2011

Annual Report

Hakuto Co.,Ltd.

Contents

To Our Shareholders, Employees and Friends

We would like to take this opportunity to express our heartfelt gratitude for your continued support and encouragement.

We feel deep sympathy for all our shareholders who were affected by the Great East Japan Earthquake, and we sincerely hope that the disaster-stricken areas will recover as quickly as possible.

In the following, we present a report of our Company's performance results in its 59th term, which began April 1, 2010, and ended March 31, 2011.

For the term under review, the Japanese economy followed a moderate recovery trend in the first half, driven by the effects of economic measures and external demand. However, after the autumn the economy shifted away from a recovery phase and came to a standstill, showing signs of slowdown due to such factors as a downturn in exports caused by the yen's appreciation, the end of the impact of economic measures, and rising raw material prices resulting from high crude oil prices triggered by political instability in the Middle East. In addition, the Great East Japan Earthquake on March 11 and the subsequent issues involving the nuclear power plant and electric power shortage had an immeasurable impact on corporate earnings and lowered consumer confidence, leading to a sudden economic downturn.

In the field of electronics—the Hakuto Group's mainstay business—although the domestic market showed signs of slowdown in the second half, the overall market, especially for semiconductors, expanded significantly compared to the previous year, supported by brisk demand in Asia. Investments in production equipment devices also increased year on year in Taiwan, South Korea, and other regions.

In the industrial-chemical-related market—in which the Hakuto Group's chemical business operates—the domestic-oil-related industry, and the paper and pulp-related industry, to which our main clients belong, showed a slight downward trend compared to the previous year and companies in those industries tend to shift their production bases overseas.

In the 59th term, the Hakuto Group posted consolidated net sales of ¥110,910 million (up 14.1% year on year), consolidated operating income of ¥4,392 million (up 62.1%) and consolidated net income of ¥2,200 million (up 33.0%).

For the term-end dividend, the Company decided to pay its shareholders ¥20.00 per share (¥15.00 per share for the previous term-end). This, together with an interim dividend of ¥15.00 per share, represented an annual per share dividend of ¥35.00 for the term (¥30.00 for the previous term).

Continuing our efforts to acquire new trade rights and to develop new commercial goods, the Hakuto Group will respond flexibly to market needs and strive to expand our business.

We look forward to your understanding and support for the Hakuto Group and would like to ask our shareholders to continue watching our business operations from a long-term perspective.

Ryusaburo Sugimoto,
President

The Year in Review

Electronics-Related Business

· Electronics and Electrical Equipment

In the term under review, Japan saw a sharp recovery in investment in light-emitting diodes (LEDs), compound semiconductors, analysis and research and development equipment, printed circuit board (PCB)-related equipment, and medical-related accelerating devices, for which investment had been suspended during the previous year. Overseas, investment related to the production of tablet PCs and smartphones increased significantly in Asia, mainly in Taiwan and South Korea. Sales to the booming Chinese market also rose. As a result, orders, sales and gross profit grew substantially from the previous year.

In the next term, in Japan we will develop new products, including lithography-related equipment, in the markets of the environment, energy conservation, analysis and R&D, nuclear medicine, and small-size and high-definition flat panel displays (FPDs), where high growth is expected. Overseas, as large investments related to tablet PCs and smartphones that started from the previous year are expected to continue in the Asian markets, we will invest and focus on new products and human resources in these markets.

· Electronic Devices

In the term under review, in the communication infrastructure market, sales were steady for power line communications (PLCs) and application specific standard products (ASSPs) for optical transmission equipment due to a sharp recovery in North America from the second half. Sales were also steady for ASSPs for cellular phone terminals and programmable logic devices (PLDs) for cellular phone base stations in the domestic communication infrastructure market. In the digital consumer electronics and in-vehicle products markets, sales expanded not only in Japan, where the government's "eco-point" program served as a tailwind, but also in emerging countries, including China. Consequently, sales were brisk for digital consumer electronics, including flat-screen televisions and Blu-ray recorders, and integrated circuits (ICs) for in-vehicle products.

In the next term, in the communication infrastructure market, robust investments are expected to continue in North America, and demand for optical transmission equipment is forecast to remain steady throughout the year. Although in Japan the cellular phone terminal and base station markets are expected to be sluggish in the first half due to the shortage of parts supply caused by the earthquake, investments in long-term evolution (LTE) will become robust in the second half and full-term sales in the next term will remain at the same level as the term under review. The earthquake might have a major impact on the digital consumer electronics and in-vehicle product markets, and prospects in these markets remain uncertain. However, we will continue to focus on businesses related to digital consumer electronics and in-vehicle products, hoping for a recovery in the second half.

· Electronic Components

In the term under review, in the field of products related to PCs, the mainstay business of the division, positive business performance by our clients led to extremely brisk sales. In addition, the business based on a new trade rights for photovoltaic panels produced by Canadian Solar Inc. got on track and showed greater-than-expected results. In optical-related business, the development of the communication infrastructure market in North America dramatically increased the shipment of optical transmission equipment. In addition, sales of optical data links, which are employed in the high-speed railway in China, followed an expanding trend through the term and maintained a favorable performance.

In the next term, in face of concerns over the impact of the earthquake and uncertainty in business conditions, we will focus mainly on the environment business by continuing to concentrate on photovoltaic panels produced by Canadian Solar Inc., and also on entering the secondary battery market field. In the optical-related field, it is expected that the development of communication infrastructure in Japan and North America will produce a steady rise in demand for optical transmission equipment. In the undersea cable business, which has remained stagnant for a long period, several projects will be launched in the next term, and sales expansion for some types of optical components is expected.

Chemical-Related Business

In the term under review, although sales increased from the previous year, the profit margin declined, reflecting a large proportion of transactions subject to bidding. In the field of petroleum refinery, we have been facing a difficult situation with no signs of improvement in demand for gasoline. Meanwhile, in the field of petrochemicals, we have been maintaining a high rate of facility utilization driven by robust demand, mainly in China. In the field of paper and pulp, although the production level of the industry remained stagnant, our market share expanded, enabling us to maintain sales.

In the next term, in Japan we will strive to accurately meet customer needs and boost our market share by launching new products. In addition, we will continue to develop low-cost products to respond to a rise in transactions subject to bidding. Overseas, we will enhance our sales activities targeted mainly at Japanese petrochemical companies, primarily focusing on the markets in China, Taiwan, Thailand and South Korea. In the field of cosmetics, we will strive to develop our distribution channels by investing human resources.

Other

This segment is primarily engaged in consignment of the Company's overall operation and the logistics management and insurance agency businesses.

Other Important Matters concerning the Group

On July 9, 2010 (service of complaint on August 20, 2010), Hach Company in Colorado, USA, filed a lawsuit with the United States District Court for the Northern District of Illinois against Hakuto Co., Ltd. for a breach of stock transfer agreement, and against Mr. Ichiro Takayama, Director of the Company, for violating Illinois state laws by failing to notify creditors of the dissolution of Hakuto America Inc. (dissolved in August 2002). This case is pending in court.

Recognizing that the Company is not liable for the damage, the Company intends to handle the case in an appropriate manner.

Mr. Takayama also recognizes he is not liable for the damage, and intends to address the case in line with the Company.

Financial Review

Income Statement Items

In the term under review, consolidated net sales rose by ¥13,743 million (up 14.1%) from the preceding term to ¥110,910 million.

In terms of profits, we posted gross profit of ¥17,543 million (up 12.3% year on year), reflecting brisk net sales. Selling, general and administrative expenses amounted to ¥13,151 million (up 1.8%), and operating income was ¥4,392 million (up 62.1%). Net income for the term was ¥2,200 million (up 33.0%), due primarily to the recognition of other income (expenses), including a gain of ¥59 million on reversal of allowance for directors' and corporate auditors' severance and retirement benefits, a loss of ¥86 million on cancellation of derivatives, a loss of ¥87 million on valuation of investment securities, and impairment losses of ¥179 million on property, plant and equipment.

Balance Sheet Items

Current assets at the end of the term under review rose by ¥5,154 million, up 9.6% from the previous term. This was due primarily to an increase in notes and accounts receivable of ¥3,483 million and an increase in merchandise and finished goods of ¥2,441 million, although deferred tax assets decreased by ¥331 million.

Fixed assets at the end of the term under review increased by ¥1,135 million, up 8.7% from the previous term. This was due primarily to an increase of ¥1,202 million in investment securities.

Based on the above, total assets at the end of the term under review increased by ¥6,289 million (up 9.4%) from the previous term to ¥73,364 million.

As for liabilities, current liabilities rose by ¥3,302 million (up 14.7%) from the end of the previous term. This was due mainly to an increase in payables of ¥2,535 million.

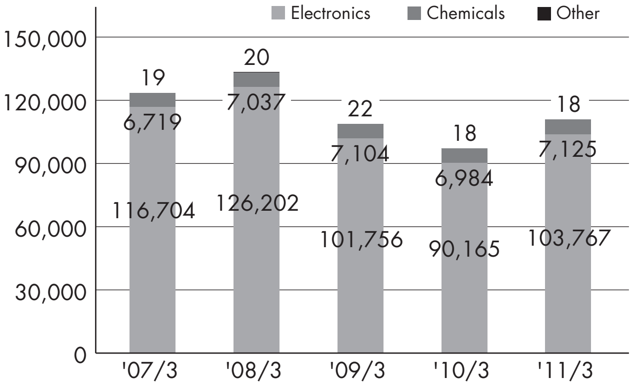
Non-current liabilities at the end of the term under review expanded by ¥1,156 million, up 18.4% from the previous year. This primarily reflected an increase in long-term borrowings of ¥1,531 million, although allowance for directors' and corporate auditors' severance and retirement benefits decreased by ¥864 million.

Based on the above, total liabilities at the end of the term under review grew by ¥4,458 million (up 15.5%) from the previous term to ¥33,154 million.

Net assets increased by ¥1,831 million (up 4.8%) in comparison with the previous term to ¥40,210 million. This rise was largely attributable to an increase in retained earnings of ¥1,537 million and net unrealized holding gains on investment securities of ¥697 million.

