2012
Annual Report

Hakuto Co.,Ltd.

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To Our Shareholders, Employees and Friends

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

In the following, we present a report of our Company's performance results in its 60th term, which began April 1, 2011, and ended March 31, 2012.

The term under review saw the Great East Japan Earthquake, large flooding in Thailand, a strong yen, and the European currency crisis, among other developments, which greatly affected electronics manufacturers and electronics trading companies. The business environment was also very harsh. The Company was relatively unaffected by the earthquake, but even though the automotive industry and other manufacturing moved toward recovery in the second half, business results remained sluggish, affected by the flooding in Thailand. Moreover, fields such as electronic devices and electronic equipment experienced weak product unit prices, procurement, and so on, and these markets continued to shrink due to so-called deflationary trends.

In these harsh conditions, the Company implemented balanced management as described in our business plan. We succeeded in achieving balanced results in all of our segments, a major accomplishment. Our overseas business also demonstrated strong growth, especially in China.

In the 60th term, the Hakuto Group posted consolidated net sales of ¥116,148 million (up 4.7% year on year), consolidated operating income of ¥4,222 million (down 3.9%) and consolidated net income of ¥2,244 million (up 2.0%).

For the term-end dividend, the Company decided to pay its shareholders ¥20.00 per share (¥20.00 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 (¥35.00 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

Electronic and Electric Equipment Division

Overview of the Term under Review

Printed circuit board (PCB) exposure equipment for touch panels was favorable.

In analysis device uses, demand was favorable for vacuum pumps.

The photovoltaic cell-related equipment field weakened owing to a series of postponements in investment.

The large flat panel display (FPD)-related devices field weakened.

Outlook for the Next Term

- With adixen products by Pfeiffer Vacuum, we plan to further expand sales in the vacuum market.
- We will focus our efforts on sales of devices related to smartphones and tablet PCs.
- We will target sales of accelerators for the mass spectrometry and nuclear medicine-related fields.
- We plan to expand sales for industrial equipment field through sales of electronic parts mounted equipment and laser welders.

Electronic Devices Division

Overview of the Term under Review

Due to the rapid growth of smartphones, semiconductors for base station facilities were strong, but feature phone sound source semiconductors declined rapidly.

Due to weakness after extraordinary demand reflecting the change to digital terrestrial TV, and lower market shares of Japanese manufacturers, semiconductors for flat-screen TVs declined dramatically.

The earthquake and flooding in Thailand greatly affected in-vehicle products-related business, but a recovery trend has appeared since the second half.

The flooding in Thailand created hard disk drive (HDD) supply shortages, which decreased sales of semiconductors for storage.

Outlook for the Next Term

- Timing controller integrated circuits (ICs) for liquid crystal displays (LCDs) used in tablet PCs are expected to maintain a favorable trend.
- In-vehicle products-related business is forecast to recover. Industrial equipment (medical equipment, factory automation equipment) is expected to maintain strength.
- Next-generation communications infrastructure-related business is expected to be strong, supported by active investment in Japan and overseas.
- We will work to penetrate new markets where future growth is expected by acquiring new items and smart grids, for example.

Electronic Components Division

Overview of the Term under Review

Success was achieved in launches of new items (LCD panels made in Taiwan, boards made in South Korea, connectors made in China, and so on).

Connectors for domestic PC manufacturers performed favorably.

Our photovoltaic panel business struggled, due to lower prices of domestic manufacturers.

Optical transmission equipment parts for North American communications infrastructure saw weaker growth, but some optical modules performed strongly.

Outlook for the Next Term

· Connectors for PCs are forecast to continue to be strong.

· With implementation of the full-amount purchase system for photovoltaic power generation effective from July 2012, we expect to expand our sales to the industrial equipment field.

· Optical transmission equipment for North American communications infrastructure is expected to recover. With growth in communications traffic, expectations are positive for shipments of next-generation optical transmission equipment.

Chemical-Related Business

Overview of the Term under Review

In petroleum-related business, business results were firm for anti-foulants for refineries, as well as for polymerization inhibitors for the chemical industry.

In automotive-related field, business results were firm for paint-related continuous recovery equipment.

In the paper and pulp related field, receipt of the BASF business helped us greatly exceed our budget target, but price reduction demands were severe, so profits increased only slightly.

Outlook for the Next Term

· We do not see signs of improvement in the market environment, but we aim to boost the technical added value of products, to gain business.

· In petroleum and petrochemicals, we plan to expand sales of priority items.

· In paper manufacturing-related business, we added BASF products to our product line, so we plan to boost market share by proposing total solutions.

· In cosmetics, we plan to continue ingredient sales and original equipment manufacturer (OEM) business, and aim at further development.

Others

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

Financial Review

Income Statement Items

The sales performance of the Hakuto Group increased from the previous year, partly due to the change in the closing date of some overseas subsidiaries from December to March. As a result, in the term under review, we posted consolidated net sales of ¥116,148 million (up 4.7% year on year). In terms of profits, the gross profit margin decreased slightly from the previous year, but we posted gross profit of ¥18,065 million (up 3.0%). Selling, general and administrative expenses amounted to ¥13,843 million (up 5.3%), and operating income was ¥4,222 million (down 3.9%), and ordinary income was ¥4,187 million (up 4.1%). Net income for the term was ¥2,244 million (up 2.0%), due to the recognition of other income (expenses), including ¥114 million on sale of investment securities, ¥90 million on litigation settlement and impairment losses of ¥91 million on property, plant and equipment, and a ¥185 million drawdown of deferred tax assets.

Balance Sheet Items

Current assets at the end of the term under review decreased by ¥1 million, down a slight decline from the previous term. This was due primarily to a decrease in notes and accounts receivable of ¥1,227 million, although merchandise and finished goods increased by ¥1,220 million.

Fixed assets at the end of the term under review decreased by ¥983 million, down 6.9% from the previous term. This was due primarily to a decrease of ¥1,148 million in investment securities.

Based on the above, total assets at the end of the term under review decreased by ¥984 million (down 1.3%) from the previous term to ¥72,381 million.

As for liabilities, current liabilities decreased by ¥426 million (down 1.7%) from the end of the previous term. This was due mainly to a decline in notes and accounts payable of ¥1,004 million, although income taxes payable increased by ¥613 million.

