. 20. Accounting Changes and SFAS No. 3, Reporting Accounting Changes in Interim Financial Statements . SFAS No. 154 requires retrospective application to prior periods financial statements of changes in accounting principle, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. We do not expect the adoption of SFAS No. 154 to have any material impact on our consolidated financial statements.

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Factors That May Affect Operating Results

Risks Related to Our Business

We anticipate that our revenue and operating results will fluctuate, which could adversely affect the price of our common stock.

Our operating results have fluctuated and will fluctuate in the future as a result of many factors, including:

- general economic conditions and level of IT spending;
- the loss or consolidation of one or more of our significant OEM suppliers or customers;
- market acceptance and product life of the products we assemble and distribute;
- competitive conditions in our industry that impact our margins;
- pricing, margin and other terms with our OEM suppliers; and
- variations in our levels of excess inventory and doubtful accounts, and changes in the terms of OEM supplier-sponsored programs, such as price protection and return rights.

Although we attempt to control our expense levels, these levels are based, in part, on anticipated revenue. Therefore, we may not be able to control spending in a timely manner to compensate for any unexpected revenue shortfall.

Our operating results also are affected by the seasonality of the IT products industry. We have historically experienced higher sales in our fourth fiscal quarter due to patterns in the capital budgeting, federal government spending and purchasing cycles of end-users. These patterns may not be repeated in subsequent periods.

You should not rely on period-to-period comparisons of our operating results as an indication of future performance. The results of any quarterly period are not indicative of results to be expected for a full fiscal year. In future quarters, our operating results may be below our expectations or those of our public market analysts or investors, which would likely cause our share price to decline. For example, in March 2005, we announced that our revenue and net income for the three months ended February 28, 2005 would be lower than our previously released guidance and, as a result, our share price subsequently declined substantially.

We depend on a small number of OEMs to supply the IT products that we sell and the loss of, or a material change in, our business relationship with a major OEM supplier could adversely affect our business, financial position and operating results.

Our future success is highly dependent on our relationships with a small number of OEM suppliers. Sales of HP and IBM products represented approximately 28% and 12%, respectively, of our total revenue in the nine months ended August 31, 2005 and approximately 28% and 5%, respectively, of our total revenue in the nine months ended August 31, 2005. Our OEM supplier agreements typically are short-term and may be terminated without cause upon short notice. For example, our agreement with HP will expire on May 31, 2006. The loss or deterioration of our relationships with a major OEM supplier, the authorization by OEM suppliers of additional distributors, the sale of products by OEM suppliers directly to our reseller customers and end-users, or our failure to establish relationships with new OEM suppliers or to expand the distribution and supply chain services that we provide OEM suppliers could adversely affect our business, financial position and operating results. In addition, OEM suppliers may face liquidity or solvency issues that in turn could negatively affect our business and operating results.

Our business is also highly dependent on the terms provided by our OEM suppliers. Generally, each OEM supplier has the ability to change the terms and conditions of its sales agreements, such as reducing the amount of price protection and return rights or reducing the level of purchase discounts, rebates and marketing programs available to us. From time to time we may conduct business with a supplier without a formal agreement because the agreement has expired or otherwise. In such case, we are subject to additional risk with respect to products, warranties and returns, and other terms and conditions. If we are unable to pass the impact of these changes through to our reseller customers, our business, financial position and operating results could be adversely affected.

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Our gross margins are low, which magnifies the impact of variations in revenue, operating costs and bad debt on our operating results.

As a result of significant price competition in the IT products industry, our gross margins are low, and we expect them to continue to be low in the future. Increased competition arising from industry consolidation and low demand for certain IT products may hinder our ability to maintain or improve our gross margins. These low gross margins magnify the impact of variations in revenue, operating costs and bad debt on our operating results. A portion of our operating expenses is relatively fixed, and planned expenditures are based in part on anticipated orders that are forecasted with limited visibility of future demand. As a result, we may not be able to reduce our operating expenses as a percentage of revenue to mitigate any further reductions in gross margins in the future. If we cannot proportionately decrease our cost structure in response to competitive price pressures, our business and operating results could suffer.

We also receive purchase discounts and rebates from OEM suppliers based on various factors, including sales or purchase volume and breadth of customers. A decrease in net sales could negatively affect the level of volume rebates received from our OEM suppliers and thus, our gross margins. Because some rebates from OEM suppliers are based on percentage increases in sales of products, it may become more difficult for us to achieve the percentage growth in sales required for larger discounts due to the current size of our revenue base. A decrease or elimination of purchase discounts and rebates from our OEM suppliers would adversely affect our business and operating results.

Because we sell on a purchase order basis, we are subject to uncertainties and variability in demand by our reseller and contract assembly customers, which could decrease revenue and adversely affect our operating results.

We sell to our reseller and contract assembly customers on a purchase order basis rather than pursuant to long-term contracts or contracts with minimum purchase requirements. Consequently, our sales are subject to demand variability by our reseller and contract assembly customers. The level and timing of orders placed by our reseller and contract assembly customers vary for a variety of reasons, including seasonal buying by end-users, the introduction of new hardware and software technologies and general economic conditions. Customers submitting a purchase order may cancel, reduce or delay their orders. If we are unable to anticipate and respond to the demands of our reseller and contract assembly customers, we may lose customers because we have an inadequate supply of products, or we may have excess inventory, either of which may harm our business, financial position and operating results.

We are subject to the risk that our inventory value may decline, and protective terms under our OEM supplier agreements may not adequately cover the decline in value, which in turn may harm our business, financial position and operating results.

The IT products industry is subject to rapid technological change, new and enhanced product specification requirements, and evolving industry standards. These changes may cause inventory on hand to decline substantially in value or to rapidly become obsolete. Most of our OEM suppliers offer limited protection from the loss in value of inventory. For example, we can receive a credit from many OEM suppliers for products held in inventory in the event of a supplier price reduction. In addition, we have a limited right to return a certain percentage of purchases to most OEM suppliers. These policies are subject to time restrictions and do not protect us in all cases from declines in inventory value. In addition, our OEM suppliers may become unable or unwilling to fulfill their protection obligations to us. The decrease or elimination of price protection or the inability of our OEM suppliers to fulfill their protection obligations could lower our gross margins and cause us to record inventory write-downs. If we are unable to manage our inventory with our OEM suppliers with a high degree of precision, we may have insufficient product supplies or we may have excess inventory, resulting in inventory write downs, either of which may harm our business, financial position and operating results.

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We depend on OEM suppliers to maintain an adequate supply of products to fulfill customer orders on a timely basis, and any supply shortages or delays could cause us to be unable to timely fulfill orders, which in turn could harm our business, financial position and operating results.

Our ability to obtain particular products in the required quantities and to fulfill reseller customer orders on a timely basis is critical to our success. In most cases, we have no guaranteed price or delivery agreements with our OEM suppliers. We occasionally experience a supply shortage of certain products as a result of strong demand or problems experienced by our OEM suppliers. If shortages or delays persist, the price of those products may increase, or the products may not be available at all. In addition, our OEM suppliers may decide to distribute, or to substantially increase their existing distribution business, through other distributors, their own dealer networks, or directly to resellers. Accordingly, if we are not able to secure and maintain an adequate supply of products to fulfill our reseller customer orders on a timely basis, our business, financial position and operating results may be adversely affected.

We may suffer adverse consequences from changing interest rates.

Our short-term borrowings and off-balance sheet arrangements are variable rate obligations that could expose us to interest rate risks. At November 30, 2004, we had approximately $253.2 million in such variable rate obligations. If interest rates increase, our interest expense would increase, which would negatively affect our net income. Additionally, increasing interest rates may increase our future borrowing costs and restrict our access to capital.

A portion of our revenue is financed by floor plan financing companies and any termination or reduction in these financing arrangements could increase our financing costs and harm our business and operating results.

A portion of our distribution revenue is financed by floor plan financing companies. Floor plan financing companies are engaged by our customers to finance, or floor, the purchase of products from us. In exchange for a fee, we transfer the risk of loss on the sale of our products to the floor plan companies. We currently receive payment from these financing companies within approximately 15 business days from the date of the sale, which allows our business to operate at much lower relative working capital levels than if such programs were not available. If these floor plan arrangements are terminated or substantially reduced, the need for more working capital and the increased financing cost could harm our business and operating results. We have not experienced any termination or significant reduction in floor plan arrangements in the past.

We have significant credit exposure to our reseller customers, and negative trends in their businesses could cause us significant credit loss and negatively impact our cash flow and liquidity position.

We extend credit to our reseller customers for a significant portion of our sales to them. Resellers have a period of time, generally 30 days after the date of invoice, to make payment. As a result, we are subject to the risk that our reseller customers will not pay for the products they purchase. Our credit exposure risk may increase due to liquidity or solvency issues experienced by our resellers as a result of an economic downturn or a decrease in IT spending by end-users. If we are unable to collect payment for products we ship to our reseller customers or if our reseller customers are unable to timely pay for the products we ship to them, it will be more difficult or costly to utilize receivable-based financing, which could negatively impact our cash flow and liquidity position.

We experienced theft of product from our warehouses and future thefts could harm our operating results.

From time to time we have experienced incidents of theft at various facilities. In fiscal 2003 and fiscal 2005 we experienced theft as a result of break-ins at four of our warehouses in which approximately $13.4 million of inventory was stolen. Based on our investigation, discussions with local law enforcement and meetings with federal authorities, we believe the thefts at our warehouses were part of an organized crime effort that targeted a number of technology equipment warehouses throughout the United States.

As a result of the losses in 2003, we reduced our inventory value by $9.4 million, and recorded estimated proceeds, net of deductibles as a receivable from our insurance company, included within other current assets on our balance sheet as of November 30, 2003. In January 2004 we received a final settlement from our insurance company that amounted to substantially all of the receivables recorded as of November 30, 2003.

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In March 2005 approximately $4.0 million of inventory was stolen from our facility in the City of Industry, California. We have filed a claim with our insurance provider for the amount of the loss, less a small deductible. To date, we have received $1.8 million of the claimed amount. Based on the information we have received to date from our insurance provider, we expect the remaining claim to be collected.

These types of incidents may make it more difficult or expensive for us to obtain theft coverage in the future. In the future, incidents of theft may re-occur for which we may not be fully insured.

A significant portion of our contract assembly revenue comes from a single customer, and any decrease in sales from this customer could adversely affect our revenue.

As a result of product transitions, product life cycle, product acceptance and pricing pressure, our business with Sun Microsystems, our primary contract assembly customer, has decreased. Sun Microsystems accounted for approximately $400.7 million or 97% of our contract assembly revenue in the nine months ended August 31, 2004 and approximately $366.4 million or 93% in the nine months ended August 31, 2005. Our contract assembly business will remain dependent on our relationship with Sun Microsystems in the foreseeable future, subjecting us to risks with respect to the success and life cycle of Sun Microsystems products we assemble and the pricing terms we negotiate with Sun Microsystems and our suppliers. Accordingly, if we are unable to assemble new and successful products for Sun Microsystems on appropriate pricing terms, our business and operating results would be adversely affected.

The future success of our relationship with Sun Microsystems also depends on MiTAC International continuing to work with us to service Sun Microsystems requirements at an appropriate cost. We rely on MiTAC International to manufacture and supply subassemblies and components for the computer systems we assemble for Sun Microsystems. If we are unable to maintain our relationship and appropriate pricing terms with MiTAC International, our relationship with Sun Microsystems could suffer, which in turn could harm our business, financial position and operating results. In addition, if we were unable to obtain assembly contracts for new and successful products our business and operating results would suffer.

We have pursued and intend to continue to pursue strategic acquisitions or investments in new markets and may encounter risks associated with these activities, which could harm our business and operating results.

We have in the past pursued and in the future expect to pursue acquisitions of, or investments in, businesses and assets in new markets, either within or outside the IT products industry, that complement or expand our existing business. Our acquisition strategy involves a number of risks, including:

- difficulty in successfully integrating acquired operations, IT systems, customers, OEM supplier and partner relationships, products and businesses with our operations;
- loss of key employees of acquired operations or inability to hire key employees necessary for our expansion;
- diversion of our capital and management attention away from other business issues;

- an increase in our expenses and working capital requirements;

- in the case of acquisitions that we may make outside of the United States, difficulty in operating in foreign countries and over significant geographical distances; and

- other financial risks, such as potential liabilities of the businesses we acquire.

Our growth may be limited and our competitive position may be harmed if we are unable to identify, finance and complete future acquisitions. We believe that further expansion may be a prerequisite to our long-term success as some of our competitors in the IT product distribution industry have larger international operations, higher revenues and greater financial resources than us. We have incurred costs and encountered difficulties in the past in connection with our acquisitions and investments. For example, our operating margins were initially adversely affected as a result of our acquisition of Merisel Canada Inc. and we have written off substantial investments in the past, one of which was eManage.com, Inc. Also, our recent acquisition of EMJ Data Systems, Ltd., or EMJ, caused an initial negative effect on our operating margins as we

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integrated EMJ s systems, operations and personnel. Future acquisitions may result in dilutive issuances of equity securities, the incurrence of additional debt, large write-offs, a decrease in future profitability, or future losses. The incurrence of debt in connection with any future acquisitions could restrict our ability to obtain working capital or other financing necessary to operate our business. Our recent and future acquisitions or investments may not be successful, and if we fail to realize the anticipated benefits of these acquisitions or investments, our business and operating results could be harmed.

We are dependent on a variety of IT and telecommunications systems, and any failure of these systems could adversely impact our business and operating results.

We depend on IT and telecommunications systems for our operations. These systems support a variety of functions, including inventory management, order processing, shipping, shipment tracking and billing.

Failures or significant downtime of our IT or telecommunications systems could prevent us from taking customer orders, printing product pick-lists, shipping products or billing customers. Sales also may be affected if our reseller customers are unable to access our price and product availability information. We also rely on the Internet, and in particular electronic data interchange, or EDI, for a large portion of our orders and information exchanges with our OEM suppliers and reseller customers. The Internet and individual web sites have experienced a number of disruptions and slowdowns, some of which were caused by organized attacks. In addition, some web sites have experienced security breakdowns. If we were to experience a security breakdown, disruption or breach that compromised sensitive information, it could harm our relationship with our OEM suppliers or reseller customers. Disruption of our web site or the Internet in general could impair our order processing or more generally prevent our OEM suppliers or reseller customers from accessing information. The occurrence of any of these events could have an adverse effect on our business and operating results.

We rely on independent shipping companies for delivery of products, and price increases or service interruptions from these carriers could adversely affect our business and operating results.