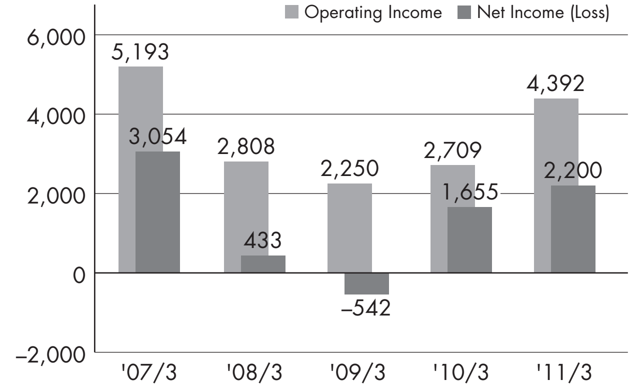
Sales by Product Category

(millions of yen)



Operating Income and Net Income (Loss)

(millions of yen)



Cash Flows

· Cash flow from operating activities

Despite increases in receivables and inventories of ¥3,702 million and ¥2,552 million, respectively, income before income taxes amounting to ¥3,709 million, an increase in payables of ¥2,844 million, and depreciation and amortization of ¥524 million, among others, resulted in a net cash inflow from operating activities of ¥73 million. In the previous term, cash flow from operating activities resulted in a net inflow of ¥4,723 million due primarily to an increase in payables.

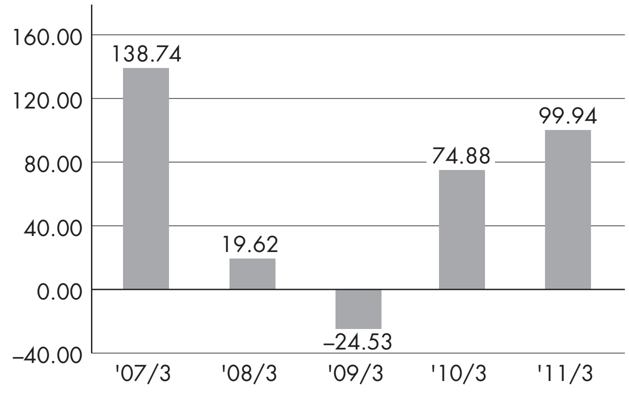
· Cash flow from investing activities

While there were proceeds from the sale of investment securities amounting to ¥120 million, payments for purchase of property, plant and equipment amounting to ¥525 million resulted in a net outflow of ¥650 million in cash flow from investing activities. In the previous term, cash flow from investing activities resulted in a net outflow of ¥510 million due primarily to expenditures of ¥559 million from payments into time deposits.

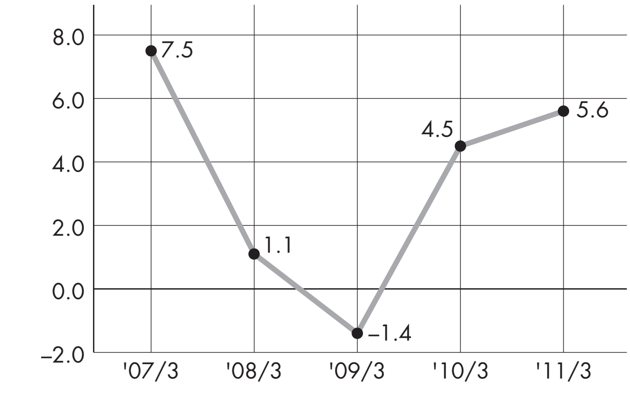
· Cash flow from financing activities

Although payment of ¥423 million for repayments of short-term borrowings (net) and cash dividends paid of ¥663 million were recorded, proceeds from long-term debt (net) of ¥2,214 million resulted in a net inflow of ¥683 million in cash flow from financing activities. In the previous term, cash flow from financing activities resulted in a net outflow of ¥3,997 million due primarily to payment of ¥2,870 million for repayments of long-term debt and short-term borrowings (net), and payment of ¥608 million for cash dividends.

Net Income (Loss) per Share



Return on Equity



Consolidated Balance Sheets

Hakuto Co., Ltd. and Consolidated Subsidiaries
As of March 31, 2011 and 2010

Assets

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
Current Assets:	2011	2010	2011
Cash and time deposits (Notes 4, 8 and 16(a))	¥ 13,232	¥ 13,450	$ 159,134
Marketable securities (Notes 3, 4 and 16(a))	295	372	3,548
Receivables (Note 4):			
Notes and accounts receivable - trade	30,292	26,809	364,305
Due to unconsolidated subsidiaries and affiliated companies (Note 5)	1	1	12
Allowance for doubtful accounts	(134)	(143)	(1,612)
Inventories (Note 7)	13,214	10,792	158,918
Deferred tax assets (Note 14)	984	1,315	11,834
Prepaid expenses and other current assets	1,237	1,371	14,877
Total current assets	59,121	53,967	711,016
Property, Plant and Equipment:			
Land and land improvements	4,066	4,245	48,900
Buildings and structures	5,839	5,829	70,222
Other assets	6,297	6,108	75,731
	16,202	16,182	194,853
Accumulated depreciation	(9,447)	(9,337)	(113,614)
Total property, plant and equipment (Note 8(c))	6,755	6,845	81,239
Investments and Other Non-current Assets:			
Investment securities (Notes 3, 4 and 5)	6,621	5,419	79,627
Deferred tax assets (Note 14)	74	117	890
Other non-current assets	793	727	9,537
Total investments and other non-current assets	7,488	6,263	90,054
Total Assets	¥ 73,364	¥ 67,075	$ 882,309

See accompanying notes.

Liabilities and Net Assets

Current Liabilities:	Millions of Yen 2011	Millions of Yen 2010	Thousands of U.S. Dollars (Note 1) 2011
Short-term borrowings (Notes 4 and 8)	¥ 4,866	¥ 5,389	$ 58,521
Long-term debt due within one year (Notes 4 and 8)	2,866	1,891	34,468
Payables (Note 4):			
Notes and accounts payable - trade	13,823	11,942	166,242
Due to unconsolidated subsidiaries and affiliated companies (Note 5)	1,261	607	15,165
Income taxes payable (Note 14)	410	259	4,931
Allowance for employees' bonuses	826	717	9,934
Accrued expenses and other current liabilities	1,654	1,599	19,891
Total current liabilities	25,706	22,404	309,152
Non-current Liabilities:			
Long-term debt (Notes 4 and 8)	5,162	4,131	62,081
Allowance for employees' severance and retirement benefits (Note 9)	294	289	3,536
Allowance for directors' and corporate auditors' severance and retirement benefits	39	902	469
Deferred tax liabilities (Note 14)	1,726	723	20,758
Other non-current liabilities	227	247	2,730
Total non-current liabilities	7,448	6,292	89,574
Contingent liabilities (Note 10)			
Net Assets: Owners' Equity			
Common stock:			
Authorized - 54,000,000 shares			
Issued and outstanding - 24,137,213 shares	8,100	8,100	97,414
Capital surplus	7,492	7,492	90,102
Retained earnings	27,493	25,956	330,643
Treasury stock, at cost - 2,278,608 shares	(4,185)	(4,006)	(50,331)
Total owners' equity	38,900	37,542	467,828
Other comprehensive income (loss)			
Net unrealized holding gains on investment securities	2,357	1,660	28,346
Unrealized gains (losses) on hedging derivatives, net of taxes	(36)	(104)	(433)
Foreign currency translation adjustments	(1,229)	(860)	(14,780)
Total accumulated gains (losses) from valuation and translation adjustments	1,092	696	13,133
Minority interests	218	141	2,622
Total net assets	40,210	38,379	483,583
Total Liabilities and Net Assets	¥ 73,364	¥ 67,075	$ 882,309

Consolidated Statements of Operations

Hakuto Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2011, 2010 and 2009

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2011	2010	2009	2011
Net Sales (Notes 5 and 20)	¥110,910	¥ 97,167	¥108,882	$1,333,854
Cost of Sales (Note 5)	93,367	81,545	90,952	1,122,874
Gross Profit	17,543	15,622	17,930	210,980
Selling, General and Administrative Expenses (Notes 11 and 20)	13,151	12,913	15,680	158,160
Operating Income (Note 20)	4,392	2,709	2,250	52,820
Other Income (Expenses):				
Interest and dividend income	152	204	276	1,828
Interest expenses	(160)	(209)	(270)	(1,924)
Exchange gain (loss), net	(347)	(316)	(262)	(4,173)
Gains on sale of investment securities	17	6	23	204
Loss on valuation of investment securities	(87)	(97)	(1,390)	(1,046)
Allowance for gain (loss) on investment securities	–	–	(10)	–
Impairment losses on property, plant and equipment (Note 12)	(179)	(53)	(407)	(2,153)
Restoration costs of land	–	–	(135)	–
Restructuring costs	–	–	(712)	–
Loss on disaster (Note 13)	37	–	–	445
Other - net	(116)	164	(16)	(1,395)
	(683)	(301)	(2,903)	(8,214)
Income (Loss) before Income Taxes	3,709	2,408	(653)	44,606
Income Taxes Provision (Note 14):				
Current	647	386	235	7,781
Deferred	785	292	(349)	9,441
	1,432	678	(114)	17,222
Income before minority interests	2,277	1,730	(539)	27,384
Minority interests in income	77	75	3	926
Net Income (Loss)	¥ 2,200	¥ 1,655	¥ (542)	$ 26,458

Amounts per share (Note 2(o)):	Yen			U.S. Dollars (Note 1)
Net Income (Loss)	¥ 99.94	¥ 74.88	¥ (24.53)	$ 1.20
Cash Dividends Applicable to the Year	35.00	30.00	30.00	0.42

See accompanying notes.