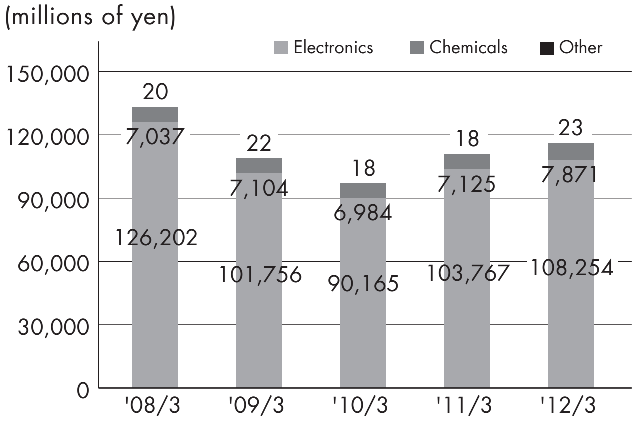
Non-current liabilities at the end of the term under review declined by ¥1,608 million, down 21.6% from the previous year. This drop was largely attributable to a decrease in long-term debt of ¥1,265 million, and a decrease in deferred tax liabilities of ¥345 million.

Based on the above, total liabilities at the end of the term under review decreased by ¥2,034 million (down 6.1%) from the previous term to ¥31,120 million.

Net assets increased by ¥1,050 million (up 2.6%) in comparison with the previous term to ¥41,260 million. This was due primarily to a rise in retained earnings of ¥1,472 million, although net unrealized holding gains on investment securities decreased by ¥462 million.

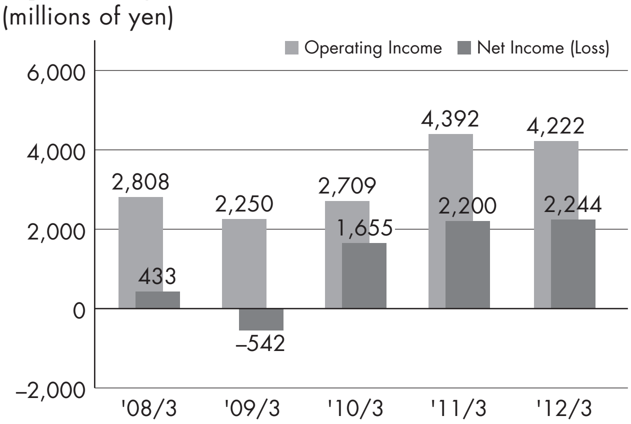
Sales by Product Category

(millions of yen)



Operating Income and Net Income (Loss)

(millions of yen)



Cash Flows

In the term under review, consolidated cash flows resulted in a net inflow of ¥3,602 million in cash flows from operating activities, a net outflow of ¥497 million in cash flow from investing activities, a net outflow of ¥3,131 million in cash flows from financing activities, and an increase of ¥62 million in effect of exchange rate changes on cash and cash equivalents. As a result, cash and cash equivalents at the end of the term under review increased by ¥16 million from the end of the previous term to ¥12,540 million.

・**Cash flows from operating activities**

There was a decrease in payables of ¥1,211 million, and an increase in inventories of ¥1,182 million. Despite these, income before income taxes amounting to ¥4,019 million, a decrease in receivables of ¥1,456 million, and depreciation and amortization of ¥585 million, among others, resulted in a net inflow of ¥3,602 million in cash flows from operating activities. In the previous term, cash flows from operating activities resulted in a net inflow of ¥73 million due primarily to an increase in payables.

・**Cash flows from investing activities**

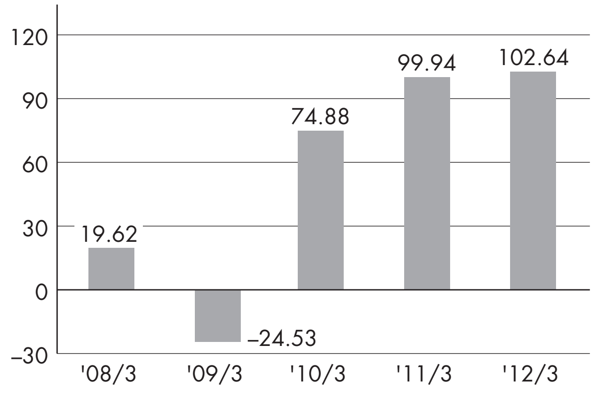
There were proceeds from withdrawal of time deposits amounting to ¥1,410 million. Despite this, payments into time deposits amounting to ¥1,540 million resulted in a net outflow of ¥497 million in cash flows from investing activities. In the previous term, cash flows from investing activities resulted in a net outflow of ¥650 million due primarily to payment of ¥524 million for purchase of property, plant and equipment.

・**Cash flows from financing activities**

Payment of ¥1,193 million for repayments of long-term debt (net), cash dividends paid of ¥765 million, and payment of ¥590 million for repayments of short-term borrowings (net) resulted in a net outflow of ¥3,131 million in cash flows from financing activities. In the previous term, cash flows from financing activities resulted in a net inflow of ¥683 million, due primarily to proceeds of ¥1,791 million from long-term debt and short-term borrowings (net) and cash dividends paid of ¥663 million.

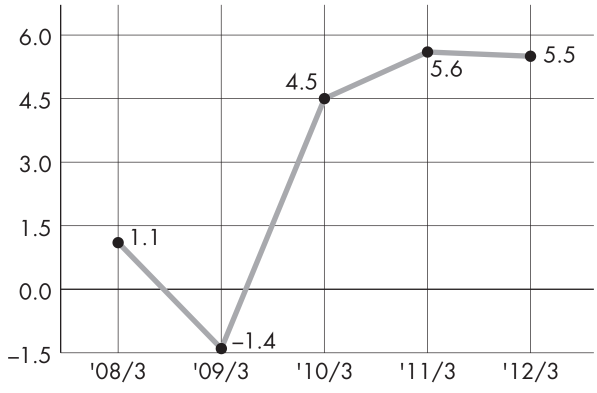
Net Income (Loss) per Share

(yen)



Return on Equity

(%)



Consolidated Balance Sheets

Hakuto Co., Ltd. and Consolidated Subsidiaries
As of March 31, 2012 and 2011

Assets

Current Assets:	Millions of Yen 2012	Millions of Yen 2011	Thousands of U.S. Dollars (Note 1) 2012
Cash and time deposits (Notes 4, 8(c) and 17)	¥ 13,383	¥ 13,232	$ 162,830
Marketable securities (Notes 3, 4 and 17)	127	295	1,545
Receivables (Note 4):			
Notes and accounts receivable - trade	29,042	30,292	353,352
Due to unconsolidated subsidiaries and affiliated companies (Note 5)	24	1	292
Allowance for doubtful accounts	(71)	(134)	(864)
Inventories (Note 7)	14,449	13,214	175,800
Deferred tax assets (Note 15)	746	984	9,077
Prepaid expenses and other current assets	1,420	1,237	17,277
Total current assets	59,120	59,121	719,309
Property, Plant and Equipment:			
Land and land improvements	3,997	4,066	48,631
Buildings and structures	5,918	5,839	72,004
Other assets	6,194	6,297	75,362
	16,109	16,202	195,997
Accumulated depreciation	(9,549)	(9,447)	(116,182)
Total property, plant and equipment (Note 8(c))	6,560	6,755	79,815
Investments and Other Non-current Assets:			
Investment securities (Notes 3, 4 and 5)	5,473	6,621	66,590
Deferred tax assets (Note 15)	74	74	900
Other non-current assets	1,154	793	14,041
Total investments and other non-current assets	6,701	7,488	81,531
Total Assets	¥ 72,381	¥ 73,364	$ 880,655

See accompanying notes.

