

June 8, 2012

Dear Shareholders,

Hakuto Co., Ltd.

1-13, Shinjuku 1-chome, Shinjuku-ku, Tokyo

Notice of the 60th Annual General Meeting of Shareholders

You are cordially invited to attend the 60th Annual General Meeting of Shareholders of Hakuto Co., Ltd. (the “Company”), which will be held as per the schedule below.

If you are unable to attend the Meeting in person, please first review on pages 48 to 57 of the Reference Materials for the General Meeting of Shareholders presented hereinafter, and exercise your voting rights no later than 5:30 p.m. on Tuesday, June 26, 2012, using one of the methods outlined below.

[Exercising your voting rights by mail]

Please indicate “for” or “against” for each agenda item shown on the enclosed Form for Exercising Voting Rights, apply the enclosed protective seal, and mail it in time for delivery by the deadline mentioned above.

[Exercising your voting rights electronically (Internet voting etc.)]

Use a personal computer, smartphone or cell phone to access the Voting Right Exercise Site: <http://www.evote.jp/>. Enter the “Login ID” and “Temporary Password” noted on the enclosed Form for Exercising Voting Rights, follow the instructions on the screen and indicate “for” or “against” for each agenda item by the deadline mentioned above.

If you intend to exercise your voting rights via the Internet, etc. please refer to page 58 and 59 of the “Procedures for Exercising Voting Rights via the Internet, etc.”

Sincerely,

Ryusaburo Sugimoto
President

Details

- 1. Date & Time:** Wednesday, June 27, 2012 at 10:00 a.m.
- 2. Venue:** Conference Room, 8th Floor, Head Office Building, 1-13, Shinjuku 1-chome, Shinjuku-ku, Tokyo

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1. If you are attending the Meeting in person, please bring the enclosed Form for Exercising Voting Rights and present it at the reception desk.
 2. Revisions to the Reference Materials for the General Meeting of Shareholders, Business Report, non-consolidated financial statements, and consolidated financial statements shall be posted on the Company’s website (<http://www.hakuto.co.jp>).

3. Meeting Agenda

(1) Items to be reported:

1. Business Report and consolidated financial statements for the Company's 60th fiscal year (from April 1, 2011 to March 31, 2012), and the audit reports of consolidated financial statements by the Accounting Auditors (CPAs) and the Company's Board of Corporate Auditors
2. Non-consolidated financial statements for the Company's 60th fiscal year (from April 1, 2011 to March 31, 2012)

(2) Items to be resolved:

Item 1: Partial Amendments to the Articles of Incorporation

Item 2: Appointment of Ten (10) Directors

Item 3: Appointment of One (1) Corporate Auditor

4. Matters concerning convocation

- (1) In the event that no indication of "for" or "against" has been made, this shall be treated as the intent of approval.
- (2) If you exercise your voting rights both by mail and electronic means (Internet voting etc.), the electronic voting (Internet etc.) shall prevail regardless of the arrival date of the mailed vote.
- (3) In the case of multiple voting via the Internet, etc., the last voting shall prevail.
- (4) If split votes are cast, a written notice of the diverse exercise of voting rights and the reasons thereof must be provided by three (3) days in advance of the Ordinary General Meeting of Shareholders.

Business Report

(From April 1, 2011 to March 31, 2012)

1. Corporate Group's Business Environment

(1) Business conditions during the fiscal year under review

1) Business developments and results

During the fiscal year ended March 31, 2012, the Japanese economy would remain unclear resulting from the following reasons: In the first quarter of the fiscal year, severely impacted by the Great East Japan Earthquake on March 11, 2011, the economy significantly declined with a large decrease in domestic production mainly in the manufacturing industry due to shutdown of devastated plants and shredded supply chains, as well as a downturn in consumer confidence. While the production level in the manufacturing industry tended to recover in the second quarter, supply chains fell into chaos again due to floods in Thailand in the third quarter. In the fourth quarter, as the financial crisis in Europe was averted for a while, the trend of yen appreciation was stopped. However, economic growth in China and other Asian regions slowed down, and capital investment was sluggish in industries related semiconductors and liquid crystal.

In the electronics business, the Group's mainstay, while demand for components related optical communications expanded thanks to more active investment in communications infrastructures in North America, business remained under severe conditions due to a drop in demand for digital home appliances, as well as decreased production volume of PCs and other products with a shortage of hard discs arising from the flood in Thailand.

As for the industrial chemicals market to which the Group belongs, production volume generally leveled off from a year earlier for the oil industry which is our principal customer. However, in the paper and pulp industry, we had a tough time with higher rate of imported paper attributable to stronger yen.

Under such circumstances, the Group's sales performance increased from a year earlier due in part to overseas subsidiaries' changes of accounting period from December to March. As a result, consolidated net sales for the fiscal year under review amounted to ¥116,148 million, a 4.7% year-on-year increase.

Regarding profit and loss, gross profit increased 3.0% year on year to ¥18,065 million even with slightly lower gross profit margin. Selling, general, and administrative expenses increased 5.3% to ¥13,843 million, operating income decreased 3.9% to ¥4,222 million, and ordinary income increased 4.1% to ¥4,187 million. Consequently, net income amounted to ¥2,244 million, a 2.0% year-on-year increase.

The following is a breakdown of business performance by segment for the fiscal year.

Electronic Components Division

In the electronic components segment, sales of components related to optical communications steadily grew with the following factors. In U.S., demand for optical components increased with further active investment in the optical domain. In Japan, demand for the components increased with expanding demand for smart phones, and capital investment in infrastructures was actively made for larger-capacity and higher-speed communications. Meanwhile, sales of consumer-related components decreased from a year earlier due to decreased demand for televisions and peripheral

devices attributable to depressed consumer spending. Sales of in-vehicle and PC-related components also fell year on year due in part to impacts of the floods in Thailand. As a result, sales in the electronic components segment for the consolidated fiscal year under review increased 2.7 % year on year to ¥89,661 million, and segment income decreased 24.2% year on year to ¥1,999 million.

Electronic and Electric Equipment Division

In the electronic and electric equipment segment, the number of orders for PCB (Printed Circuit Board)-related equipment was sluggish to a certain extent, impacted by a slowdown in capital investment in and after the third quarter of the fiscal year. On the other hand, export of cooling systems for evaporation equipment to East Asia increased, and sales performance of vacuum-related equipment favorably grew. As a result, sales in this segment for the consolidated fiscal year under review increased 12.9 % year on year to ¥ 18,593 million, while segment income increased 7.6 % year on year to ¥1,281 million.

Industrial Chemicals Division

In the industrial chemicals segment, sales of primary chemicals for the oil industry favorably grew. Despite a drop in domestic demand, sales performance of chemicals for the paper and pulp industry was better than the previous year as the Group acquired business of BASF Japan Ltd.'s paper chemicals division in Japan in the fourth quarter, and started handling BASF's products. Sales of cosmetic-related products also expanded continuously. As a result, sales in this segment for the consolidated fiscal year under review increased 10.4% year on year to ¥7,871 million, and segment income increased 11.7% year on year to ¥567 million

Others Division

This segment consists mainly of general operation and logistics management tasks of the Company on a consignment basis, as well as agency business for insurance companies. The Others Divisions reported sales of ¥691 million, a 3.7 % year-on-year increase, and segment income of ¥15 million (¥1 million in the previous term) for the consolidated fiscal year under review.

Note: Although inter-segment transactions were not eliminated in prior years, in order to accurately reflect the actual conditions of each segment, adjustments will include offsetting and elimination of inter-segment transactions from the current fiscal year. When comparing the segments with the previous year's results, the previous year's figures are restated using the same offset elimination method.

Sales by segment

| | Fiscal 2010 (term ended March 2011) | | Fiscal 2011 (term ended March 2012) | |
|-----------------------------------|--|-----------------------|--|-----------------------|
| | Sales (¥ million) | Ratio to total (%) | Sales (¥ million) | Ratio to total (%) |
| Electronic Components | 87,304 | 78.3 | 89,661 | 76.8 |
| Electronic and Electric Equipment | 16,462 | 14.7 | 18,593 | 15.9 |
| Industrial Chemicals | 7,128 | 6.4 | 7,871 | 6.7 |
| Others | 667 | 0.6 | 691 | 0.6 |
| Sub-total | 111,561 | 100.0 | 116,816 | 100.0 |
| Internal Transaction | (651) | – | (668) | – |
| Total | 110,910 | 100.0 | 116,148 | 100.0 |

Note: Figures are exclusive of consumption tax.

Outlook of the Next Fiscal Year

While yen appreciation which had been temporarily drastic shows a sign of calming down, there are concerns about a drop in export with a slowdown in Asian economies, especially in China, and lingering debt issues in Europe, as well as tight power supply in summer in Japan. As a result, the economy remains unclear.

Meanwhile, an increase in demand with the restoration from the Great East Japan Earthquake and the floods in Thailand and demand creation attributable to the London Olympics are expected. Furthermore, in the communications market, higher-speed and larger-capacity communications, increasing popularity of smart phones and tablet PCs, and an expansion in the market of Ultra book are also forecast.

On the basis of "continuously growing trend", the Group will be committed to expanding business by developing new products, intensively injecting resources into growing markets and flexibly responding to market needs.

In consideration of such business conditions, the Company forecasts the consolidated net sales to increase 3.3% year on year to ¥120 billion, consolidated operating income to increase 6.6% to ¥4.5 billion, consolidated ordinary income to increase 7.5% to ¥4.5 billion, and consolidated net income to increase 29.2% to ¥2.9 billion for the fiscal year ending March 2013.

2) Investment in plant & equipment

The total investment in plant and equipment for the reporting fiscal year was ¥658 million.

3) Fund procurement

There are no material facts to report.

4) Business segment transfers, absorption-type splits, and incorporation-type splits

There are no items to report.

5) Business segments transferred from other companies

There are no material facts to report.

6) Succession to rights and responsibilities related to the businesses of other juridical persons through absorption-type mergers and splits

There are no items to report.

7) Acquisitions and disposals of shares, ownership interests, or share subscription rights, etc. in other companies

The Group acquired all shares of Adixen Japan Ltd. which had been held by Pfeiffer Vacuum Technology to make it a wholly-owned subsidiary on July 1, 2011.

On February 1, 2012, the entire business of that company was transferred to the Company. As a result, the materiality of that company decreased and it is excluded from the scope of consolidation.

(2) Assets and net income for the last three years

(¥ million)

| | FY2008 | FY2009 | FY2010 | FY2011 (reporting term) |
|-----------------|----------|----------|----------|----------------------------|
| Sales | 108,882 | 97,167 | 110,910 | 116,148 |
| Ordinary profit | 2,014 | 2,483 | 4,023 | 4,187 |
| Net income | (542) | 1,655 | 2,200 | 2,244 |
| EPS (yen) | (24.53) | 74.88 | 99.94 | 102.64 |
| Total assets | 67,042 | 67,075 | 73,364 | 72,381 |
| Net assets | 36,156 | 38,379 | 40,210 | 41,260 |
| BPS (yen) | 1,633.43 | 1,730.67 | 1,829.59 | 1,880.69 |

Notes:

1. () means a net loss and a net loss per share.
2. EPS (Earnings Per Share) is calculated based on the average number of outstanding shares during the fiscal year. BPS (Book Value Per Share) is calculated based on the number of shares outstanding as of the end of the fiscal year. The total number of outstanding shares excludes treasury shares.

(3) Principal subsidiaries

| | Capital stock | Ratio of voting rights held by the Company (%) | Principal lines of business |
|------------------------------------|-----------------|--|--|
| Microtek Inc. | 300 million yen | 100 | Import/export of electronic equipment and components |
| Hakuto Enterprises Ltd. | HK\$22,025 thd. | 100 | Import/export of electronic equipment and components, manufacturing and sales of electronic components |
| Hakuto Singapore Pte. Ltd. | S\$5,000 thd. | 100 | Import/export of electronic equipment and components |
| Hakuto Taiwan Ltd. | NT\$70,000 thd. | 100 | Import/export of electronic equipment and components |
| Hakuto Enterprises (Shanghai) Ltd. | US\$8,000 thd. | 100 | Import/export of electronic equipment and components |

(4) Issues facing the Company

For the fiscal year ending March 31, 2013 which is the final year of the existing midterm plan (for three years from the fiscal year ended March 31, 2011), net sales of ¥150 billion and ordinary income of ¥5.3 billion were initially projected. However, the Group was forced to review its time schedule by not only our internal factors, but also more-than-expected external environmental changes such as large-scale natural disasters and the debt crisis in Europe.

On the other hand, we consider these projected values valid. Amid changes in business environment and fiercer competitions, it becomes more important to balance an expansion of business scale with high profitability.

Therefore, considering those values as medium-term targets, the Group will be committed to achieving those targets focusing on five primary issues stated below:

1) Developing new products and businesses to achieve growth

In order to eliminate a gap with the business size and the profit level which have been regarded as the midterm target, the Group will put emphasis on an expansion of new businesses in promising markets such as environmental business and products targeted for emerging countries.

2) Establishing systems to accelerate the growth in overseas business

As the numbers of Japanese customers in foreign countries and business opportunities with local companies are increasing, the Group established an organization to manage overseas business, in order to unify management of overseas networks which have expanded and become complicated. The Group intends to develop systems to efficiently expand overseas businesses which are highly expected to grow, extending functions of the organization sequentially.

3) Enhancing cooperation between Hakuto and domestic subsidiaries

As competitions at a global level become fiercer, regardless of company size, there are more problems which are difficult for subsidiaries to deal with alone. Therefore, each subsidiary and related divisions of Hakuto work together to use the synergy effects as a group, which can be a driving force for growth.