Consolidated Statements of Comprehensive Income

Hakuto Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2011, 2010 and 2009

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2011	2010	2009	2011
Income before minority interests	¥ 2,277	¥ –	¥ –	$ 27,384
Other comprehensive income (loss)				
Net unrealized holding gains on investment securities	695	–	–	8,358
Unrealized gains (losses) on hedging derivatives, net of taxes	69	–	–	830
Foreign currency translation adjustments	(369)	–	–	(4,437)
Share of other comprehensive income of associates accounted for using equity method	1	–	–	12
	396	–	–	4,763
Comprehensive income	2,673	–	–	32,147
Comprehensive income attributable to				
Comprehensive income attributable to owners of the parent	2,596	–	–	31,221
Comprehensive income attributable to minority interests	77	–	–	926

See accompanying notes.

Consolidated Statements of Changes in Net Assets

Hakuto Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2011, 2010 and 2009

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2011	2010	2009	2011
Common stock:				
Balance, beginning of year	¥ 8,100	¥ 8,100	¥ 8,100	$ 97,414
Total changes of items during the period	–	–	–	–
Balance, end of year	8,100	8,100	8,100	97,414
Capital surplus				
Balance, beginning of year	7,492	7,492	7,493	90,102
Disposal of treasury stock	–	(0)	(1)	–
Total changes of items during the period	–	(0)	(1)	–
Balance, end of year	7,492	7,492	7,492	90,102
Retained earnings				
Balance, beginning of year	25,956	24,909	26,257	312,159
Effect of changes in accounting policies applied to foreign subsidiaries	–	–	(33)	–
Dividends from surplus	(663)	(608)	(773)	(7,974)
Net income (loss)	2,200	1,655	(542)	26,458
Total changes of items during the period	1,537	1,047	(1,348)	18,484
Balance, end of year	27,493	25,956	24,909	330,643
Treasury stock				
Balance, beginning of year	(4,006)	(4,006)	(4,006)	(48,178)
Disposal of treasury stock	–	0	1	–
Purchase of treasury stock	(179)	(0)	(1)	(2,153)
Total changes of items during the period	(179)	(0)	0	(2,153)
Balance, end of year	(4,185)	(4,006)	(4,006)	(50,331)
Total owners' equity				
Balance, beginning of year	37,542	36,495	37,844	451,497
Effect of changes in accounting policies applied to foreign subsidiaries	–	–	(33)	–
Dividends from surplus	(663)	(608)	(773)	(7,974)
Net income (loss)	2,200	1,655	(542)	26,458
Disposal of treasury stock	–	0	0	–
Purchase of treasury stock	(179)	(0)	(1)	(2,153)
Total changes of items during the period	1,358	1,047	(1,349)	16,331
Balance, end of year	38,900	37,542	36,495	467,828
Net unrealized holding gains on investment securities				
Balance, beginning of year	1,660	732	1,314	19,964
Net changes of items other than owners' equity	697	928	(582)	8,382
Total changes of items during the period	697	928	(582)	8,382
Balance, end of year	2,357	1,660	732	28,346
Unrealized gains (losses) on hedging derivatives, net of taxes				
Balance, beginning of year	(104)	(177)	(200)	(1,251)
Net changes of items other than owners' equity	68	73	23	818
Total changes of items during the period	68	73	23	818
Balance, end of year	(36)	(104)	(177)	(433)
Foreign currency translation adjustment				
Balance, beginning of year	(860)	(960)	153	(10,343)
Net changes of items other than owners' equity	(369)	100	(1,113)	(4,437)
Total changes of items during the period	(369)	100	(1,113)	(4,437)
Balance, end of year	(1,229)	(860)	(960)	(14,780)
Minority interests				
Balance, beginning of year	141	66	–	1,696
Net changes of items other than owners' equity	77	75	66	926
Total changes of items during the period	77	75	66	926
Balance, end of year	218	141	66	2,622
Net assets				
Balance, beginning of year	38,379	36,156	39,111	461,563
Effect of changes in accounting policies applied to foreign subsidiaries	–	–	(33)	–
Dividends from surplus	(663)	(608)	(773)	(7,974)
Net income (loss)	2,200	1,655	(542)	26,458
Disposal of treasury stock	–	0	0	–
Purchase of treasury stock	(179)	(0)	(1)	(2,153)
Net changes of items other than owners' equity	473	1,176	(1,606)	5,689
Total changes of items during the period	1,831	2,223	(2,955)	22,020
Balance, end of year	40,210	38,379	36,156	483,583

See accompanying notes.

Consolidated Statements of Cash Flows

Hakuto Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2011, 2010 and 2009

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
Cash Flows from Operating Activities:	2011	2010	2009	2011
Income (Loss) before income taxes	¥ 3,709	¥ 2,408	¥ (653)	$ 44,606
Adjustments to reconcile income before income taxes to net cash provided by (used in) operating activities:				
Depreciation and amortization	524	559	806	6,302
Impairment losses on property, plant and equipment	179	53	407	2,153
Gains on sale of investment securities	7	(4)	(23)	84
Loss on valuation of investment securities	87	97	1,390	1,046
Allowance for loss on investment securities, net	–	(15)	(29)	–
Restructuring costs	–	–	712	–
Restoration costs of land	–	–	135	–
Allowance for directors' and corporate auditors' severance and retirement benefits, net	(864)	(87)	(24)	(10,391)
Change in receivables	(3,702)	(2,806)	15,313	(44,522)
Change in inventories	(2,552)	1,334	546	(30,692)
Change in payables	2,844	2,252	(6,815)	34,203
Interest and dividends received	154	202	268	1,852
Interest paid	(163)	(221)	(230)	(1,960)
Income taxes refund (paid)	(470)	875	(2,582)	(5,652)
Other	320	76	(326)	3,849
Net cash provided by (used in) operating activities	73	4,723	8,895	878
Cash Flows from Investing Activities:				
Proceeds from sale of property, plant and equipment	22	18	84	265
Payments for purchase of property, plant and equipment	(525)	(322)	(317)	(6,314)
Proceeds from sale of marketable securities and investment securities	120	7	25	1,443
Payments for purchase of marketable securities and investment securities	(118)	(21)	(128)	(1,419)
Net cash decrease due to sale of shares of subsidiaries, resulting in deconsolidation (Note 16(b))	–	110	–	–
Proceeds from long-term loans receivable	–	–	5	–
Other	(149)	(302)	218	(1,792)
Net cash provided by (used in) investing activities	(650)	(510)	(113)	(7,817)
Cash Flows from Financing Activities:				
Change in short-term borrowings	(423)	(3,764)	(6,168)	(5,087)
Proceeds from long-term debt	4,035	2,140	1,980	48,527
Repayments of long-term debt	(1,821)	(1,246)	(1,060)	(21,900)
Payments for redemption of bonds	(209)	(404)	(606)	(2,514)
Payments for purchase of treasury stock	(179)	(0)	(0)	(2,153)
Cash dividends paid	(663)	(608)	(773)	(7,974)
Other	(57)	(115)	(174)	(685)
Net cash provided by (used in) financing activities	683	(3,997)	(6,801)	8,214
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(241)	54	(543)	(2,898)
Net Increase (Decrease) in Cash and Cash Equivalents	(135)	270	1,438	(1,623)
Cash and Cash Equivalents at Beginning of Year	12,658	12,388	10,950	152,231
Cash and Cash Equivalents at End of Year (Note 16(a))	¥ 12,523	¥ 12,658	¥ 12,388	$ 150,608

See accompanying notes.

Notes to Consolidated Financial Statements

Hakuto Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2011, 2010 and 2009

1. Basis of presenting consolidated financial statements

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

Until March 31, 2008, the accounts of overseas subsidiaries were based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile.

The accompanying consolidated financial statements have been reclassified and translated into English from the consolidated financial statements of Hakuto Co., Ltd. ("the Company") prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

Effective from the year ended March 31, 2009, the Company and its consolidated subsidiaries ("the Group") adopted the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (Accounting Standards Board of Japan ("ASBJ") Practical Issues Task Force No. 18, issued on May 17, 2006). The adoption had no significant impact on its consolidated financial statements.

Under the new accounting standards, financial statements are prepared by overseas subsidiaries in accordance with International Financial Reporting Standards. The impact of this change on profit is immaterial.

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2011 which was ¥83.15 to U.S. $1. These convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

2. Summary of significant accounting policies

(a) Principles of consolidation - The consolidated financial statements include the accounts of the Company and its 14 (14 in 2010 and 15 in 2009) significant subsidiaries. All significant inter-company balances and transactions have been eliminated.

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries are recorded based on the fair value at the time the Company acquired control of the respective subsidiaries.

The excess of cost of investments in subsidiaries over the equity in the net assets at dates of acquisition is recorded as goodwill in the consolidated balance sheets and amortized using the straight-line method over 5 years.

Hakuto Information Technology Co., Ltd., due to the sale of its shares in February 2010, was excluded from the consolidation scope.

Hakuto Singapore Pte. Ltd. changed its closing date from December 31 to March 31.

(b) Equity method - Investments in significant affiliated companies (20% to 50% owned) are accounted for by the equity method.

(c) Inventories - Inventories are stated at cost (write-down amount of book value as a result of declines in profitability), determined primarily by the moving-average cost method for merchandise, finished goods, raw material and work in process and done by the first-in, first-out cost method for supplies.

(Change in Accounting Policies)

Effective from the year ended March 31, 2009, the Group adopted "Accounting Standards for Measurement of Inventories" (ASBJ Statement No. 9 issued on July 5, 2006). As a result of this change, operating income decreased by ¥14million, and loss before income taxes increased by the same amount.

(d) Securities - Securities are classified as (a) securities held for trading purposes (hereafter, "trading securities"), (b) debt securities intended to be held to maturity (hereafter, "held-to-maturity debt securities"), (c) equity securities issued by subsidiaries and affiliated companies, or (d) for all other securities that are not classified in any of the above categories (hereafter, "available-for-sale securities").

The Group has no trading securities or held-to-maturity debt securities. Equity securities issued by significant subsidiaries are consolidated and significant affiliated companies are accounted for using the equity method. Available-for-sale securities with available fair values are stated at fair value. Unrealized gains and losses on these securities are reported, net of applicable income taxes, as a component of net assets. Realized gains and losses on sale of such securities are computed using moving-average cost. Available-for-sale securities with no available fair value are stated at moving-average cost.