Liabilities and Net Assets

Current Liabilities:	Millions of Yen 2012	Millions of Yen 2011	Thousands of U.S. Dollars (Note 1) 2012
Short-term borrowings (Notes 4 and 8)	¥ 4,274	¥ 4,866	$ 52,001
Long-term debt due within one year (Notes 4 and 8)	2,438	2,866	29,663
Payables (Note 4):			
Notes and accounts payable - trade	13,249	13,823	161,200
Due to unconsolidated subsidiaries and affiliated companies (Note 5)	831	1,261	10,111
Income taxes payable (Note 15)	1,022	410	12,435
Allowance for employees' bonuses	791	826	9,624
Accrued expenses and other current liabilities	2,676	1,654	32,558
Total current liabilities	25,281	25,706	307,592
Non-current Liabilities:			
Long-term debt (Notes 4 and 8)	3,897	5,162	47,415
Allowance for employees' severance and retirement benefits (Note 9)	312	294	3,796
Allowance for directors' and corporate auditors' severance and retirement benefits	40	39	487
Deferred tax liabilities (Note 15)	1,382	1,726	16,815
Other non-current liabilities	209	227	2,543
Total non-current liabilities	5,840	7,448	71,056
Contingent liabilities (Note 10)			
Net Assets (Note 22): Owners' Equity			
Common stock:			
Authorized - 54,000,000 shares			
Issued and outstanding - 24,137,213 shares	8,100	8,100	98,552
Capital surplus	7,492	7,492	91,155
Retained earnings	28,965	27,493	352,415
Treasury stock, at cost - 2,278,594 shares	(4,185)	(4,185)	(50,919)
Total owners' equity	40,372	38,900	491,203
Other Comprehensive Income			
Net unrealized holding gains (losses) on investment securities	1,895	2,357	23,056
Unrealized gains (losses) on hedging derivatives	19	(36)	231
Foreign currency translation adjustments	(1,177)	(1,229)	(14,319)
Total other comprehensive income	737	1,092	8,967
Minority interests	151	218	1,837
Total net assets	41,260	40,210	502,007
Total Liabilities and Net Assets	¥ 72,381	¥ 73,364	$ 880,655

See accompanying notes.

Consolidated Income Statements

Hakuto Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2012, 2011 and 2010

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2012	2011	2010	2012
Net Sales (Notes 5 and 21)	¥116,148	¥110,910	¥ 97,167	$1,413,165
Cost of Sales (Note 5)	98,083	93,367	81,545	1,193,369
Gross Profit	18,065	17,543	15,622	219,796
Selling, General and Administrative Expenses (Notes 11 and 21)	13,843	13,151	12,913	168,427
Operating Income (Note 21)	4,222	4,392	2,709	51,368
Other Income (Expenses):				
Interest and dividend income	179	152	204	2,178
Interest expenses	(150)	(160)	(209)	(1,825)
Exchange gain, net	(153)	(347)	(316)	(1,862)
Gains on sale of investment securities	114	17	6	1,387
Loss on valuation of investment securities	(21)	(87)	(97)	(256)
Impairment losses on property, plant and equipment (Note 12)	(91)	(179)	(53)	(1,107)
Loss on disaster (Note 13)	–	(37)	–	–
Litigation settlement (Note 14)	(90)	–	–	(1,095)
Other - net	9	(42)	164	110
	(203)	(683)	(301)	(2,470)
Income before Income Taxes	4,019	3,709	2,408	48,899
Income Taxes Provision (Note 15):				
Current	1,310	647	386	15,939
Deferred	414	785	292	5,037
	1,724	1,432	678	20,976
Income before Minority Interests	2,295	2,277	1,730	27,923
Minority interests in income	51	77	75	621
Net Income	¥ 2,244	¥ 2,200	¥ 1,655	$ 27,303

Amounts per Share (Note 2(r)):	Yen			U.S.Dollars (Note 1)
Net Income	¥ 102.64	¥ 99.94	¥ 74.88	$ 1.25
Diluted Net Income	–	–	–	–
Cash Dividends Applicable to the Year	35.00	35.00	30.00	0.43

See accompanying notes.

Consolidated Statements of Comprehensive Income

Hakuto Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2012, 2011 and 2010

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2012	2011	2010	2012
Income before minority interests	¥ 2,295	¥ 2,277	¥ –	$ 27,923
Other comprehensive income (losses) (Note 23)				
Net unrealized holding gains (losses) on investment securities	(462)	695	–	(5,621)
Unrealized gains on hedging derivatives	55	69	–	669
Foreign currency translation adjustments	52	(369)	–	634
Share of other comprehensive income of associates accounted for using equity method	(1)	1	–	(12)
	(356)	396	–	(4,330)
Comprehensive income	1,939	2,673	–	23,593
Comprehensive income attributable to				
Comprehensive income attributable to owners of the parent	1,888	2,596	–	22,971
Comprehensive income attributable to minority interests	51	77	–	621

See accompanying notes.