We rely almost entirely on arrangements with independent shipping companies, such as FedEx and UPS, for the delivery of our products from OEM suppliers and delivery of products to reseller customers. Freight and shipping charges can have a significant impact on our gross margin. As a result, an increase in freight surcharges due to rising fuel cost or general price increases will have an immediate adverse effect on our margins, unless we are able to pass the increased charges to our reseller customers or renegotiate terms with our OEM suppliers. In addition, in the past, UPS has experienced work stoppages due to labor negotiations with management. The termination of our arrangements with one or more of these independent shipping companies, the failure or inability of one or more of these independent shipping companies to deliver products, or the unavailability of their shipping services, even temporarily, could have an adverse effect on our business and operating results.

Because we conduct substantial operations in China, risks associated with economic, political and social events in China could negatively affect our business and operating results.

A substantial portion of our IT systems operations, including our IT systems support and software development operations, is located in China. In addition, we also conduct general and administrative activities from our facility in China. As of November 30, 2004, we had 328 personnel located in China. We expect to increase our operations in China in the future. Our operations in China are subject to a number of risks relating to China s economic and political systems, including:

a government controlled foreign exchange rate and limitations on the convertibility of the Chinese renminbi;

extensive government regulation;

changing governmental policies relating to tax benefits available to foreign-owned businesses;

the telecommunications infrastructure;

a relatively uncertain legal system; and

uncertainties related to continued economic and social reform.

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In addition, external events in Asia, such as the 2003 outbreak of severe acute respiratory syndrome, or SARS, and heightened political tensions in this region may adversely affect our business by disrupting the IT supply chain, restricting travel or interfering with the electronic and communications infrastructure.

Our IT systems are an important part of our global operations. Any significant interruption in service, whether resulting from any of the above uncertainties, natural disasters or otherwise, could result in delays in our inventory purchasing, errors in order fulfillment, reduced levels of customer service and other disruptions in operations, any of which could cause our business and operating results to suffer.

Changes in foreign exchange rates and limitations on the convertibility of foreign currencies could adversely affect our business and operating results.

In fiscal 2003 and 2004, approximately 18% and 17%, respectively, of our total revenue was generated outside the United States. Most of our international revenue, cost of revenue and operating expenses are denominated in foreign currencies. We presently have currency exposure arising from both sales and purchases denominated in foreign currencies. Changes in exchange rates between foreign currencies and the U.S. dollar may adversely affect our operating margins. For example, if these foreign currencies appreciate against the U.S. dollar, it will make it more expensive in terms of U.S. dollars to purchase inventory or pay expenses with foreign currencies. This could have a negative impact to us if revenues related to these purchases are transacted in U.S. dollars. In addition, currency devaluation can result in a loss to us if we hold deposits of that currency as well as make our products, which are usually purchased by us with U.S. dollars, relatively more expensive than products manufactured locally. We currently conduct only limited hedging activities, which involve the use of currency forward contracts. Hedging foreign currencies can be risky. For example, in fiscal 2003 we incurred $3.7 million of foreign currency transaction losses as a result of purchases of forward contracts not conducted within our normal hedging practices and procedures, combined with a weakening U.S. dollar. There is also additional risk if the currency is not freely or actively traded. Some currencies, such as the Chinese renminbi, are subject to limitations on conversion into other currencies, which can limit our ability to hedge or to otherwise react to rapid foreign currency devaluations. We cannot predict the impact of future exchange rate fluctuations on our business and operating results.

Because of the experience of our key personnel in the IT products industry and their technological expertise, if we were to lose any of our key personnel, it could inhibit our ability to operate and grow our business successfully.

We operate in the highly competitive IT products industry. We are dependent in large part on our ability to retain the services of our key senior executives and other technical experts and personnel. Our employees and executives do not have employment agreements. Furthermore, we do not carry key person insurance coverage for any of our key executives. We compete for qualified senior management and technical personnel. The loss of, or inability to hire, key executives or qualified employees could inhibit our ability to operate and grow our business successfully.

We may become involved in intellectual property or other disputes that could cause us to incur substantial costs, divert the efforts of our management, and require us to pay substantial damages or require us to obtain a license, which may not be available on commercially reasonable terms, if at all.

We may from time to time receive notifications alleging infringements of intellectual property rights allegedly held by others relating to our business or the products we sell or assemble for our OEM suppliers and others. Litigation with respect to patents or other intellectual property matters could result in substantial costs and diversion of management and other resources and could have an adverse effect on our business. Although we generally have various levels of indemnification protection from our OEM suppliers and contract assembly customers, in many cases any indemnification to which we may be entitled is subject to maximum limits or other restrictions. In addition, we have developed

proprietary IT systems that play an important role in our business. If any infringement claim is successful against us and if indemnification is not available or sufficient, we may be required to pay substantial damages or we may need to seek and obtain a license of the other party s intellectual property rights. We may be unable to obtain such a license on commercially reasonable terms, if at all.

We are from time to time involved in other litigation in the ordinary course of business. For example, we are currently defending a trademark infringement action and a civil matter involving third party investors in eManage.com, Inc. and are appealing the $4.2 million judgment entered against Daisytek (Canada), Inc., a former wholly owned subsidiary of EMJ, by the U.S. District Court for the Northern District of Texas. We may not be successful in defending these or other claims. Regardless of the outcome, litigation could result in substantial expense and could divert the efforts of our management.

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Because of the capital-intensive nature of our business, we need continued access to capital, which, if not available to us or if not available on favorable terms, could harm our ability to operate or expand our business.

Our business requires significant levels of capital to finance accounts receivable and product inventory that is not financed by trade creditors. If cash from available sources is insufficient, proceeds from our accounts receivable securitization program are limited or cash is used for unanticipated needs, we may require additional capital sooner than anticipated. In the event we are required, or elect, to raise additional funds, we may be unable to do so on favorable terms, or at all. Our current and future indebtedness could adversely affect our operating results and severely limit our ability to plan for, or react to, changes in our business or industry. We could also be limited by financial and other restrictive covenants in any credit arrangements, including limitations on our borrowing of additional funds and issuing dividends. Furthermore, the cost of debt financing has increased recently and could significantly increase in the future, making it cost prohibitive to borrow, which could force us to issue new equity securities.

If we issue new equity securities, existing stockholders may experience additional dilution, or the new equity securities may have rights, preferences or privileges senior to those of existing holders of common stock. If we cannot raise funds on acceptable terms, we may not be able to take advantage of future opportunities or respond to competitive pressures or unanticipated requirements. Any inability to raise additional capital when required could have an adverse effect on our business and operating results.

The terms of our indebtedness agreements impose significant restrictions on our ability to operate which in turn may negatively affect our ability to respond to business and market conditions and therefore have an adverse effect on our business and operating results.

As of November 30, 2004, we had approximately $88.1 million in outstanding short and long-term borrowings under term loans and lines of credit, excluding trade payables. As of November 30, 2004, approximately $196.3 million of our accounts receivable were sold to and held by two financial institutions under our accounts receivable securitization program. The terms of our current indebtedness agreements restrict, among other things, our ability to:

- incur additional indebtedness;
- pay dividends or make certain other restricted payments;
- consummate certain asset sales or acquisitions;
- enter into certain transactions with affiliates; and
- merge, consolidate or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of our assets.

We are also required to maintain specified financial ratios and satisfy certain financial condition tests, including minimum net worth and fixed charge coverage ratio as outlined in our senior secured revolving line of credit arrangement. We may be unable to meet these ratios and tests, which could result in the acceleration of the repayment of the related debt, the termination of the facility or the increase in our effective cost of funds. As a result, our ability to operate may be restricted and our ability to respond to business and market conditions limited, which could have an adverse effect on our business and operating results.

We have significant operations concentrated in Northern California, South Carolina, Toronto and Beijing and any disruption in the operations of our facilities could harm our business and operating results.

Our worldwide operations could be subject to natural disasters and other business disruptions, which could seriously harm our revenue and financial condition and increase our costs and expenses. We have significant operations in our facilities located in Fremont, California, Greenville, South Carolina, Toronto and Beijing. As a result, any prolonged disruption in the

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operations of our facilities, whether due to technical difficulties, power failures, break-ins, destruction or damage to the facilities as a result of a natural disaster, fire or any other reason, could harm our operating results. We currently do not have a formal disaster recovery plan and may not have sufficient business interruption insurance to compensate for losses that could occur.

Global health, economic, political and social conditions may harm our ability to do business, increase our costs and negatively affect our stock price.

External factors such as potential terrorist attacks, acts of war, geopolitical and social turmoil or epidemics such as SARS and other similar outbreaks in many parts of the world could prevent or hinder our ability to do business, increase our costs and negatively affect our stock price. For example, increased instability may adversely impact the desire of employees and customers to travel, the reliability and cost of transportation, our ability to obtain adequate insurance at reasonable rates or require us to incur increased costs for security measures for our domestic and international operations. These uncertainties make it difficult for us and our customers to accurately plan future business activities. More generally, these geopolitical social and economic conditions could result in increased volatility in the United States and worldwide financial markets and economy. We are predominantly uninsured for losses and interruptions caused by terrorist acts and acts of war.

Part of our business is conducted outside of the United States, exposing us to additional risks that may not exist in the United States, which in turn could cause our business and operating results to suffer.

We have international operations in Canada, China, Mexico and the United Kingdom. In the nine months ended August 31, 2004 and 2005, approximately 17% and 20%, respectively, of our total revenue was generated outside the United States. In the nine months ended August 31, 2004 and 2005, approximately 11% and 15%, respectively, of our total revenue was generated in Canada. No other country or region accounted for more than 10% of our total revenue. Our international operations are subject to risks, including:

- political or economic instability;
- changes in governmental regulation;
- changes in import/export duties;
- trade restrictions;
- difficulties and costs of staffing and managing operations in certain foreign countries;
- work stoppages or other changes in labor conditions;
- difficulties in collecting of accounts receivables on a timely basis or at all;

taxes; and

seasonal reductions in business activity in some parts of the world.

We may continue to expand internationally to respond to competitive pressure and customer and market requirements. Establishing operations in any other foreign country or region presents risks such as those described above as well as risks specific to the particular country or region. In addition, until a payment history is established over time with customers in a new geography or region, the likelihood of collecting receivables generated by such operations could be less than our expectations. As a result, there is a greater risk that reserves set with respect to the collection of such receivables may be inadequate. Further, if our international expansion efforts in any foreign country are unsuccessful, we may decide to cease operations, which would likely cause us to incur similar additional expenses and loss.

In addition, changes in policies or laws of the United States or foreign governments resulting in, among other things, higher taxation, currency conversion limitations, restrictions on fund transfers or the expropriation of private enterprises, could reduce the anticipated benefits of our international expansion. Furthermore, any actions by countries in which we conduct business to reverse policies that encourage foreign trade or investment could adversely affect our business. If we fail to realize the anticipated revenue growth of our future international operations, our business and operating results could suffer.

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Risks Related to Our Relationship with MiTAC International

We rely on MiTAC International for certain manufacturing and assembly services and the loss of these services would require us to seek alternate providers that may charge us more for their services.

We rely on MiTAC International to manufacture and supply subassemblies and components for some of our contract assembly customers, including Sun Microsystems, our primary contract assembly customer, and our reliance on MiTAC International may increase in the future. Our relationship with MiTAC International has been informal and is not governed by long-term commitments or arrangements with respect to pricing terms, revenue or capacity commitments. Accordingly, we negotiate manufacturing and pricing terms on a project-by-project basis, based on manufacturing services rendered by MiTAC International or us. In the event MiTAC International no longer provides such services and components to us, we would need to find an alternative source for these services and components. We may be unable to obtain alternative services and components on similar terms, which may in turn increase our manufacturing costs. In addition, we may not find manufacturers with sufficient capacity, which may in turn lead to shortages in our product supplies. Increased costs and products shortages could harm our business and operating results.

Our business relationship with MiTAC International has been and will continue to be negotiated as related parties and therefore may not be the result of arms -length negotiations between independent parties. Our relationship, including pricing and other material terms with our shared customers or with MiTAC International, may or may not be as advantageous to us as the terms we could have negotiated with unaffiliated third parties. We have a joint sales and marketing agreement with MiTAC International, pursuant to which both parties agree to use their commercially reasonable efforts to promote the other party s service offerings to their respective customers who are interested in such product offerings. To date, there has not been a significant amount of sales attributable to the joint marketing agreement. This agreement does not provide for the terms upon which we negotiate manufacturing and pricing terms. These negotiations have been on a case-by-case basis. The agreement had an initial term of one year and will automatically renew for subsequent one-year terms unless either party provides written notice of non-renewal within 90 days of the end of any renewal term. The agreement may also be terminated without cause either by the mutual written agreement of both parties or by either party without cause upon 90 days prior written notice of termination to the other party. Either party may immediately terminate the agreement by providing written notice (a) of the other party s material breach of any provision of the agreement and failure to cure within 30 days, or (b) if the other party becomes bankrupt or insolvent. In addition, we are party to a general agreement with MiTAC International and Sun Microsystems under which we work with MiTAC International to provide contract assembly services to Sun Microsystems.

Some of our customer relationships evolved from relationships between such customers and MiTAC International and the loss of such relationships could harm our business and operating results.

Our relationship with Sun Microsystems and some of our other customers evolved from customer relationships that were initiated by MiTAC International. Our relationship with Sun Microsystems is a joint relationship with MiTAC International and us, and the future success of our relationship with Sun Microsystems depends on MiTAC International continuing to work with us to service Sun Microsystems requirements. The original agreement between Sun Microsystems and MiTAC International was signed on August 28, 1999 and we became a party to the agreement on February 12, 2002. Substantially all of our contract assembly services to Sun Microsystems are covered by the general agreement. The agreement continues indefinitely until terminated in accordance with its terms. Sun Microsystems may terminate this agreement for any reason on 60 days written notice. Any party may terminate the agreement with written notice if one of the other parties materially breaches any provision of the agreement and the breach is incapable of being cured or is not cured within 30 days. The agreement may also be terminated on written notice if one of the other parties becomes bankrupt or insolvent. If we are unable to maintain our relationship with MiTAC International, our relationship with Sun Microsystems could suffer and we could lose other customer relationships or referrals, which in turn could harm our business, financial position and operating results.

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There could be potential conflicts of interest between us and affiliates of MiTAC International, which could impact our business and operating results.

MiTAC International s and its affiliates continuing beneficial ownership of our common stock could create conflicts of interest with respect to a variety of matters, such as potential acquisitions, competition, issuance or disposition of securities, election of directors, payment of dividends and other business matters. Similar risks could exist as a result of Matthew Miau s positions as our Chairman, the Chairman of MiTAC International and as a director or officer of MiTAC International s affiliated companies. For fiscal year 2005, Mr. Miau will receive a retainer of $225,000 from us. Compensation payable to Mr. Miau is based upon the recommendation of the Compensation Committee and subject to the approval of the Board of Directors. We also have adopted a policy requiring material transactions in which any of our directors has a potential conflict of interest to be approved by our Audit Committee, which is composed of disinterested members of the Board.