If the fair value of available-for-sale securities declines significantly, such securities are stated at fair value and the difference between fair value and the carrying amount is recognized as loss in the period of the decline. If the fair value of equity securities is not readily available, such securities should be written down to net asset value with a corresponding change in the income statement in the event net asset value declines significantly. In these cases, this fair value or the net asset value will be the carrying amount of the securities at the beginning of the next year.

Allowance for loss on investment securities is provided for probable losses on certain equity securities with no available fair value based on the evaluation of their financial conditions.

(e) Derivative transactions and hedge accounting
Derivative transactions not designated in hedge accounting relationships:
The Group states derivative financial instruments at fair value and recognizes changes in the fair value as gains or losses, unless derivative financial instruments are used for hedging purposes.

Hedge accounting:
I. Method of hedge accounting
i: Basic method
The Group defers recognition of gains or losses resulting from changes in the fair value of derivative financial instruments until the related losses or gains on the hedged items are recognized.
ii: In cases where forward foreign exchange contracts are used as hedging instruments and meet certain hedging criteria
Forward foreign exchange contracts and hedged items are accounted for in the following manner:
If a forward foreign exchange contract is executed to hedge an existing foreign currency receivable or payable, the difference, if any, between the Japanese yen amount of the hedged foreign currency receivable or payable translated using the spot rate at the inception date of the contract and the book value of the receivable or payable is recognized in the income statement in the period which includes the inception date.
If a forward foreign exchange contract is executed to hedge an existing foreign currency receivable or payable, the discount or premium on the contract (that is, the difference between the Japanese yen amount of the contract translated using the contracted forward rate and that translated using the spot rate at the inception date of the contract) is recognized over the term of the contract.
If a forward foreign exchange contract is executed to hedge a future transaction denominated in a foreign currency, the future transaction will be recorded using the contracted forward rate, and no gains or losses on the forward foreign exchange contract are recognized.
iii: In cases where interest rate swap contracts are used as hedging instruments and meet certain hedging criteria
The net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed. In this case, interest rate swap is not recognized at fair value.

II. Hedging derivative financial instruments used by the Group and hedged items are as follows:

Hedging instruments	Hedged items
Forward foreign exchange contracts	Foreign currency accounts receivable or payable
Interest rate swap contracts	Floating rates on loans payable

III. Evaluation of hedge effectiveness
The Group evaluates the hedging effectiveness of other derivative contracts by comparing the cumulative changes in cash flows or the changes in the fair value of hedged items with corresponding changes in the hedging instruments.
The Group is not required to evaluate the hedge effectiveness of forward foreign exchange contracts, because the significant terms of foreign currency transactions of hedging instruments and those of hedged items are the same, and the risk of foreign exchange rate changes would be entirely eliminated. Also, the Group is not required to evaluate the hedge effectiveness of interest rate swap contracts, because the contracts are used as hedging instruments and meet certain hedging criteria.

(f) Property, plant and equipment, and depreciation - Property, plant and equipment are carried at cost. Depreciation is calculated primarily using the declining-balance method. In accordance with revisions of the Corporation Tax Law, buildings acquired by the Company and its domestic subsidiaries after March 31, 1998 are depreciated using the straight-line method.
The range of useful lives is from 10 to 50 years for buildings and from 2 to 15 years for machinery and equipment, which is included in other assets.

(Additional information)
Following the revisions to the Corporation Tax Law in fiscal 2009, the Company and its domestic subsidiaries have changed the useful life mainly of machinery and equipment, which is included in other assets by the revised Corporation Tax Law from this consolidated accounting period. The effect of this change on net loss was not material.

(g) Leased assets - The Group applies the same depreciation methods to leased assets whose ownership transfers to lessees as fixed assets owned by the Group. Leased assets of which ownership does not transfer to lessees are depreciated over the term of the lease contracts based on the straight-line method.

(Change in Accounting Policies)
Effective from the year ended March 31, 2009, the Group adopted the "Accounting Standards for Lease

Transactions" (ASBJ Statement No. 13, issued on June 17, 1993 (ASBJ First Sub-committee) and revised on March 30, 2007) and "Application Guidelines on Accounting Standards for Lease Transactions" (ASBJ Guidelines No. 16, issued on January 18, 1994 (the Japanese Institute of Certified Public Accountants Accounting System Committee) and revised on March 30, 2007).

Finance leases of which ownership does not transfer to lessees were not capitalized and accounted for in the same manner as operating leases under the former accounting standards. They have changed to be capitalized, recognizing lease assets and lease obligations in the balance sheet under the revised accounting standards. The adoption of these new accounting standards had no significant impact on its consolidated financial statements.

(h) Impairment losses of fixed assets - A fixed asset (asset group) is considered impaired if its recoverable amount is less than its carrying amount. The recoverable amounts of fixed assets are defined as the higher of (i) its fare value less costs or (ii) its value in smallest.

A fixed asset is evaluated for impairment based on the asset group of which it is a part. The asset group is the lowest level at which identifiable cash flows from fixed assets of the group are largely independent of other assets and liabilities. A group may consist of a single asset or several assets that are managed jointly.

Losses on impairment are recognized when the estimated undiscounted cash flows to be generated by a group of fixed assets are less than the carrying amount of the assets in the group, in which case, the impaired assets are written down to their recoverable amounts.

The Group analyzes its assets for possible impairment at least annually and more frequently if conditions indicate that an asset might be impaired.

(i) Allowance for employees' bonuses - The Group provides allowance for employees' bonuses based on estimated amounts to be paid in the subsequent period.

(j) Income taxes - The Group recognizes the tax effects of temporary differences between the financial statement basis and the tax basis of assets and liabilities.

(k) Employees' severance and retirement benefits - The Company and certain consolidated subsidiaries provide post-employment benefit plans substantially by funded contributory pension plans and funded non-contributory pension plans, under which all eligible employees are entitled to benefits based on the level of wages and salaries at the time of retirement or termination, length of service and certain other factors. Also, extra severance and retirement benefits will be paid, in the case of earlier voluntary retirement, etc.

The pension plans cover 100% of the total severance and retirement benefits of the Company's employees from the year ended March 31, 2001.

The liabilities and expenses for severance and retirement benefits are determined based on the amounts actuarially calculated using certain assumptions. The Company and certain consolidated subsidiaries provided allowance for employees' severance and retirement benefits based on the estimated amounts of projected benefit obligations and the fair value of the plan assets at those dates.

Actuarial gains and losses are recognized in expenses using the straight-line method over the average of the estimated remaining service lives (10 years) commencing with the following period.

(Change in Accounting Policies)
Effective from the year ended March 31, 2010, the Company and certain consolidated subsidiaries adopted "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)" (ASBJ Statement No. 19, issued on July 31, 2008). The change had no impact on the consolidated financial statements for the year ended March 31, 2010.

(l) Directors' and corporate auditors' severance and retirement benefits - Directors and corporate auditors of the Company and certain consolidated subsidiaries are entitled to lump-sum payments at the time of severance or retirement, subject to the approval of the shareholders. Liabilities for directors' and corporate auditors' severance and retirement benefits have been provided at an amount required in accordance with the internal rules had all directors and corporate auditors retired as of the balance sheet date. The Company abolished the directors' and corporate auditors' retirement benefits plan in June 2004, and directors' and corporate auditors' retirement benefits have not been accrued for services provided since then.

(m) Translation of foreign currency items - Receivables and payables denominated in foreign currencies are translated into Japanese yen at the current rate. Foreign currency items covered by forward exchange contracts are translated at the contracted rates.

(n) Translation of foreign currency financial statements - Financial statements of consolidated overseas subsidiaries are translated into Japanese yen at the current rate, except that shareholders' equity accounts are translated at historical rates and income statement items resulting from transactions with the Company at the rates used by the Company.

Foreign currency translation adjustments are recorded as a component of net assets.

(o) Amounts per share - The calculation of net income (loss) per share is based on the weighted average number of shares of common stock outstanding during the year. Diluted net income per share is calculated based on the weighted-average number of shares of common stock and contingent issuance of common stock from the bonds with warrants. For the year ended March 31, 2011 and 2010, diluted net income per share is not disclosed, since there is no residual stock with effect of dilution. For the year ended March 31, 2009, diluted net loss per share is not disclosed due to the loss position.

Cash dividends per share presented in the consolidated statements of operations represent the cash dividends declared applicable to each year.

(p) Cash flow statement - In preparing the consolidated statements of cash flows, cash on hand, readily-available deposits and short-term highly liquid investments with maturities of not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

(q) Reclassification - Certain prior year amounts have been reclassified to conform to the 2011 presentation. These changes had no impact on previously reported results of operations.

(Adoption of "Accounting Standards for Asset Retirement Obligations")
Effective March 31, 2011, the Group adopted the "Accounting Standards for Asset Retirement Obligations" (ASBJ Statement No. 18 issued on March 31, 2008) and the "Guidance on Accounting Standards for Asset Retirement Obligations" (ASBJ Guidance No. 21 issued on March 31, 2008).

The adoption had no impact on profit and loss.

(Adoption of "Accounting Standard for Equity Method of Accounting for Investments" and "Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method")

Effective March 31, 2011, the Group adopted the "Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No. 16 issued on March 10, 2008) and the "Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method" (ASBJ Practical Issue Task Force ("PITF") No. 24 issued on March 10, 2008).

The adoption had no impact on profit and loss.