Consolidated Statements of Changes in Net Assets

Hakuto Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2012, 2011 and 2010

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2012	2011	2010	2012
Common stock:				
Balance, beginning of year	¥ 8,100	¥ 8,100	¥ 8,100	$ 98,552
Total changes of items during the period	–	–	–	–
Balance, end of year	8,100	8,100	8,100	98,552
Capital surplus				
Balance, beginning of year	7,492	7,492	7,492	91,155
Disposal of treasury stock	(0)	–	(0)	(0)
Total changes of items during the period	(0)	–	(0)	(0)
Balance, end of year	7,492	7,492	7,492	91,155
Retained earnings				
Balance, beginning of year	27,493	25,956	24,909	334,505
Dividends from surplus	(765)	(663)	(608)	(9,308)
Changes of the scope of consolidation	(6)	–	–	(73)
Net income	2,244	2,200	1,655	27,303
Total changes of items during the period	1,473	1,537	1,047	17,921
Balance, end of year	28,965	27,493	25,956	352,415
Treasury stock				
Balance, beginning of year	(4,185)	(4,006)	(4,006)	(50,919)
Disposal of treasury stock	0	–	0	0
Purchase of treasury stock	(0)	(179)	(0)	(0)
Total changes of items during the period	0	(179)	0	0
Balance, end of year	(4,185)	(4,185)	(4,006)	(50,919)
Total owners' equity				
Balance, beginning of year	38,900	37,542	36,495	473,294
Dividends from surplus	(765)	(663)	(608)	(9,308)
Changes of the scope of consolidation	(6)	–	–	(73)
Net income	2,244	2,200	1,655	27,303
Disposal of treasury stock	0	–	0	0
Purchase of treasury stock	(0)	(179)	(0)	(0)
Total changes of items during the period	1,472	1,358	1,047	17,909
Balance, end of year	40,372	38,900	37,542	491,203
Net unrealized holding gains (losses) on investment securities				
Balance, beginning of year	2,357	1,660	732	28,677
Net changes of items other than owners' equity	(462)	697	928	(5,621)
Total changes of items during the period	(462)	697	928	(5,621)
Balance, end of year	1,895	2,357	1,660	23,056
Unrealized gains (losses) on hedging derivatives, net of taxes				
Balance, beginning of year	(36)	(104)	(177)	(438)
Net changes of items other than owners' equity	55	68	73	669
Total changes of items during the period	55	68	73	669
Balance, end of year	19	(36)	(104)	231
Foreign currency translation adjustment				
Balance, beginning of year	(1,229)	(860)	(960)	(14,953)
Net changes of items other than owners' equity	52	(369)	100	634
Total changes of items during the period	52	(369)	100	634
Balance, end of year	(1,177)	(1,229)	(860)	(14,319)
Minority interests				
Balance, beginning of year	218	141	66	2,652
Net changes of items other than owners' equity	(67)	77	75	(815)
Total changes of items during the period	(67)	77	75	(815)
Balance, end of year	151	218	141	1,837
Net assets				
Balance, beginning of year	40,210	38,379	36,156	489,232
Dividends from surplus	(765)	(663)	(608)	(9,308)
Changes of the scope of consolidation	(6)	–	–	(73)
Net income	2,244	2,200	1,655	27,303
Disposal of treasury stock	0	–	0	0
Purchase of treasury stock	(0)	(179)	(0)	(0)
Net changes of items other than owners' equity	(423)	473	1,176	(5,147)
Total changes of items during the period	1,050	1,831	2,223	12,775
Balance, end of year	¥ 41,260	¥ 40,210	¥ 38,379	$ 502,007

See accompanying notes.

Consolidated Statements of Cash Flows

Hakuto Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2012, 2011 and 2010

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
Cash Flows from Operating Activities:	2012	2011	2010	2012
Income before income taxes	¥ 4,019	¥ 3,709	¥ 2,408	$ 48,899
Adjustments to reconcile income before income taxes to net cash provided by (used in) operating activities:				
Depreciation and amortization	585	524	559	7,118
Impairment losses on property, plant and equipment	91	179	53	1,107
Gains on sale of investment securities, net	(88)	7	(4)	(1,071)
Loss on valuation of investment securities	21	87	97	256
Allowance for directors' and corporate auditors' severance and retirement benefits, net	2	(864)	(87)	24
Change in receivables	1,456	(3,702)	(2,806)	17,715
Change in inventories	(1,182)	(2,552)	1,334	(14,381)
Change in payables	(1,211)	2,844	2,252	(14,734)
Interest and dividends received	181	154	202	2,202
Interest paid	(149)	(163)	(221)	(1,813)
Income taxes refund (paid), net	(690)	(470)	875	(8,395)
Other	567	320	61	6,899
Net cash provided by (used in) operating activities	3,602	73	4,723	43,825
Cash Flows from Investing Activities:				
Proceeds from sale of property, plant and equipment	12	22	18	146
Payments for purchase of property, plant and equipment	(432)	(525)	(322)	(5,256)
Proceeds from sale of marketable securities and investment securities	315	120	7	3,833
Payments for purchase of marketable securities and investment securities	(23)	(118)	(21)	(280)
Purchase of investments in subsidiaries	(119)	–	–	(1,448)
Net cash increase due to sale of shares of subsidiaries, resulting in deconsolidation	–	–	110	–
Other	(250)	(149)	(302)	(3,042)
Net cash provided by (used in) investing activities	(497)	(650)	(510)	(6,047)
Cash Flows from Financing Activities:				
Change in short-term borrowings	(590)	(423)	(3,764)	(7,178)
Proceeds from long-term debt	1,450	4,035	2,140	17,642
Repayments of long-term debt	(2,643)	(1,821)	(1,246)	(32,157)
Payments for redemption of bonds	(500)	(209)	(404)	(6,083)
Payments for purchase of treasury stock	(0)	(179)	(0)	(0)
Cash dividends paid	(765)	(663)	(608)	(9,308)
Other	(83)	(57)	(115)	(1,009)
Net cash provided by (used in) financing activities	(3,131)	683	(3,997)	(38,095)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	62	(241)	54	754
Net Increase (Decrease) in Cash and Cash Equivalents	36	(135)	270	438
Cash and Cash Equivalents at Beginning of Year	12,523	12,658	12,388	152,366
Decrease in Cash and Cash Equivalents Resulting from Excluding Consolidation	(19)	–	–	(231)
Cash and Cash Equivalents at End of Year (Note 17)	¥ 12,540	¥12,523	¥12,658	$ 152,574

See accompanying notes.

Notes to Consolidated Financial Statements

Hakuto Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2012, 2011 and 2010

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.

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.

Under the new accounting standards, financial statements are prepared by overseas subsidiaries in accordance with International Financial Reporting Standards.

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, 2012 which was ¥82.19 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 2011 and 2010) significant subsidiaries ("the Group"). 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 Enterprises Ltd., Hakuto Taiwan Ltd., Hakuto (Thailand) Ltd. and Hakuto Engineering (Thailand) Ltd. changed their closing date from December 31 to March 31 in the year ended March 31, 2012, and the Group uses financial statements of 15 months, from January 1, 2011 to March 31, 2012, for those subsidiaries when preparing consolidated financial statements.

Moldec Co, Ltd. changed its closing date from February 29 to March 31 in the year ended March 31, 2012, and the Group uses financial statements of 13 months, from March 1, 2011 to March 31, 2012, for Moldec Co, Ltd. when preparing consolidated financial statements.

Shunde Morning Sky Ltd., Hakuto Enterprise (Shanghai) Ltd., and Hakuto Trading (Shenzhen) Ltd., whose closing dates are December 31, performed provisional settlement of account on March 31 in order to present consolidated financial statements more fairly, and the Group uses financial statements of 15 months, from January 1, 2011 to March 31, 2012, for those subsidiaries when preparing consolidated financial statements.

As a result of these changes, net sales increased by ¥5,923 million, operating income increased by ¥220 million, and income before income taxes increased by ¥235 million, respectively.