Synnex Technology International Corp., or Synnex Technology International, a publicly traded company based in Taiwan and affiliated with MiTAC International, currently provides distribution and fulfillment services to various markets in Asia and Australia, and is also a potential competitor of ours. Mitac Incorporated, a privately held company based in Taiwan and a separate entity from MiTAC International, directly and indirectly owns approximately 15.5% of Synnex Technology International and approximately 9.1% of MiTAC International. MiTAC International directly and indirectly owns 0.3% of Synnex Technology International and Synnex Technology International directly and indirectly owns approximately 1.0% of MiTAC International. In addition, MiTAC International directly and indirectly owns approximately 8.9% of Mitac Incorporated and Synnex Technology International directly and indirectly owns approximately 14.4% of Mitac Incorporated. Synnex Technology International indirectly through its ownership of Peer Developments Limited owns approximately 19% of our outstanding common stock. Neither MiTAC International nor Synnex Technology International is restricted from competing with us. In the future, we may increasingly compete with Synnex Technology International, particularly if our business in Asia expands or Synnex Technology International expands its business into geographies or customers we serve. Although Synnex Technology International is a separate entity from us, it is possible that there will be confusion as a result of the similarity of our names. Moreover, we cannot limit or control the use of the Synnex name by Synnex Technology International or MiTAC International, and our use of the Synnex name may be restricted as a result of registration of the name by Synnex Technology International or the prior use in jurisdictions where they currently operate.

As of November 30, 2004, our executive officers, directors and principal stockholders owned approximately 71% of our common stock and this concentration of ownership allows them to control all matters requiring stockholder approval and could delay or prevent a change in control of SYNNEX.

As of November 30, 2004, our executive officers, directors and principal stockholders beneficially owned approximately 71% of our outstanding common stock. In particular, MiTAC International, through its affiliates, beneficially owned approximately 71% of our common stock.

MiTAC International and its affiliates own a controlling interest in us as of November 30, 2004. As a result, MiTAC International will be able to control the outcome of matters submitted to the stockholders including any acquisition or sale of us. In addition, MiTAC International s interests and ours may increasingly conflict. For example, we rely on MiTAC International for certain manufacturing and supply services and for relationships with certain key customers. As a result of a decrease in their ownership in us, we may lose these services and relationships, which may lead to increased costs to replace the lost services and the loss of certain key customers. We cannot predict the likelihood that we may incur increased costs or lose customers if MiTAC International s ownership percentage of us decreases in the future.

Risks Related to Our Industry

Volatility in the IT industry could have a material adverse effect on our business and operating results.

The IT industry in which we operate has experienced decreases in demand. Softening demand for our products and services caused by an ongoing economic downturn and over-capacity were responsible, in part, for a decline in our revenue in fiscal 2001, as well as problems with the saleability of inventory and collection of reseller customer receivables.

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The North American economy and market conditions continue to be challenging in the IT industry. As a result, individuals and companies may delay or reduce expenditures, including those for IT products. While in the past we may have benefited from the consolidation in our industry resulting from the slowdown, further delays or reductions in IT spending in particular, and economic weakness generally, could have an adverse effect on our business and operating results.

Our distribution business may be adversely affected by some OEM suppliers strategies to increase their direct sales, which in turn could cause our business and operating results to suffer.

Consolidation of OEM suppliers has resulted in fewer sources for some of the products that we distribute. This consolidation has also resulted in larger OEM suppliers that have significant operating and financial resources. Some OEM suppliers, including some of the leading OEM suppliers that we service, have been selling a greater volume of products directly to end-users, thereby limiting our business opportunities. If large OEM suppliers continue the trend to sell directly to our resellers, rather than use us as the distributor of their products, our business and operating results will suffer.

OEMs are limiting the number of supply chain service providers with which they do business, which in turn could negatively impact our business and operating results.

Currently, there is a trend towards reducing the number of authorized distributors used by OEM suppliers. As a smaller market participant in the IT product distribution and contract assembly industries, than some of our competitors, we may be more susceptible to loss of business from further reductions of authorized distributors or contract assemblers by IT product OEMs. For example, the termination of Sun Microsystems contract assembly business with us would have a significant negative effect on our revenue and operating results. A determination by any of our primary OEMs to consolidate their business with other distributors or contract assemblers would negatively affect our business and operating results.

The IT industry is subject to rapidly changing technologies and process developments, and we may not be able to adequately adjust our business to these changes, which in turn would harm our business and operating results.

Dynamic changes in the IT industry, including the consolidation of OEM suppliers and reductions in the number of authorized distributors used by OEM suppliers, have resulted in new and increased responsibilities for management personnel and have placed, and continue to place, a significant strain upon our management, operating and financial systems and other resources. We may be unable to successfully respond to and manage our business in light of industry developments and trends. Also crucial to our success in managing our operations will be our ability to achieve additional economies of scale. Our failure to achieve these additional economies of scale or to respond to changes in the IT industry could adversely affect our business and operating results.

We are subject to intense competition in the IT industry, both in the United States and internationally, and if we fail to compete successfully, we will be unable to gain or retain market share.

We operate in a highly competitive environment, both in the United States and internationally. The IT product distribution and contract assembly industries are characterized by intense competition, based primarily on product availability, credit availability, price, speed of delivery, ability to tailor specific solutions to customer needs, quality and depth of product lines, pre-sale and post-sale technical support, flexibility and timely

response to design changes, technological capabilities, service and support. We compete with a variety of regional, national and international IT product distributors and contract manufacturers and assemblers. In some instances, we also compete with our own customers, our own OEM suppliers and MiTAC International.

Our primary competitors are substantially larger and have greater financial, operating, manufacturing and marketing resources than us. Some of our competitors may have broader geographic breadth and range of services than us and may have more developed relationships with their existing customers. We may lose market share in the United States or in international markets, or may be forced in the future to reduce our prices in response to the actions of our competitors and thereby experience a reduction in our gross margins.

We may initiate other business activities, including the broadening of our supply chain capabilities, and may face competition from companies with more experience in those new areas. In addition, as we enter new areas of business, we may also encounter increased competition from current competitors or from new competitors, including some who may once have been our OEM suppliers or reseller customers. Increased competition and negative reaction from our OEM suppliers or reseller customers resulting from our expansion into new business areas may harm our business and operating results.

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Compliance with changing regulation of corporate governance and public disclosure may result in additional expenses.

Changing laws, regulations and standards relating to corporate governance and public disclosure, including the Sarbanes-Oxley Act of 2002, new Securities and Exchange Commission, or SEC, regulations and New York Stock Exchange rules, are creating uncertainty for companies such as ours. These new or changed laws, regulations and standards are subject to varying interpretations in many cases due to their lack of specificity, and as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies, which could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. As a result, our efforts to comply with evolving laws, regulations and standards have resulted in, and are likely to continue to result in, increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities. In particular, our ongoing efforts to comply with Section 404 of the Sarbanes-Oxley Act of 2002 and the related regulations regarding our management s required assessment of our internal control over financial reporting and our independent registered public accounting firm s attestation of that assessment has required the commitment of significant financial and managerial resources. We expect these efforts to require the continued commitment of significant resources. If our efforts to comply with new or changed laws, regulations and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to practice, our reputation may be harmed.

While we believe that we currently have adequate internal control over financial reporting, we are exposed to risks from legislation requiring companies to evaluate those internal controls.

Section 404 of the Sarbanes-Oxley Act of 2004 requires our management to report on, and our independent registered public accounting firm to attest to, the effectiveness of our internal control structure and procedures for financial reporting. We completed an evaluation of the effectiveness of our internal controls for the fiscal year ended November 30, 2004, and we have an ongoing program to perform the system and process evaluation and testing necessary to continue to comply with these requirements. We expect to continue to incur increased expense and to devote additional management resources to Section 404 compliance. In the event that our chief executive officer, chief financial officer or independent registered public accounting firm determines that our internal control over financial reporting is not effective as defined under Section 404, investor perceptions and the reputation of our Company may be adversely affected and could cause a decline in the market price of our stock.

Changes to financial accounting standards may affect our results of operations and cause us to change our business practices.

We prepare our financial statements to conform to generally accepted accounting principles, or GAAP. These accounting principles are subject to interpretation by the Financial Accounting Standards Board, American Institute of Certified Public Accountants, the SEC and various bodies formed to interpret and create appropriate accounting policies. A change in those policies can have a significant effect on our reported results and may affect our reporting of transactions completed before a change is announced. Changes to those rules or the questioning of current practices may adversely affect our reported financial results or the way we conduct our business. For example, accounting policies affecting many aspects of our business, including rules relating to employee stock option grants, have recently been revised or are under review. The FASB and other agencies have finalized changes to GAAP that will require us, starting in our quarter ending February 28, 2006, to record a charge to earnings for employee stock option grants and other equity incentives. We may have significant and ongoing accounting charges resulting from option grant and other equity incentive expensing that we expect will reduce our overall net income. In addition, since we historically have used equity-related compensation as a component of our total employee compensation program, the accounting change could make the use of equity-related compensation less attractive to us and therefore make it more difficult to attract and retain employees.

Item 8: Financial Statements and Supplementary Data

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders

of SYNNEX Corporation:

We have completed an integrated audit of SYNNEX Corporation s 2004 consolidated financial statements and of its internal control over financial reporting as of November 30, 2004 and audits of its 2003 and 2002 consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Our opinions, based on our audits, are presented below.

Consolidated financial statements and financial statement schedule

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of SYNNEX Corporation and its subsidiaries at November 30, 2004 and November 30, 2003, and the results of their operations and their cash flows for each of the three years in the period ended November 30, 2004 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Internal control over financial reporting

Also, in our opinion, management s assessment, included in *Management s Report on Internal Control Over Financial Reporting* (not included herein), that the Company maintained effective internal control over financial reporting as of November 30, 2004 based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), is fairly stated, in all material respects, based on those criteria. Furthermore, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of November 30, 2004, based on criteria established in *Internal Control Integrated Framework* issued by the COSO. The Company s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express opinions on management s assessment and on the effectiveness of the Company s internal control over financial reporting based on our audit. We conducted our audit of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, evaluating management s assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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As discussed in Note 3 to the consolidated financial statements, the Company has restated its consolidated financial statements for each of the three years in the period ended November 30, 2004 to reflect the operations of the Company s Japanese subsidiary as discontinued operations following the sale of that subsidiary on April 19, 2005.

PricewaterhouseCoopers LLP

San Jose, California

February 11, 2005, except for Note 3, as to which the date is October 10, 2005

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SYNNEX CORPORATION

CONSOLIDATED BALANCE SHEETS

(in thousands, except for par value)

	November 30,	
	2003	**2004**
ASSETS		
Current assets:		
Cash and cash equivalents	$ 22,079	$ 28,726
Restricted cash	4,306	2,020
Short-term investments	3,832	5,051
Accounts receivable, net	263,944	372,604
Receivable from vendors, net	54,209	69,033
Receivable from affiliates	667	1,970
Inventories	360,686	408,346
Deferred income taxes	15,902	17,645
Other current assets	16,783	7,599
Total current assets	742,408	912,994
Property and equipment, net	23,938	33,851
Goodwill and intangible assets	19,357	48,722
Deferred income taxes	708	1,421
Other assets	3,517	2,709
Total assets	$ 789,928	$ 999,697
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Borrowings under term loans and lines of credit	$ 69,464	$ 74,996
Accounts payable	343,071	386,638
Payable to affiliates	54,986	68,977
Accrued liabilities	53,279	62,611
Income taxes payable	4,211	2,837
Total current liabilities	525,011	596,059
Long-term borrowings	8,134	13,074
Long-term liabilities	1,123	17,772
Deferred income taxes	260	1,054
Total liabilities	534,528	627,959
Commitments and contingencies (Note 20)		
Minority interest in subsidiaries	2,586	2,082

Stockholders equity:		
Preferred stock, $0.001 par value, 5,000 shares authorized, no shares issued or outstanding		
Common stock, $0.001 par value; 100,000 shares authorised; 22,118 and 27,727 shares issues and outstanding	22	28
Additional paid-in-capital	80,067	145,423
Unearned stock-based compensation	(202)	
Accumulated other comprehensive income	7,373	12,086
Retained earnings	165,554	212,119
Total stockholders equity	252,814	369,656
Total liabilities and stockholders equity	$ 789,928	$ 999,697

The accompanying notes are an integral part of these consolidated financial statements.

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SYNNEX CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except for per share amounts)

	Fiscal Year Ended November 30,		
	2002	**2003**	**2004**
Revenue	$ 3,596,265	$ 3,944,886	$ 5,150,447
Cost of revenue	(3,432,089)	(3,766,518)	(4,935,075)
Gross profit	164,176	178,368	215,372
Selling, general and administrative expenses	(114,657)	(121,352)	(137,712)
Income from continuing operations before non-operating items, income taxes and minority interest	49,519	57,016	77,660
Interest expense and finance charges, net	(6,182)	(7,007)	(7,959)
Other income (expense), net	1,169	(3,478)	(900)
Income from continuing operations before income taxes and minority interest	44,506	46,531	68,801
Provision for income taxes	(16,680)	(17,090)	(23,091)
Minority interest in subsidiary	49	267	376
Income from continuing operations	27,875	29,708	46,086
Income from discontinued operations, net of tax	157	288	479
Net income	$ 28,032	$ 29,996	$ 46,565
Earnings per share:			
Basic			
Income from continuing operations	$ 1.26	$ 1.34	$ 1.73
Discontinued operations	$ 0.01	$ 0.02	$ 0.01
Net income per common share basic	$ 1.27	$ 1.36	$ 1.74
Diluted			
Income from continuing operations	$ 1.15	$ 1.21	$ 1.53
Discontinued operations	$ 0.01	$ 0.01	$ 0.02
Net income per common share diluted	$ 1.16	$ 1.22	$ 1.55
Weighted average common shares outstanding-basic	22,061	22,091	26,691
Weighted average common shares outstanding-diluted	24,251	24,555	30,111

The accompanying notes are an integral part of these consolidated financial statements.