3. Securities

(a) Summarized information of acquisition costs, book values and fair values of securities with available fair values as of March 31, 2011 and 2010 were as follows:

2011	Millions of Yen		
	Acquisition cost	Book value	Difference
Available-for-sale securities with book values (fair values) exceeding acquisition costs:			
Equity securities	¥ 1,203	¥ 5,134	¥ 3,931
Bonds	20	20	0
Others	10	13	3
Subtotal	¥ 1,233	¥ 5,167	¥ 3,934
Available-for-sale securities with book values (fair values) not exceeding acquisition costs:			
Equity securities	¥ 551	¥ 524	¥ (27)
Bonds	411	295	(116)
Subtotal	962	819	(143)
Total	¥ 2,195	¥ 5,986	¥ 3,791

2010	Millions of Yen		
	Acquisition cost	Book value	Difference
Available-for-sale securities with book values (fair values) exceeding acquisition costs:			
Equity securities	¥ 1,542	¥ 4,263	¥ 2,721
Bonds	20	21	1
Others	10	13	3
Subtotal	¥ 1,572	¥ 4,297	¥ 2,725
Available-for-sale securities with book values (fair values) not exceeding acquisition costs:			
Equity securities	¥ 386	¥ 301	¥ (85)
Bonds	461	372	(89)
Subtotal	847	673	(174)
Total	¥ 2,419	¥ 4,970	¥ 2,551

2011	Thousands of U.S. Dollars		
	Acquisition cost	Book value	Difference
Available-for-sale securities with book values (fair values) exceeding acquisition costs:			
Equity securities	$ 14,468	$ 61,744	$ 47,276
Bonds	241	241	0
Others	120	156	36
Subtotal	$ 14,829	$ 62,141	$ 47,312
Available-for-sale securities with book values (fair values) not exceeding acquisition costs:			
Equity securities	$ 6,627	$ 6,302	$ (325)
Bonds	4,943	3,548	(1,395)
Subtotal	11,570	9,850	(1,720)
Total	$ 26,399	$ 71,991	$ 45,592

(b) Total sales of available-for-sale securities sold for the years ended March 31, 2011, 2010 and 2009 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2011	2010	2009	2011
Available-for-sale securities:				
Total sales amount	**¥ 120**	¥ 7	¥ 25	**$ 1,443**
Gains	**17**	6	23	**204**
Losses	**24**	2	–	**289**

4. Financial instruments

1. Qualitative information on financial instruments

(i) Policy for using financial instruments

The Group raises operating funds particularly from bank loans for business of the sale of electronic components and equipment, and the production and sale of petrochemical products. Temporary surplus funds are turned over as safe and secure deposits or loans to our group companies. We use derivatives to reduce risks of fluctuations of interest rate on borrowings and exchange rate, and do not intend to conduct speculative transactions.

(ii) Details and risks of financial instrument used and systems for relevant risk management

Notes and accounts receivable, which are operating receivables, are exposed to consumer credit risk. The risk is controlled by operation department of Credit Administration Division, according to the Company's rules regarding the administration of credit and account receivables, etc. Investment securities are exposed to equity price risk as a result of market price fluctuations. The risks are controlled by the Financial and Accounting Dept. by checking market prices periodically and reporting them to the executive board. Payment due dates of most notes and accounts payable, which are operating debt, is within one year.

Some borrowings are exposed to the risk of interest-rate fluctuations, and we use interest-rate swaps as hedging instruments. As certain hedging criteria have been fulfilled, the valuation of hedge effectiveness is omitted. Derivative transactions include forward exchange contracts, and they are used to hedge exposure to the risk of exchange-rate fluctuations relating to accounts receivable and payable in foreign currency. Since the derivative transaction contracts of the Company and part of the consolidated subsidiaries are concluded with highly creditworthy banks inside Japan, the Company evaluates there is little risk of default by counterparties.

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

For further details of hedging instruments, hedged items, hedging policy, and the valuation method of hedge effectiveness, etc., see "Derivative transactions and hedge accounting" in "Summary of significant accounting policies" described above.

(iii) Supplemental explanation on fair value of financial instruments

Financial instruments without market prices or prices based on market are stated at reasonably calculated value. Since such calculations consider various factors values may fluctuate under different conditions. In addition, concerning the contracted amounts of derivative transactions listed in "2. Fair values of financial instruments," the amounts themselves should not be considered indicative of the market risk related to the derivative transaction.

(iv) Concentration of credit risk

There is no specific concentration of credit risks at the end of consolidated fiscal year under review.

2. Fair values of financial instruments

Book values and fair values of the financial instruments on the consolidated balance sheet as of March 31, 2011 were as follows.

Financial instruments which have difficulty recognizing fair value are not included in the following table.

2011	Millions of Yen		
	Book value	Fair value	Difference
(1) Cash and time deposits	¥ 13,232	¥ 13,232	¥ –
(2) Receivables	30,293	30,293	–
(3) Marketable securities	295	295	–
(4) Investment securities	5,691	5,691	–
Total assets	49,511	49,511	–
(5) Payables	15,084	15,084	–
(6) Short-term borrowings	4,866	4,866	–
(7) Corporate bonds (*1)	500	505	5
(8) Long-term borrowings (*1)	7,528	7,532	4
Total liabilities	27,978	27,987	9
Derivatives transactions (*2)	26	26	–

2010	Millions of Yen		
	Book value	Fair value	Difference
(1) Cash and time deposits	¥ 13,450	¥ 13,450	¥ –
(2) Receivables	26,810	26,810	–
(3) Marketable securities	372	372	–
(4) Investment securities	4,598	4,598	–
Total assets	45,230	45,230	–
(5) Payables	12,549	12,549	–
(6) Short-term borrowings	5,389	5,389	–
(7) Corporate bonds (*1)	709	712	(3)
(8) Long-term borrowings (*1)	5,313	5,290	23
Total liabilities	23,960	23,940	20
Derivatives transactions (*2)	(133)	(133)	–

2011	Thousands of U.S. Dollars		
	Book value	Fair value	Difference
(1) Cash and time deposits	$ 159,134	$ 159,134	$ –
(2) Receivables	364,317	364,317	–
(3) Marketable securities	3,548	3,548	–
(4) Investment securities	68,443	68,443	–
Total assets	595,442	595,442	–
(5) Payables	181,407	181,407	–
(6) Short-term borrowings	58,521	58,521	–
(7) Corporate bonds (*1)	6,013	6,073	60
(8) Long-term borrowings (*1)	90,535	90,583	48
Total liabilities	336,476	336,584	108
Derivatives transactions (*2)	313	313	–

(*1) Corporate bonds and long-term borrowings included in current liabilities due date within one year are included.

(*2) The net receivables and payables arising from derivative transactions are presented at a net amount. Net liabilities are shown in parentheses.

(a) Calculation methods for fair value of financial instruments and matters related to securities

(1) Cash and time deposits, (2) Receivables

Since these are settled in a short term and their fair values are close to book values, they are stated at book value.

(3) Marketable securities, (4) Investment securities

Since marketable securities are settled in a short term and their fair values are close to book values, they are stated at book value. In terms of investment securities, the fair values of shares are based on market price and those of bonds are based on market price or price offered by correspondent financial institutes.

(5) Payables, (6) Short-term borrowings

Since these are settled in a short term and their fair values are close to book values, they are stated at book value.

(7) Corporate bonds, (8) Long-term borrowings

Fair values of corporate bonds are based on current prices calculated by discounting total amount of principal and interest with an interest rate that takes into account a remaining term and credit risks of the bond. Fair value of long-term borrowings is based on current price calculated by discounting total amount of principal and interest with an interest rate assumed to be applied for new borrowings of same type.

(b) Financial instruments of which fair values cannot be easily known

Classification	Millions of Yen 2011 Book Value	Millions of Yen 2010 Book Value	Thousands of U.S. Dollars 2011 Book Value
Shares of subsidiaries and affiliated companies	¥ 827	¥ 800	$ 9,946
Unlisted shares	103	21	1,239

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

(c) Amounts of receivables and securities with maturity, that will be redeemed after the consolidated balance sheet date

2011	Millions of Yen			
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Cash and time deposits	¥ 13,232	¥ –	¥ –	¥ –
Receivables	30,293	–	–	–
Marketable securities	295	–	–	–
Investment securities	–	–	20	–
Total	¥ 43,820	¥ –	¥ 20	¥ –

2010	Millions of Yen			
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Cash and time deposits	¥ 13,450	¥ –	¥ –	¥ –
Receivables	26,810	–	–	–
Marketable securities	372	–	–	–
Investment securities	–	–	20	–
Total	¥ 40,632	¥ –	¥ 20	¥ –

2011	Thousands of U.S. Dollars			
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Cash and time deposits	$ 159,134	$ –	$ –	$ –
Receivables	364,317	–	–	–
Marketable securities	3,548	–	–	–
Investment securities	–	–	241	–
Total	$ 526,999	$ –	$ 241	$ –

(d) Amounts of corporate bonds and long-term borrowings, that will be repaid after the consolidated balance sheet date

2011	Millions of Yen					
	Within 1 year	Over 1 year but within 2 years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years	Over 5 years
Corporate bonds	¥ 500	¥ –	¥ –	¥ –	¥ –	¥ –
Long-term borrowings	2,366	2,124	1,358	944	692	44

2010	Millions of Yen					
	Within 1 year	Over 1 year but within 2 years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years	Over 5 years
Corporate bonds	¥ 209	¥ 500	¥ –	¥ –	¥ –	¥ –
Long-term borrowings	1,682	1,563	1,373	493	144	58

2011	Thousands of U.S. Dollars					
	Within 1 year	Over 1 year but within 2 years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years	Over 5 years
Corporate bonds	$ 6,013	$ –	$ –	$ –	$ –	$ –
Long-term borrowings	28,455	25,544	16,332	11,353	8,322	529

(Additional information)

From the consolidated fiscal year under review, the Company and certain consolidated subsidiaries adopted the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, issued on March 10, 2008), and the "Guidance on Disclosure of Fair Value of Financial Instruments, etc." (ASBJ Guidance No. 19, March 10, 2008).