4) Enhancing management infrastructures to support growth strategies

The Group has begun replacing a core system with a new one since the previous year, expecting to start its operation in the second half of the current fiscal year. After starting operation, we intend to introduce the system in group companies including overseas subsidiaries. We will make management of the Group more efficient by using this new system effectively and promoting shared services.

5) Strengthening risk management

With occurrence of larger-than-expected natural disasters and further advanced supply chains in business partners, Business Continuity Management (BCM) has become more important. The Group will formulate Business Continuity Plan (BCP) from multiple viewpoints, such as IT infrastructures and an emergency contact system, and continue to periodically review it, so as to minimize recovery time and damages and continue business to a certain extent in the case of occurrence of large-scale disasters.

Amid the advance in globalization of business, we will focus on enhancing internal control systems for all group companies in order to prevent problems related to legal compliance from occurring.

(5) Main business lines (as of March 31, 2012)

The Group is principally engaged in the sale, export and import of electronic components and electronic and electric equipment, and the manufacture and sale of industrial chemicals.

Main products in each segment are as follows.

| Segment | Main products |
|-----------------------------------|---|
| Electronic Components | Semiconductor devices; connectors; optical components |
| Electronic and Electric Equipment | Devices and equipment used in the manufacturing of semiconductors; equipment for PCBs; turbo-molecular pumps; refrigerator units for vacuum production equipment; electrostatic accelerators |
| Industrial Chemicals | Industrial chemicals used in the oil refining and petrochemical industries; chemicals for water treatment; chemicals for the paper & pulp industry; paint-resistant chemicals; base materials for cosmetics |
| Others | Outsourcing business |

(6) Principal offices and plants (as of March 31, 2012)

1) Principal offices and plants of the Company

| Name | Location |
|-------------------------------|--------------------|
| Head Office | Shinjuku-ku, Tokyo |
| Kansai Branch | Itami, Hyogo |
| Nagoya Branch | Nagoya, Aichi |
| Isehara Technical Center | Isehara, Kanagawa |
| Yokkaichi Factory | Yokkaichi, Mie |
| Yokkaichi Research Laboratory | Yokkaichi, Mie |

2) Offices of principal subsidiaries

| Name | Location |
|------------------------------------|--------------------|
| Microtek Inc. | Shinjuku-ku, Tokyo |
| Hakuto Enterprises Ltd. | Kowloon, Hong Kong |
| Hakuto Singapore Pte. Ltd. | Singapore |
| Hakuto Taiwan Ltd. | Taipei, Taiwan |
| Hakuto Enterprises (Shanghai) Ltd. | Shanghai, China |

(7) Employees (as of March 31, 2012)

1) Employees of the Group

| Business segment | Number of employees | Change from end of previous term |
|-----------------------------------|---------------------|----------------------------------|
| Electronic Components | 705 | (10) |
| Electronic and Electric Equipment | 278 | 19 |
| Industrial Chemicals | 193 | 8 |
| Others | 108 | (4) |
| Common in the Group | 162 | (3) |
| Total | 1,446 | 10 |

Notes:

1. The number of employees is the number of those who are employed by the Group.
2. Employees working for the "Common in the Group" are attached to back-office sections that cannot be classified into particular business segments.

2) Employees of the Company

| Number of employees | Change from end of previous fiscal year | Average age | Average number of years of service |
|---------------------|---|-------------|------------------------------------|
| 619 | Increase by 19 | 40.9 | 12.8 |

Note: The above figures exclude 19 employees currently dispatched to subsidiaries.

(8) Principal sources of borrowings (as of March 31, 2012)

(¥ million)

| Sources | Balance of borrowings |
|--|-----------------------|
| Sumitomo Mitsui Banking Corporation | 3,163 |
| Resona Bank, Limited | 2,553 |
| The Bank of Tokyo-Mitsubishi UFJ, Ltd. | 1,681 |
| Mitsubishi UFJ Trust and Banking Corp. | 782 |
| Mizuho Bank, Ltd. | 600 |

(9) Other important matters concerning the Group

On July 9, 2010, Hach Company in Colorado (“Hach”), USA, filed a lawsuit against Hakuto Co., Ltd. for the breach of stock transfer agreement by Hakuto America Inc., our subsidiary in USA, with the United States District Court for the Northern District of Illinois, demanding damages. However, it was expected that it would require long period of time to solve the dispute at the Court as nine years have passed since the dissolution of the subsidiary. It was also found that relevant legal costs would be estimated to expand according to the period of lawsuit. As a result of comprehensively considering necessities of intensive investment of management resources into main business and a reduction of costs with early settlement of the lawsuit, etc., we judged that it would be reasonable to have talks for settlement, and conducted Private Mediation with Hach in JAMS (an alternative dispute resolution provider in USA). Consequently, on July 21, 2011, a settlement was reached, which mainly required us to pay settlement money of \$1,120,000 to Hach.

2. Profile of the Company

(1) Shares (as of March 31, 2012)

1) **Number of shares authorized for issuance:** 54,000,000 shares

2) **Number of shares issued and outstanding:** 24,137,213 shares (no change from the previous fiscal year)

Of which treasury shares: 2,278,552 shares

3) **Number of shares per trading unit (tangen):** 100 shares

4) **Number of shareholders:** 7,191 (increased by 369 from the previous fiscal year)

5) Major shareholders (top ten):

| Name of shareholder | Number of shares held (thousands shares) | Ownership (%) |
|--|---|---------------|
| Takayama International Education Foundation | 4,226.2 | 19.33 |
| Japan Trustee Services Bank, Ltd. (trust account) | 2,150.2 | 9.83 |
| Ichiro Takayama | 1,058.9 | 4.84 |
| Ken Takayama | 1,058.9 | 4.84 |
| Ryutaro Takayama | 1,058.8 | 4.84 |
| The Master Trust Bank of Japan, Ltd. (trust account) | 700.6 | 3.20 |
| Kuroda Electric Co., Ltd. | 604.2 | 2.76 |
| Trust & Custody Services Bank, Ltd. (securities investment trust account) | 376.7 | 1.72 |
| CBNY DFA INTL SMALL CAP VALUE PORTFOLIO | 322.4 | 1.47 |
| Satori Electric Co., Ltd. | 284.0 | 1.29 |

Notes:

1. Number of shares held is rounded down to the nearest 100 shares.
2. Ownership is calculated based on the number of shares issued and outstanding (21,858,661), which excludes treasury shares. Percentages have been rounded down to two decimal places.
3. Treasury shares are excluded from the list of major shareholders above.

6) Other important matters concerning shares

There are no material facts to report.

(2) Share subscription rights

There are no material facts to report.

(3) Corporate Officers**1) Directors and Corporate Auditors (as of March 31, 2012)**

| Name | Positions in the Company | Responsibility and status of material holding of concurrent positions |
|---------------------|--|--|
| Ryusaburo Sugimoto | President (Representative Director) | |
| Yoshinae Takada | Director & Executive Vice President | Supervisor over Corporate Administration Div. and Corporate Management Div. and in charge of Risk Management and Corporate Compliance |
| Norimichi Hada | Director & Senior Vice President | In charge of Overseas Business |
| Noriaki Tomioka | Director & Senior Vice President | Division Manager of Electronic Equipment Div. |
| Hitoshi Takigami | Director & Vice President | Division Manager of Chemical Business Div. |
| Ryoji Abe | Director & Vice President | Division Manager of Semiconductor Devices 2nd Div. and Electronic Components Div. |
| Jun Takagi | Director & Vice President | Division Manager of Semiconductor Devices 1st Div. |
| Nobuhito Shintoku | Director & Vice President | Division Manager of Corporate Administration Div. and Manager of General Affairs Dept. and Chief of Isehara Technical Center and in charge of Branch Office (related to Administration), President of Hakuto A&L Co., Ltd. |
| Ichiro Takayama | Director & Vice President | |
| Kozo Uno | External Director | Certified Public Accountant |
| Katsuyoshi Iwashiro | External Director | |
| Shinkichi Suzuki | Full-time Corporate Auditor | |
| Chikao Fukuda | External Auditor | Attorney at law |
| Tadao Kuwano | External Auditor | Certified Public Accountant, Certified Tax Accountant and External Director for Okamura Corporation |

Notes:

1. Among the Directors, Messrs. Kozo Uno and Katsuyoshi Iwashiro are External Directors.
2. Messrs. Chikao Fukuda and Tadao Kuwano are External Auditors.

3. Messrs. Shinkichi Suzuki, Chikao Fukuda and Tadao Kuwano, who are all Corporate Auditors, have extraordinary insight regarding financial and accounting matters, as described below.
 - The full-time corporate auditor, Mr. Shinkichi Suzuki has considerable insight with regard to general business management including financial and accounting matters, serving as an officer in charge of management for the Company and its subsidiary.
 - Mr. Chikao Fukuda is familiar with corporate law in his capacity as an attorney and has extraordinary insight regarding financial and accounting matters.
 - Mr. Tadao Kuwano holds licenses as both a certified public accountant and certified tax accountant.
4. The Company appointed Messrs. Chikao Fukuda and Tadao Kuwano, who are Corporate Auditors, as Independent Officers as stipulated by Tokyo Stock Exchange, and filed the relevant notification with the TSE.
5. Commencing April 1, 2012, responsibilities of the Directors were changed as follows.

| | |
|----------------|---|
| Name | Responsibility or primary occupation |
| Norimichi Hata | Director and Senior Vice President, in charge of Overseas Business Div. |

2) Directors and Corporate Auditors retired during the fiscal year under review

| Name | Date of retirement | Reason | Position as of retirement and principal concurrent positions |
|------------------|--------------------|----------------|---|
| Shinkichi Suzuki | June 28, 2011 | Term of office | Director and Vice President, in charge of Corporate Administration Div. and Manager of President's Office and in charge of Risk Management and Corporate Ethics |
| Hideo Watanabe | June 28, 2011 | Term of office | Full-time Corporate Auditor |

3) Total compensation to Directors and Corporate Auditors for the fiscal year under review

| Positions | Number of recipients | Amount of payment (millions of yen) |
|----------------------|----------------------|-------------------------------------|
| Directors | 12 | 215 |
| (External Directors) | (2) | (13) |
| Corporate Auditors | 4 | 30 |
| (External Auditors) | (2) | (12) |
| Total | 16 | 245 |

Notes:

1. Payments to Directors do not include the employee salaries of persons simultaneously appointed as employee and director.
2. As of the end of the fiscal year ended March 31, 2012, the number of Directors is 11 (including two External Directors) and the number of Corporate Auditors is three (including two External Auditors). Total compensation to Directors and Corporate Auditors includes compensations to Director and Corporate Auditor who resigned at the expiration of their term of office at the end of the 59th Ordinary General Meeting of Shareholders held on June 28, 2011. The reason why those numbers are inconsistent with Number of recipients stated above is because it includes one Director and one Corporate Auditor who resigned at the expiration of their term of office at the end of the 59th Ordinary General Meeting of Shareholders held on June 28, 2011.
3. After resigning as Director at the end of the 59th Ordinary General Meeting of Shareholders held on June 28, 2011, Mr. Shinkichi Suzuki assumed the office of Corporate Auditor. Therefore, Number of recipients and Amount of payment include him as Director during his term of office of Director, and as Corporate Auditor during his term of office of Corporate Auditor.

4. Bonus to Directors and Corporate Auditors for the fiscal year under review is included in the above payment as follows.
 - ¥13,900,000 for 11 Directors (including ¥600,000 for two External Directors)
 - ¥1,100,000 for three Corporate Auditors (including ¥600,000 for two External Auditors)
5. The upper limit on compensation for Directors was set at ¥450 million (not including employee salaries) in the 39th Annual General Meeting of Shareholders, held on June 27, 1991.
6. The upper limit on compensation for Corporate Auditors was set at ¥60 million in the 40th Annual General Meeting of Shareholders, held on June 29, 1992.

4) Matters regarding External Directors and External Auditors

- (A) Matters regarding principal concurrent positions (in positions with executive authority at other companies) and relationships between the Company and those other companies
There are no items to report.

- (B) Principal concurrent positions as other companies' external directors or auditors etc. and relationships between the Company and those other companies
- Corporate Auditor Tadao Kuwano is also an external director for Okamura Corporation. There are no special relationships between Okamura Corporation and the Company.

(C) Main activities during the fiscal year under review

| Position | Name | Main activities |
|-------------------|---------------------|---|
| Director | Kozo Uno | Mr. Uno attended all 13 Board of Directors meetings held during the fiscal year under review and provided advice and recommendations that supported reasonable and appropriate decision-making within the Board of Directors by, for example, expressing opinions based on his expert perspective as a certified public accountant and extraordinary management insight. |
| Director | Katsuyoshi Iwashiro | Mr. Iwashiro attended all 13 Board of Directors meetings held during the fiscal year under review and provided advice and recommendations that supported reasonable and appropriate decision-making within the Board of Directors by, for example, expressing opinions based on his abundant experience and wide-ranging insight as a former manager of a financial institution. |
| Corporate Auditor | Chikao Fukuda | Mr. Fukuda attended 11 of the 13 Board of Directors meetings held during the fiscal year under review and provided advice and recommendations that supported transparent and lawful decision-making within the Board of Directors by, for example, expressing opinions based on his expert perspective as a lawyer. Mr. Fukuda also attended all 10 of the Board of Corporate Auditors meetings where his activities included participation in exchanges of opinions and discussions of audit results and important audit-related matters. |
| Corporate Auditor | Tadao Kuwano | Mr. Kuwano attended all 13 of the Board of Directors meetings held during the fiscal year under review and provided advice and recommendations that supported reasonable and appropriate decision-making within the Board of Directors by, for example, expressing opinions based on his expert perspective as a certified public accountant and certified tax accountant. Mr. Kuwano also attended all 10 of the Board of Corporate Auditors meetings where his activities included participation in exchanges of opinions and discussions of audit results and important audit-related matters. |

(D) Overview of agreements limiting liability

The Company, based on the provisions of Article 427, Paragraph 1 of the Companies Act, has entered into agreements that limit the liability of each of the External Directors and External Auditors in the manner provided in Article 423, Paragraph 1 of the Companies Act.