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SYNNEX CORPORATION

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

AND COMPREHENSIVE INCOME (in thousands)

	Common Stock								
	Shares	Amount	Additional Paid-in Capital	Unearned Stock-based Compen-sation	Receivables from Stockholders	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Stockholders Equity	Comprehensive Income
Balances, November 30, 2001	22,047	22	79,004	(1,283)	(300)	(1,597)	107,526	183,372	
Tax benefits from exercise of non-qualified employee stock options			116					116	
Unearned stock-based compensation			35	(35)					
Reversal of unearned stock based compensation due to terminations			(4)	4					
Amortization of unearned stock-based compensation				561				561	
Issuance of common stock for cash on exercise of options	34		100					100	
Repayment of employee note receivable					300			300	
Change in unrealized losses on available-for-sale securities						(66)		(66)	$ (66)
Foreign currency translation adjustment						803		803	803
Net income							28,032	28,032	28,032
Balances, November 30, 2002	22,081	22	79,251	(753)		(860)	135,558	213,218	$ 28,769
Amortization of unearned stock-based compensation				551				551	
Issuance of common stock for cash on exercise of options	37		180					180	
Accelerated vesting of previously issued employee stock options			636					636	
Change in unrealized gains on available-for-sale						206		206	$ 206

securities									
Foreign currency translation adjustment						8,027		8,027	8,027
Net income							29,996	29,996	29,996
Balances, November 30, 2003	22,118	22	80,067	(202)		7,373	165,554	252,814	$ 38,229
Amortization of unearned stock-based compensation				202				202	
Tax benefits from exercise of non-qualified employee stock options			4,431					4,431	
Issuance of common stock for cash on exercise of options	1,670	2	9,703					9,705	
Issuance of common stock for cash on initial public offering	3,739	4	48,796					48,800	
Issuance of common stock for employee stock purchase plan	200		2,426					2,426	
Change in unrealized losses on available-for-sale securities						(23)		(23)	$ (23)
Foreign currency translation adjustment						4,736		4,736	4,736
Net income							46,565	46,565	46,565
Balances, November 30, 2004	27,727	$ 28	$ 145,423	$	$	$ 12,086	$ 212,119	$ 369,656	$ 51,278

The accompanying notes are an integral part of these consolidated financial statements.

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SYNNEX CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Fiscal Years Ended November 30,		
	2002	**2003**	**2004**
Cash flows from operating activities:			
Income from continuing operations	$ 27,875	$ 29,708	$ 46,086
Income from discontinued operations, net of tax	157	288	479
Net income	28,032	29,996	46,565
Adjustments to reconcile net income to net cash used in operating activities:			
Depreciation expense	5,035	4,219	4,296
Amortization of intangible assets	2,741	2,642	3,347
Amortization of unearned stock-based compensation	561	551	202
Provision for doubtful accounts	6,189	6,644	5,506
Accelerated vesting of previously issued employee stock options		636	
Tax benefits from employee stock plan	116		4,431
Unrealized (gain) loss on short-term investments	630	606	(247)
Realized (gain) loss on short-term investments	(582)	(892)	23
(Gain) loss on disposal of property and equipment	105	927	(12)
Minority interest in subsidiaries	(16)	(222)	(300)
Changes in assets and liabilities, net of acquisition of businesses:			
Accounts receivable	17,642	(31,962)	(67,356)
Receivable from vendors	(376)	(18,546)	(14,383)
Receivable from affiliates	5,825	1,566	(1,300)
Inventories	(9,992)	(98,390)	(23,953)
Other assets	(10,415)	6,550	9,386
Payable to affiliates	(7,775)	37,035	13,902
Accounts payable	10,363	54,466	20,177
Accrued liabilities	21,246	(8,574)	(110)
Net cash provided by (used in) operating activities	69,329	(12,748)	174
Cash flows from investing activities:			
Purchases of short-term investments	(8,406)	(3,376)	(1,243)
Proceeds from sale of short-term investments	6,016	4,166	4,527
Acquisition of businesses, net of cash acquired	(47,174)	(1,525)	(44,526)
Purchase of property and equipment, net	(8,912)	(2,862)	(6,377)
(Increase) decrease in restricted cash	(4,500)	1,311	(2,000)
Net cash used in investing activities	(62,976)	(2,286)	(49,619)
Cash flows from financing activities:			
Cash overdraft	(5,296)	9,812	2,906
Proceeds from revolving line of credit	98,992	200,654	42,050
Payments on revolving line of credit	(98,992)	(195,654)	(47,050)
Proceeds from bank loan	517,422	585,693	763,875
Repayment of bank loan	(521,474)	(579,486)	(768,194)

Net proceeds (payments) under other lines of credit	924	(6,405)	1,166
Proceeds from issuance of bonds		5,132	1,844
Payments of bonds and other long-term liabilities			(737)
Net proceeds from issuance of common stock	1,076	182	60,961
Net cash provided by (used in) financing activities	(7,348)	19,928	56,821
Effect of exchange rate changes on cash and cash equivalents	768	1,682	(729)
Net increase (decrease) in cash and cash equivalents	(227)	6,576	6,647
Cash and cash equivalents at beginning of period	15,730	15,503	22,079
Cash and cash equivalents at end of period	$ 15,503	$ 22,079	$ 28,726
Supplemental disclosures of cash flow information:			
Interest paid	$ 2,443	$ 2,744	$ 2,891
Income taxes paid	$ 18,470	$ 15,851	$ 22,638

The accompanying notes are an integral part of these financial statements.

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SYNNEX CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(amounts in thousands, except for per share amounts)

NOTE 1 ORGANIZATION AND BASIS OF PRESENTATION:

SYNNEX Corporation (together with its subsidiaries, herein referred to as SYNNEX or the Company) is an information technology products supply chain services company. The Company s supply chain outsourcing services include distribution, contract assembly, logistics and demand generation marketing. SYNNEX is headquartered in Fremont, California and has operations in North America, Asia and Europe.

The Company is an affiliate of MiTAC International Corporation, a publicly traded corporation in Taiwan. At November 30, 2004, MiTAC International Corporation and its affiliates had a combined ownership of approximately 71% of the Company s outstanding common stock.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. We evaluate our estimates on a regular basis. Our estimates are based on historical experience and on various assumptions that the Company believes are reasonable. Actual results could differ from those estimates.

Principles of consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries and majority owned subsidiaries in which no substantive participating rights are held by minority stockholders. All significant intercompany accounts and transactions have been eliminated.

The consolidated financial statements include 100% of the assets and liabilities of these majority owned subsidiaries and the ownership interest of minority investors are recorded as minority interest. Investments in 20% through 50% owned affiliated companies are included under the equity method where the Company exercises significant influence over operating and financial affairs of the investee. Investments in less than 20% owned companies or investments in 20% through 50% owned companies where the Company does not exercise significant influence over

operating and financial affairs of the investee are recorded under the cost method.

Cash and cash equivalents

The Company considers all highly liquid debt instruments purchased with an original maturity or remaining maturity at date of purchase of three months or less to be cash equivalents. Cash equivalents consist principally of money market deposit accounts that are stated at cost, which approximates fair value. The Company is exposed to credit risk in the event of default by financial institutions to the extent that cash balances with financial institutions are in excess of amounts that are insured by the Federal Deposit Insurance Corporation.

Restricted cash

The Company previously provided letters of credit on behalf of its subsidiaries in Asia. The Company was required by the banks to maintain certain balances in its bank accounts as collateral for such credit arrangements. At November 30, 2003 and 2004, the Company had restricted cash balances of $4,306 and $2,020, respectively.

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SYNNEX CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(amounts in thousands, except for per share amounts)

Investments

The Company classifies its investments in marketable securities as trading and available-for-sale. All securities related to its deferred compensation plan and the Company s investment in MCJ Company Ltd. (MCJ) are classified as trading and are recorded at fair value, based on quoted market prices, and unrealized gains and losses are included in results of operations. All other securities are classified as available-for-sale and are recorded at fair market value, based on quoted market prices, and unrealized gains and losses are included in accumulated other comprehensive income, a component of stockholders equity. Realized gains and losses, which are calculated based on the specific identification method, and declines in value judged to be other than temporary, if any, are recorded in operations as incurred.

To determine whether a decline in value is other-than-temporary, the Company evaluates several factors, including current economic environment, market conditions, operational and financial performance of the investee, and other specific factors relating to the business underlying the investment, including business outlook of the investee, future trends in the investee s industry and the Company s intent to carry the investment for a sufficient period of time for any recovery in fair value. If a decline in value is deemed as other-than-temporary, the Company records reductions in carrying values to estimated fair values, which are determined based on quoted market prices if available or on one or more of the valuation methods such as pricing models using historical and projected financial information, liquidation values, and values of other comparable public companies.

Long-term investments include instruments that the Company has the ability and intent to hold for more than twelve months. The Company classifies its long-term investments as available-for-sale if a readily determinable fair value is available.

The Company has investments in equity instruments of privately held companies. These investments are included in other assets and are accounted for under the cost method, as the Company does not have the ability to exercise significant influence over operations. The Company monitors its investments for impairment by considering current factors, including economic environment, market conditions, operational performance and other specific factors relating to the business underlying the investment, and records reductions in carrying values when necessary.

Allowance for doubtful accounts

The allowance for doubtful accounts is estimated to cover the losses resulting from the inability of customers to make payments for outstanding balances. In estimating the required allowance, the Company takes into consideration the overall quality and aging of the receivables, credit evaluations of customers financial condition and existence of credit insurance. The Company also evaluates the collectability of accounts receivable based on specific customer circumstances, current economic trends, historical experience with collections and any value and adequacy of collateral received from the customers.

Inventories

Inventories are stated at the lower of cost or market. Cost is computed based on the weighted average method. Inventories consist of finished goods purchased from various manufacturers for distribution resale and components used for contract assembly. The Company records estimated inventory reserves for quantities in excess of demand, cost in excess of market value and product obsolescence.

Property and equipment

Property and equipment are stated at cost, less accumulated depreciation. Depreciation and amortization are computed using the straight-line method based upon the shorter of the estimated useful lives of the assets, or the lease term of the respective assets, if applicable. Maintenance and repairs are charged to expense as incurred, and improvements are capitalized. When assets are retired or otherwise disposed of, the cost and accumulated depreciation and amortization are removed from the accounts and any resulting gain or loss is reflected in operations in the period realized. The depreciation and amortization periods for property and equipment categories are as follows:

Equipment and furniture	3 - 7 years
Software	3 years
Leasehold improvements	3 - 10 years
Buildings	39 years

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SYNNEX CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(amounts in thousands, except for per share amounts)

Goodwill

The Company has adopted Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets (SFAS No. 142), which revised the standards of accounting for goodwill, by replacing the amortization of these assets with the requirement that they are reviewed annually for impairment, or more frequently if impairment indicators exist. No goodwill impairment was recorded for the periods presented.

Intangible assets

Intangible assets consist of vendor lists, customer lists, trade names and land rights, which are amortized on a straight-line basis over their estimated lives. Intangible assets acquired in the years ended November 30, 2001 and 2002 are amortized over eight years. Vendor and customer lists acquired prior to November 30, 2000 were initially amortized over 15 years. Effective December 1, 2001, the remaining useful lives of these assets were reduced to 8 years. The effect of the change was to increase the amortization of intangible assets by $513 per year for the eight years beginning in the year ended November 30, 2002. Intangible assets are amortized as follows:

Vendor lists	4 - 10 years
Customer lists	5 - 8 years
Other intangible assets	3 - 5 years

Software costs

The Company develops software for internal use only. The payroll and other costs related to the development of software have been expensed as incurred. Excluding the costs of support, maintenance and training functions that are not subject to capitalization, the costs of the software department were not material for the periods presented. If the internal software development costs become material, the Company will capitalize the costs based on the defined criteria for capitalization in accordance with Statement of Position 98-1, Accounting for the Costs of Computer Software Developed or Obtained for Internal Use.

Impairment of long-lived assets

The Company reviews the recoverability of its long-lived assets, such as property and equipment, when events or changes in circumstances occur that indicate the carrying value of the asset or asset group may not be recoverable. The assessment of possible impairment is based on the

Company s ability to recover the carrying value of the asset or asset group from the expected future pre-tax cash flows, undiscounted and without interest charges, of the related operations. If these cash flows are less than the carrying value of such assets, an impairment loss is recognized for the difference between estimated fair value and carrying value. The measurement of impairment requires management to estimate future cash flows and the fair value of long-lived assets.

Concentration of credit risk

Financial instruments that potentially subject the Company to significant concentration of credit risk consist principally of cash and cash equivalents and accounts receivable. The Company s cash and cash equivalents are maintained with high quality institutions, the compositions and maturities of which are regularly monitored by management. Through November 30, 2004, the Company had not experienced any losses on such deposits.

Accounts receivable include amounts due from customers primarily in the technology industry. The Company performs ongoing credit evaluations of its customers financial condition and limits the amount of credit extended when deemed necessary, but generally requires no collateral. The Company also maintains allowances for potential credit losses. In estimating the required allowances, the Company takes into consideration the overall quality and aging of the receivable portfolio, the existence of a limited amount of credit insurance and specifically identified customer risks. Through November 30, 2004, such losses have been within management s expectations.

In fiscal 2002 and 2003, sales to no single customer exceeded 10% or more of the Company s total revenues. In fiscal 2004, sales to one customer accounted for 10% of the Company s total revenues. At November 30, 2003 one customer comprised 13% of the total consolidated accounts receivable balance. At November 30, 2004, no single customer comprised more than 10% of the total consolidated accounts receivable balance.

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SYNNEX CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(amounts in thousands, except for per share amounts)

Revenue recognition

The Company recognizes revenue as products are shipped, if a purchase order exists, the sale price is fixed or determinable, collection of resulting receivables is reasonably assured, risk of loss and title have transferred and product returns are reasonably estimable. Shipping terms are typically F.O.B. the Company s warehouse. Provisions for sales returns are estimated based on historical data and are recorded concurrently with the recognition of revenue. These provisions are reviewed and adjusted periodically by the Company. Revenue is reduced for early payment discounts and volume incentive rebates offered to customers.

The Company purchases licensed software products from original equipment manufacturer (OEM) vendors and distributes them to customers. Revenues are recognized upon shipment of software products when a purchase order exists, the sales price is fixed or determinable and collection is determined to be probable. Subsequent to the sale of software products, the Company generally has no obligation to provide any modification, customization, upgrades, enhancements, or any other post-contract customer support.

Original Equipment Manufacturer supplier programs

Funds received from OEM suppliers for inventory volume promotion programs, price protection and product rebates are recorded as adjustments to cost of revenue. The Company tracks vendor promotional programs for volume discounts on a program-by-program basis. The Company monitors the balances of receivables from vendors on a quarterly basis and adjusts the balance due for differences between expected and actual volume sales. Vendor receivables are generally collected through reductions authorized by the vendor, to accounts payable. For price protection programs, the Company records a reduction in the payable to the vendor and a reduction in the related inventory. Funds received for specific marketing and infrastructure reimbursements are recorded as adjustments to selling, general and administrative expenses, and any excess reimbursement amount is recorded as an adjustment to cost of revenue.

Royalties

The Company purchases licensed software products from OEM vendors and distributes to resellers. Royalties to OEM vendors are accrued for and recorded in cost of revenue when software products are shipped and revenue is recognized.