5. Non-consolidated subsidiaries and affiliated companies

Summarized information of balances and transactions with affiliated companies as of the years ended March 31, 2011, 2010 and 2009 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Receivables	¥ 1	¥ 1	$ 12
Investment securities	827	800	9,946
Payables	1,261	607	15,165

	Millions of Yen			Thousands of U.S. Dollars
	2011	2010	2009	2011
Sales to	¥ 5	¥ 2	¥ 3	$ 60
Purchases from	3,048	1,718	2,438	36,657

6. Related party transactions

1. Parent company and major corporate shareholders
Takayama International Education Foundation subscribed for all of the Company's bonds issued in the year ended March 31, 2007. The balance is ¥500 million in the years ended March 31, 2011 and 2010. Related party transactions for 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
(Major Shareholder)	2011	2010	2011
Takayama International Education Foundation:			
Payment of interest on bonds	¥ 10	¥ 10	$ 120
Advance costs	9	9	108

2. Directors and major individual shareholders

	Millions of Yen	Thousands of U.S. Dollars
(Director)	2011	2011
Ichiro Takayama:		
Purchase of memberships	¥ 13	$ 156

7. Inventories

Inventories as of March 31, 2011 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Merchandise	¥ 12,382	¥ 10,041	$ 148,912
Finished goods	482	382	5,797
Raw materials	278	241	3,343
Work in process	58	114	698
Supplies	14	14	168
Total	¥ 13,214	¥ 10,792	$ 158,918

8. Short-term borrowings and long-term debt

(a) Short-term borrowings consisted principally of loans from banks. The interest rates on short-term borrowings as of March 31, 2011 and 2010 ranged from 0.68% to 1.72% and 0.73% to 4.86% per annum, respectively.

(b) Long-term debt as of March 31, 2011 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
1.65% to 1.96% loans from Japanese insurance companies, due in 2011 to 2015	¥ 1,022	¥ 1,345	$ 12,290
0.85% to 3.75% loans from Japanese banks, due in 2011 to 2022	6,505	3,968	78,233
2.05% Japanese yen bonds due in 2012	500	500	6,013
0.99% to 1.61% Japanese yen privately-subscribed bonds due in 2010	–	209	–
Total	¥ 8,027	¥ 6,022	$ 96,536
Less amount due within one year	2,866	1,891	34,468
Long-term debt	5,162	4,131	62,081

(c) Assets pledged as collateral for ¥20 million ($240 thousand) of short-term borrowings and ¥27 million ($328 thousand) of long-term debt as of March 31, 2011 (¥68 million of short-term borrowings and ¥47 million of long-term debt as of March 31, 2010) were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Cash and time deposits	¥ 46	¥ 46	$ 553
Land and land improvements	244	244	2,934
Buildings and structures	120	126	1,443
Total	¥ 410	¥ 416	$ 4,930

9. Employees' severance and retirement benefits

The liabilities for employees' severance and retirement benefits included in the liability section of the consolidated balance sheets at March 31, 2011 and 2010 consist of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Funded status:			
Projected benefit obligation	¥ (2,524)	¥ (2,371)	$ (30,355)
Pension assets	1,937	1,737	23,295
Unfunded projected benefit obligation	(587)	(634)	(7,060)
Unrecognized actuarial differences	380	351	4,570
Net projected benefit obligation recognized	(207)	(283)	(2,490)
Prepaid pension expense	87	6	1,046
Employees' severance and retirement benefits	¥ (294)	¥ (289)	$ (3,536)

Included in the consolidated statements of operations for the years ended March 31, 2011, 2010 and 2009 are severance and retirement benefit expenses comprised of the following:

	Millions of Yen			Thousands of U.S. Dollars
	2011	2010	2009	2011
Severance and retirement benefit expenses:				
Service costs-benefits earned during the year	¥413	¥435	¥502	$ 4,967
Interest cost on projected benefit obligation	40	51	54	481
Expected return on plan assets	(21)	(18)	(48)	(253)
Amortization of actuarial differences	78	95	52	938
Extra severance and retirement benefits	19	31	30	229
Severance and retirement benefit expenses	¥529	¥594	¥590	$ 6,362

	2011	2010
Discount rate	2.0%	2.0%
Rate of expected return on plan assets	1.3%	1.0%

The estimated amount of all retirement benefits to be paid at the future retirement date is allocated equally to each service year using the estimated number of total service years. Actuarial gains and losses are recognized in statements of operations using the straight-line method over 10 years commencing with the following period.

10. Contingent liabilities

Contingent liabilities of the Group as of March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	
Notes endorsed	¥ 12	¥ 9	$ 144
Guarantees for indebtedness of employees	1	2	12

11. Research and development expenses

Research and development expenses for the development of new products or the improvement of existing products are charged to income as incurred. Such amounts charged to income for the years ended March 31, 2011, 2010 and 2009 were ¥147 million ($1,768 thousand), ¥126 million and ¥139 million respectively.

12. Impairment losses

The Group recognized impairment losses for groups of assets in the years ended March 31, 2011, 2010 and 2009 as follows:

2011		
Location	Use	Type of assets
Tsu City, Mie Prefecture	Unused assets	Land

2010		
Location	Use	Type of assets
Isehara City, Kanagawa Prefecture	Unused assets	Buildings and structure
Miyako City, Iwate Prefecture	Unused assets	Other assets

2009		
Location	Use	Type of assets
Tsu City, Mie Prefecture	Unused assets	Land
Suginami Ward, Tokyo Prefecture and Isehara City, Kanagawa Prefecture	Business assets	Land, buildings and structures, other assets

The Group classifies its fixed assets into each business segment and each consolidated subsidiary, and unused assets by individual asset. The book values of the unused land whose fair value had declined significantly were reduced to their recoverable amounts. For unused assets such as buildings and structures, production facilities, which had not been used for business without a concrete utilization plan, their book values were impaired to recoverable amounts.

The amount of impairment losses for the year ended March 31, 2011 amounted to ¥179 million ($2,153 thousand).

The amount of impairment losses for the year ended March 31, 2010 amounted to ¥53 million.

The amount of impairment losses for the year ended March 31, 2009 amounted to ¥407 million, which comprised ¥56 million for unused land, ¥92 million for land for business, ¥128 million for buildings and structures and ¥131 million for other assets.

In the year ended March 31, 2011, the recoverable amounts of the land were their net realizable values based on amounts determined by valuations made in accordance with real estate appraisal standards for land.

In the year ended March 31, 2010, the recoverable amounts of buildings and structures, as for the other assets were estimated at zero since the estimates of future cash flows as value in use were not expected.

In the year ended March 31, 2009, the recoverable amounts of the land, buildings and structures were their net realizable values based on amounts determined by valuations made in accordance with real estate appraisal standards for buildings and land. The recoverable amounts of the other assets were estimated at zero since the estimates of future cash flows as value in use were not expected.

13. Loss on disaster

Loss on disaster accounted for in the consolidated statements of operations is the cost for restoration from the Great East Japan Earthquake on March 11, 2011.

14. Income taxes

Income taxes applicable to the Company and its domestic consolidated subsidiaries consist of corporation tax, inhabitants' taxes and enterprise tax, which in the aggregate resulted in normal statutory rates of approximately 40.7% for the years ended March 31, 2011 and 2010.

Income taxes of overseas consolidated subsidiaries are based generally on tax rates applicable in their countries of incorporation.

The following table summarizes the significant difference between the statutory tax rate and effective tax rate for consolidated financial statement purposes for the year ended March 31, 2011 and 2010, while the difference is not disclosed for the year ended March 31, 2009, due to the loss position.

	2011	2010
Statutory tax rate:	40.7%	40.7%
Non-deductible expenses	1.3	1.6
Valuation allowance	1.0	(17.0)
Per capita inhabitant tax	1.1	1.7
Consolidated adjustment for loss on sale of shares of subsidiaries	–	2.5
Lower tax rates of overseas consolidated subsidiaries	(5.1)	(4.5)
Others	(0.4)	3.2
Effective tax rate	38.6%	28.2%

Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Deferred tax assets:			
Directors' and corporate auditors' retirement benefits	¥ 13	¥ 365	$ 156
Employees' retirement benefits	98	98	1,179
Devaluation of inventories	612	952	7,360
Accrued employees' bonuses	307	263	3,692
Devaluation of investment securities	422	451	5,075
Allowance for doubtful accounts	25	69	301
Net loss carryforwards	32	705	385
Impairment loss on property, plant and equipment	263	187	3,163
Loss on write-down of property, plant and equipment	146	167	1,756
Differences between fair value and cost of assets of consolidated subsidiaries	415	421	4,991
Others	257	297	3,090
Less-Valuation allowance	(1,214)	(1,862)	(14,600)
Total deferred tax assets	¥ 1,376	¥ 2,113	$ 16,548
Deferred tax liabilities:			
Net unrealized holding gains on investment securities	¥(1,503)	¥ (928)	$ (18,076)
Retained earnings of subsidiaries	(287)	(245)	(3,452)
Gain on land valuation	(203)	(203)	(2,441)
Others	(51)	(28)	(613)
Total deferred tax liabilities	(2,044)	(1,404)	(24,582)
Net deferred tax assets (liabilities)	¥ (668)	¥ 709	$ (8,034)

15. Derivative financial instruments

Please refer to Note 2. (e) Derivative transactions and hedge accounting and Note 4. Financial Instruments about accounting policy.