Based on these agreements, the liability of Mr. Kozo Uno and Mr. Katsuyoshi Iwashiro, who are both Directors, shall be limited to the higher of an amount of at least ¥3 million or an amount stipulated by laws and regulations, and the liability of Mr. Chikao Fukuda and Mr. Tadao Kuwano, who are both Corporate Auditors, shall be limited to the higher of an amount of at least ¥2 million or an amount stipulated by laws and regulations.

(4) Accounting Auditor

1) **Name:** KPMG AZSA LLC

2) Compensation

| | Amount of Payment |
|---|-------------------|
| Compensation for work related to the fiscal year under review | ¥53 million |
| Total monetary and other assets payable to the Accounting Auditor by the Company and its subsidiaries | ¥60 million |

Notes:

1. Among the Company's principal subsidiaries, Hakuto Enterprises Ltd., Hakuto Singapore Pte. Ltd. and Hakuto Taiwan Ltd. have all undergone statutory audits by accounting auditors other than the one retained by the Company.
2. The audit agreement between the Company and its Accounting Auditor does not distinguish compensation paid for audit work performed in conformity with the Companies Act and compensation paid for audit work performed in conformity with the Financial Instruments and Exchange Law, and it is effectively impossible to do so. Accordingly, the amount of compensation paid for audit work related to the fiscal year under review is reported as the total of these two amounts.

3) Non-audit work

The Company pays a fee to its Accounting Auditor for advisory duties regarding Internal controls to examine adoption of new core system and financial reporting, which are professional duties other than those stipulated in Article 2, Paragraph 1 of the Certified Public Accountants Law.

4) Policy regarding decisions to dismiss or not reappoint an accounting auditor

Should the Board of Corporate Auditors resolve to dismiss an Accounting Auditor under the provisions of Article 340 of the Companies Act, or if the Company's audit work is obstructed by an event like a business cessation order issued to an Accounting Auditor by regulatory authorities, the Company, with the agreement of the Board of Corporate Auditors or at the behest of the Board of Corporate Auditors, shall submit to the General Meeting of Shareholders a resolution to either dismiss or not reappoint the Accounting Auditor.

(5) Basic policy for construction of internal control systems

The Company resolved, at the meeting of the Board of Directors, the basic policy to establish "Systems for ensuring that execution of duties by directors complies with laws and regulations and the articles of incorporation, and other systems necessary to ensure the properness of operation of a company" (internal control system) provided for in Article 362, Paragraph 5 of the Companies Act and Article 100, Paragraph 1 and Paragraph 3 of the Enforcement Regulations of the Companies Act as follows:

1) Systems for ensuring that actions taken by Directors and employees are in compliance with both the laws and regulations of Japan and the Company's Articles of Incorporation

(A) With the Hakuto Group Ethical Code and the Rules for Compliance serving as Hakuto's code of conduct, training and other measures targeting Directors and employees shall be regularly implemented to ensure that all company activities are in

compliance with the laws and regulations of Japan and consistent with social mores.

- (B) A Director shall be appointed to bear managerial responsibility for compliance activities. Working under this Director, the General Affairs Dept., which shall bear operational responsibility for compliance activities, shall prepare compliance programs and build and maintain compliance systems. The Internal Control Office shall audit compliance system functions and effectiveness.
- (C) Based on the Rules for Ethics, the Compliance Committee shall be established and chaired by the President of the Company. This Committee shall discuss important compliance matters and report the results of these discussions to the Board of Directors.
- (D) A channel allowing employees to directly report to the Compliance Committee information on violations of laws and regulations or social mores shall be established and maintained.
- (E) No relationship whatsoever shall be had with anti-social factions and groups which may threaten the order or safety of the civil society, and the Company shall take a resolute stance systematically against any undue claims or sabotage attacks through close coordination with outside professionals such as the police and lawyers.

2) Systems for preserving and managing information on Directors' performance of their duties

- (A) Documents (including electromagnetic record) relating to Directors' performance of their duties shall be preserved and managed, together with related information, as required by the Rules for Document Management. This information shall be maintained in viewable condition for at least ten years, as necessary.
- (B) In accordance with the Information Security Policies, the Rules for Electronic Data Management and other rules for information security, protection, management and use of electronic information shall be improved and facilitated.

3) Rules and other systems to manage the risk of loss

- (A) A Director shall be appointed to be responsible for risk management. Working under this Director, the General Affairs Dept., which shall bear operation responsibility for risk management, shall construct a company-wide risk management system.
- (B) A director responsible for risk management decides departments in charge of each type of risk. Those departments carry out various measures to make risk management more effective, and continuously monitor status of risk management.
- (C) In preparation for the possibility of the realization of risks, the Rules for Crisis Management including emergency measures, measures for containing damage, recovery measures, and measures for preventing recurrences shall be formulated. When risks are realized, damage shall be minimized by responding swiftly and appropriately.

4) Systems for ensuring Directors perform their duties effectively

- (A) Efficient performance of duties by Directors shall be promoted by appropriately implementing management systems. These systems shall cover the formulation of management plans by the Board of Directors, the setting of performance objectives and budgets and the management of performance on a monthly and quarterly basis for each business segment by responsible Directors based on management plans, and the review of monthly and quarterly performance and the implementation of performance improvement measures by the Board of Directors and Board of Managing Directors.

- (B) The speed of decision-making shall be increased through measures like simplifying the decision-making process. The Board of Managing Directors shall make a decision on important matters in a council system to ensure decisions are made with heightened caution.
- (C) To ensure the efficient performance, and establish responsibility for, actions taken based on Board of Directors resolutions, responsible parties, their responsibilities and implementation details shall be determined based on the Rules for General Organization, the Rules for Segregation of Duties and the Rules for Administrative Authority.

5) Systems for ensuring the propriety of business activities pursued by the Corporate Group consisting of the Company and its subsidiaries

- (A) With the Hakuto Group Ethical Code serving as a code of conduct for group companies, Internal Control Systems for the Hakuto Group shall be constructed by having each individual group company adopt necessary rules based on the Hakuto Group Ethical Code.
- (B) The Directors responsible for compliance and risk management shall retain authority and responsibility for the construction of compliance and risk management systems at each subsidiary. The General Affairs Dept. shall promote and manage the construction of these systems throughout the Hakuto Group.
- (C) The Corporate Planning Department shall adopt the Rules for Managing Subsidiaries and implement management measures as dictated by conditions at subsidiaries.
- (D) Based on the Financial Instruments and Exchange Law, each Group company shall establish and implement necessary, appropriate internal controls over financial reporting in order to ensure the reliability of the financial reports of the Hakuto Group. In addition, the Internal Control Office shall periodically examine the effectiveness of the internal controls, report findings to the Board of Directors and provide advice on improvement and corrective measures as per need, as required by the Rules for Internal Control.

6) Matters regarding employees whom Corporate Auditors request to assist them in their duties, and matters regarding the independence of such employees from Directors

The Rules concerning the employees appointed to support Corporate Auditors in their duties shall be provided, and employees supporting Corporate Auditors in their duties shall be appointed from among the Company's employees. The Board of Corporate Auditor's agreement shall be obtained regarding the transfers and performance evaluations of such employees. Employees assigned to assist Corporate Auditors shall not simultaneously bear responsibility for the Company business activities and shall not follow directions issued by Directors.

7) Systems allowing Directors and employees to report to Corporate Auditors, and other systems concerning reporting to Corporate Auditors

Directors and employees shall immediately report to the Board of Corporate Auditors events causing great damage to the Company, events that are likely to cause great damage to the Company should they happen, discoveries of illegal or improper activity, and other events specified as warranting a report to the Board of Corporate Auditors. Corporate Auditors may also seek reports from Directors and employees. Reports shall be submitted in formats determined in discussions by the Directors and Board of Corporate Auditors.

8) Other systems for ensuring the efficient performance of audits by Corporate Auditors

Discussions shall be regularly held with the President to promote appropriate mutual understanding and the effective performance of audit work.

(6) Policies regarding the distribution of retained earnings

The Company has positioned the enhancement of shareholder returns as an important management policy and made it a fundamental policy to distribute shareholder returns based on considerations of the Company's performance and the need to build internal reserves to strengthen the Company's finances and prepare for future business expansion.

Dividends shall be distributed with the basic intent of maintaining a stable payout and the goal of achieving a consolidated dividend payout ratio of at least 20%, after overall considerations of factors like each fiscal year's performance, financial conditions and future business strategies. Internal reserves shall be actively invested in business fields with high growth and profit potential, to strengthen sales and technical capabilities and invest in areas like capital facilities and R&D with the goal of expanding the Company's business in the future.

Regarding the year-end dividend payment for the fiscal year under review, we resolved to pay the dividend of ¥20 per share according to the above-mentioned policies at the Board of Directors meeting held on May 11, 2012. Added to the interim dividend of ¥15 per share paid in December 2011, the total amount of dividends paid for the fiscal year under review is ¥35 per share, and the consolidated payout ratio is 34.1%.

In order to flexibly carry out a capital policy, we will acquire common stocks for treasury shares in an appropriate manner, considering financial conditions and other factors.

(7) Basic policies on company control

The Company, in a Board of Directors meeting, has resolved the following concerning the basic policies regarding those who direct the determination of the company's financial and operational policies ("the basic policies"), which are stipulated in Article 118 of the Companies Act Enforcement Regulations.

1) Content of the basic policies

Under its management philosophy that Hakuto, through its sound business, is committed to contributing to the development of Japanese industries and global trading as well as the welfare and peace of human society, the Company, as an electronics trading company handling the most technologically advanced electronic and electric equipment and electronic components, and as a chemical manufacturer producing environmentally friendly industrial chemicals, has worked to stably provide products and services to meet the needs of the times and, as generating appropriate levels of profits, has practiced solid and stable management over the long term.

The Company is characterized by its status as an independent trading company with no ties to a specific manufacturer, and the consequent independence of its management. This means that the Company, in its inventory procurement, is not limited to the offerings of specific manufacturers and can handle a wide variety of domestic and overseas products, and has allowed the Company to create a supply system perfectly suited to customers' diversifying needs and work with manufacturers to develop products that meet customer needs. As a trading company linking suppliers, who are manufacturers, and customers, our corporate culture of placing a high value on people-to-people connections has formed a tight network, binding suppliers with customers, and embodies mutual development and the creation of positive relationships since our foundation to present.

As a technical trading company and chemical manufacturer, personnel with expert knowledge in the fields of electronics and electricity, and chemistry, are indispensable for providing added value, improving customer satisfaction, and developing competitive

products. Employees are necessarily the core of our management resources and the Company has consistently pursued management policies that spare no time or capital when it comes to securing outstanding personnel and providing ongoing training. Tangible and intangible assets in the form of the Company's management philosophy, which is based on the high ambition of contributing to society, commercial rights based on sales agent agreements with suppliers, technology and know-how, and personnel who share a corporate culture and have deep knowledge of their work have increased the Company's corporate value, enhanced the soundness of its finances, and made it possible for the Company to forthrightly return profits to shareholders in forms such as dividends that have either been stable or risen on Company performance, and treasury share acquisitions.

Judging from the Company's management to date and the conduct of companies that have won generally high praise from society, those who direct the determination of the Company's financial and operational policies must develop a full understanding of, and maintain based on that understanding, the trusting relationships with the various stakeholders supporting the Company, and secure, and maximize, the Company's corporate value and the common interests of the shareholders over the medium-to-long term. It follows, therefore, that those who inappropriately purchase large quantities of the Company's stock or engage in similar activity with a high likelihood of damaging the Company's corporate value and the common interests of shareholders would be inappropriate for directing the determination of Company's financial and operational policies.

2) Initiatives contributing to realization of the basic policies

(A) Initiatives aimed at increasing corporate value and maximizing the common interests of shareholders

We seek to enhance the collaboration between the Electronics Segment and the Chemical Segment to enjoy a synergy effect and also establish a solid management base focusing on the good balance of major Divisions.

Additionally, for further improving our corporate value, we plan to implement the following strategies in each segment:

■ Electronics Segment

We will thoroughly implement the user-oriented (customer viewpoint) sales and marketing activities and enhance the coordination function for the purpose of creating and maximizing the added value. We also intend to acquire and maintain the top position as a business agent in various commercial rights by completely acquiring important customers in the target market of each product.

■ Chemicals Segment

Backed by higher awareness of environment protection measures, we will exploit a new demand and provide new products that can meet the needs of the society. We will also develop markets and customers where we can expect the synergy effect with the Electronics Division.

(B) Initiatives for preventing parties who are inappropriate, in light of the basic policies, from directing the determination of the Company's financial and operational policies

The Company, in order to secure, and maximize, the Company's corporate value and the common interests of the shareholders, is currently discussing the positive and negative aspects of initiatives (measures defined in Article 118 Paragraph 3. b. of the Companies Act Enforcement Regulations and referred to below as "anti-takeover defenses") intended to prevent parties who are inappropriate, in light of the basic policies, from directing the determination of the Company's financial and operational policies, and has not yet resolved to implement any particular

anti-takeover defenses.

Nevertheless, should the source of the Company's corporate value over the medium-to-long term come under threat by the acquisition of 20% or more of the Company's outstanding shares by a particular individual or group, or if increases in the Company's corporate value or maximization of common shareholder interests are otherwise threatened, the individual or group engaging in such a share acquisition shall be deemed inappropriate for directing the determination of the Company's financial and operation policies, and the Board of Directors, in pursuit of its fiduciary responsibility to make prudent management judgments, may take appropriate defensive measures, to the extent allowed by the laws and regulations of Japan and the Company's Articles of Incorporation, to increase the Company's corporate value and maximize the common shareholder interest.