Warranties

The Company s OEM suppliers generally warrant the products distributed by the Company and allow returns of defective products. The Company generally does not independently warrant the products it distributes; however, the Company does warrant the following: (1) its services with regard to products that it assembles for its customers, and (2) products that it builds to order from components purchased from other sources. To date neither warranty expense nor the accrual for warranty costs has been material to the Company s consolidated financial statements.

Advertising

Costs related to advertising and promotion expenditures of products are charged to selling, general and administrative expense as incurred. To date, costs related to advertising and promotion expenditures have not been material.

Income taxes

The asset and liability method is used in accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the expected tax consequences of temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements using enacted tax rates and laws that will be in effect when the difference is expected to reverse. Valuation allowances are provided against assets that are not likely to be realized.

Fair value of financial instruments

For certain of the Company s financial instruments, including cash, accounts receivable and accounts payable, the carrying amounts approximate fair value due to the short maturities. The amount shown for borrowings also approximates fair value since current interest rates offered to the Company for debt of similar maturities are approximately the same. The estimated fair values of foreign exchange contracts are based on market prices or current rates offered for contracts with similar terms and maturities. The ultimate amounts paid or received under these foreign exchange contracts, however, depend on future exchange rates. The gains or losses are recognized as Other income (expense), net based on changes in the fair value of the contracts, which generally occur as a result of changes in foreign currency exchange rates.

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SYNNEX CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(amounts in thousands, except for per share amounts)

Foreign currency translations

The functional currencies of the Company s foreign subsidiaries are their respective local currencies, with the exception of the Company s UK operation, for which the functional currency is the U.S. dollar. The financial statements of the foreign subsidiaries, other than the UK operations, are translated into U.S. dollars for consolidation as follows: assets and liabilities at the exchange rate as of the balance sheet date, stockholders equity at the historical rates of exchange, and income and expense amounts at the average exchange rate for the quarter. Translation adjustments resulting from the translation of the subsidiaries accounts are included in Accumulated other comprehensive income. Gains and losses resulting from foreign currency transactions are included within Other income (expense), net.

Stock-based compensation

The Company s employee stock option plan is accounted for in accordance with Accounting Principles Board No. 25, Accounting for Stock Issued to Employees , (APB No. 25) and complies with the disclosure provisions of Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation (SFAS No. 123), and Statement of Financial Accounting Standards No. 148, Accounting for Stock-Based Compensation, Transition and Disclosure (SFAS No. 148). Expense associated with stock-based compensation is amortized on a straight-line basis over the vesting period of the individual award.

The Company accounts for stock issued to non-employees in accordance with the provisions of SFAS No. 123 and Emerging Issues Task Force Consensus No. 96-18, Accounting for Equity Instruments That are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services (EITF No. 96-18). Under SFAS No. 123 and EITF No. 96-18, stock option awards issued to non-employees are accounted for at fair value using the Black-Scholes option-pricing model.

The following table illustrates the effect on net income per share if the Company had applied the fair value recognition provisions of SFAS No. 123 to stock-based employee compensation. The estimated fair value of each Company option is calculated using the Black-Scholes option-pricing model:

	Fiscal Years Ended November 30,		
	2002	2003	2004
Net income as reported	$ 28,032	$ 29,996	$ 46,565
	561	1,187	202

Plus: Stock-based employee compensation expense determined under APB No. 25, included in reported net income			
Less: Stock-based employee compensation expense determined under fair value based method related to the employee stock purchase plan			(1,613)
Less: Stock-based employee compensation expense determined under fair value based method related to stock options	(2,553)	(4,079)	(3,429)
Net income as adjusted	$ 26,040	$ 27,104	$ 41,725
Net earnings per share basic:			
As reported	$ 1.27	$ 1.36	$ 1.74
Pro forma	$ 1.18	$ 1.23	$ 1.56
Net earnings per share diluted:			
As reported	$ 1.16	$ 1.22	$ 1.55
Pro forma	$ 1.09	$ 1.13	$ 1.42
Shares used in computing net income per share basic:			
As reported	22,061	22,091	26,691
Pro forma	22,061	22,091	26,691
Shares used in computing net income per share diluted:			
As reported	24,251	24,555	30,111
Pro forma	23,872	23,930	29,410

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Comprehensive income

Comprehensive income is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources. The primary components of comprehensive income for the Company includes net income, foreign currency translation adjustments arising from the consolidation of the Company s foreign subsidiaries and unrealized gains and losses on the Company s available-for-sale securities.

Reclassifications

Certain reclassifications have been made to the November 30, 2002, 2003 and 2004 financial statements. These reclassifications did not change previously reported total assets, liabilities, stockholders equity or net income.

Net income per common share

Net income per common share-basic is computed by dividing the net income for the period by the weighted average number of shares of common stock outstanding during the period. Net income per common share-diluted reflects the potential dilution that could occur if stock options were exercised. The calculations of net income per common share are presented in Note 16.

Recently issued accounting pronouncements

In December 2004, the Financial Accounting Standards Board (FASB) issued FASB Statement No. 123R (revised 2004), Share-Based Payment (Statement 123R), which is a revision of FASB Statement No. 123, Accounting for Stock-Based Compensation . Statement 123R supersedes APB Opinion No. 25, Accounting for Stock Issued to Employees , and amends FASB Statement No. 95, Statement of Cash Flows . Generally, the approach in Statement 123R is similar to the approach described in Statement 123. However, Statement 123R requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values. Pro forma disclosure will no longer be an alternative. The new standard will be effective for the Company in the quarter ending February 28, 2006. The Company is in the process of assessing the impact of adopting this new standard. The impact will be dependent on the transition method, the option-pricing model used to compute fair values, and the inputs to that model, such as volatility and expected life.

On March 29, 2005, the SEC issued Staff Accounting Bulletin (SAB) 107 which expresses the view of the SEC regarding the interaction between SFAS No. 123R and certain SEC rules and regulations and provides the SEC s views regarding the valuation of share-based payment arrangements for public companies. In particular, SAB 107 provides guidance related to share-based payment transactions with non-employees, the transition from nonpublic to public entity status, valuation methods (including assumptions such as expected volatility and expected term), the accounting for certain redeemable financial instrument issues under shares-based payment arrangements, the classification of compensation expense, non-GAAP financial measures, first-time adoption of SFAS No. 123R in an interim period, capitalization of compensation costs related to shares-based payment arrangements, the accounting for income tax effects of share-based payment arrangements, the accounting for income tax effects of share-based payment arrangements upon adoption of SFAS No. 123R, the modification of employee share options prior to adoption of SFAS No. 123R, and disclosures in Management s Discussion and Analysis of Financial Condition and Results of Operations subsequent to adoption of SFAS No. 123R.

In May 2005, the FASB issued SFAS No. 154, Accounting Changes and Error Corrections . SFAS No. 154 replaces APB Opinion No. 20. Accounting Changes and SFAS No. 3, Reporting Accounting Changes in Interim Financial Statements . SFAS No. 154 requires retrospective application to prior periods financial statements of changes in accounting principle, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. The Company does not expect the adoption of SFAS No. 154 to have any material impact on its consolidated financial statements.

NOTE 3 DISCONTINUED OPERATIONS:

During the second quarter of fiscal 2005, the Company sold approximately 93% of the equity it held in its subsidiary, SYNNEX K.K. to MCJ, in exchange for eight thousand six hundred and three shares of MCJ. The Company recorded a gain of $12,323, net of tax, as a result of this sale, in the second quarter of fiscal 2005. The Company has no significant continuing involvement in the operations of MCJ or SYNNEX K.K. The Company s remaining equity interest in SYNNEX K.K. is accounted for under the cost method as the Company does not have significant influence over either MCJ or SYNNEX K.K.

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Under the provisions of FASB Statement No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, the sale of SYNNEX K.K. qualifies as a discontinued operation component of the Company. Accordingly, the Company has excluded results of Japan s operations from its consolidated statements of operations for each of the three years in the period ended November 30, 2004 to present this business in discontinued operations.

The following table shows the results of operations of SYNNEX K.K.:

	Fiscal Year Ended November 30,			December 1, 2004 to April 19, 2005
	2002	2003	2004	(date of sale)
		(unaudited)		
Revenue	$ 171,617	$ 181,354	$ 163,544	$ 64,477
Cost of revenue	(161,893)	(172,006)	(153,938)	(59,916)
Gross profit	9,724	9,348	9,606	4,561
Selling, general and administrative expenses	(8,761)	(8,498)	(8,286)	(3,170)
Income from operations before non-operating items, income taxes and minority interest	963	850	1,320	1,391
Interest expense and finance charges, net	(461)	(500)	(464)	(140)
Other income (expense), net	(155)	253	158	(245)
Income before income taxes and minority interest	347	603	1,014	1,006
Provision for income taxes	(157)	(270)	(459)	(434)
Minority interest in subsidiary	(33)	(45)	(76)	(61)
Net income	$ 157	$ 288	$ 479	$ 511

The following table shows the effect of the restatement on the consolidated financial statements:

	As Previously Reported	As Reported Herein
	Fiscal Year Ended November 30,	Fiscal Year Ended November 30,

	2002	2003	2004	2002	2003	2004
Revenue	$ 3,767,882	$ 4,126,240	$ 5,313,991	$ 3,596,265	$ 3,944,886	$ 5,150,447
Cost of revenue	(3,593,982)	(3,938,524)	(5,089,013)	(3,432,089)	(3,766,518)	(4,935,075)
Gross profit	173,900	187,716	224,978	164,176	178,368	215,372
Selling, general and administrative expenses	(123,418)	(129,850)	(145,998)	(114,657)	(121,352)	(137,712)
Income from continuing operations before non-operating items, income tax, and minority interest	50,482	57,866	78,980	49,519	57,016	77,660
Interest expense and finance charges, net	(6,643)	(7,507)	(8,423)	(6,182)	(7,007)	(7,959)
Other income (expense), net	1,014	(3,225)	(742)	1,169	(3,478)	(900)
Income from continuing operations before income taxes and minority interest	44,853	47,134	69,815	44,506	46,531	68,801
Provision for income taxes	(16,837)	(17,360)	(23,550)	(16,680)	(17,090)	(23,091)
Minority interest in subsidiary	16	222	300	49	267	376
Income from continuing operations	28,032	29,996	46,565	27,875	29,708	46,086
Income from discontinued operations, net of tax				157	288	479
Net income	$ 28,032	$ 29,996	$ 46,565	$ 28,032	$ 29,996	$ 46,565
Earnings per share:						
Basic						
Income from continuing operations	$ 1.27	$ 1.36	$ 1.74	$ 1.26	$ 1.34	$ 1.73
Discontinued operations				$ 0.01	$ 0.02	$ 0.01
Net income per common share basic	$ 1.27	$ 1.36	$ 1.74	$ 1.27	$ 1.36	$ 1.74
Diluted						
Income from continuing operations	$ 1.16	$ 1.22	$ 1.55	$ 1.15	$ 1.21	$ 1.53
Discontinued operations				$ 0.01	$ 0.01	$ 0.02
Net income per common share diluted	$ 1.16	$ 1.22	$ 1.55	$ 1.16	$ 1.22	$ 1.55

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Under the terms of the sale the Company is restricted from selling the shares of MCJ it received until April 2006. As described in Note 2, the shares are classified as trading and are recorded at fair value, based on quoted market prices, and realized gains and losses are included in the results of operations. As of August 31, 2005, the fair value of the shares of MCJ was $19,199, and that amount is included in short term investments.

In order to reduce the risk of holding the MCJ shares, the Company has entered into forward exchange contracts to sell MCJ shares for fixed prices in April 2006. As of August 31, 2005, such contracts covered 58% of the MCJ shares held by the Company and these contracts had a value of $2,392, representing the amount by which the proceeds of the fixed price contracts of $13,448 exceeded the current fair value of $11,056 of the shares to be sold. As of October 7, 2005, the forward exchange contracts covered 84% of MCJ shares held by the Company.

NOTE 4 BALANCE SHEET COMPONENTS:

	November 30,	
	2003	2004
Short-term investments		
Trading		
Securities, Deferred Compensation	$ 3,418	$ 4,575
Money Market, Deferred Compensation	147	233
	3,565	4,808
Available for Sale		
Securities	263	240
Money Market	4	3
	267	243
	$ 3,832	$ 5,051
Accounts receivable, net		
Trade accounts receivables	$ 279,267	$ 397,504
Less: Allowance for doubtful accounts	(9,797)	(12,023)
Less: Allowance for sales returns	(5,526)	(12,877)
	$ 263,944	$ 372,604

Receivable from vendors, net		
Receivables from vendors	$ 58,237	$ 73,128
Less: Allowance for doubtful accounts	(4,028)	(4,095)
	$ 54,209	$ 69,033
Inventories		
Components	$ 29,772	$ 41,309
Finished goods	330,914	367,037
	$ 360,686	$ 408,346
Property and equipment, net		
Equipment and computers	$ 33,262	$ 38,059
Furniture and fixtures	5,396	7,159
Vehicles	497	413
Buildings and land	22,379	30,296
	61,534	75,927
Less: Accumulated depreciation	(37,596)	(42,076)
	$ 23,938	$ 33,851

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Goodwill and Intangible Assets:

	November 30,					
	2003			2004		
	Gross Amount	Accumulated Amortization	Net Amount	Gross Amount	Accumulated Amortization	Net Amount
Goodwill	$	$	$	$ 23,631	$	$ 23,631
Vendor lists	22,482	(10,539)	11,943	22,898	(12,843)	10,055
Customer lists	5,490	(1,340)	4,150	13,133	(2,204)	10,929
Other intangible assets	3,855	(591)	3,264	4,878	(771)	4,107
	$ 31,827	$ (12,470)	$ 19,357	$ 64,540	$ (15,818)	$ 48,722

Amortization expense was $2,741, $2,642 and $3,347 for the years ended November 30, 2002, 2003 and 2004, respectively. Estimated future amortization expense is as follows:

Years ending November 30,	
2005	$ 3,966
2006	3,936
2007	3,870
2008	3,570
2009	3,470
thereafter	6,266
	$ 25,078

	November 30,	
	2003	2004

Accrued liabilities:		
Payroll related accruals	$ 13,925	$ 15,139
Deferred compensation liability	14,903	14,374
Royalty and warranty accruals	2,970	3,823
Sales and value-add tax payable	5,593	4,288
Other accrued liabilities	15,888	24,987
	$ 53,279	$ 62,611

NOTE 5 ACQUISITIONS:

Acquisitions during the year ended November 30, 2004

EMJ Data Systems Limited

During the fourth quarter of fiscal 2004, the Company acquired all of the outstanding common stock of EMJ Data Systems Limited (EMJ), a publicly traded Canadian company on the Toronto Stock Exchange, for cash of approximately $45,056. EMJ is a distributor of computer products and peripherals. The results of operations of EMJ are included in the Company s consolidated financial statements from the date of acquisition.