The Company consolidated Adixen Japan Ltd. through the acquisition of shares in the year ended March 31, 2012. However, since Adixen Japan Ltd. had transferred all of its business to the Company and its materiality had decreased, the Company excluded Adixen Japan Ltd. from consolidation.

(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.

(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.

(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.

(h) Impairment losses of fixed assets - A fixed assets (asset group) are 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) Income taxes - The Group recognizes the tax effects of temporary differences between the financial statement basis and the tax basis of assets and liabilities.

(j) Allowance for doubtful accounts - Allowance for doubtful accounts of the Company and its domestic consolidated subsidiaries is computed based on the past bad debt experience ratio for normal receivables, plus the estimated irrecoverable amount of doubtful receivables on an individual account basis.

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

(l) Provision for bonuses to directors and corporate auditors - Provision for bonuses to directors and corporate auditors is provided for in the estimated amounts which the Company will pay. The amount to be paid will be approved at the shareholders' meeting held subsequent to the end of the fiscal year.

(m) Provision for product warranties - The Company provides an accrual for estimated future warranty costs based on the historical relationship of warranty costs to net sales.

(n) 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)" (Accounting Standards Board of Japan ("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.

(o) 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.

(p) 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.

(q) 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 are translated at the rates used by the Company.

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

(r) Amounts per share - The calculation of net income (loss) per share are 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, 2012, diluted net income per share is not disclosed, since there is no residual stock. For the year ended March 31, 2011, diluted net income per share is not disclosed, since there is no residual stock with effect of dilution.

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

(s) 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.

(t) Reclassification - Certain prior year amounts have been reclassified to conform to the 2012 presentation. These changes had no impact on previously reported results of operations.

(u) Additional information - The Group adopted “Accounting Standard for Accounting Changes and Error Corrections” ((ASBJ) Statement No. 24 issued on December 4, 2009) and “Guidance on Accounting Standard for Accounting Changes and Error Corrections” (ASBJ Guidance No. 24, issued on December 4, 2009) for accounting changes and corrections of prior period errors which are made from the fiscal year beginning on April 1, 2011.

3. Securities

(a) Summarized information of acquisition costs, book values and fair values of securities with available fair values as of March 31, 2012 and 2011 were as follows:

2012	Millions of Yen		
	Acquisition cost	Book value	Difference
Available-for-sale securities with book values (fair values) exceeding acquisition costs:			
Equity securities	¥ 1,145	¥ 4,093	¥ 2,948
Bonds	20	20	0
Subtotal	¥ 1,165	¥ 4,113	¥ 2,948
Available-for-sale securities with book values (fair values) not exceeding acquisition costs:			
Equity securities	¥ 415	¥ 371	¥ (44)
Bonds	180	127	(53)
Subtotal	595	498	(97)
Total	¥ 1,760	¥ 4,611	¥ 2,851

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

2012	Thousands of U.S. Dollars		
	Acquisition cost	Book value	Difference
Available-for-sale securities with book values (fair values) exceeding acquisition costs:			
Equity securities	$ 13,931	$ 49,799	$ 35,868
Bonds	243	243	0
Subtotal	$ 14,174	$ 50,042	$ 35,868
Available-for-sale securities with book values (fair values) not exceeding acquisition costs:			
Equity securities	$ 5,049	$ 4,514	$ (535)
Bonds	2,190	1,545	(645)
Subtotal	7,239	6,059	(1,180)
Total	$ 21,413	$ 56,101	$ 34,688

(b) Total sales of available-for-sale securities sold for the years ended March 31, 2012, 2011 and 2010 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2012	2011	2010	2012
Available-for-sale securities:				
Total sales amount	¥ 315	¥ 120	¥ 7	$ 3,833
Gains	114	17	6	1,387
Losses	25	24	2	304

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 Department, 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, are within 1 year.

Some borrowings are exposed to the risk of interest-rate fluctuations, and the Company uses 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, 2012 and 2011 were as follows.

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

2012	Millions of Yen		
	Book value	Fair value	Difference
(1) Cash and time deposits	¥ 13,383	¥ 13,383	¥ –
(2) Receivables	29,066	29,066	–
(3) Marketable securities	127	127	–
(4) Investment securities	4,485	4,485	–
Total assets	47,061	47,061	–
(5) Payables	14,080	14,080	–
(6) Short-term borrowings	4,274	4,274	–
(7) Corporate bonds (*1)	–	–	–
(8) Long-term borrowings (*1)	6,335	6,310	(25)
Total liabilities	24,689	24,664	(25)
Derivatives transactions (*2)	28	28	–

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	–

2012	Thousands of U.S. Dollars		
	Book value	Fair value	Difference
(1) Cash and time deposits	$ 162,830	$ 162,830	$ –
(2) Receivables	353,644	353,644	–
(3) Marketable securities	1,545	1,545	–
(4) Investment securities	54,569	54,569	–
Total assets	572,588	572,588	–
(5) Payables	171,311	171,311	–
(6) Short-term borrowings	52,001	52,001	–
(7) Corporate bonds (*1)	–	–	–
(8) Long-term borrowings (*1)	77,078	76,773	(305)
Total liabilities	300,390	300,085	(305)
Derivatives transactions (*2)	341	341	–

(*1) Corporate bonds and long-term borrowings included in current liabilities due date within 1 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 bonds. 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 the same type.

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

Classification	Millions of Yen 2012 Book Value	Millions of Yen 2011 Book Value	Thousands of U.S. Dollars 2012 Book Value
Shares of subsidiaries and affiliated companies	¥ 887	¥ 827	$ 10,792
Unlisted shares	101	103	1,229

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

2012	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	¥ 13,383	¥ –	¥ –	¥ –
Receivables	29,066	–	–	–
Marketable securities	127	–	–	–
Investment securities	–	–	20	–
Total	¥ 42,576	¥ –	¥ 20	¥ –

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	¥ –

2012	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	$ 162,830	$ –	$ –	$ –
Receivables	353,644	–	–	–
Marketable securities	1,545	–	–	–
Investment securities	–	–	243	–
Total	$ 518,019	$ –	$ 243	$ –

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

2012	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	¥ –	¥ –	¥ –	¥ –	¥ –	¥ –
Long-term borrowings	2,438	1,683	1,231	862	121	–

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

2012	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	$ –	$ –	$ –	$ –	$ –	$ –
Long-term borrowings	29,663	20,477	14,978	10,488	1,472	–

5. Non-consolidated subsidiaries and affiliated companies

Summarized information of balances and transactions with affiliated companies as of the years ended March 31, 2012, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Receivables	¥ 24	¥ 1	$ 292
Investment securities	900	827	10,950
Payables	831	1,261	10,111