Note: The monetary amounts included in this Business Report have been rounded.

Consolidated Balance Sheet

As of March 31, 2012

(Unit: Thousand yen)

| | |
|---------------------------------------|-------------------|
| Assets | |
| Current assets | 59,120,361 |
| Cash and deposits | 13,382,742 |
| Notes and accounts receivable - trade | 29,065,761 |
| Marketable securities | 127,395 |
| Merchandise and finished goods | 14,085,028 |
| Work in progress | 67,679 |
| Raw materials and supplies | 296,690 |
| Deferred tax assets | 745,651 |
| Other current assets | 1,420,716 |
| Less: Allowance for doubtful accounts | (71,301) |
| Noncurrent assets | 13,260,235 |
| Tangible fixed assets: | 6,559,888 |
| Buildings and structures | 1,564,822 |
| Land | 3,997,325 |
| Other tangible fixed assets | 997,741 |
| Intangible assets: | 651,332 |
| Investments and other assets: | 6,049,015 |
| Investment securities | 5,472,954 |
| Deferred tax assets | 74,523 |
| Other investments | 550,323 |
| Less: Allowance for doubtful accounts | (48,785) |
| Total assets | 72,380,596 |

Consolidated Balance Sheet

As of March 31, 2012

(Unit: Thousand yen)

| | |
|--|-------------------|
| Liabilities | |
| Current liabilities | 25,280,602 |
| Notes and accounts payable - trade | 14,080,183 |
| Short-term borrowings | 6,712,385 |
| Accrued income taxes | 1,022,498 |
| Allowance for bonuses to employees | 791,286 |
| Allowance for bonuses to directors | 15,000 |
| Allowance for product warranty | 38,000 |
| Other current liabilities | 2,621,250 |
| Long-term liabilities | 5,839,804 |
| Long-term borrowings | 3,896,700 |
| Deferred tax liabilities | 1,381,720 |
| Allowance for Employees' severance and retirement benefits | 311,559 |
| Allowance for Directors' severance and retirement benefits | 40,266 |
| Other long-term liabilities | 209,559 |
| Total liabilities | 31,120,406 |
| | |
| Net Assets | |
| Shareholders' Equity | 40,372,567 |
| Capital stock | 8,100,252 |
| Capital surplus | 7,491,664 |
| Retained earnings | 28,965,538 |
| Less: Treasury shares | (4,184,887) |
| Accumulated other comprehensive income | 736,729 |
| Other unrealized gains on available-for-sale securities | 1,894,586 |
| Gains or losses on deferred hedge | 19,440 |
| Less: Foreign currency transaction adjustment | (1,177,297) |
| Minority interests | 150,894 |
| Total net assets | 41,260,190 |
| Total liabilities and net assets | 72,380,596 |

Consolidated Statement of Income

April 1, 2011 to March 31, 2012

(Unit: Thousand yen)

| | | |
|---|-----------|--------------------|
| Sales | | 116,147,797 |
| Cost of sales | | 98,083,263 |
| Gross profit | | 18,064,534 |
| Selling, general and administrative expenses | | 13,842,608 |
| Operating income | | 4,221,926 |
| Non-operating revenue | | |
| Interest and dividend income | 179,089 | |
| Investment profit on equity method | 68,860 | |
| Other miscellaneous revenues | 124,127 | 372,076 |
| Non-operating expenses | | |
| Interest expense | 149,607 | |
| Foreign exchange losses | 152,754 | |
| Claim management expenses | 30,826 | |
| Other miscellaneous expenses | 74,192 | 407,379 |
| Ordinary profit | | 4,186,623 |
| Extraordinary income | | |
| Gain on sale of tangible fixed assets | 3,241 | |
| Gain on sale of investment securities | 114,046 | |
| Insurance return | 4,405 | 121,692 |
| Extraordinary losses | | |
| Loss on sale of tangible fixed assets | 13,315 | |
| Loss on disposal of tangible fixed assets | 14,973 | |
| Asset impairment loss | 90,822 | |
| Loss on valuation of investment securities | 21,408 | |
| Loss on sale of investment securities | 25,394 | |
| Loss on valuation of membership | 18,594 | |
| Loss on sale of membership | 14,380 | |
| Legal Settlement | 90,397 | 289,283 |
| Income before income taxes and minority interest | | 4,019,032 |
| Income taxes – current | 1,309,508 | |
| Income taxes – deferred | 414,406 | 1,723,914 |
| Income before minority interests | | 2,295,118 |
| Minority interests in income | | 51,552 |
| Net income | | 2,243,566 |

Consolidated Statement of Changes in Net Assets

April 1, 2011 to March 31, 2012

(Unit: Thousand yen)

| | |
|-----------------------------------|-------------|
| Shareholders' Equity | |
| Capital stock | |
| Balance at beginning of the term | 8,100,252 |
| Changes during the term | |
| Total changes during the term | - |
| Balance at end of the term | 8,100,252 |
| Capital surplus | |
| Balance at beginning of the term | 7,491,717 |
| Changes during the term | |
| Disposition of treasury shares | (53) |
| Total changes during the term | (53) |
| Balance at end of the term | 7,491,664 |
| Retained earnings | |
| Balance at beginning of the term | 27,493,082 |
| Changes during the term | |
| Cash dividends | (765,053) |
| Changes in scope of consolidation | (6,057) |
| Net income | 2,243,566 |
| Total changes during the term | 1,472,456 |
| Balance at end of the term | 28,965,538 |
| Treasury shares | |
| Balance at beginning of the term | (4,184,950) |
| Changes during the term | |
| Disposition of treasury shares | 90 |
| Acquisition of treasury shares | (27) |
| Total changes during the term | 63 |
| Balance at end of the term | (4,184,887) |
| Total shareholders' equity | |
| Balance at beginning of the term | 38,900,101 |
| Changes during the term | |
| Cash dividends | (765,053) |
| Changes in scope of consolidation | (6,057) |
| Net income | 2,243,566 |
| Disposition of treasury shares | 37 |
| Acquisition of treasury shares | (27) |
| Total changes during the term | 1,472,466 |
| Balance at end of the term | 40,372,567 |

(Unit: Thousand yen)

| | |
|--|-------------|
| Accumulated other comprehensive income | |
| Other unrealized gains on available-for-sale securities | |
| Balance at beginning of the term | 2,356,953 |
| Changes during the term | |
| Net changes in items other than shareholders' equity during the term | (462,367) |
| Total changes during the term | (462,367) |
| Balance at end of the term | 1,894,586 |
| Gains or losses on deferred hedge | |
| Balance at beginning of the term | (35,532) |
| Changes during the term | |
| Net changes in items other than shareholders' equity during the term | 54,972 |
| Total changes during the term | 54,972 |
| Balance at end of the term | 19,440 |
| Foreign currency transaction adjustment | |
| Balance at beginning of the term | (1,229,287) |
| Changes during the term | |
| Net changes of items other than shareholders' equity during the term | 51,990 |
| Total changes during the term | 51,990 |
| Balance at end of the term | (1,177,297) |
| Total accumulated other comprehensive income | |
| Balance at beginning of the term | 1,092,134 |
| Changes during the term | |
| Net changes in items other than shareholders' equity during the term | (355,405) |
| Total changes during the term | (355,405) |
| Balance at end of the term | 736,729 |
| Minority interests | |
| Balance at beginning of the term | 218,080 |
| Changes during the term | |
| Net changes in items other than shareholders' equity during the term | (67,186) |
| Total changes during the term | (67,186) |
| Balance at end of the term | 150,894 |
| Total net assets | |
| Balance at beginning of the term | 40,210,315 |
| Changes during the term | |
| Cash dividends | (765,053) |
| Changes in scope of consolidation | (6,057) |
| Net income | 2,243,566 |
| Disposition of treasury shares | 37 |
| Acquisition of treasury shares | (27) |
| Net changes in items other than shareholders' equity during the term | (422,591) |
| Total changes during the term | 1,049,875 |
| Balance at end of the term | 41,260,190 |

Notes to Consolidated Financial Statements

Basis of Presentation of Consolidated Financial Statements

1. Matters relating to the scope of consolidation

(1) Number and name of consolidated subsidiaries

Number of consolidated subsidiaries: 14

Name of consolidated subsidiaries:

Hakuto A&L Co., Ltd., Fuyo Chemical Industries Co., Ltd., Hakuto Enterprises Ltd., Hakuto Singapore Pte. Ltd., Hakuto Taiwan Ltd., Hakuto (Thailand) Ltd., Hakuto Engineering (Thailand) Ltd., Shunde Morning Sky Electrical Co., Ltd., Hakuto Enterprises (Shanghai) Ltd., Hakuto Trading (Shenzhen) Ltd., MOLDEC CO., LTD., Microtek Inc., Microtek Hongkong Ltd., and Microtek Shanghai Ltd.

Adixen Japan Co., Ltd. was included in consolidation with acquisition of its shares from the fiscal year ended March, 2012. However, transferring all businesses to the Company on February 1, 2012, Adixen Japan was excluded from consolidation as its impact became immaterial.

(2) Name etc. of non-consolidated subsidiaries:

Hakuto California, Inc.

The non-consolidated subsidiary Hakuto California, Inc. is excluded from the scope of consolidation as its impact on total assets, sales, consolidated profits and losses and retained earnings on the Company is largely immaterial.

2. Matters relating to the application of equity method

(1) Number and name of affiliates to which the equity method is applied

Number of equity method affiliates: 2

Name of equity method affiliates:

Sanei Giken Co., Ltd. and ASA Systems Inc.

(2) Non-consolidated subsidiaries to which the equity method is not applied

Name of non-consolidated subsidiary:

Adixen Japan Co., Ltd. and Hakuto California, Inc.

Reasons for not applying the equity method to Adixen Japan Co., Ltd. and Hakuto California, Inc.

Adixen Japan Co., Ltd. and Hakuto California Inc. are excluded from the scope of application of the equity method as their impact on consolidated profits and losses and retained earnings are immaterial.

3. Matters relating to the fiscal year of consolidated subsidiaries

Hakuto Enterprises Ltd., Hakuto Taiwan Ltd., Hakuto (Thailand) Ltd. and Hakuto Engineering (Thailand) Ltd. changed their account settlement dates from the end of December to the end of March, from the consolidated fiscal year under review. Financial statements for 15 months from January 1, 2011 through March 31, 2012 were used for the preparation of consolidated financial statements.

MOLDEC CO., LTD. changed its account settlement date from the end of February to the end of March, from the consolidated fiscal year under review. Financial statements for 13 months from March 1, 2011 through March 31, 2012 were used for the preparation of consolidated financial statements.

Shunde Morning Sky Electrical Co., Ltd., Hakuto Enterprises (Shanghai) Ltd., and Hakuto Trading (Shenzhen) Ltd., of which account settlement dates are the end of

December, tentatively close accounts at the end of March from the consolidated fiscal year under review, in order to ensure appropriate disclosure of consolidated financial statements. Financial statements for 15 months from January 1, 2011 through March 31, 2012 were used for the preparation of consolidated financial statements.

As a result, Net sales, Operating income, Ordinary income, and Income before income taxes and minority interest increased respectively by ¥5,923 million, ¥220 million, ¥237 million, and ¥235 million.

Microtek Hongkong Ltd. and Microtek Shanghai Ltd. close accounts at the end of December as usual, and use financial statements as of the same date. In relation to important transactions made between their account settlement date and the consolidated closing date, they make adjustments as necessary on a consolidated basis.

The ending days of the fiscal year of other consolidated subsidiaries are consistent with the consolidated account settlement date.

4. Accounting policies

(1) Valuation standards and methods for material assets

1) Securities

Other securities

Available-for-sale securities

Securities for which market quotations are available:

Stated at fair market value based on the market prices on the Balance Sheet date.

(Net unrealized gains/losses are directly charged to shareholders' equity and the cost of sales is computed using the moving average method).

Securities for which market quotations are unavailable:

Valued at cost using the moving average method.

2) Derivatives

Stated at fair market value.

3) Inventories

Merchandise, finished products, raw materials and work in progress: Stated at cost using the moving average method (the value stated in the balance sheet is calculated based on the method of reducing the book value in accordance with the decline in profitability).

Supplies: Stated at cost using the first-in, first-out method (the value stated in the balance sheet is calculated based on the method of reducing the book value based in accordance with the decline in profitability).

(2) Depreciation methods for important depreciable assets

1) Tangible fixed assets (except for lease assets)

The declining-balance method is used for tangible fixed assets of the Company and its domestic consolidated subsidiaries. However, the straight-line method is used for buildings (excluding connected fixed installations) acquired on or after April 1, 1998. The standards stipulated in the Corporate Tax Law are used with respect to useful life and residual value. Regarding overseas consolidated subsidiaries, the useful life is determined by individual estimation, and the straight-line method is used for buildings, while the declining-balance method is used for other tangible fixed assets.

2) Intangible assets (except for lease assets)

a) Software for in-house use

Software for in-house use is amortized by using the straight-line method over the estimated useful life of five (5) years.

b) Other intangible assets

Other intangible assets are amortized by using the straight-line method over the useful lives stipulated in the Corporate Tax Law.

- 3) Lease assets
 - (a) Lease assets pertaining to finance lease transactions involving the transfer of ownership
Lease assets pertaining to finance lease transactions involving the transfer of ownership are calculated by the same depreciation method as applied to the Company's noncurrent assets.
 - (b) Lease assets pertaining to finance lease transactions not involving the transfer of ownership
Lease assets pertaining to finance lease transactions not involving the transfer of ownership are calculated by the straight-line method treating the lease period as the useful life and the residual value as zero.