The purchase consideration has been allocated as follows, based on the estimated fair value of asset acquired and liabilities assumed:

	Fair Value
Purchase Consideration	
Cash	$ 44,695
Acquisition costs	361
	$ 45,056

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	Fair Value	Amortization Period
Allocation		
Accounts receivable	$ 36,847	
Goodwill	20,817	
Inventories	17,519	
Fixed assets	6,099	
Other assets	3,310	
Identifiable intangible assets	8,387	3-10 years
Borrowings	(11,061)	
Accounts payable and accruals	(13,239)	
Long-term liabilities	(16,074)	
Other liabilities	(7,549)	
	$ 45,056	

The goodwill was assigned to the distribution segment and is not expected to be deductible for tax purposes.

The following unaudited pro forma financial information combines the consolidated results of operations as if the acquisition of EMJ had occurred as of the beginning of the periods presented. Pro forma adjustments include only the effects of events directly attributed to transactions that are factually supportable and expected to have a continuing impact. The pro forma results contained in the table below include pro forma adjustments for amortization of acquired intangibles and additional finance charges related to the financing of the purchase consideration of the acquisitions.

	Fiscal Years Ended November 30,	
	2003	2004
	(unaudited)	
Revenue	$ 4,099,142	$ 5,365,941
Net income	$ 31,183	$ 46,312
Net income per common share basic	$ 1.41	$ 1.74
Net income per common share diluted	$ 1.27	$ 1.54

On March 1, 2004, the Company acquired all of the common stock of BSA Sales, Inc. (BSA), a privately held company, for approximately $2,100. An additional $1,900 was earned by BSA s selling stockholders by meeting certain performance objectives through March 1, 2005. The

purchase price allocation and pro forma financial information for the acquisition of BSA are not presented herein as the impact to the Company s financial statements is not significant.

Acquisitions during the year ended November 30, 2002

Gates/Arrow Distributing

On May 31, 2002, the Company acquired certain assets and liabilities of Gates/Arrow Distributing, a business unit of Arrow Electronics, Inc. for cash of approximately $44,487. Gates/Arrow was a distributor of computer systems, peripherals and software, serving value-added resellers across North America. The purchase enabled the Company to expand its market share in North America.

License Online, Inc.

On May 10, 2002, the Company acquired the assets of License Online, Inc., a provider of Web-based software licensing technology to small to medium-sized business (SMB) solution providers and their SMB customers, for $3,292 in cash.

Novitech, S.A. de C. V.

On May 7, 2002, the Company acquired certain distribution and sale assets of Novitech, S.A. de C.V., a Mexican distributor of information technology products. The purchase price for the assets was $920 in cash.

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Accounting for the Acquisitions

All of these acquisitions have been accounted for using the purchase method of accounting; thus, the consolidated financial statements do not include the financial results of any acquired business prior to the closing date of the acquisition.

The aggregate purchase consideration of the three acquisitions in fiscal 2002 was $48,509 plus acquisition costs of $190, and has been allocated to the assets acquired and liabilities assumed as follows:

	Fair Value
Purchase Consideration	
Cash	$ 48,509
Acquisition costs	190
	$ 48,699

	Fair Value	Amortization Period
Allocation		
Accounts receivable	$ 41,893	
Inventories	15,416	
Property and equipment	4,278	
Customer lists	3,086	8 years
Accounts payable	(15,974)	
	$ 48,699	

The following unaudited pro forma financial information combines the consolidated results of operations as if the acquisition of Gates/Arrow Distributing, License Online, Inc., and Novitech, S.A. de C.V. had occurred as of the beginning of fiscal year 2002. Pro forma adjustments include only the effects of events directly attributed to transactions that are factually supportable and expected to have a continuing impact. The pro forma results contained in the table below include pro forma adjustments for amortization of acquired intangibles and additional finance charges related to the financing of the purchase consideration of the acquisitions.

	Fiscal Year Ended November 30, 2002
Revenue	$ 3,828,654
Net income	$ 26,733
Net income per common share basic	$ 1.21
Net income per common share diluted	$ 1.10

The pro forma financial information is not necessarily indicative of the operating results that would have occurred had the acquisition been consummated as of the beginning of fiscal year 2002, nor are they necessarily indicative of future operating results.

NOTE 6 INVESTMENTS:

The carrying amount of the Company s investments is shown in the table below:

	November 30,					
	2003			2004		
	Original Cost	Unrealized Losses	Fair Value	Original Cost	Unrealized Losses	Fair Value
Short-Term:						
Trading	$ 4,801	$ (1,236)	$ 3,565	$ 5,805	$ (997)	$ 4,808
Available-for-sale	757	(490)	267	757	(514)	243
	$ 5,558	$ (1,726)	$ 3,832	$ 6,562	$ (1,511)	$ 5,051

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Short-term trading securities consist of equity securities relating to the Company s deferred compensation plan (Note 13). Short-term available-for-sale securities primarily consist of investments in other companies equity securities.

Total realized gains on investments were $582 and $892 for the fiscal years ended November 30, 2002 and 2003, respectively. Total realized losses on investments were $23 for the fiscal year ended November 30, 2004.

NOTE 7 ACCOUNTS RECEIVABLE ARRANGEMENTS:

The Company has established a six-year revolving arrangement (the Arrangement) through a consolidated wholly owned subsidiary to sell up to $275,000 of U.S. trade accounts receivables (the Receivables) to two financial institutions. In connection with the Arrangement, the Company sells its Receivables to its wholly-owned subsidiary on a continuing basis, which will in turn sell an undivided interest in the Receivables to the financial institutions without recourse, at market value, calculated as the gross receivable amount, less a facility fee. The fee is based on the prevailing commercial paper interest rates plus 0.90%. Subsequent to November 30, 2004, the Arrangement was amended to reduce this amount to 0.75%. A separate fee based on the unused portion of the facility, at 0.30% per annum, is also charged by the financial institutions. To the extent that cash was received in exchange, the amount of Receivables sold to the financial institutions has been recorded as a true sale, in accordance with SFAS No. 140, Accounting for Transfer and Servicing of Financial Assets and Extinguishments of Liabilities . The amount of Receivables sold to the financial institutions and not yet collected from customers at November 30, 2003 and 2004 was $210,000 and $196,300, respectively. The wholly owned subsidiary is consolidated in the financial statements of the Company, and the remaining balance of unsold Receivables at November 30, 2003 and 2004 of $138,385 and $213,492, respectively, are included within Accounts receivable, net .

The gross proceeds resulting from the sale of the Receivables totaled approximately $672,500, $809,500 and $930,250 in 2002, 2003 and 2004, respectively. The gross payments to the financial institutions under the Arrangement totaled approximately $586,500, $757,500 and $943,950 in 2002, 2003 and 2004, respectively, which arose from the subsequent collection of Receivables. The proceeds (net of the facility fee) are reflected in the consolidated statement of cash flows in operating activities within changes in accounts receivable.

The Company continues to collect the Receivables on behalf of the financial institutions, for which it receives a service fee from the financial institutions, and remits collections to the financial institutions. The Company estimates that the service fee it receives approximates the market rate for such services, and as a result, has recognized no servicing assets or liabilities in its consolidated balance sheet. Facility fees (net of service fees) charged by the financial institutions totaled $2,786, $3,003 and $3,431 in 2002, 2003 and 2004, respectively, and were recorded within Interest expense and finance charges, net .

Under the Arrangement the Company is required to maintain certain financial covenants to maintain its eligibility to sell additional Receivables under the facility. These covenants include minimum net worth, minimum fixed charge ratio, and net worth percentage. The Company was in compliance with the covenants at November 30, 2003 and 2004.

The Company has also entered into financing agreements with various financial institutions (Flooring Companies) to allow certain customers of the Company to finance their purchases directly with the Flooring Companies. Under these agreements, the Flooring Companies pay to the Company the selling price of products sold to various customers, less a discount, within approximately 15 business days from the date of sale. The Company is contingently liable to repurchase inventory sold under flooring agreements in the event of any default by its customers under the agreement and such inventory being repossessed by the Flooring Companies. See Note 20, Commitments and Contingencies for additional information. Approximately $836,906, $855,629 and $1,166,417 of the Company s net sales were financed under these programs in 2002, 2003 and 2004, respectively. Approximately $35,482 and $54,152 of accounts receivable at November 30, 2003 and 2004, respectively, were subject to flooring agreements. Flooring fees were approximately $2,013, $1,999 and $2,960 in 2002, 2003 and 2004, respectively, and are included within Interest expense and finance charges, net .

NOTE 8 RESTRUCTURING CHARGES:

In the first quarter of fiscal 2005, the Company announced a restructuring program in its distribution segment that impacted approximately 35 employees across multiple business functions in SYNNEX Canada and closed its facilities in Richmond, British Columbia, Calgary, Alberta and Saint-Laurent, Quebec. All terminations were completed by May 31, 2005. In the third quarter of fiscal 2005, the Company closed its facility in Markham, Ontario. This restructuring resulted in a

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total expense of $2,513, which consists of employee termination benefits of $711, estimated facilities exit expenses of $1,681 and other expenses in the amount of $121. All charges were recorded in accordance with Statement of Financial Accounting Standards No. 146, Accounting for Costs Associated with Exit or Disposal Activities.

The following table summarizes the activity related to the liability for restructuring charges through August 31, 2005:

	Severance and Benefits	Facility and Exit Costs	Other	Total
		(Unaudited)		
Balance of accrual at November 30, 2004	$	$	$	$
Restructuring charge expensed in the quarter ended February 28, 2005	691	828	121	1,640
Cash payments	(74)			(74)
Non-cash charges		(636)		(636)
Balance accrued at February 28, 2005	617	192	121	930
Adjustments	20	11		31
Cash payments	(218)	(62)		(280)
Balance accrued at May 31, 2005	419	141	121	681
Restructuring charge expensed in the quarter ended August 31, 2005		842		842
Cash payments	(104)	(77)	(17)	(198)
Balance accrued at August 31, 2005	$ 315	$ 906	$ 104	$ 1,325

NOTE 9 BORROWINGS:

Borrowings consist of the following:

	November 30,	
	2003	2004

SYNNEX Corporation line of credit	$ 5,000	$
SYNNEX Canada revolving loan	39,768	56,877
SYNNEX Canada term loan		2,275
SYNNEX K.K. line of credit	10,948	16,521
SYNNEX K.K. term loan	9,123	1,944
SYNNEX K.K. mortgage	1,168	1,088
SYNNEX K.K. bonds	5,474	6,997
SYNNEX UK line of credit	3,443	
SYNNEX China mortgage	2,674	2,368
	77,598	88,070
Less: Current portion	(69,464)	(74,996)
Non-current portion	$ 8,134	$ 13,074

SYNNEX USA senior secured revolving line of credit

The Company has entered into a senior secured revolving line of credit arrangement (the Revolver) with a group of financial institutions, which is secured by the Company s inventory. The Revolver s maximum commitment is 40% of eligible inventory valued at the lower of cost or market up to a maximum borrowing of $45,000. Interest on borrowings under the Revolver is based on the financial institution s prime rate or LIBOR plus 1.75% at the Company s option. A fee of 0.30% per annum is payable with respect to the unused portion of the commitment. The Company is required to comply with minimum net worth and minimum fixed charge ratio covenants. The Company was in compliance with these covenants at November 30, 2003 and 2004. During the year ended November 30, 2003, the Company borrowed and repaid approximately, $200,654 and $195,654, respectively, and during 2004, the Company borrowed and repaid approximately $42,050 and $47,050, respectively, under the Revolver.

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SYNNEX USA corporate margin account arrangement

On April 1, 1997, the Company entered into a corporate account arrangement with a security broker, allowing the Company to perform margin transactions. Under the terms of the margin account, the Company may borrow funds to purchase publicly traded securities at an interest rate of 4.5% to 7.5%. Borrowings are restricted to 50% of the equity held in the brokerage account and are collateralized by the marketable securities. There were no borrowings outstanding at November 30, 2003 and 2004.

SYNNEX Canada revolving loan

SYNNEX Canada has a revolving loan agreement with a group of financial institutions. At November 30, 2004 the credit limit was C$100,000 and matures in September 2007. Borrowings under the loan agreement are collateralized by substantially all of SYNNEX Canada s assets, including inventories and accounts receivable. Borrowings bear interest at the prime rate of a Canadian bank designated by the financial institution or at the financial institution s Bankers Acceptance rate plus 1.2% for Canadian dollar denominated loans, at the prime rate of a U.S. bank designated by the financial institution or at LIBOR plus 1.2% for U.S. dollar denominated loans. The loan agreement contains covenants, which SYNNEX Canada Limited was in compliance with for the year ended November 30, 2003 and 2004. The balance outstanding at November 30, 2003 and 2004 was $39,768 and $56,877, respectively.

SYNNEX Canada term loan

Upon acquisition of EMJ (see Note 5), the Company assumed a term loan with a Canadian bank. This Canadian Dollar denominated loan bears interest at the bank s floating rate (6.25% at November 30, 2004), is payable in monthly installments through January 2011 and had a total of $0 and $2,275 outstanding as of November 30, 2003 and 2004, respectively.

SYNNEX K.K. line of credit

SYNNEX K.K. had Japanese Yen denominated lines of credit with several Japanese banks, with total available credit under these facilities of $39,961 as of November 30, 2004. Under the lines of credit, approximately $10,948 and $16,521 was outstanding at November 30, 2003 and, 2004, respectively.

SYNNEX K.K. term loan

SYNNEX K.K. had a total of $9,123 and $1,944 outstanding as of November 30, 2003 and 2004, respectively, under Japanese yen denominated term loan agreements with two Japanese banks.

SYNNEX K.K. mortgage

SYNNEX K.K. had a Japanese Yen denominated mortgage loan with a Japanese bank. Total amount outstanding under the mortgage was approximately $1,168 and $1,088 at November 30, 2003 and 2004, respectively.

SYNNEX K.K. bonds

SYNNEX K.K. issued three Japanese Yen denominated bonds in February 2003, July 2003 and June 2004. These bonds bear interest at 0.45%, 0.57% and 0.84% per year, respectively, and are to be redeemed through July 2008. At November 30, 2004, the carrying value of the bonds was $6,997.

SYNNEX UK term loans

SYNNEX UK has a British Pound denominated loan agreement with a financial institution. The total credit available under this facility was $1,894 as of November 30, 2004, and there were no borrowings outstanding at November 30, 2003 and 2004. This facility bears interest at LIBOR plus 1.5%.

SYNNEX UK has a British Pound denominated loan agreement with a financial institution. The total credit available under this facility was $3,788 as of November 30, 2004 and there were no borrowings outstanding at November 30, 2004. The balance outstanding at November 30, 2003 was $3,443. The facility bears interest at the financial institution s prime rate plus 1.5%.