The following tables summarize fair value information as of March 31, 2011 of derivative transactions for which hedge accounting has been adopted:

(a) Currency-related transactions

2011			Millions of Yen		
Hedge accounting methods	Type of transaction	Main hedged items	Contracted amount	Over 1 year	Fair value
Basic method	Future exchange contract Sell U.S. dollars	Account receivable	¥ 2,269	¥ –	¥ 2,296
	Future exchange contract Buy U.S. dollars,		2,224	–	2,263
	Euro,	Account payable	421	–	439
	Canadian dollars		471	471	487
The recognition of gains and losses on foreign currency rights or obligations at a preset price	Future exchange contract Buy U.S. dollars,	Account payable	90	–	92
	Total		¥ 5,475	¥ 471	¥ 5,577

2011			Thousands of U.S. Dollars		
Hedge accounting methods	Type of transaction	Main hedged items	Contracted amount	Over 1 year	Fair value
Basic method	Future exchange contract Sell U.S. dollars	Account receivable	$27,288	$ –	$27,613
	Future exchange contract Buy U.S. dollars,		26,747	–	27,216
	Euro,	Account payable	5,063	–	5,280
	Canadian dollars		5,664	5,664	5,857
The recognition of gains and losses on foreign currency rights or obligations at a preset price	Future exchange contract Buy U.S. dollars	Account payable	1,082	–	1,106
	Total		$65,844	$ 5,664	$67,072

(b) Interest-related transactions

2011			Millions of Yen		
Hedge accounting methods	Type of transaction	Main hedged items	Contracted amount	Over 1 year	Fair value
Special method for interest swap	Interest rate swap Pay fixed Receive floating	Long-term borrowings	¥ 2,107	¥ 1,067	¥ –
	Total		¥ 2,107	¥ 1,067	¥ –

2011			Thousands of U.S. Dollars		
Hedge accounting methods	Type of transaction	Main hedged items	Contracted amount	Over 1 year	Fair value
Special method for interest swap	Interest rate swap Pay fixed Receive floating	Long-term borrowings	$25,340	$12,832	$ –
	Total		$25,340	$12,832	$ –

The following tables summarize fair value information as of March 31, 2010 of derivative transactions for which hedge accounting has not been adopted:

(a) Currency-related transactions

2010		Millions of Yen			
Classification	Type of transaction	Contracted amount	Over 1 year	Fair value	Gains (Losses)
Non-market transactions	Currency option trading				
	Put	¥ 781	¥ 781	¥ (109)	¥ (109)
	Call	439	439	14	14
	Total	¥ 1,220	¥ 1,220	¥ (95)	¥ (95)

(b) Interest-related transactions

2010		Millions of Yen			
Classification	Type of transaction	Contracted amount	Over 1 year	Fair value	Gains (Losses)
	Interest rate swap				
Non-market	Receive floating, pay fixed	¥ 85	¥ 10	¥ (1)	¥ (1)
transactions	Total	¥ 85	¥ 10	¥ (1)	¥ (1)

The following tables summarize fair value information as of March 31, 2010 of derivative transactions for which hedge accounting has been adopted:

(a) Currency-related transactions

2010			Millions of Yen		
Hedge accounting methods	Type of transaction	Main hedged items	Contracted amount	Over 1 year	Fair value
Basic method	Future exchange contract				
	short/long commitment	Account receivable	¥ 339	¥ –	¥ 348
	U.S. dollars	Account payable	2,144	–	2,203
The recognition of gains and	Future exchange contract				
losses on foreign currency rights	short/long commitment	Account receivable	681	–	699
or obligations at a preset price	U.S. dollars	Account payable	314	–	326
Basic method	Currency option trading	Foreign currency			
	Put	Receivable and payable, and future	648	–	(56)
	Call	transaction in foreign currency	353	–	2
Basic method	Currency swap trading	Foreign currency			
	Pay Japanese yen	Receivable and payable, and future	388	–	(20)
	Receive U.S. dollars	transaction in foreign currency			
	Total		¥ 4,867	¥ –	¥ 3,502

(b) Interest-related transactions

2010			Millions of Yen		
Hedge accounting methods	Type of transaction	Main hedged items	Contracted amount	Over 1 year	Fair value
	Interest rate swap				
Special method for interest swap	Pay fixed	Long-term borrowings	¥ 3,143	¥ 2,097	¥ –
	Receive floating				
	Total		¥ 3,143	¥ 2,097	¥ –

16. Cash and cash equivalents

(a) The reconciliation between cash and time deposits on the consolidated balance sheets and cash and cash equivalents on the consolidated statements of cash flows as of March 31, 2011, 2010 and 2009 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2011	2010	2009	2011
Cash and time deposits	¥ 13,232	¥ 13,450	¥ 12,892	$159,134
Add: marketable securities	295	372	–	3,548
Total	13,527	13,822	12,892	162,682
Less: time deposits with maturities exceeding three months	(709)	(792)	(504)	(8,526)
Less: corporate bonds within 1 year	(295)	(372)	–	(3,548)
Cash and cash equivalents	¥ 12,523	¥ 12,658	¥ 12,388	$150,608

(b) Assets and liabilities of the subsidiaries excluded from the consolidation scope:
Shares of Hakuto Information Technology Co., Ltd. were sold in 2010, resulting in deconsolidation. The assets and liabilities of the company at deconsolidation, the sale price of the shares and net cash flows from the sale were as follows:

	Millions of Yen
	2010
Current assets	¥ 1,181
Non-current assets	33
Current liabilities	(947)
Non-current liabilities	(20)
Translation adjustments	–
Carrying amount of shares sold	247
Gain (loss) on share sales	(47)
Sale price of shares for the year	200
Cash and cash equivalents of the company excluded from the consolidation scope	(90)
Proceeds (Payment) for sale of shares of subsidiary excluded from the consolidation scope	110

17. Stock option plans

The following table summarizes contents of stock options as of March 31, 2011 and 2010.

	Stock options issued in 2004
Position and number of grantees	Directors and employees of the Companies: 60
Class and number of shares	Common stock 342,500
Date granted	June 28, 2004
Vesting requirements	No provisions
Service-period requirement for vesting	No provisions
Exercise period	From July 1, 2006 to June 30, 2010

The following tables summarize scale and movement of stock options in the year ended March 31, 2011.

Not-exercisable stock options:	Stock options issued in 2004
Not-exercisable stock options outstanding at April 1, 2010	–
Stock options granted	–
Forfeitures	–
Conversion to exercisable stock options	–
Not-exercisable stock options outstanding at March 31, 2011	–
Exercisable stock options:	**Stock options issued in 2004**
Exercisable stock options outstanding at April 1, 2010	274,400
Conversion from not-exercisable stock options	–
Options exercised	–
Forfeitures	274,400
Exercisable stock options outstanding at March 31, 2011	–

The following tables summarize scale and movement of stock options in the year ended March 31, 2010.

Not-exercisable stock options:	Stock options issued in 2004
Not-exercisable stock options outstanding at April 1, 2009	–
Stock options granted	–
Forfeitures	–
Conversion to exercisable stock options	–
Not-exercisable stock options outstanding at March 31, 2010	–
Exercisable stock options:	**Stock options issued in 2004**
Exercisable stock options outstanding at April 1, 2009	274,400
Conversion from not-exercisable stock options	–
Options exercised	–
Forfeitures	–
Exercisable stock options outstanding at March 31, 2010	274,400

18. Information for certain lease transactions

Future lease payments under operating leases as of March 31, 2011 and 2010 were ¥379 million ($4,558 thousand) and ¥317 million, including ¥164 million ($1,972 thousand) and ¥218 million due within one year.

19. Subsequent events

On May 13, 2011, the Board of Directors approved i) payment of year-end cash dividends to the shareholders of record as of March 31, 2011 of ¥20.0 ($0.24) per share or a total of ¥437 million ($5,256 thousand).

20. Segment information

1. General information about reportable segments

The reportable segments of the Group are the components of the Company, for which discrete financial information is available and whose operating results are regularly reviewed by the Company's Board of Directors to make decisions about allocations of management resources.

The Group aligns divisions according to its goods and products, and each division sets out a business strategy and promotes business globally.

The Company consists of the segments related to the Company's goods and products based on divisions, and since consolidated subsidiaries also deal with the same goods and products as the Company, the Group sets 4 reportable segments of Electronic Components division, Electronic and Electric Equipment division, Industrial Chemicals division and Others, in order to enable the Company's Board of Directors to make decisions about allocations of management resources and evaluate performance.

Main products and services belonging to each segment

Segment	Main products and services
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	Consignment of the Company's overall operation and logistics management, insurance agency businesses

2. Basis of measurement about reported segment profit or loss, segment assets, segment liabilities and other material items

The basis of measurement about reported segment profit or loss, segment assets, segment liabilities and other material items is generally the same as described in "Note 2 Summary of significant accounting policies," except for the basis of translation of foreign currency items and evaluation of inventories.

In terms of evaluation of inventories, inventories are evaluated by the amount before write-down resulting from declines in profitability.

Each segment income is the amount based on operating income.

3. Information about reported segment sales and profit or loss

2011	Millions of Yen				
	Electronics Components	Electronic and Electric Equipment	Industrial Chemicals	Others	Total
Net sales					
To external customers	¥ 87,304	¥ 16,463	¥ 7,125	¥ 18	¥ 110,910
To other segments	8,579	2,195	44	648	11,466
Total	¥ 95,883	¥ 18,658	¥ 7,169	¥ 666	¥ 122,376
Segment income	2,329	1,113	508	1	3,951
Other					
Depreciation and amortization	300	41	183	–	524

2010	Millions of Yen				
	Electronics Components	Electronic and Electric Equipment	Industrial Chemicals	Others	Total
Net sales					
To external customers	¥ 76,424	¥ 13,741	¥ 6,984	¥ 18	¥ 97,167
To other segments	5,562	1,521	49	611	7,743
Total	¥ 81,986	¥ 15,262	¥ 7,033	¥ 629	¥ 104,910
Segment income (Loss)	1,909	(73)	523	4	2,363
Other					
Depreciation and amortization	332	42	185	–	559

2011	Thousands of U.S. Dollars				
	Electronics Components	Electronic and Electric Equipment	Industrial Chemicals	Others	Total
Net sales					
To external customers	$ 1,049,958	$ 197,992	$ 85,688	$ 216	$ 1,333,854
To other segments	103,175	26,398	529	7,793	137,895
Total	$ 1,153,133	$ 224,390	$ 86,217	$ 8,009	$ 1,471,749
Segment income	28,010	13,385	6,109	12	47,516
Other					
Depreciation and amortization	3,608	493	2,201	–	6,302

Reportable segment assets and liabilities have not been shown, as they are not used as the basis for deciding the allocation of management resources or evaluating operating performance.

Segment income is adjusted to reflect operating income as reported in the consolidated statement of operations.