- (3) Allowances and provisions
 - 1) Allowance for doubtful accounts
Allowance for doubtful accounts for non-specific purposes is stated at the amounts based on the historical loss rates, while allowances for specific claims, including Loans to Borrowers with High Possibility of Business Failure, are made at the amounts deemed necessary based on individual assessment on collectability of claims.
 - 2) Allowance for bonuses to employees
Allowance for bonuses to employees of the Company and some of its subsidiaries is recognized on an accrual basis in the reporting period.
 - 3) Allowance for bonuses to directors
Allowance for bonuses to directors of the Company is recognized on an accrual basis as of the end of the term.
 - 4) Allowance for product warranty
Allowance for expenses required for free-of-charge repairs and changes of products for predetermined periods is provided in the amount deemed necessary in accordance with internal regulations based on the historical data.
 - 5) Allowance for employees' severance and retirement benefits
Allowance for severance and retirement benefits to employees of the Company and some of its subsidiaries is recognized based on the estimated balance of retirement benefit obligations and pension assets as of the end of the term. Actuarial differences will be amortized over the period of ten (10) years, which is within the averaged remaining service period of the employees, using the straight-line method, from the following term when the actuarial difference is recognized.
 - 6) Allowance for directors' severance and retirement benefits
Allowance for severance and retirement benefits to directors of the Company and some of its consolidated subsidiaries is set at the estimated amounts required at the end of the term in accordance with internal regulations. As the retirement benefit system was changed in June 2004, no allowance has been made in and after July of that year.

- (4) Significant hedge accounting method
 - 1) Hedge accounting method
The deferred hedge accounting is applied. A specific treatment is used for interest rate swaps that satisfy requirements for the specific treatment of interest rate swaps in hedge accounting. The Company applies designations to forward exchange contracts that fulfill the requirements for the designation method.

- 2) Hedge instruments and hedge items
 - a. Hedge instruments: Forward exchange contracts, etc.
Hedge items: Receivables and payables in foreign currencies and anticipated transactions in foreign currencies
 - b. Hedge instruments: Interest rate swaps
Hedge items: Bank loans (floating interest rate)
 - 3) Hedge policy
In accordance with the Regulations on Market Risk Management and the Foreign Exchange Contract Conclusion Manual of the Company, currency movement risks are hedged for forward exchange contracts, etc. The purpose of interest rate swaps is to reduce the possibility of losses on borrowings as a result of interest rate fluctuations.
 - 4) Valuation method for effectiveness of hedging activities
With respect to forward exchange contracts, important terms for foreign currency transactions in hedge instruments and hedge items can be regarded as the same. Since this can be assumed to establish a complete offset of currency movements at the time of commencement of hedging activities and thereafter continuously, the valuation of effectiveness is omitted.
Pertaining to other transactions, a comparison is made of the sum total of the change in cash flow from hedging instruments or their market price fluctuations, and the sum total of the change in cash flow from hedging items or their market price fluctuations and used as a basis to determine changes in both.
Further, because a special treatment is effectuated to satisfy the requirements for special treatments of interest rate swaps, the effectiveness evaluation is omitted.
 - (5) Other basis of presentation of consolidated financial statements
Accounting for consumption taxes
The tax-exclusion method is used for consumption taxes and local consumption taxes.
5. Method and period of amortization of goodwill
Goodwill is amortized by using the straight line method over a period of five years.
6. Additional Information
(Application of the Accounting Standard for Accounting Changes and Error Corrections, etc.)
For accounting changes and error corrections to be made from the beginning of the consolidated fiscal year ended March 31, 2012 onward, the Company has applied the “Accounting Standard for Accounting Changes and Error Corrections” (ASBJ Statement No. 24 issued on December 4, 2009) and the “Guidance on Accounting Standard for Accounting Changes and Error Corrections” (ASBJ Guidance No. 24 issued on December 4, 2009).

Notes to Consolidated Balance Sheet

1. Pledged assets and secured liabilities

Assets pledged as collateral are as follows:

| | |
|-------------------|----------------------|
| | (Unit: Thousand yen) |
| Cash and deposits | 46,414 |
| Land | 32,283 |
| Total | 78,697 |

Additionally, secured liabilities are stated below:

| | |
|-----------------------|----------------------|
| | (Unit: Thousand yen) |
| Short-term borrowings | 33,012 |
| Long-term borrowings | 78,808 |

2. Accumulated amounts of depreciation for tangible fixed assets: ¥9,548,814 thousand

3. Government grants on acquisition of tangible fixed assets eligible for reduction from acquisition costs:

Buildings ¥6,181 thousand

4. Guarantee obligations:

Guarantee for loans from financial institutions by the Company's employees.

¥1,619 thousand

Notes to Consolidated Statement of Income

1. Asset impairment loss

For the fiscal year under review, the Group recorded the asset impairment loss on the following assets:

| Place | Use | Type |
|--------------------|----------------|--------------------|
| Suginami-ku, Tokyo | Dormant assets | Land and buildings |

The Group grouped assets by division and consolidated subsidiary, and dormant assets by individual asset. For dormant lands and buildings of which their market values have been materially dropped, their book values were impaired to recoverable values. The impaired values were recorded as asset impairment losses of ¥90,822 thousand in extraordinary losses in the consolidated fiscal year under review.

The recoverable value is estimated on the basis of net sales value, and net value available for sale is assessed based on appraisal value.

Notes to Consolidated Statement of Changes in Net Assets

1. Class and number of outstanding shares and treasury shares

| | Number of shares at beginning of the previous term (shares) | Increase during the term (shares) | Decrease during the term (shares) | Number of shares as of end of the term (shares) |
|----------------------|---|-----------------------------------|-----------------------------------|---|
| Outstanding shares | | | | |
| Common shares | 24,137,213 | – | – | 24,137,213 |
| Total | 24,137,213 | – | – | 24,137,213 |
| Treasury shares | | | | |
| Common shares (Note) | 2,278,608 | 35 | 49 | 2,278,594 |
| Total | 2,278,608 | 35 | 49 | 2,278,594 |

Notes: 1. The number of treasury shares in common shares increased by 35 shares with acquisition of 35 fractional shares.

2. The number of treasury shares in common shares decreased by 49 shares with sale of 49 fractional shares.

2. Dividends

(1) Dividend payment

| Resolution | Class of share | Total dividends paid (thousand yen) | Per share dividends (yen) | Record date | Effective date |
|---|----------------|-------------------------------------|---------------------------|--------------------|------------------|
| Board of directors Meeting held on May 13, 2011 | Common shares | 437,173 | 20.00 | March 31, 2011 | June 13, 2011 |
| Board of directors Meeting held on October 31, 2011 | Common shares | 327,880 | 15.00 | September 30, 2011 | December 5, 2011 |

(2) Dividend payment whose record date is during this fiscal year but whose effective date is during the following fiscal year

| Resolution | Class of share | Total dividends paid (thousand yen) | Source of dividend payment | Per share dividends (yen) | Record date | Effective date |
|---|----------------|-------------------------------------|----------------------------|---------------------------|----------------|----------------|
| Board of directors Meeting held on May 11, 2012 | Common shares | 437,173 | Retained earnings | 20.00 | March 31, 2012 | June 11, 2012 |

Notes to Financial Instruments

1. Matters concerning the state of financial instruments

(1) Policy to handle financial instruments

The Group procures operating funds particularly for sale of electronic components and equipment, and production and sale of petrochemical products with bank loans. Temporary surplus funds are managed as safe and secure deposits or loans to our group companies. We use derivatives to hedge risks of interest-rate and exchange-rate fluctuations of borrowings, and do not intend to conduct risky transactions.

(2) Contents and risks of financial instruments, and relevant risk management systems

Notes and accounts receivable - trade, which are operating receivables, are exposed to consumer credit risk. The said risk is controlled by operation department of Credit Administration Div. according to the Company's rule regarding the administration of credit and the Company's rule regarding account receivables, etc.

Investment securities are exposed to risk of market price fluctuations. To deal with this risk, the Financial and Accounting Department. checks market prices on a regular basis and report them to the Board of Managing Directors. Payment due dates of most notes and accounts payable - trade, which are operating debt, are within one year.

While some borrowings are exposed to the risk of interest-rate fluctuations, we use interest-rate swaps as a hedging instrument. As requirements for special accounting treatment of interest-rate swaps are fulfilled, the valuation method of hedge effectiveness is omitted based on these grounds.

Derivative transaction include forward exchange contracts for the purpose of hedging exposure to the risk of exchange-rate fluctuations relating to operating accounts receivable and payable in foreign currency. Because each one of the derivative transaction contracts of the Company and part of the consolidated subsidiaries are concluded with highly trustworthy banks inside Japan, the Company judges there is barely any credit risk related to the non-performance of contract by the other parties.

The risk management system for forward exchange contracts is managed by the Manager of Financial and Accounting Department in accordance with the Regulations on Market Risk Management and the Foreign Exchange Contract Conclusion Manual of the Company, and the balance of the forward exchange contracts is reported at the regular monthly meeting of the Board of Directors as a monthly statement of accounts.

For further details of hedging instruments, hedged items, hedging policy and the valuation method of hedge effectiveness, etc. pertaining to hedge accounting, see "Significant Hedge Accounting Method" in "Accounting policies" shown above.

(3) Supplemental explanation on matters concerning market value of financial instruments, etc.

Fair values of financial instruments include the values based on market prices, and the values deemed as market prices obtained by the reasonable estimate when the financial instruments do not have market prices. Such a value is calculated in consideration of variation factors. Therefore, the value may be changed depending on prerequisites to be adopted. Also, concerning the contracted amounts etc. related to derivative transaction in "2. Matters concerning market value of financial instruments, etc." the amounts themselves should not be considered indicative of the market risk associated with the derivative transaction.

(4) Concentration of credit risks

There is no special case of concentration of credit risks as of the end of consolidated fiscal year under review.

2. Matters concerning market value of financial instruments, etc.

Amounts recorded in the consolidated balance sheet, market value, and differences between them as of March 31, 2012 are as stated below. Financial instruments of which market value cannot be easily known are not included in the following table. (See Note 2.)

| | Amount recorded in consolidated balance sheet (thousand yen) | Market value (thousand yen) | Difference (thousand yen) |
|--|--|-----------------------------|---------------------------|
| (1) Cash and deposits | 13,382,742 | 13,382,742 | — |
| (2) Notes and accounts receivable -trade | 29,065,761 | 29,065,761 | — |
| (3) Marketable securities | 127,395 | 127,395 | — |
| (4) Investment securities | 4,484,611 | 4,484,611 | — |
| Total assets | 47,060,509 | 47,060,509 | — |
| (5) Notes and accounts payable-trade | 14,080,183 | 14,080,183 | — |
| (6) Short-term borrowings | 4,274,442 | 4,274,442 | — |
| (7) Long-term borrowings (*1) | 6,334,643 | 6,310,342 | (24,301) |
| Total liabilities | 24,689,268 | 24,664,967 | (24,301) |
| Derivatives transaction (*2) | 27,990 | 27,990 | — |

(*1) Long-term borrowings included in current liabilities with due date within one year is included.

(*2) The net claims or liabilities arising from derivative transaction are presented by a net amount and items which become net debt in total are expressed in parentheses.

Note 1: Calculation methods for market value of financial instruments and matters concerning securities

(1) Cash and deposits (2) Notes and accounts receivable-trade

Since these are settled in short term, their market values are close to book values. Accordingly, they are stated at book value.

(3) Marketable securities (4) Investment securities

Since marketable securities are settled in short term, their market values are close to book values. Accordingly, they are stated at book value. With respect to market value of investment securities, shares are stated at price on securities market, and bonds are stated at price on bond market or price offered by correspondent financial institutes.

(5) Notes and accounts payable-trade (6) Short-term borrowings

Since these are settled in short term, their market values are close to book values. Accordingly, they are stated at book value.

(7) Long-term borrowings

Market value of long-term borrowings is stated at current price calculated by discounting total amount of principal and interest at an interest rate expected in case of new similar borrowings.

Note 2: Financial instruments of which market value cannot be easily known

| Classification | Amount recorded in consolidated balance sheet (thousand yen) |
|---|---|
| Shares of subsidiaries and affiliated companies | 886,663 |
| Unlisted shares | 101,680 |

As for financial instruments shown above, there is no market value and future cash flow is not contracted. Accordingly, since it is very difficult to calculate their market values, they are not included in (4) Investment securities.

Note 3: Amounts to be redeemed with respect to receivables and securities with maturity date after the consolidated settlement date

| | Within one year (thousand yen) | Over one year up to five years (thousand yen) | Over five years up to ten years (thousand yen) | Over ten years (thousand yen) |
|--|-----------------------------------|---|--|----------------------------------|
| Cash and deposits | 13,382,742 | – | – | – |
| Notes and accounts receivable-trade | 29,065,761 | – | – | – |
| Marketable securities | 127,395 | – | – | – |
| Investment securities | – | – | 20,000 | – |
| Total | 42,575,898 | – | 20,000 | – |

Note 4: Amounts to be repaid with respect to corporate bonds and long-term borrowings after the consolidated settlement date

| | Within one year (thousand yen) | Over one year up to two years (thousand yen) | Over two years up to three years (thousand yen) | Over three years up to four years (thousand yen) | Over four years up to five years (thousand yen) | Over five years (thousand yen) |
|-------------------------|---|--|---|--|---|---|
| Long-term borrowings | 2,437,943 | 1,683,094 | 1,230,878 | 862,348 | 120,380 | – |

Per share information

Net assets per share: ¥1,880.69

Net income per share: ¥102.64

Other notes

All figures are rounded to the nearest thousand in the Consolidated Balance Sheet, the Consolidated Statement of Income, the Consolidated Statement of Changes in Net Assets and the Notes to Consolidated Financial Statements.