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SYNNEX Beijing, Ltd. mortgage

In September 2002, SYNNEX (Beijing), Ltd. obtained a Chinese Renminbi denominated mortgage loan with a financial institution for approximately $3,055. The mortgage was repayable by 2012 and was secured by the real estate in Beijing. The interest rate was adjustable based on a lending rate as determined by People s Bank of China. For fiscal year 2004 the rate was 5.51%. The balance outstanding at November 30, 2003 and 2004 was $2,674 and $2,368, respectively.

Future principal payments

Future principal payment under the above loans as of November 30, 2004 are as follows:

Fiscal Years Ending November 30,	
2005	$ 74,996
2006	3,542
2007	5,486
2008	1,598
2009	820
thereafter	1,628
	$ 88,070

Guarantees

SYNNEX USA has also issued guarantees to certain of its subsidiaries vendors for trade credit lines, totaling $73,600 and $77,911 as of November 30, 2003 and 2004, respectively.

NOTE 10 LONG-TERM LIABILITIES:

Debentures

The Company assumed subordinated debentures in the amount of $10,266 as part of its acquisition of EMJ (see Note 5). These debentures have a three-year term, are not collateralized, pay interest at a rate of 12% and are due in September 2006. The balance outstanding at November 30, 2004 was $10,266.

Preference Shares

The Company assumed preference shares in the amount of $7,068 as part of its acquisition of EMJ (see Note 5). The preference shares have an annual cumulative dividend at a rate of 8% for three years and are due in September 2006. The balance outstanding at November 30, 2004 was $7,068.

Promissory Note

The Company assumed a non-interest bearing promissory note in the amount of $1,771 as part of its acquisition of EMJ (see Note 5). Interest is imputed on this Canadian Dollar denominated debt at a rate of 5% per annum and it is payable in October 2037. The balance outstanding at November 30, 2004 was $397.

NOTE 11 DERIVATIVE INSTRUMENTS:

In the normal course of business, the Company enters into currency forward contracts to protect itself from the risk that the eventual cash outflows or inflows resulting from purchase or sale of inventory will be adversely affected by exchange rate fluctuations. The Company does not apply hedge accounting to these currency forward contracts and has not designated any of them as hedging instruments. As of November 30, 2002, 2003 and 2004, the Company had unrealized losses (gains) of $192, $(264) and $662, respectively, as a result of fair value changes on its outstanding currency forward contracts. These unrealized losses and gains were charged (credited) to Other income (expense), net during the year.

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The Company s policy is to not allow the use of derivatives for trading or speculative purposes. During the year ended November 30, 2003, the Company incurred losses of $3,729 on foreign currency exchange contracts not purchased within the Company s policy.

NOTE 12 INCOME TAXES:

The provisions for income taxes from continuing operations consisted of:

	Fiscal Years Ended November 30,		
	2002	**2003**	**2004**
Current tax provision:			
Federal	$ 13,892	$ 15,856	$ 19,216
State	2,693	3,048	3,710
Foreign	442	781	1,296
	17,027	19,685	24,222
Deferred tax provision (benefit):			
Federal	$ (311)	$ (1,660)	$ 964
State	6	(357)	127
Foreign	(42)	(578)	(2,222)
	(347)	(2,595)	(1,131)
Total tax provision	$ 16,680	$ 17,090	$ 23,091

Net deferred tax assets consist of the following:

	Fiscal Years Ended November 30,	
	2003	**2004**

Inventory reserves	$ 2,477	$ 2,563
Bad debt and sales return reserves	3,579	5,740
Vacation and profit sharing accruals	1,742	1,108
Depreciation and amortization	325	(3,236)
State tax deduction	570	492
Deferred compensation	5,830	5,631
Net operating losses	7,719	7,675
Other	2,326	354
Valuation allowance	(8,218)	(2,315)
Net deferred tax assets	$ 16,350	$ 18,012

The valuation allowance relates to deferred tax assets in tax jurisdictions outside the United States for which realization of the assets is uncertain.

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A reconciliation of the statutory U.S. federal income tax rate to the Company s effective income tax rate is as follows:

	Fiscal Years Ended November 30,		
	2002	**2003**	**2004**
Federal statutory income tax rate	35.0%	35.0%	35.0%
States taxes, net of federal income tax benefit	4.0	4.1	4.2
Foreign taxes	1.9	0.7	2.1
Effect of unbenefitted tax assets	(3.4)	(2.9)	(5.4)
Permanent differences	0.6	0.2	(2.3)
Other	(0.6)	(0.3)	0.1
Effective income tax rate	37.5%	36.8%	33.7%

At November 30, 2004, the Company had approximately $1,159 of federal operating loss carryforwards available to offset future taxable income, which expire in varying amounts from November 30, 2005 to November 30, 2008. Additionally, the Company had $1,238 in net operating loss carryforwards for the Company s subsidiary in Mexico that begin to expire in 2012 and $3,715 in net operating loss carryforwards for the Company s Canadian subsidiary that begin to expire in 2006. Events that cause limitations in the amount of net operating losses that the Company may utilize in any one year include, but are not limited to, a cumulative ownership change of more than 50%, as defined, over a three-year period.

During fiscal 2004, the Company recognized a $1,971 tax benefit related to the final tax accounting of its acquisition of Merisel Canada, Inc.

NOTE 13 DEFERRED COMPENSATION PLAN:

The Company has a deferred compensation plan for certain directors and officers. The plan is designed to permit eligible officers and directors to accumulate additional income through a nonqualified deferred compensation plan that enables the officer or director to make elective deferrals of compensation to which he or she will become entitled in the future.

An account is maintained for each participant for the purpose of recording the current value of his or her elective contributions, including earnings credited thereto. The participant may designate one or more investments as the measure of investment return on the participant s

account. The participant s account is adjusted monthly to reflect earnings and losses on the participant s designated investments.

The amount credited to the participant s account will be distributed as soon as practicable after the earlier of the participant s termination of employment or attainment of age sixty-five. The distribution of benefits to the participant will be made in accordance with the election made by the participant in a lump sum or in equal monthly or annual installments over a period not to exceed fifteen years.

In the event the participant requests a distribution other than a hardship distribution, a 10% withdrawal penalty will be levied. Such distribution will be in the form of a lump sum cash payment.

As of November 30, 2003 and 2004, the deferred compensation liability balance was $14,903 and $14,374, respectively. Of the balances deferred, $3,565 and $4,808 have been invested in equity securities at November 30, 2003 and 2004, respectively, and are classified as trading securities. The Company has recorded gains (losses) in Other income (expense), net on the trading securities of $(528), $286 and $243 for the years ended November 30, 2002, 2003 and 2004, respectively. An amount equal to these gains (losses) has been charged (credited) to selling, general and administrative expenses, relating to compensation amounts which are payable to the directors and officers.

NOTE 14 EMPLOYEE BENEFIT PLAN:

The Company has a 401(k) Plan (the Plan) under which eligible employees may contribute the lesser of up to 15% of their gross compensation or the maximum amount as provided by law. Employees become eligible to participate in the Plan six months after their employment date. The Company can make discretionary contributions under the Plan. During 2002, 2003 and 2004, the Company contributed $178, $177 and $179, respectively.

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NOTE 15 STOCKHOLDERS EQUITY:

Initial Public Offering

The Company completed its initial public offering (IPO) on December 1, 2003 and sold an aggregate of 3,578 shares of its common stock. In January 2004, the underwriters of the Company s IPO exercised a portion of their over-allotment option and purchased an additional 161 shares of common stock from the Company. Net proceeds from the IPO and the exercise of the over-allotment option aggregated approximately $48,800.

2003 Stock Incentive Plan

The Company s 2003 Stock Incentive Plan is intended to serve as the successor plan to its 1997 Stock Option/Stock Issuance Plan, Special Executive Stock Option/Stock Issuance Plan and its 1993 Stock Option Plan, which have all been terminated as of November 25, 2003. The Company s 2003 Stock Incentive Plan was adopted by its board of directors and approved by its stockholders in 2003. The plan provides for the direct award or sale of shares of common stock, the grant of options to purchase shares of common stock and the award of stock appreciation rights to employees and non-employee directors, advisors and consultants. However, incentive stock options as defined in Section 422 of the Internal Revenue Code may be granted only to employees.

The 2003 Stock Incentive Plan is administered by the Company s compensation committee. The compensation committee determines which eligible individuals are to receive awards under the plan, the number of shares subject to the awards, the vesting schedule applicable to the awards and other terms of the award, subject to the limits of the plan. The compensation committee may delegate its administrative authority, subject to certain limitations, with respect to individuals who are not officers.

The board of directors will be able to amend or modify the 2003 Stock Incentive Plan at any time, subject to any required stockholder approval. The plan will terminate no later than September 1, 2013.

The number of authorized shares under the 2003 Stock Incentive Plan shall not exceed 14,112 shares of common stock. No participant in the 2003 Stock Incentive Plan may receive option grants or stock appreciation rights for more than 1,500 shares per calendar year, or more than 2,500 shares in the participant s first calendar year of service. In 2004, the Board of Directors granted 1,142 options at exercise prices ranging from $14.11 to $19.58 per share.

Under the 2003 Stock Incentive Plan:

Qualified employees are eligible for the grant of incentive stock options to purchase shares of common stock.

Qualified employees and non-employee directors, advisors and consultants are eligible for the grant of nonstatutory stock options and restricted stock grants.

Qualified non-employee directors are eligible to receive automatic option grants to purchase shares of common stock at an exercise price equal to 100% of the fair market value of those shares on the date of grant. Non-employee directors who first join the board after the plan is effective will receive an initial option grant of twenty five thousand shares, and all non-employee directors will be eligible for annual option grants for five thousand shares for each year they continue to serve.

The compensation committee will determine the exercise price of options or the purchase price of restricted stock grants, but the option price for incentive stock options will not be less than 100% of the fair market value of the stock on the date of grant and the option price for nonstatutory stock options will not be less than 85% of the fair market value of the stock on the date of grant.

Qualified employees and non-employee directors, advisors and consultants will also be eligible for the award of stock appreciation rights, which enable the holder to realize the value of future appreciation in our common stock, payable in cash or shares of common stock.

The following table summarizes the stock options outstanding and exercisable under the Company s option plans as of November 30, 2003 and 2004:

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	Number of Options at November 30, 2003		Number of Options at November 30, 2004	
	Outstanding	Exercisable	Outstanding	Exercisable
1993 Stock Option Plan	904	904		
1997 Stock Option Plan	1,920	1,361		
Executive Stock Option Plan	5,858	3,961		
2003 Stock Incentive Plan			8,015	5,415
	8,682	6,226	8,015	5,415

A summary of the activity under the Company s stock option plans is set forth below:

		Options Outstanding	
	Shares Available For Grant	Number of Shares	Weighted Average Exercise Price
Balances, November 30, 2001	7,853	6,632	$ 6.09
Options granted	(1,358)	1,398	10.05
Options exercised		(34)	2.93
Options cancelled	106	(121)	6.33
Options repurchased		(29)	2.00
Balances, November 30, 2002	6,601	7,846	$ 6.82
Options granted	(1,195)	1,195	12.35
Options exercised		(37)	4.86
Options cancelled	299	(322)	7.14
Replacement of 1993, 1997 and Executive Stock Option Plans	(5,705)		
Adoption of 2003 Stock Incentive Plan	5,430		
Balances, November 30, 2003	5,430	8,682	$ 7.57
Options granted	(1,142)	1,142	$ 16.50
Options exercised		(1,669)	$ 5.45
Options cancelled	140	(140)	$ 12.76
Balances, November 30, 2004	4,428	8,015	$ 9.12

The options outstanding and exercisable at November 30, 2004 are as follows:

Options Outstanding				Options Vested and Exercisable	
Range of Exercise Prices	Shares	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price Per Share	Shares	Weighted Average Exercise Price Per Share
$ 3.00-$ 4.50	2,648	3.94	$ 4.16	2,648	$ 4.16
$ 7.00-$10.00	2,956	6.21	$ 9.39	2,326	$ 9.26
$ 12.00-$15.54	1,294	8.26	$ 12.26	441	$ 12.12
$ 16.10-$19.58	1,117	9.72	$ 16.53		
$ 3.00-$19.58	8,015	6.28	$ 9.12	5,415	$ 7.00

At November 30, 2002 and 2003, options to purchase 5,435 and 6,226 shares, respectively, were exercisable and the weighted average price for each exercisable option was $5.76 and $6.25, respectively.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model. The Black-Scholes model, as well as other currently accepted option valuation models, was developed to estimate the fair value of freely tradable, fully transferable options without vesting restrictions, and these assumptions differ significantly from the characteristics of Company stock option grants. The following weighted average assumptions, together with the minimum

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value method as prescribed by SFAS No. 123, are used to estimate the fair value of stock option grants in 2002, 2003 and 2004:

	Fiscal Years Ended November 30,		
	2002	2003	2004
Expected life (years)	5	5	5
Risk-free interest rate	4.5%	3.4%	3.3%
Expected volatility	N/A	N/A	44%
Dividend yield	0%	0%	0%

The weighted-average per share grant date fair value of options granted during the years ended November 30, 2002, 2003 and 2004 was $2.10, $1.91 and $7.08, respectively.

Stock-based compensation

The Company applies APB No. 25 accounting to its stock-based compensation plans.

In connection with certain stock option grants to employees during the years ended November 30, 2002, 2003 and 2004, the Company recognized approximately $35, $0 and $0, respectively, of unearned stock-based compensation for the excess of the deemed fair value of shares of common stock subject to such options over the exercise price of these options at the date of grant. Such amounts are included as a reduction of stockholders equity. The Company recorded amortization expense of unearned stock-based compensation of $561, $551 and $202 during the years ended November 30, 2002, 2003 and 2004, respectively. All unearned stock-based compensation was fully amortized at November 30, 2004.

2003 Employee Stock Purchase Plan

The Company s 2003 Employee Stock Purchase Plan (ESPP) permits eligible employees to purchase common stock through payroll deductions. The maximum number of shares a participant may purchase during a single accumulation period is one thousand two hundred fifty. The plan was approved by the Company s stockholders and approved by its board of directors in 2003. A total of 500 shares of common stock have been reserved for issuance under the ESPP.

Prior to the March 2005 amendment, the ESPP had been implemented in a series of overlapping offering periods of 24 months duration, with new offering periods, other than the first offering period, beginning in October and April each year. Each offering period consisted of four accumulation periods of up to six months each. During each accumulation period, payroll deductions accumulate without interest. On the last trading day of each accumulation period, accumulated payroll deductions are used to purchase common stock.