	Millions of Yen			Thousands of U.S. Dollars
	2012	2011	2010	2012
Sales to	¥ 25	¥ 5	¥ 2	$ 304
Purchases from	3,070	3,048	1,718	37,352

6. Related party transactions

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 year ended March 31, 2012. Related party transactions for 2012 and 2011 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
(Major Shareholder)	2012	2011	2012
Takayama International Education Foundation:			
Payment of interest on bonds	¥ 10	¥ 10	$ 122
Redemption of bonds	500	–	6,083
Advance costs	–	9	–

	Millions of Yen		Thousands of U.S. Dollars
(Director)	2012	2011	2012
Ichiro Takayama:			
Purchase of memberships	¥ –	¥ 13	$ –

7. Inventories

Inventories as of March 31, 2012 and 2011 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Merchandise	¥ 13,636	¥ 12,382	$165,909
Finished goods	449	482	5,463
Raw materials	284	278	3,455
Work in process	68	58	827
Supplies	12	14	146
Total	¥ 14,449	¥ 13,214	$175,800

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, 2012 and 2011 ranged from 0.68% to 1.71% and 0.68% to 1.72% per annum, respectively.

(b) Long-term debt as of March 31, 2012 and 2011 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
1.65% to 1.96% loans from Japanese insurance companies, due in 2011 to 2015	¥ 700	¥ 1,022	$ 8,517
0.85% to 3.35% loans from Japanese banks, due in 2011 to 2022	5,635	6,505	68,561
2.05% Japanese yen bonds due in 2012	–	500	–
Total	¥ 6,335	¥ 8,027	$ 77,078
Less amount due within 1 year	2,438	2,866	29,663
Long-term debt	3,897	5,162	47,415

(c) Assets pledged as collateral for ¥33 million ($402 thousand) of short-term borrowings and ¥79 million ($959 thousand) of long-term debt as of March 31, 2012 (¥20 million of short-term borrowings and ¥27 million of long-term debt as of March 31, 2011) were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Cash and time deposits	¥ 46	¥ 46	$ 560
Land and land improvements	–	244	–
Buildings and structures	32	120	389
Total	¥ 78	¥ 410	$ 949

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, 2012 and 2011 consist of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Funded status:			
Projected benefit obligation	¥ (2,676)	¥ (2,524)	$ (32,559)
Pension assets	2,217	1,937	26,974
Unfunded projected benefit obligation	(459)	(587)	(5,585)
Unrecognized actuarial differences	315	380	3,833
Net projected benefit obligation recognized	(144)	(207)	(1,752)
Prepaid pension expense	168	87	2,044
Employees' severance and retirement benefits	¥ (312)	¥ (294)	$ (3,796)

Included in the consolidated statements of operations for the years ended March 31, 2012, 2011 and 2010 are severance and retirement benefit expenses comprised of the following:

	Millions of Yen			Thousands of U.S. Dollars
	2012	2011	2010	2012
Severance and retirement benefit expenses:				
Service costs-benefits earned during the year	¥439	¥413	¥435	$ 5,341
Interest cost on projected benefit obligation	43	40	51	523
Expected return on plan assets	(24)	(21)	(18)	(292)
Amortization of actuarial differences	71	78	95	864
Extra severance and retirement benefits	65	19	31	791
Severance and retirement benefit expenses	¥594	¥529	¥594	$ 7,227

	2012	2011
Discount rate	2.0%	2.0%
Rate of expected return on plan assets	1.3%	1.3%

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, 2012 and 2011 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	
Notes endorsed	¥ –	¥ 12	$ –
Guarantees for indebtedness of employees	2	1	24

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, 2012, 2011 and 2010 were ¥141 million ($1,716 thousand), ¥147 million and ¥126 million respectively.

12. Impairment losses

The Group recognized impairment losses for groups of assets in the years ended March 31, 2012 and 2011 and 2010 as follows:

2012

Location	Use	Type of assets
Suginami-ku, Tokyo	Unused assets	Buildings and structure

2011

Location	Use	Type of assets
Tsu-shi, Mie	Unused assets	Land

2010

Location	Use	Type of assets
Isehara-shi, Kanagawa	Unused assets	Buildings and structure
Miyako-shi, Iwate	Unused assets	Other assets

The Group classifies its fixed assets into each business segment and each consolidated subsidiariy, 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, 2012 amounted to ¥91 million ($1,107 thousand).

The amount of impairment losses for the year ended March 31, 2011 amounted to ¥179 million.

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

In the year ended March 31, 2012, 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 buildings and structures.

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.

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. Litigation settlement

Litigation settlement is caused by the litigation related to the share transfer agreement in the subsidiary of the Company in United States, which has dissolved in August 2002.

15. Income taxes

(a) 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, 2012 and 2011.

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 years ended March 31, 2012 and 2011.

	2012	2011	2010
Statutory tax rate:	40.7%	40.7%	40.7%
Non-deductible expenses	1.3	1.3	1.6
Valuation allowance	3.8	1.0	(17.0)
Per capita inhabitant tax	1.0	1.1	1.7
Effects of increases in retained earnings of consolidated subsidiaries	2.3	–	2.5
Lower tax rates of overseas consolidated subsidiaries	(7.1)	(5.1)	(4.5)
Others	0.9	(0.4)	3.2
Effective tax rate	42.9%	38.6%	28.2%

(b) Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2012 and 2011 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Deferred tax assets:			
Directors' and corporate auditors' retirement benefits	¥ 15	¥ 13	$ 183
Accrued employees' bonuses	293	307	3,565
Employees' retirement benefits	90	98	1,095
Allowance for doubtful accounts	22	25	268
Devaluation of inventories	360	612	4,380
Devaluation of investment securities	330	422	4,015
Differences between fair value and cost of assets of consolidated subsidiaries	359	415	4,368
Loss on write-down of property, plant and equipment	124	146	1,509
Impairment loss on property, plant and equipment	278	263	3,382
Net loss carryforwards	–	32	–
Others	351	257	4,271
Less-Valuation allowance	(1,144)	(1,214)	(13,919)
Total deferred tax assets	¥ 1,078	¥ 1,376	$ 13,116
Deferred tax liabilities:			
Net unrealized holding gains on investment securities	¥ (982)	¥(1,503)	$ (11,948)
Retained earnings of subsidiaries	(372)	(287)	(4,526)
Gain on land valuation	(208)	(203)	(2,531)
Others	(78)	(51)	(949)
Total deferred tax liabilities	(1,640)	(2,044)	(19,954)
Net deferred tax assets (liabilities)	¥ (562)	¥ (668)	$ (6,838)

(c) Adjustment of deferred tax assets and liabilities for enacted changes in tax laws and rates

On December 2, 2011, amendments to the Japanese tax regulations were enacted into law. As a result of these amendments, the statutory income tax rate for the Company will be reduced to 38.0% for years beginning on or after April 1, 2012 and 35.6% for years beginning on or after April 1, 2015. Based on the amendments, the statutory income tax rates utilized for the measurement of deferred tax assets and liabilities expected to be settled or realized from April 1, 2012 to March 31, 2015 and on or after April 1, 2015 are 38.0% and 35.6%, respectively, as of March 31, 2012. Due to these changes in statutory income tax rates, net deferred tax liabilities decreased by ¥88 million, net unrealized holding gains on investment increased by ¥138 million, unrealized gains (losses) on hedging derivatives, increased by ¥1 million, as of March 31, 2012 and deferred income tax expense recognized for the year ended March 31, 2012 increased by ¥51 million.