Non-Consolidated Balance Sheet

As of March 31, 2012

(Unit: Thousand yen)

| | |
|---|-------------------|
| Assets | |
| Current assets | 45,253,060 |
| Cash and deposits | 8,069,813 |
| Notes receivable - trade | 1,980,770 |
| Accounts receivable - trade | 22,340,302 |
| Marketable securities | 127,395 |
| Merchandise and finished goods | 10,575,921 |
| Work in progress | 29,142 |
| Raw materials and supplies | 246,121 |
| Advance payment | 610,393 |
| Prepaid expenses | 146,079 |
| Deferred tax assets | 652,800 |
| Accounts receivable-other | 433,046 |
| Deposits paid | 1,414 |
| Other current assets | 42,364 |
| Less: Allowance for doubtful accounts | (2,500) |
| Noncurrent assets | 15,008,360 |
| Tangible fixed assets: | 4,569,761 |
| Buildings | 1,159,695 |
| Structures | 50,251 |
| Machinery and production equipment | 37,406 |
| Vehicles | 1,103 |
| Tools, furniture and fixtures | 370,379 |
| Land | 2,821,960 |
| Lease assets | 128,967 |
| Intangible assets: | 621,619 |
| Goodwill | 22,698 |
| Leasehold rights | 20,193 |
| Software | 35,049 |
| Software in progress | 520,617 |
| Lease assets | 2,439 |
| Other intangible assets | 20,623 |
| Investments and other assets: | 9,816,980 |
| Investment securities | 4,489,667 |
| Investment securities in affiliates | 2,907,233 |
| Long-term loans to affiliates | 2,800,791 |
| Claims on obligors under rehabilitation procedure | 12,749 |
| Prepaid pension cost | 167,401 |
| Other investments | 209,870 |
| Less: Allowance for doubtful accounts | (770,731) |
| Total assets | 60,261,420 |

Non-Consolidated Balance Sheet

As of March 31, 2012

(Unit: Thousand yen)

| | |
|--|--------------------|
| Liabilities | |
| Current liabilities | 20,057,073 |
| Notes payable - trade | 2,497,138 |
| Accounts payable - trade | 8,886,241 |
| Short-term borrowings | 3,000,000 |
| Long-term borrowings due within one year | 2,244,667 |
| Lease obligations | 40,043 |
| Accounts payable - other | 242,099 |
| Accrued expenses | 745,204 |
| Accrued income taxes | 732,228 |
| Advances received | 968,508 |
| Deposits received | 12,440 |
| Allowance for bonuses to employees | 598,000 |
| Allowance for bonuses to directors | 15,000 |
| Allowance for product warranty | 38,000 |
| Other current liabilities | 37,505 |
| Long-term liabilities | 4,508,691 |
| Long-term borrowings | 3,554,400 |
| Lease obligations | 94,231 |
| Deferred tax assets | 818,600 |
| Allowance for Directors' severance and retirement benefits | 13,300 |
| Long-term guarantee deposited | 28,160 |
| Total liabilities | 24,565,764 |
| Net Assets | |
| Shareholders' Equity | 33,773,730 |
| Capital stock | 8,100,252 |
| Capital surplus | 7,491,676 |
| Appropriation for statutory reserve | 2,532,385 |
| Other capital surplus | 4,959,291 |
| Retained earnings | 22,366,616 |
| Other retained earnings | 22,366,616 |
| Reserve for reduction entry of tangible fixed assets | 201 |
| General reserve | 16,000,000 |
| Balance to be carried forward | 6,366,415 |
| Less: Treasury shares | (4,184,814) |
| Valuation and exchange differences | 1,921,926 |
| Other unrealized gains on available-for-sale securities | 1,902,486 |
| Gains or losses on deferred hedge | 19,440 |
| Total net assets | 35,695,656 |
| Total liabilities and net assets | 60,261,420 |

Non-Consolidated Statement of Income

April 1, 2011 to March 31, 2012

(Unit: Thousand yen)

| | | |
|--|---------|-------------------|
| Sales | | 83,241,478 |
| Cost of sales | | 71,202,431 |
| Gross profit | | 12,039,047 |
| Selling, general and administrative expenses | | 9,551,713 |
| Operating income | | 2,487,334 |
| Non-operating revenue | | |
| Interest and dividend income | 341,756 | |
| Other miscellaneous revenues | 95,705 | 437,461 |
| Non-operating expenses | | |
| Interest expense | 106,178 | |
| Interest on corporate bonds | 9,941 | |
| Foreign exchange losses | 60,655 | |
| Claim management expenses | 27,634 | |
| Other miscellaneous expenses | 63,034 | 267,442 |
| Ordinary profit | | 2,657,353 |
| Extraordinary income | | |
| Gain on sales of tangible fixed assets | 2,798 | |
| Gain on sales of investment securities | 114,045 | 116,843 |
| Extraordinary losses | | |
| Loss on disposal of tangible fixed assets | 10,901 | |
| Loss on sales of tangible fixed assets | 4,571 | |
| Loss on sales of investment securities | 25,394 | |
| Loss on valuation of investment securities | 29,114 | |
| Loss on sale of membership | 14,380 | |
| Loss on valuation of membership | 18,394 | |
| Provision of allowance for doubtful accounts for subsidiaries and affiliates | 2,200 | |
| Legal Settlement | 90,397 | 195,351 |
| | | |
| Income before income taxes and minority interest | | 2,578,845 |
| Income taxes - current | 900,587 | |
| Income taxes - deferred | 340,200 | 1,240,787 |
| Net income | | 1,338,058 |

Non-Consolidated Statement of Changes in Net Assets

April 1, 2011 to March 31, 2012

(Unit: Thousand yen)

| | |
|--|------------|
| Shareholders' Equity | |
| Capital stock | |
| Balance at beginning of the term | 8,100,252 |
| Changes during the term | |
| Total changes during the term | - |
| Balance at end of the term | 8,100,252 |
| Capital surplus | |
| Appropriation for statutory reserve | |
| Balance at beginning of the term | 2,532,385 |
| Changes during the term | |
| Total changes during the term | - |
| Balance at end of the term | 2,532,385 |
| Other capital surplus | |
| Balance at beginning of the term | 4,959,344 |
| Changes during the term | |
| Disposition of treasury shares | (53) |
| Total changes during the term | (53) |
| Balance at end of the term | 4,959,291 |
| Total capital surplus | |
| Balance at beginning of the term | 7,491,729 |
| Changes during the term | |
| Disposition of treasury shares | (53) |
| Total changes during the term | (53) |
| Balance at end of the term | 7,491,676 |
| Retained earnings | |
| Other retained earnings | |
| Reserve for reduction entry of tangible fixed assets | |
| Balance at beginning of the term | 235 |
| Changes during the term | |
| Reversal of reserve for reduction entry of tangible fixed assets | (34) |
| Total changes during the term | (34) |
| Balance at end of the term | 201 |
| General reserve | |
| Balance at beginning of the term | 16,000,000 |
| Changes during the term | |
| Total changes during the term | - |
| Balance at end of the term | 16,000,000 |
| Balance to be carried forward | |
| Balance at beginning of the term | 5,793,376 |

(Unit: Thousand yen)

| | |
|--|-------------|
| Changes during the term | |
| Reversal of reserve for reduction entry of tangible fixed assets | 34 |
| Cash dividends | (765,053) |
| Net income | 1,338,058 |
| Total changes during the term | 573,039 |
| Balance at end of the term | 6,366,415 |
| Total retained earnings | |
| Balance at beginning of the term | 21,793,611 |
| Changes during the term | |
| Cash dividends | (765,053) |
| Net income | 1,338,058 |
| Total changes during the term | 573,005 |
| Balance at end of the term | 22,366,616 |
| Treasury shares | |
| Balance at beginning of the term | (4,184,877) |
| Changes during the term | |
| Disposition of treasury shares | 90 |
| Acquisition of treasury shares | (27) |
| Total changes during the term | 63 |
| Balance at end of the term | (4,184,814) |
| Total shareholders' equity | |
| Balance at beginning of the term | 33,200,715 |
| Changes during the term | |
| Cash dividends | (765,053) |
| Net income | 1,338,058 |
| Disposition of treasury shares | 37 |
| Acquisition of treasury shares | (27) |
| Total changes during the term | 573,015 |
| Balance at end of the term | 33,773,730 |
| Valuation and exchange differences | |
| Other unrealized gains on available-for-sale securities | |
| Balance at beginning of the term | 2,383,471 |
| Changes during the term | |
| Net changes in items other than shareholders' equity during the term | (480,985) |
| Total changes during the term | (480,985) |
| Balance at end of the term | 1,902,486 |
| Gains or losses on deferred hedge | |
| Balance at beginning of the term | 15,510 |
| Changes during the term | |
| Net changes in items other than shareholders' equity during the term | 3,930 |
| Total changes during the term | 3,930 |
| Balance at end of the term | 19,440 |

(Unit: Thousand yen)

| | |
|--|------------|
| Total valuation and exchange differences | |
| Balance at beginning of the term | 2,398,981 |
| Changes during the term | |
| Net changes in items other than shareholders' equity during the term | (477,055) |
| Total changes during the term | (477,055) |
| Balance at end of the term | 1,921,926 |
| Total net assets | |
| Balance at beginning of the term | 35,599,696 |
| Changes during the term | |
| Cash dividends | (765,053) |
| Net income | 1,338,058 |
| Disposition of treasury shares | 37 |
| Acquisition of treasury shares | (27) |
| Net changes in items other than shareholders' equity during the term | (477,055) |
| Total changes during the term | 95,960 |
| Balance at end of the term | 35,695,656 |

Notes to Non-Consolidated Financial Statements

Significant Accounting Policies

1. Valuation standards and methods of assets
 - (1) Valuation standards and methods of securities
 - 1) Stocks of subsidiaries and affiliates
The cost method using the moving-average method is used.
 - 2) Other securities
Available-for-sale securities
Securities for which market quotations are available:
Stated at fair market value based on the market prices on the Balance Sheet date. (Net unrealized gains/losses are directly charged to shareholders' equity and the cost of sales is computed using the moving average method.)
Securities for which market quotations are unavailable:
Valued at cost using the moving average method.
 - (2) Valuation standards and methods of derivatives, etc.
Derivatives: Stated at fair market value.
 - (3) Valuation standards and methods of inventories
Merchandise, finished products, raw materials and work in progress:
Stated at cost using the moving average method (the value stated in the balance sheet is calculated based on the method of reducing the book value in accordance with the decline in profitability).
Supplies: Stated at cost using the first-in, first-out method (the value stated in the balance sheet is calculated based on the method of reducing the book value in accordance with the decline in profitability).
2. Depreciation and amortization for noncurrent assets
 - (1) Tangible fixed assets (except for lease assets)
Tangible fixed assets are depreciated by using the declining balance method. However, buildings (excluding connected fixed installations) acquired on or after April 1, 1998, are depreciated by using the straight-line method. The standards stipulated in the Corporate Tax Law are used with respect to useful life and residual value.
 - (2) Intangible assets (except for lease assets)
 - 1) Software for in-house use
Software for in-house use is amortized by using the straight-line method over the estimated useful life of five (5) years.
 - 2) Goodwill
Goodwill is amortized by using the straight-line method over five (5) years.
 - (3) Lease assets
Lease assets pertaining to finance lease transactions not involving the transfer of ownership
Lease assets pertaining to finance lease transactions not involving the

transfer of ownership are calculated by the straight-line method treating the lease period as the useful life and the residual value as zero.

3. Allowances and provisions

(1) Allowance for doubtful accounts

In order to provide for losses due to unrecoverable claims such as accounts receivable-trade, allowance for doubtful accounts for non-specific purposes is stated at amounts based on the historical loss rates, while allowances for specific claims, including Loans to Borrowers with High Possibility of Business Failure, are made at the amounts deemed necessary based on individual assessment on collectability of claims.

(2) Allowance for bonuses to employees

Allowance for bonus to employees of the Company is recognized on an accrual basis in the reporting period.

(3) Allowance for bonuses to directors

Allowance for bonuses to directors of the Company is recognized on an accrual basis as of the end of the term.

(4) Allowance for product warranty

Allowance for expenses required for free-of-charge repairs and changes of products for predetermined periods is provided in the amount deemed necessary in accordance with internal regulations based on the historical data.

(5) Allowance for employees' severance and retirement benefits

Allowance for employees' severance and retirement benefits is recognized based on the estimated balance of retirement benefit obligations and pension assets as of the end of the term. Actuarial differences will be amortized over the period of ten (10) years, which is within the averaged remaining service period of the employees, using the straight-line method, from the following fiscal year when the actuarial difference is recognized.

(6) Allowance for directors' severance and retirement benefits

Allowance for directors' severance and retirement benefits is recorded at the amount deemed necessary at the end of the term in accordance with internal regulations. As the retirement benefit system was changed in June 2004, no allowance has been made in and after July of that year.

4. Hedge Accounting Method

(1) Hedge accounting method

The deferred hedge accounting is applied. However, the Company applies designations to forward exchange contracts that fulfill the requirements for the designation method. In addition, a specific treatment is used for interest rate swaps that satisfy requirements for the specific treatment of interest rate swaps in hedge accounting.

(2) Hedge instruments and hedge items

1) Hedge instruments: Forward exchange contracts, etc.

Hedge items: Receivables and payables in foreign currencies and anticipated transactions in foreign currencies

2) Hedge instruments: Interest swaps

Hedge items: Bank loans (rate floating interest)

(3) Hedge policy

In accordance with the Regulations on Market Risk Management and the Foreign Exchange Contract Conclusion Manual of the Company, currency fluctuations risks are hedged for forward exchange contracts, etc. We execute interest rate swaps transactions for the purpose of reducing potential losses on debts due to interest rate fluctuations.