4. Difference between the total of segments and consolidated statements of operations

(a) Sales

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Segment total	¥ 122,376	¥ 104,910	$ 1,471,750
Eliminations and corporate	(11,466)	(7,743)	(137,896)
Net sales shown in the consolidated statements of operations	¥ 110,910	¥ 97,167	$ 1,333,854

(b) Income/loss

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Segment total	¥ 3,951	¥ 2,363	$ 47,517
Eliminations and corporate	0	(120)	0
Amortization of goodwill	(71)	(71)	(854)
Other adjustment	512	537	6,157
Operating Income shown in the consolidated statements of operations	¥ 4,392	¥ 2,709	$ 52,820

Other adjustment for the year ended March 31, 2011 amounted to ¥512 million ($6,157 thousand), which comprised negative ¥155 million ($1,864 thousand) for the difference in valuation rules for inventories between financial accounting and management accounting, ¥194 million ($2,333 thousand) for financing costs, ¥384 million ($4,618 thousand) for the effect from exchange conversion and

¥89 million ($1,070 thousand) for others.

Other adjustment for the year ended March 31, 2010 amounted to ¥537 million, which comprised ¥248 million for the difference in valuation rules for inventories between financial accounting and management accounting, ¥252 million for financing costs and ¥37 million for others.

(Related information)
The year ended March 31, 2011 (April 1, 2010 – March 31, 2011)

1. Information about products and services
Information about products and services is omitted, since similar information is disclosed in segment information.

2. Information about geographic areas

(a) Sales

Millions of Yen			
2011			
Japan	Asia	Others	Total
¥ 76,893	¥ 32,444	¥ 1,573	¥ 110,910

Thousands of U.S. Dollars			
2011			
Japan	Asia	Others	Total
$ 924,750	$ 390,186	$ 18,918	$1,333,854

Net sales are classified into country or region, based on customers' location.
Breakdown of regions belong to each section is as follows:
Asia: China, Taiwan, Singapore, Thailand, etc.
Others: United States, Europe, etc.

(b) Tangible fixed assets

Information about tangible fixed assets is omitted, since the amount of tangible fixed assets located in Japan exceeds 90% of that of tangible fixed assets in the consolidated balance sheets.

3. Information about major customers

Information about major customers is omitted, since there is no major customer that makes up more than 10% of consolidated net sales.

(Information about impairment losses fixed assets by reportable segments)
The year ended March 31, 2011 (April 1, 2010 – March 31, 2011)

The Group recognized impairment loss amounted ¥179 million ($2,153 thousand) on unused land in Tsu City, Mie Prefecture, and it is not allocated to reportable segments.

(Information about goodwill in reportable segments)
The year ended March 31, 2011 (April 1, 2010 – March 31, 2011)

	Millions of Yen				
	2011				
	Electronics Components	Electronic and Electric Equipment	Industrial Chemicals	Others	Total
Amortized amount	¥ 71	–	–	–	71
Unamortized balance	54	–	–	–	54

	Thousands of U.S. Dollars				
	2011				
	Electronics Components	Electronic and Electric Equipment	Industrial Chemicals	Others	Total
Amortized amount	$ 854	–	–	–	854
Unamortized balance	649	–	–	–	649

(Information about negative goodwill)
The year ended March 31, 2011 (April 1, 2010 – March 31, 2011)
Not applicable.

(Additional information)
The year ended March 31, 2011 (April 1, 2010 – March 31, 2011)
Effective April 1, 2010, the Company adopted "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (Accounting Standards Board of Japan ("ASBJ") Statement No. 17 on March 27, 2009) and "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No. 20, issued on March 21, 2008).

21. Net assets

Net assets comprise four subsections, which are owners' equity, accumulated gains (losses) from valuation and translation adjustments, share subscription rights and minority interests. The Japanese Corporate Law ("the Law") became effective on May 1, 2006, replacing the Japanese Commercial Code ("the Code"). The Law is generally applicable to events and transactions occurring after April 30, 2006 and for fiscal years ending after that date.

Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one half of the prices of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Law, in cases where a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in-capital and legal earnings reserve must be set aside as additional paid-in-capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets. Under the Code, companies were required to set aside an amount equal to at least 10% of the aggregate amount of cash dividends and other cash appropriations as legal earnings reserve until the total of legal earnings reserve and additional paid-in capital equaled 25% of common stock.

Under the Code, legal earnings reserve and additional paid-in capital could be used to eliminate or reduce a deficit by a resolution of the shareholders' meeting or could be capitalized by a resolution of the Board of Directors. Under the Law, both of these appropriations generally require a resolution of the shareholders' meeting.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Code, however, on condition that the total amount of legal earnings reserve and additional paid-in capital remained equal to or exceeded 25% of common stock; they were available for distribution by a resolution of the shareholders' meeting. Under the Law, all additional paid-in-capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with Japanese laws and regulations.

Payments of dividends are accounted for as appropriation of retained earnings or other capital surplus, as applicable, in the period approved at the shareholders' meeting or at the Board of Directors or as of the date when dividends are determined to take effect by the shareholders or the Board of Directors.

22. Investment and rental property

(Additional Information)
Companies are required to apply the "Accounting Standard for Disclosures about Fair Value of Investment and Rental Property" ASBJ Statement No. 20 issued on November 28, 2008) and the "Guidance on Accounting Standard for Disclosures about Fair Value of Investment and Rental Property" (ASBJ Guidance No. 23 issued on November 28, 2008) for the years ending on or after March 31, 2010.

23. Comprehensive income

(Additional Information)
Effective March 31, 2011, the Company adopted "Accounting Standard for Presentation of Comprehensive Income" (Accounting Standard Board of Japan ("ASBJ") Statement No. 25 on June 30, 2010) and "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, revised on June 20, 2010).

As a result of the adoption of these standards, the Company has presented the consolidated statement of comprehensive income in the consolidated financial statement for the fiscal year ended March 31, 2011.

Comprehensive income for the fiscal year ended March 31, 2010 was as follow:

	Millions of Yen
Comprehensive income attributable to owners of the parent	¥ 2,756
Comprehensive income attributable to minority interests	76
Total comprehensive income	¥ 2,832

Other comprehensive income for the fiscal year ended March 31, 2010 was as follow:

	Millions of Yen
Valuation difference on available-for-sale securities	¥ 930
Deferred gains or losses on hedges	73
Foreign currency translation adjustment	99
Share of other comprehensive income of associates accounted for using equity method	(0)
Total other comprehensive income	¥ 1,102

Report of Independent Certified Public Accountants

On the Consolidated Financial Statements

Independent Auditors' Report

To the Board of Directors of
Hakuto Co., Ltd.

We have audited the accompanying consolidated balance sheets of Hakuto Co., Ltd. and consolidated subsidiaries as of March 31, 2011 and 2010, the related consolidated statements of income and comprehensive income for the year ended March 31, 2011, statements of operations for the year ended March 31, 2010 and March 31, 2009, and statements of changes in net assets and cash flows for each of the years then ended expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Hakuto Co., Ltd. and subsidiaries as of March 31, 2011 and 2010, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2011, in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2011 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

(KPMG AZSA LLC)
Tokyo, Japan
June 28, 2011

Financial Highlights

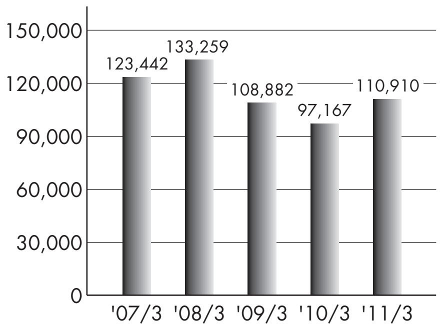
Hakuto Co., Ltd. and Consolidated Subsidiaries
As of March 31, 2011, 2010 and 2009

	Millions of yen 2011	2010	2009	Thousands of U.S. Dollars 2011	Percent change between 2011 and 2010
OPERATING DATA					
NET SALES	¥110,910	¥ 97,167	¥108,882	$1,333,854	14.1%
INCOME (LOSS) BEFORE INCOME TAXES	3,709	2,408	(653)	44,606	54.0%
NET INCOME (LOSS)	2,200	1,655	(542)	26,458	33.0%
FINANCIAL DATA					
TOTAL ASSETS	¥ 73,364	¥ 67,075	¥ 67,042	$ 882,309	9.4%
NET ASSETS	40,210	38,379	36,156	483,583	4.8%
PER SHARE DATA	Yen			U.S. Dollars	
NET INCOME (LOSS) PER SHARE	¥ 99.94	¥ 74.88	¥ (24.53)	$ 1.20	33.5%
CASH DIVIDENDS PER SHARE	35.00	30.00	30.00	0.42	16.7%

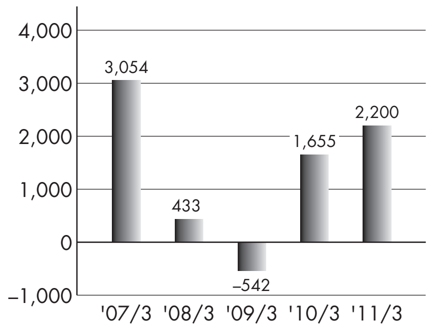
The U.S. dollar amounts represent translations of Japanese yen amounts at the rate of ¥83.15 to U.S. $1.
See Note 1 to the consolidated financial statements.

Financial Highlights Chart

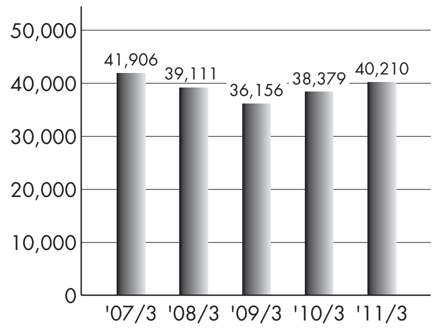
Net Sales
(millions of yen)



Net Income (Loss)
(millions of yen)



Net Assets (Shareholders' Equity)
(millions of yen)



Hakuto

1-13, Shinjuku 1-chome, Shinjuku-ku,
Tokyo 160-8910, Japan
Telephone: +81-3-3225-8910
Facsimile: +81-3-3225-9001
Internet: http://www.hakuto.co.jp