16. 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, 2012 of derivative transactions for which hedge accounting has been adopted.

(a) Derivative transactions for which hedge accounting has been not adopted
Not applicable.

(b) Derivative transactions for which hedge accounting has been adopted
Currency-related transactions

2012			Millions of Yen		
Hedge accounting methods	Type of transaction	Main hedged items	Contracted amount	Over 1 year	Fair value
Basic method	Future exchange contract				
	Buy				
	U.S. dollars,	Account payable	¥ 409	¥ 276	¥ 19
	Canadian dollars		596	17	10
The recognition of gains and losses	Future exchange contract				
on foreign currency rights	Sell				
or obligations at a preset price	U.S. dollars	Account receivable	4,522	–	(126)
	Buy				
	U.S. dollars,	Account payable	2,170	–	(8)
	Euros,		401	–	10
	Canadian dollars		49	–	1
	Total		¥ 8,147	¥ 293	¥ (94)

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	¥ –	¥ 28
	Future exchange contract				
	Buy				
	U.S. dollars,		2,224	–	39
	Euros,	Account payable	421	–	17
	Canadian dollars		471	471	16
The recognition of gains and losses	Future exchange contract				
on foreign currency rights	Buy				
or obligations at a preset price	U.S. dollars	Account payable	91	–	1
	Total		¥ 5,476	¥ 471	¥ 101

2012			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				
	Buy				
	U.S. dollars,	Account payable	$ 4,976	$ 3,358	$ 231
	Canadian dollars		7,251	207	122
The recognition of gains and losses	Future exchange contract				
on foreign currency rights	Sell				
or obligations at a preset price	U.S. dollars	Account receivable	55,019	–	(1,533)
	Buy				
	U.S. dollars,	Account payable	26,402	–	(97)
	Euros,		4,879	–	122
	Canadian dollars		596	–	12
	Total		$99,124	$ 3,565	$ (1,144)

Interest-related transactions

2012			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	¥ 1,732	¥ 725	¥ –
	Total		¥ 1,732	¥ 725	¥ –

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	¥ –

2012			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	$21,073	$ 8,821	$ –
	Total		$21,073	$ 8,821	$ –

17. Cash and cash equivalents

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, 2012, 2011 and 2010 was as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2012	2011	2010	2012
Cash and time deposits	¥ 13,383	¥ 13,232	¥ 13,450	$162,830
Add: marketable securities	127	295	372	1,545
Total	13,510	13,527	13,822	164,375
Less: time deposits with maturities exceeding 3 months	(843)	(709)	(792)	(10,256)
Less: corporate bonds within 1 year	(127)	(295)	(372)	(1,545)
Cash and cash equivalents	¥ 12,540	¥ 12,523	¥ 12,658	$152,574

18. Stock option plans

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

	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 shares
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	–

There are no stock options as of March 31, 2012.

19. Information for certain lease transactions

Future lease payments under operating leases as of March 31, 2012 and 2011 were ¥276 million ($3,358 thousand) and ¥379 million, including ¥152 million ($1,849 thousand) and ¥164 million due within 1 year.

20. Subsequent events

On May 11, 2012, the Board of Directors approved payment of year-end cash dividends to the shareholders of record as of March 31, 2012 of ¥20.0 ($0.24) per share or a total of ¥437 million ($5,317 thousand).

21. 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 evaluation of inventories.

Each segment income is the amount based on operating income.

In the past, the Group did not eliminate transactions between operating segments that belong to the same reportable segment. However, as from the year ended March 31, 2012, the Group has decided to eliminate transactions between operating segments that belong to the same reportable segment. This change has been made in order to present the substance of the reportable segments fairly in circumstance that inter-company transactions have increased and their impact on the reportable segments has grown larger. As a result of this change, net sales to other segments in Electronic Components division, Electronic and Electric Equipment division and Industrial Chemicals division decreased by ¥11,240 million, ¥2,365 million and ¥52 million, respectively, and net sales total in those divisions decreased by the same amounts, respectively.

In the past, the Group adjusted difference between the spot exchange rate at the date of order and that of sales or purchase in operating income. However, as from the year ended March 31, 2012, the Group has decided not to adjust difference in operating income. This change has been made in order to present the substance of the reportable segments fairly on the occasion when foreign exchange rate is fluctuating significantly. As a result of this change, operating expense in Electronic Components division and Electronic and Electric Equipment division decreased by ¥680 million and ¥19 million, respectively, and segment income in those divisions increased by the same amounts, respectively.

3. Information about reported segment sales and profit or loss

2012	Millions of Yen				
	Electronic Components	Electronic and Electric Equipment	Industrial Chemicals	Others	Total
Net sales					
To external customers	¥ 89,661	¥ 18,593	¥ 7,871	¥ 23	¥ 116,148
To other segments	–	–	0	669	669
Total	¥ 89,661	¥ 18,593	¥ 7,871	¥ 692	¥ 116,817
Segment income	1,999	1,281	567	15	3,862
Other					
Depreciation and amortization	358	60	151	–	569

2011	Millions of Yen				
	Electronic 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

2012	Thousands of U.S. Dollars				
	Electronic Components	Electronic and Electric Equipment	Industrial Chemicals	Others	Total
Net sales					
To external customers	$ 1,090,899	$ 226,220	$ 95,765	$ 281	$ 1,413,165
To other segments	–	–	0	8,140	8,140
Total	$ 1,090,899	$ 226,220	$ 95,765	$ 8,421	$ 1,421,305
Segment income	24,322	15,586	6,899	183	46,990
Other					
Depreciation and amortization	4,356	730	1,837	–	6,923

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
	2012	2011	2012
Segment total	¥ 116,817	¥ 122,376	$ 1,421,305
Eliminations and corporate	(669)	(11,466)	(8,140)
Net sales shown in the consolidated statements of operations	¥ 116,148	¥ 110,910	$ 1,413,165

(b) Income/loss

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Segment total	¥ 3,862	¥ 3,951	$ 46,990
Eliminations and corporate	(49)	0	(596)
Amortization of goodwill	(46)	(71)	(560)
Other adjustment	455	512	5,534
Operating income shown in the consolidated statements of operations	¥ 4,222	¥ 4,392	$ 51,368

Other adjustment for the year ended March 31, 2012 amounted to ¥455 million ($5,534 thousand), which comprised ¥245 million ($2,981 thousand) for the difference in valuation rules for inventories between financial accounting and management accounting, ¥167 million ($2,033 thousand) for financing costs and ¥43 million ($520 thousand) for others.