(4) Valuation method for effectiveness of hedging activities

Important terms for foreign currency transactions in hedge instruments and hedge items can be regarded as the same. Since this can be assumed to establish a complete offset of currency fluctuations at the time of commencement of hedging activities and thereafter continuously, the valuation of effectiveness is omitted.

Further, because a special treatment is effectuated to satisfy the requirements for special treatments of interest rate swaps, the effectiveness evaluation is omitted.

5. Other basis of presentation of non-consolidated financial statements

Accounting for consumption taxes

The tax-exclusion method is used for consumption taxes and local consumption taxes.

6. Additional Information

(Application of the Accounting Standard for Accounting Changes and Error Corrections, etc.)

For accounting changes and error corrections to be made from the beginning of the consolidated fiscal year ended March 31, 2012 onward, the Company has applied the “Accounting Standard for Accounting Changes and Error Corrections” (ASBJ Statement No. 24 issued on December 4, 2009) and the “Guidance on Accounting Standard for Accounting Changes and Error Corrections” (ASBJ Guidance No. 24 issued on December 4, 2009).

Notes to Non-Consolidated Balance Sheet

| | | |
|---|------------|----------|
| 1. Accumulated amounts of depreciation for tangible fixed assets: | ¥6,861,308 | thousand |
| 2. Government grants on acquisition of tangible fixed assets eligible for reduction from acquisition costs: | | |
| Buildings | ¥6,181 | thousand |
| 3. Guarantee obligations: | | |
| Guarantee for loans from financial institutions by the Company's employees. | ¥1,619 | thousand |
| Guarantee for obligations to suppliers in relation to affiliated companies | ¥22,240 | thousand |
| 4. Monetary claims on and obligations to affiliates | | |
| Short-term monetary claims: | ¥3,365,602 | thousand |
| Long-term monetary claims: | ¥2,800,791 | thousand |
| Short-term monetary obligations: | ¥1,008,535 | thousand |

Notes to Non-Consolidated Statement of Income

| | | |
|-------------------------------|-------------|----------|
| Transactions with affiliates | | |
| Sales to affiliates: | ¥11,400,537 | thousand |
| Purchases from affiliates: | ¥3,290,181 | thousand |
| Other operating transactions: | ¥849,195 | thousand |
| Non-operating transactions: | ¥189,540 | thousand |

Notes to Non-Consolidated Statement of Changes in Net Assets

Class and number of treasury shares as of the fiscal year-end

Common shares: 2,278,552 shares

Tax effect accounting

1. Major items for deferred tax assets

| | (Unit: Thousand yen) |
|--|----------------------|
| Allowance for Directors' severance and retirement benefits | 4,740 |
| Allowance for bonuses to employees | 233,001 |
| Allowance for doubtful accounts | 274,567 |
| Loss on valuation of inventories | 320,047 |
| Loss on valuation of affiliate shares | 657,135 |
| Loss on valuation of investment securities | 298,343 |
| Depreciation | 63,538 |
| Gain on valuation of merger assets | 113,404 |
| Asset impairment loss | 126,334 |
| Others | 216,360 |
| Subtotal deferred tax assets | <u>2,307,469</u> |
| Valuation allowance | <u>(1,427,783)</u> |
| Total deferred tax assets | <u>879,686</u> |

2. Major items for deferred tax liabilities

| | (Unit: Thousand yen) |
|--|----------------------|
| Loss on valuation of investment securities | (973,800) |
| Gains or losses on deferred hedge | (11,900) |
| Prepaid pension cost | (59,662) |
| Others | (124) |
| Total deferred tax liabilities | <u>(1,045,486)</u> |
| Net deferred tax liabilities | <u>(165,800)</u> |

Notes to Transactions with related parties

1. Parent company and major corporate shareholders

(Unit: Thousand yen)

| Position | Name | Address | Capital or investments | Business or position | Voting right ownership | Relationship with related parties | Transaction | Amount traded | Item | Balance at end of term |
|-------------------|---|--------------------|------------------------|--|------------------------|-----------------------------------|---------------------------|---------------|-------------------------------------|------------------------|
| Major Shareholder | Takayama International Education Foundation | Shinjuku-ku, Tokyo | - | Supportive activities for foreign students /pre-college students | Direct 17.51% held | - | Bond issuance (Note 1) | 500,000 | Corporate bonds due within one year | - |
| | | | | | | | Interest payment (Note 1) | 10,250 | Current liabilities, etc. | - |

(Terms and conditions of transactions and their decision policies, etc.)

Note: Interest rates, etc. were traded under the same terms as general transactions.

2. Subsidiaries and affiliates

(Unit: Thousand yen)

| Position | Name | Address | Capital or investments | Business or position | Voting right ownership | Relationship with related parties | Transaction | Amount traded | Item | Balance at end of term |
|------------|------------------------------------|---------------------------------|------------------------|---|------------------------|---|--|---------------|--|------------------------|
| Subsidiary | Microtek Inc., | Shinjuku-ku, Tokyo | 300,180 | Sale of electronic components | Direct 100% holding | Purchase and sale of electronic components Concurrent officers | Loan collection (Note 1) | 759,475 | Long-term loans to affiliates (Note 3) | 2,800,791 |
| | | | | | | | Interests receipt (Note 2) | 24,101 | Current assets, etc. | 611 |
| Subsidiary | Hakuto Enterprises (Shanghai) Ltd. | Shanghai, China | 728,374 | Sale of electronic equipment and components | Direct 100% holding | Purchase and sale of electronic equipment and components Concurrent officers | Sale of electronic equipment and components (Note 4) | 4,548,681 | Account receivable - trade | 1,214,590 |
| Subsidiary | Hakuto Enterprises Ltd. | Tsimshatsui, Kowloon, Hong Kong | 433,723 | Sale of electronic equipment and components | Direct 100% holding | Purchase and sale of electronic components Concurrent officers | Dividend received (Note 5) | 121,919 | - | - |
| | | | | | | | Sale of electronic equipment and components (Note 4) | 3,506,938 | Account receivable - trade | 1,051,193 |
| Subsidiary | Hakuto Singapore Pte. Ltd. | Singapore | 350,430 | Sale of electronic and electric equipments | Direct 100% holding | Purchase and sale of electronic equipment and components | Sale of electronic equipment and components (Note 4) | 2,563,147 | Account receivable - trade | 892,322 |

(Terms and conditions of transactions and their decision policies, etc.)

Notes:

- The Company and some subsidiaries introduced the Cash Management System, and the transaction value is aggregated on the net value basis.
- Interest rates, etc. were traded under the same terms as general transactions.
- We recorded an allowance for doubtful accounts of ¥748,032 thousand for long-term loans to affiliates for Microtek Inc. We also recorded a provision of allowance for doubtful accounts of ¥2,200 thousand for the fiscal year under review.
- Terms and conditions for purchase and sale of goods are decided in common with those of the general transactions.
- Dividends received are reasonably determined in accordance with a specific standard based on the distributable amount of surplus.

Per share information

| | |
|-----------------------|-----------|
| Net assets per share: | ¥1,633.02 |
| Net income per share: | ¥61.21 |

Other notes

All figures are rounded to the nearest thousand in Non-Consolidated Balance Sheet, the Non-Consolidated Statement of Income, the Non-Consolidated Statement of Changes in Net Assets and the Notes to Non-Consolidated Financial Statements.

Reference Materials for the General Meeting of Shareholders

Agenda items and reference materials

Item 1: Partial Amendments to the Articles of Incorporation

1. Reasons for proposal

The Company proposes to make an addition to the business purposes provided for in the existing Article 2, in preparation for future business development.

2. Details of amendments

The amendments to the Articles of Incorporation are as follows:

(Underlining denotes change)

| Current Articles | Proposed Amendments |
|--|--|
| (Purpose) | (Purpose) |
| Article 2. The purpose of the Company shall be to engage in the following business: | Article 2. The purpose of the Company shall be to engage in the following business: |
| (1) to (12) | (1) to (12) |
| (Omitted) | (Same as the current article) |
| (New) | <u>(13) Power generation business using natural energy, etc. and operations related to supply and sale of electric power, etc.</u> |
| <u>(13)</u> All businesses incidental and related to each of the above-mentioned items | <u>(14)</u> All businesses incidental and related to each of the above-mentioned items |

Item 2: Appointment of Ten (10) Directors

The term of office of all eleven (11) Directors will expire at the conclusion of this General Meeting of Shareholders. Approval of the appointment of ten (10) Directors is, therefore, requested.

Career histories of the candidates for Directors are as follows:

| Candidate Number | Name (Date of Birth) | Brief History, Position, Responsibility, and Status of material holding of concurrent positions | Number of Shares of the Company Owned by the Candidate |
|------------------|-----------------------------------|--|--|
| 1 | Ryusaburo Sugimoto (Jun. 3, 1954) | Apr. 1978 Joined the Company Jun. 2004 Director & Vice President, Division Manager of Semiconductor Devices Div. Aug. 2006 Director & Senior Vice President, Division Manager of Semiconductor Devices 1st Div. and in charge of Semiconductor Devices 2nd Div. Jun. 2007 Director & Executive Vice President, in charge of Electronics Business and Semiconductor Devices Div. Apr. 2008 President (Representative Director) (present) | 16,440 |

| Candidate Number | Name (Date of Birth) | Brief History, Position, Responsibility, and Status of material holding of concurrent positions | Number of Shares of the Company Owned by the Candidate |
|------------------|--------------------------------|---|--|
| 2 | Yoshinae Takada (May 27, 1957) | <p>Apr. 1983 Joined the Company</p> <p>Jun. 2004 Director & Vice President, Manager of Corporate Planning Dept. and Financial & Accounting Dept., and in charge of E.D.P. Dept.</p> <p>Jul. 2006 Director & Vice President, Manager of Corporate Planning Dept. and Financial & Accounting Dept. and in charge of E.D.P. Dept. and Overseas Subsidiaries Management Div.</p> <p>Apr. 2007 Director & Vice President, Manager of Corporate Planning Dept. and Financial & Accounting Dept. and in charge of E.D.P. Dept. and J-SOX Project Team Leader</p> <p>Jun. 2007 Director & Vice President, Manager of Financial & Accounting Dept. and in charge of E.D.P. Dept. and J-SOX Project Team Leader</p> <p>Apr. 2008 Director & Vice President, Division Manager of Corporate Management Div. and Manager of Corporate Planning Dept. and Financial & Accounting Dept.</p> <p>Jun. 2008 Director & Senior Vice President, Division Manager of Corporate Management Div. and Manager of Corporate Planning Dept. and Financial & Accounting Dept.</p> <p>Apr. 2009 Director & Senior Vice President, Division Manager of Corporate Management Div. and Manager of Financial & Accounting Dept.</p> <p>Apr. 2010 Director & Senior Vice President, Division Manager of Corporate Management Div.</p> <p>Apr. 2011 Director & Senior Vice President, in charge of Corporate Management Div.</p> <p>Jun. 2011 Director & Executive Vice President, Supervisor over Corporate Administration Div. and Corporate Management Div. and in charge of Risk Management and Corporate Compliance (present)</p> | 4,900 |

| Candidate Number | Name (Date of Birth) | Brief History, Position, Responsibility, and Status of material holding of concurrent positions | Number of Shares of the Company Owned by the Candidate |
|------------------|----------------------------------|--|--|
| 3 | Noriaki Tomioka (Apr. 18, 1949) | <p>Mar. 1973 Joined the Company</p> <p>Jun. 2007 Director & Vice President, in charge of Overseas Business of the Company</p> <p>Apr. 2008 Director & Vice President, in charge of Electronic Equipment Business and Division Manager of Electronic Equipment 1st & 2nd Div.</p> <p>Jun. 2008 Director & Senior Vice President, in charge of Electronic Equipment Business and Division Manager of Electronic Equipment 1st & 2nd Div.</p> <p>Apr. 2010 Director & Senior Vice President, Division Manager of Electronic Equipment Div. (present)</p> | 3,100 |
| 4 | Hitoshi Takigami (Oct. 27, 1956) | <p>Apr. 1985 Joined the Company</p> <p>Apr. 2003 General Manager of Sales Dept., Chemical Business Div.</p> <p>Dec. 2003 Deputy Division Manager of Chemical Business Div.</p> <p>Apr. 2006 Division Manager of Chemical Business Div.</p> <p>Jun. 2007 Director & Vice President, Division Manager of Chemical Business Div. (present)</p> | 2,900 |

| Candidate Number | Name (Date of Birth) | Brief History, Position, Responsibility, and Status of material holding of concurrent positions | Number of Shares of the Company Owned by the Candidate |
|------------------|--------------------------|---|--|
| 5 | Ryoji Abe (Nov. 9, 1957) | <p>Mar. 1983 Joined the Company</p> <p>Aug. 2002 Manager of AP Sales Promotion Dept., Electronic Devices 1st Div.</p> <p>Feb. 2006 Manager of AP Sales Dept., Semiconductor Devices Div.</p> <p>Apr. 2006 Manager of 1st Sales Dept., Semiconductor Devices 2nd Div.</p> <p>Apr. 2007 Deputy Division Manager of Semiconductor Devices 2nd Div.</p> <p>Oct. 2007 Division Manager of Semiconductor Devices 2nd Div.</p> <p>Apr. 2008 Division Manager of Semiconductor Devices 2nd Div. and Electronic Components Div.</p> <p>Jun. 2008 Director & Vice President, Division Manager of Semiconductor Devices 2nd Div. and Electronic Components Div.</p> <p>Apr. 2010 Director & Vice President, in charge of Semiconductor Devices 2nd Div. and Division Manager of Electronic Components Div.</p> <p>Mar. 2011 Director & Vice President, Division Manager of Semiconductor Devices 2nd Div. and Electronic Components Div. (present)</p> | 2,600 |