Prior to the March 2005 amendment, the purchase price equaled 85% of the fair market value per share of common stock on either the first trading day of the offering period or on the last trading day of the accumulation period, whichever was less. If the fair market value of the Company s stock at the start of an offering period is higher than the fair market value at the start of a subsequent offering period, then the first offering period will automatically terminate and participants will be automatically re-enrolled in the new offering period.

The payroll deductions in the first two accumulation periods resulted in the purchase of 200 shares of common stock. The fair value of each share is estimated on the date the employee enrolls in the ESPP using the Black-Scholes option pricing model. The following weighted average assumptions were used to estimate the fair value of ESPP purchases in the fiscal year ended November 30, 2004:

	Fiscal Year Ended November 30, 2004
Expected life (years)	1.2
Risk-free interest rate	2.0%
Expected volatility	58.1%
Dividend yield	0%

The weighted-average per share ESPP enrollment date fair value of common stock during the fiscal year ended November 30, 2004 was $5.17.

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In March 2005, the Company s board of directors approved the following amendments to the ESPP to be effective for the accumulation period beginning April 1, 2005:

Reduction of participant purchase price discount of Company stock from 15% to 5%;

Reduction of two year offering periods and six month accumulation periods to three month offering and accumulation periods;

Maximum purchase limit of $10 of stock per calendar year per participant; and

Associate vice president level employees and above are not eligible to participate.

NOTE 16 NET INCOME PER COMMON SHARE:

The following table sets forth the computation of basic and diluted net income per common share for the period indicated (in thousands, except per share data):

	Fiscal Years Ended November 30,		
	2002	**2003**	**2004**
Income from continuing operations	27,875	29,708	46,086
Income from discontinued operations, net of tax	157	288	479
Net income	$ 28,032	$ 29,996	$ 46,565
Weighted average common shares basic	22,061	22,091	26,691
Effect of dilutive securities:			
Stock options	2,190	2,464	3,420
Weighted average common shares diluted	24,251	24,555	30,111
Earnings per share:			
Basic			

Income from continuing operations	$ 1.26	$ 1.34	$ 1.73
Discontinued operations	$ 0.01	$ 0.02	$ 0.01
Net income per common share basic	$ 1.27	$ 1.36	$ 1.74
Diluted			
Income from continuing operations	$ 1.15	$ 1.21	$ 1.53
Discontinued operations	$ 0.01	$ 0.01	$ 0.02
Net income per common share diluted	$ 1.16	$ 1.22	$ 1.55

Options to purchase 369, 1,483 and 130 shares of common stock at November 30, 2002, 2003 and 2004, respectively, have not been included in the computation of diluted net income per share as their effect would have been anti-dilutive.

NOTE 17 RELATED PARTY TRANSACTIONS:

Purchases of inventories from MiTAC International Corporation and its affiliates (principally motherboards and other peripherals) were approximately $142,000, $214,000 and $406,000 during the years ended November 30, 2002, 2003 and 2004, respectively. Sales to MiTAC International Corporation and its affiliates during the years ended November 30, 2002, 2003 and 2004, were approximately $2,364, $993 and $1,738, respectively. The Company s relationship with MiTAC International Corporation has been informal and is not governed by long-term commitments or arrangements with respect to pricing terms, revenue, or capacity commitments. Accordingly, the Company negotiates manufacturing and pricing terms, including allocating customer revenue, on a case-by-case basis with MiTAC International Corporation.

In January 2002, an officer of the Company borrowed $200 from the Company pursuant to a secured full recourse promissory note. The note was evidenced by a secured promissory note with interest at the rate of 7.00% per annum, payable on the last day of each calendar month. The note was due on or before January 25, 2017. The note was collateralized by a deed of trust on real property owned by the officer. In August 2003, the entire amount of the note was paid off.

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In October 2001, as a new investment option for the deferred compensation plan, the Company established a brokerage account in Taiwan. The purpose of the account is to hold shares of MiTAC International Corporation and its affiliates. As of November 30, 2003 and 2004, the fair market value of the common stock acquired was approximately $2,109 and $2,259, respectively.

In August 2004, the Company realized a gain of $1,245 for a settlement with MiTAC International Corporation on the final purchase price related to the acquisition of the Company s current subsidiary in the United Kingdom, which was acquired from MiTAC International Corporation in fiscal 2000. This amount is included in Other income (expense), net .

Severance Agreement

The Company reached an agreement regarding severance arrangements with a former officer. The agreement called for cash payments of $1,389 and the acceleration of vesting and extension of the exercise period of certain options previously issued to him, resulting in a non-cash charge of approximately $636. The expense related to the cash payments and option acceleration, net of tax, was $1,483. The expense was incurred in the quarter ended November 30, 2003.

NOTE 18 SEGMENT INFORMATION:

Segments were determined based on products and services provided by each segment. Accounting policies of the segments are the same as those described in the summary of significant accounting policies. The Company has identified the following two reportable business segments:

The Distribution segment distributes computer systems and complementary products to a variety of customers, including value-added resellers, system integrators, retailers and direct resellers.

The Contract Assembly segment provides electronics assembly services to OEMs, including integrated supply chain management, build-to-order and configure-to-order system configurations, materials management and logistics.

Summarized financial information related to the Company s reportable business segments as at November 30, 2002, 2003 and 2004, and for each of the periods then ended, is shown below:

	Distribution	Contract Assembly	Consolidated
Fiscal Year ended November 30, 2002:			
Revenue	$ 3,223,110	$ 373,155	$ 3,596,265
Income from continuing operations before non-operating items, income taxes and minority interest	42,124	7,395	49,519
Total assets	585,424	43,651	629,075
Fiscal Year ended November 30, 2003:			
Revenue	$ 3,714,385	$ 230,501	$ 3,944,886
Income from continuing operations before non-operating items, income taxes and minority interest	51,885	5,131	57,016
Total assets	693,170	96,758	789,928
Fiscal Year ended November 30, 2004:			
Revenue	$ 4,573,438	$ 577,009	$ 5,150,447
Income from continuing operations before non-operating items, income taxes and minority interest	63,255	14,405	77,660
Total assets	800,618	199,079	999,697

Summarized financial information related to the geographic areas in which the Company operated at November 30, 2002, 2003 and 2004, and for each of the periods then ended, is shown below:

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	North America	Other	Consolidation Adjustments	Consolidated
Fiscal Year ended November 30, 2002:				
Revenue	$ 3,481,367	$ 119,791	$ (4,893)	$ 3,596,265
Income from continuing operations	27,693	508	(326)	27,875
Other long-lived assets	34,312	22,323		56,635
Fiscal Year ended November 30, 2003:				
Revenue	$ 3,758,385	$ 194,393	$ (7,892)	$ 3,944,886
Income from continuing operations	29,169	1,019	(480)	29,708
Other long-lived assets	27,808	19,712		47,520
Fiscal Year ended November 30, 2004:				
Revenue	$ 4,902,143	$ 271,753	$ (23,449)	$ 5,150,447
Income from continuing operations	47,548	1,320	(2,782)	46,086
Other long-lived assets	67,561	19,142		86,703

NOTE 19 RISK AND UNCERTAINTIES:

The Company operates in a highly competitive industry and is subject to various risks and uncertainties. Factors that could affect the Company s future operating results and cause actual results to differ materially from expectations include, but are not limited to, dependence on few customers, competition, new products and services, dependence upon key personnel, industry conditions, foreign currency fluctuations, and aspects of its strategic relationship with MiTAC International Corporation.

NOTE 20 COMMITMENTS AND CONTINGENCIES:

The Company leases its facilities under operating lease agreements, which expire in various periods through 2014. Future minimum rental obligations under non-cancelable lease agreements as of November 30, 2004 were as follows (Unaudited):

Fiscal Years Ending November 30,	
2005	$ 8,113
2006	7,814
2007	6,927
2008	4,709
2009	2,723
Thereafter	9,498

Total minimum lease payments	$ 39,784

Rent expense for the years ended November 30, 2002, 2003 and 2004 amounted to $10,064, $9,169 and $8,887, respectively.

The Company was contingently liable at November 30, 2004, under agreements to repurchase repossessed inventory acquired by Flooring Companies as a result of default on floor plan financing arrangements by the Company s customers. These arrangements are described in Note 7. Losses, if any, would be the difference between repossession cost and the resale value of the inventory. There have been no repurchases during the years ended November 30, 2002, 2003 and 2004 under these agreements nor is the Company aware of any pending customer defaults or repossession obligations.

The Company is involved in certain ongoing litigation in the normal course of operations. The Company believes that the outcome of the litigation will not have a material adverse effect on its financial position, cash flows, or results of operations.

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SELECTED QUARTERLY CONSOLIDATED FINANCIAL DATA (unaudited)

The following tables set forth certain unaudited statements of operations in thousands, for the eight quarters ended November 30, 2004. This quarterly financial data has been adjusted to give effect to the discontinued operations resulting from the sale of our Japan subsidiary during the second quarter of fiscal 2005. The unaudited statements of operations data contained herein have been prepared on the same basis as the audited consolidated financial statements and, in the opinion of management, include all adjustments, consisting only of normal recurring adjustments, that we consider necessary for fair statement of such information when read together with the consolidated financial statements and related notes thereto appearing elsewhere in this prospectus. The operating results for any quarter should not be considered indicative of the results of any future period.

	Three Months Ended				Three Months Ended			
	Feb. 28, 2003	May 31, 2003	Aug. 31, 2003	Nov. 30, 2003	Feb. 29, 2004	May 31, 2004	Aug. 31, 2004	Nov. 30, 2004
	(in thousands)							
Revenue	$ 844,565	$ 900,262	$ 990,692	$ 1,209,367	$ 1,174,683	$ 1,231,208	$ 1,303,741	$ 1,440,815
Cost of revenue	(805,006)	(859,813)	(945,806)	(1,155,893)	(1,124,441)	(1,179,999)	(1,251,080)	(1,379,555)
Gross profit	39,559	40,449	44,886	53,474	50,242	51,209	52,661	61,260
Selling, general and administrative expenses	(27,751)	(27,663)	(30,498)	(35,440)	(33,126)	(32,664)	(33,772)	(38,150)
Income from continuing operations before non-operating items, income taxes and minority interest	11,808	12,786	14,388	18,034	17,116	18,545	18,889	23,110
Interest expense and finance charges, net	(1,487)	(1,586)	(1,892)	(2,042)	(2,083)	(1,705)	(1,378)	(2,793)
Other income (expense), net	(247)	(396)	(159)	(2,676)	(321)	(836)	241	16
Income from continuing operations before income taxes and minority interest	10,074	10,804	12,337	13,316	14,712	16,004	17,752	20,333
Provision for income taxes	(3,420)	(3,882)	(4,822)	(4,966)	(5,346)	(6,021)	(6,382)	(5,342)
Minority interest in subsidiary	(31)	27	134	137	150	94	76	56
Income from continuing operations	6,623	6,949	7,649	8,487	9,516	10,077	11,446	15,047
Income from discontinued operations, net of tax	78	71	1	138	137	134	3	205
Net income	$ 6,701	$ 7,020	$ 7,650	$ 8,625	$ 9,653	$ 10,211	$ 11,449	$ 15,252

Our operating results have fluctuated, and will fluctuate in the future, as a result of many factors, including general economic conditions and level of IT spending, the loss or consolidation of one or more of our significant OEM suppliers or customers, market acceptance and product life of the products we assemble and distribute, competitive conditions in our industry that impact our margins, pricing and other terms with our OEM suppliers, and variations in our levels of excess inventory and doubtful accounts. Although we attempt to control our expense levels, these

levels are based, in part, on anticipated revenue. Therefore we may not be able to control spending in a timely manner to compensate for any unexpected revenue shortfall. You should not rely on period-to-period comparisons of our operating results as an indication of future performance. The results of any quarterly period are not indicative of results to be expected for a full fiscal year. In future quarters, our operating results may be below our expectations or those of our public market analysts or investors, which would likely cause our share price to decline.

Selling, general and administrative expense for the three months ended November 30, 2003 includes a charge of $2.0 million related to the departure of a former executive.

Other income (expense), net, for the three months ended November 30, 2003 reflects foreign currency losses of $4.3 million, primarily the result of forward currency contracts not purchased within normal Company policy. A portion of the foreign currency loss expensed in the three months ended November 30, 2003, with an effect on net income of $1.0 million, was related to the nine months ended August 31, 2003.

Other income (expense), net, for the three months ended August 31, 2004 reflects a $1.2 million settlement on the final purchase price related to the acquisition of our current subsidiary in the United Kingdom, which was acquired from MiTAC International Corporation in fiscal 2000.

Provision for income taxes for the three months ended November 30, 2004 reflects a $2.0 million tax benefit related to the final tax accounting of our acquisition of Merisel Canada, Inc.

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SYNNEX CORPORATION

SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS

For the Years Ended November 30, 2002, 2003 and 2004

(in thousands)

Description	Balance at Beginning of year	Additions and Subtractions from Acquisitions and Dispositions	Additions Charged to Revenues and Costs and Expense	Write-offs and Deductions	Balance at End of Year
Fiscal Year Ended November 30, 2002					
Allowance for doubtful trade receivables	7,961	1,071	6,189	(7,055)	8,166
Allowance for doubtful vendor receivables	2,676		89	(61)	2,704
Allowance for sales returns	6,543		37,326	(40,112)	3,757
Allowance for inventory reserve	8,267	797	1,726	(3,362)	7,428
Allowance for deferred tax assets	6,619			(979)	5,640
Fiscal Year Ended November 30, 2003					
Allowance for doubtful trade receivables	8,166	(1,285)	6,644	(4,199)	9,326
Allowance for doubtful vendor receivables	2,704	(782)	1,388	(64)	3,246
Allowance for sales returns	3,757		37,251	(35,482)	5,526
Allowance for inventory reserve	7,428	(1,004)	3,649	(4,096)	5,977
Allowance for deferred tax assets	5,640	651	2,578		8,869
Fiscal Year Ended November 30, 2004					
Allowance for doubtful trade receivables	9,326	4,106	5,506	(6,731)	12,207
Allowance for doubtful vendor receivables	3,246	782	1,632	(1,565)	4,095
Allowance for sales returns	5,526		8,044	(693)	12,877
Allowance for inventory reserve	5,977	1,278	5,748	(5,225)	7,778
Allowance for deferred tax assets	8,869	(294)	(211)	(6,048)	2,316

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Item 9.01. Financial Statements and Exhibits

(c) Exhibits.

Exhibit Number	Description of Document
23.1	Consent of Independent Registered Public Accounting Firm

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: November 2, 2005

SYNNEX CORPORATION

By: /s/ Simon Y. Leung

Simon Y. Leung
General Counsel and
Corporate Secretary

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EXHIBIT INDEX

Exhibit Number	Description of Document
23.1	Consent of Independent Registered Public Accounting Firm

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