| Candidate Number | Name (Date of Birth) | Brief History, Position, Responsibility, and Status of material holding of concurrent positions | Number of Shares of the Company Owned by the Candidate |
|------------------|----------------------------------|--|--|
| 6 | Jun Takagi (Jul. 8, 1959) | <p>Apr. 1984 Joined the Company</p> <p>Apr. 2003 Manager of 2nd Devices Sales Dept., Electronic Components 1st Div.</p> <p>Jun. 2004 Deputy Division Manager of Semiconductor Devices Div.</p> <p>Apr. 2006 Deputy Division Manager of Semiconductor Devices 1st Div.</p> <p>Apr. 2007 Division Manager of Semiconductor Devices 1st Div.</p> <p>Jun. 2008 Director & Vice President, Division Manager of Semiconductor Devices 1st Div. (present)</p> | 3,300 |
| 7 | Nobuhito Shintoku (Dec. 6, 1960) | <p>Apr. 1985 Joined the Company</p> <p>May 2005 Manager of Human Resources Dept., Corporate Administration Div.</p> <p>Apr. 2008 Manager of General Affairs Dept., Corporate Administration Div. and Chief of Isehara Technical Center</p> <p>Apr. 2009 Deputy Division Manager of Corporate Administration Div. and Manager of General Affairs Dept. and Chief of Isehara Technical Center</p> <p>Apr. 2010 Division Manager of Corporate Administration Div. and Manager of General Affairs Dept. and Chief of Isehara Technical Center</p> <p>Jun. 2011 Director & Vice President, Division Manager of Corporate Administration Div. and Manager of General Affairs Dept. and Chief of Isehara Technical Center and in charge of Branch Office (related to Administration) (present)</p> <p>President of Hakuto A&L Co., Ltd. (present)</p> | 3,300 |

| Candidate Number | Name (Date of Birth) | Brief History, Position, Responsibility, and Status of material holding of concurrent positions | Number of Shares of the Company Owned by the Candidate |
|------------------|-------------------------------------|---|--|
| 8 | Ichiro Takayama (Jan. 3, 1958) | Jun. 1986 Qualified Medical Doctor (US) May 1990 Qualified Medical Doctor (Japan) Jun. 1990 Director of the Company Jun. 1996 Resignation of Director Jun. 2000 Director of the Company (present) | 1,058,923 |
| 9 | Katsuyoshi Iwashiro (Mar. 20, 1945) | Oct. 2001 Deputy President of The Asahi Bank, Ltd. (currently Resona Bank, Limited.) Jun. 2002 President of Shoei Insurance Service Co., Ltd. Jun. 2003 External Auditor of Kobayashi Yoko Co., Ltd. Jun. 2005 External Director of the Company (present) | 6,200 |
| *10 | Chikao Fukuda (Jan. 8, 1942) | Sep. 1968 Passed the Bar Examination Mar. 1971 Graduated from Legal Training and Research Institute of the Supreme Court Apr. 1971 Registered as an attorney at law (Daini Tokyo Bar Association) (present) Apr. 1997 Established Fukuda and Kondo Law Firm (present) Jun. 2001 Auditor of the Company (present) < Significant concurrent positions outside the Company > Joint representation, Fukuda and Kondo Law Firm | - |

Notes:

1. "*" in the table indicates a new candidate for Director.
2. In the fiscal year under review, the Company made transactions of painting which was possessed by Mr. Ichiro Takayama, a candidate for Director, with him. There are no relationships of special interests between the Company and each of other candidates.
3. Mr. Katsuyoshi Iwashiro and Mr. Chikao Fukuda are both candidates for appointment to the position of External Director.
4. Mr. Chikao Fukuda, a candidate for Director, is scheduled to retire from his position of Corporate Auditor of the Company at the conclusion of this General Meeting of Shareholders.
5. The Company appointed Mr. Chikao Fukuda, a candidate of Director, as Independent Officer as stipulated by provisions of Tokyo Stock Exchange, and filed the relevant notification with the TSE. If appointed as originally proposed, he will continue to serve as an Independent Officer.
6. Information relating in particular to the candidates for appointment as External Directors is provided below.
 - (1) Reasons for appointing External Directors
 - 1) Mr. Katsuyoshi Iwashiro has served as the Deputy President of The Asahi Bank, Ltd. (currently Resona Bank, Limited.) and in other capacities that have allowed

him to accumulate rich experience in company management. It is judged, therefore, that seeking his opinions and advice on critical management issues would help promote proper decision making, and his appointment as an External Director is requested.

2) Although Mr. Chikao Fukuda has not been directly engaged in company management, he is familiar with corporate law in his capacity as an attorney and has extraordinary insight to govern corporate management, and has sufficiently performed duties of External Auditor of the Company for 11 years from an objective and even-handed standpoint. Therefore, his appointment as an External Director is requested.

(2) Years served as External Director or Auditor since appointment

1) Mr. Katsuyoshi Iwashiro will have served as an External Director for seven years as of the end of this General Meeting of Shareholders.

2) Mr. Chikao Fukuda will have served as an External Auditor for 11 years as of the end of this General Meeting of Shareholders.

(3) Independence of External Director candidates

1) Neither Mr. Katsuyoshi Iwashiro nor Mr. Chikao Fukuda has served in any managerial capacity (as defined in Article 2, Paragraph 3, Item 6, of the Companies Act Enforcement Regulations, same applies below) at either the Company or any of its designated related companies (as defined in Article 2, Paragraph 3, Item 19 of the Companies Act Enforcement Regulations, same applies below) over the past five years.

2) Neither Mr. Katsuyoshi Iwashiro nor Mr. Chikao Fukuda has received significant sums of money or other assets from either the Company or any of its designated related companies over the past two years and no such receipts are scheduled.

3) Neither Mr. Katsuyoshi Iwashiro nor Mr. Chikao Fukuda has any family relationships of the third degree or closer to any person working in a managerial capacity at either the Company or any of its designated related companies.

(4) Agreements limiting the liability of External Directors

To facilitate the recruitment of outstanding people suited to serve as External Directors and make it possible for these people to fulfill the roles expected of them, the Company has included in the current Articles of Incorporation provisions allowing it to enter into agreements limiting the liability of External Directors for payment of damages to the Company.

Mr. Katsuyoshi Iwashiro is presently serving as External Director and the Company has entered into agreements with Mr. Katsuyoshi Iwashiro limiting his liability for damages to the higher of an amount of ¥3 million or the smallest amount specified under Article 425, Paragraph 1 of the Companies Act. Should the reappointment of Mr. Katsuyoshi Iwashiro be approved, the Company will extend the above agreement with him. Should the appointment of Mr. Chikao Fukuda be approved, the Company will enter into the same agreement as above.

Item 3: Appointment of One (1) Corporate Auditor

The term of office of Mr. Chikao Fukuda, a Corporate Auditor, will expire at the conclusion of this General Meeting of Shareholders. Approval of the appointment of one (1) Corporate Auditor is, therefore, requested.

The Board of Corporate Auditors has approved this proposal.

The career history of the candidate for Corporate Auditor is as follows.

| Name (Date of Birth) | Brief History, Position, Responsibility, and Status of material holding of concurrent positions | Number of Shares of the Company Owned by the Candidate |
|---|---|---|
| Atsushi Inuzuka (Aug. 6, 1951) | Apr. 1974 Joined The Mitsubishi Trust and Banking Corp. | |
| | Mar. 2004 Managing Director | |
| | Oct. 2005 Managing Director, Mitsubishi UFJ Trust and Banking Corporation | |
| | Jun. 2006 President, Mitsubishi UFJ Trust Systems Co., Ltd. President, M&T Information Technology Co., Ltd. | |
| | Feb. 2007 External Auditor, SEIJO CORPORATION | - |
| | Jun. 2008 Chairman, Mitsubishi UFJ Trust Systems Co., Ltd. External Auditor, SATO CORPORATION (currently SATO HOLDINGS CORPORATION) (present) | |
| | Jun. 2010 President, Mitsubishi UFJ Trust Hosyo Co., Ltd. (present) | |
| | Feb. 2011 External Auditor, Nippon Filcon Co., Ltd. (present) | |

Notes:

1. There are no special interests between the Company and the candidate for Corporate Auditor above.
2. The above is a candidate for External Auditor.
3. The Company appointed Mr. Atsushi Inuzuka as Independent Officer as stipulated by provisions of Tokyo Stock Exchange, and filed the relevant notification with the TSE. If appointed as originally proposed, he will serve as an Independent Officer.
4. Mr. Atsushi Inuzuka is scheduled to retire from his position of External Auditor of SATO HOLDINGS CORPORATION on June 22, 2012.
5. Information relating in particular to the candidate for appointment as External Auditor is provided below.
 - (1) Reason for appointing External Auditor

As Mr. Atsushi Inuzuka has abundant experience and knowledge in his capacity as a business manager and external auditor, it is judged he is capable to supervise general management and provide advice on it to the Company. Therefore, his appointment as an External Auditor is requested.
 - (2) Independence of an External Auditor candidate
 - 1) Mr. Atsushi Inuzuka has not served in any managerial capacity (as defined in

Article 2, Paragraph 3, Item 6, of the Companies Act Enforcement Regulations, same applies below) at either the Company or any of its designated related companies (as defined in Article 2, Paragraph 3, Item 19 of the Companies Act Enforcement Regulations, same applies below) over the past five years.

- 2) Mr. Atsushi Inuzuka has not received significant sums of money or other assets from either the Company or any of its designated related companies over the past two years and no such receipts are scheduled.
- 3) Mr. Atsushi Inuzuka does not have any family relationships of the third degree or closer to any person working in a managerial capacity at either the Company or any of its designated related companies.

(3) Agreements limiting the liability of External Auditor

To facilitate the recruitment of outstanding people suited to serve as External Auditors and make it possible for these people to fulfill the roles expected of them, the Company has included in the current Articles of Incorporation provisions allowing it to enter into agreements limiting the liability of External Auditors for payment of damages to the Company.

Should the appointment of Mr. Atsushi Inuzuka be approved, the Company will enter into an agreement with him limiting his liability for damages to the higher of an amount of ¥2 million or the smallest amount specified under Article 425, Paragraph 1 of the Companies Act.

Procedures for Exercising Voting Rights via the Internet, etc.

Shareholders are requested to read the following items before exercising voting rights via the Internet, etc. If you plan to attend the General Meeting of Shareholders in person, it is not necessary to either mail your voting form or to exercise your voting rights via the Internet, etc.

1. Voting Rights Exercise Site

- (1) Exercise of voting rights is possible only by using a personal computer, smartphone or cell phone (i-mode, EZweb, Yahoo! *Keitai*)* to access the site below, which is specified by the Company. Site access, however, shall not be possible between the hours of 2:00 AM and 5:00 AM.

<Voting Rights Exercise Site URL> <http://www.evote.jp/>

* “i-mode,” “EZweb,” and ”Yahoo!” are the respective trademarks or registered trademarks of NTT Docomo , Inc., KDDI Corporation, and Yahoo! Inc. of the U.S.

- (2) Firewalls, anti-virus software, proxy servers, or other aspects of the shareholder’s Internet usage environment may prevent the use of a personal computer or smartphone to exercise of voting rights.
- (3) Please use the i-mode, EZweb, or Yahoo! *Keitai* services when using a cell phone to exercise voting rights. For security-related reasons, cell phones that cannot send encrypted data (SSL transmissions) and cell phone information cannot be used to exercise voting rights.



* It is also possible to access voting rights exercise site by using a cell phone that can read barcodes to read the QR Code to the right. Please refer to your cell phone owner’s manual for detailed instructions on how to read barcodes.

- (4) Voting rights may be exercised until 5:30 PM on June 26, 2012 (Tuesday), but shareholders are requested to do so as early as possible. A help desk has been established to answer questions and help shareholders exercise their voting rights.

2. Exercising voting rights via the Internet

- (1) Enter your “Login ID” and “Temporary Password,” both of which are noted on the voting form, in the appropriate spaces on the Voting Right Exercise Site (<http://www.evote.jp/>). Follow the instructions on your computer screen and indicate whether you are for or against each item.
- (2) To prevent unauthorized access by parties other than shareholders and the alteration of shareholder votes, shareholders voting via the Internet will be asked to change their “Temporary Password” on the Voting Rights Exercise Site.

3. Cost for accessing the Voting Rights Exercise Site

Costs (dial-up connection fees, telephone charges, etc.) for accessing the Voting Rights Exercise Site shall be borne by the shareholder. For shareholders using cell phones, packet transmission fees and other cell phone usage fees will be incurred, and these, too, shall be borne by the shareholder.

4. Treatment of voting rights exercised multiple times

- (1) If you exercise your voting right both by mail and via the Internet, etc., the voting via the Internet, etc. shall prevail regardless of the arrival date of the mailed vote.
- (2) In the case of multiple voting via the Internet, etc., the last voting shall prevail.

5. For More Information

Questions regarding the system for voting via the Internet

Mitsubishi UFJ Trust and Banking Corporation, Corporate Agency
Department (Helpdesk)

Tel: 0120-173-027 (only in Japan, toll free)

Hours: 9:00–21: 00

Other questions

Mitsubishi UFJ Trust and Banking Corporation, Corporate Agency
Department

Tel: 0120-232-711 (only in Japan, toll free)

Hours: 9:00–21: 00 (excluding weekends and national holidays)

6. Voting platform for institutional investors

Institutional investors who have applied in advance to use the e-Voting Platform for institutional investors (also referred to as the “TSE Platform”) run by ICJ, Inc. can cast their votes via this system instead of the Company’s system for voting via the Internet, which is described above.

The English translation is an abridged version of the original invitation notice in Japanese. In the event of discrepancy, the Japanese version shall prevail.