Other adjustment for the year ended March 31, 2011 amounted to ¥512 million, which comprised negative ¥155 million for the difference in valuation rules for inventories between financial accounting and management accounting, ¥194 million for financing costs, ¥384 million for the effect from exchange conversion and ¥89 million for others.

(Related information)
For the years ended March 31, 2012 and 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 2012			
Japan	Asia	Others	Total
¥ 75,231	¥ 40,163	¥ 754	¥ 116,148

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

Thousands of U.S. Dollars 2012			
Japan	Asia	Others	Total
$ 915,330	$ 488,660	$ 9,174	$1,413,165

Net sales are classified into country or region, based on customers' location.
Breakdown of regions that 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 on fixed assets by reportable segments)
For the year ended March 31, 2012

	Millions of Yen 2012				
	Electronic Components	Electronic and Electric Equipment	Industrial Chemicals	Others	Total
Impairment loss	¥ –	¥ –	¥ 91	¥ –	¥ 91

	Thousands of U.S. Dollars 2012				
	Electronic Components	Electronic and Electric Equipment	Industrial Chemicals	Others	Total
Impairment loss	$ –	$ –	$ 1,107	$ –	$ 1,107

For the year ended March 31, 2011
The Group recognized impairment loss amounted ¥179 million ($2,153 thousand) on unused land in Tsu-shi, Mie, and it is not allocated to reportable segments.

(Information about goodwill in reportable segments)
For the years ended March 31, 2012 and 2011

	Millions of Yen 2012				
	Electronic Components	Electronic and Electric Equipment	Industrial Chemicals	Others	Total
Amortized amount	¥ 42	¥ 4	¥ –	¥ –	¥ 46
Unamortized balance	¥ 13	¥ 23	¥ –	¥ –	¥ 36

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

	Thousands of U.S. Dollars 2012				
	Electronic Components	Electronic and Electric Equipment	Industrial Chemicals	Others	Total
Amortized amount	$ 511	$ 49	$ –	$ –	$ 560
Unamortized balance	$ 158	$ 280	$ –	$ –	$ 438

(Information about negative goodwill)
For the years ended March 31, 2012 and 2011
Not applicable.

22. 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 meeting or as of the date when dividends are determined to take effect by the shareholders or the Board of Directors.

23. Comprehensive income

Amounts reclassified to net income (loss) in the year ended March 31, 2012 that were recognized in other comprehensive income in the current or previous periods and tax effects for each component of other comprehensive income are as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2012	2012
Net unrealized holding gains (losses) on investment securities		
Increase (decrease) during the year	¥ (916)	$ (11,145)
Reclassification adjustments	(67)	(815)
Sub-total, before tax	(983)	(11,960)
Tax (expense) or benefit	521	6,339
Sub-total, net of tax	¥ (462)	$ (5,621)
Unrealized gains (losses) on hedging derivatives		
Increase (decrease) during the year	¥ (20)	$ (243)
Reclassification adjustments	76	925
Sub-total, before tax	56	681
Tax (expense) or benefit	(1)	(12)
Sub-total, net of tax	¥ 55	$ 669
Foreign currency translation adjustments		
Increase (decrease) during the year	¥ 52	$ 634
Reclassification adjustments	–	–
Sub-total, before tax	52	634
Tax (expense) or benefit	–	–
Sub-total, net of tax	¥ 52	$ 634
Share of other comprehensive income of associates accounted for using equity method		
Increase (decrease) during the year	¥ (1)	$ (12)
Reclassification adjustments	0	0
Sub-total	¥ (1)	$ (12)
Total other comprehensive income	¥ (356)	$ (4,330)

Report of Independent Certified Public Accountants

On the Consolidated Financial Statements

Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of Hakuto Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2012 and 2011, and the consolidated income statements, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the three years in the period ended March 31, 2012, and a summary of significant accounting policies and other explanatory information.

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

Auditor's Responsibility
Our responsibility is to 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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Hakuto Co., Ltd. and its consolidated subsidiaries as at March 31, 2012 and 2011, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation
The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2012 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

June 27, 2012
Tokyo, Japan

Financial Highlights

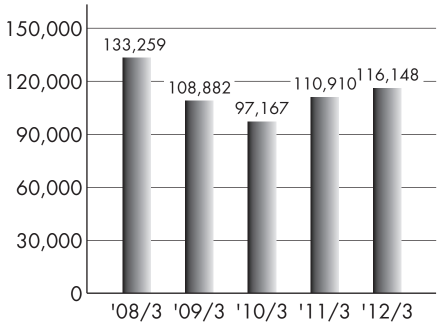
Hakuto Co., Ltd. and Consolidated Subsidiaries
As of March 31, 2012, 2011 and 2010

	Millions of Yen 2012	Millions of Yen 2011	Millions of Yen 2010	Thousands of U.S. Dollars 2012	Percent Change between 2012 and 2011
OPERATING DATA					
NET SALES	¥116,148	¥110,910	¥ 97,167	$1,413,165	4.7%
INCOME BEFORE INCOME TAXES	4,019	3,709	2,408	48,899	8.4%
NET INCOME	2,244	2,200	1,655	27,303	2.0%
FINANCIAL DATA					
TOTAL ASSETS	¥ 72,381	¥ 73,364	¥ 67,075	$ 880,655	–1.3%
NET ASSETS	41,260	40,210	38,379	502,007	2.6%
PER SHARE DATA	Yen			U.S. Dollars	
NET INCOME PER SHARE	¥ 102.64	¥ 99.94	¥ 74.88	$ 1.25	2.7%
CASH DIVIDENDS PER SHARE	35.00	35.00	30.00	0.43	0.0%

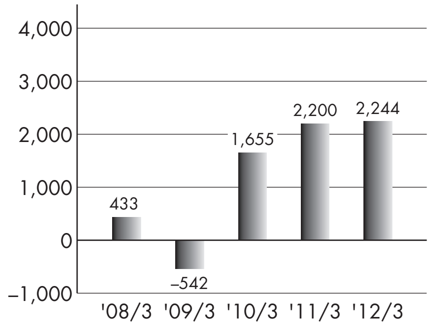
The U.S. dollar amounts represent translations of Japanese yen amounts at the rate of ¥82.19 to U.S. $1.
See Note 1 to the consolidated financial statements.

Financial Highlights Chart

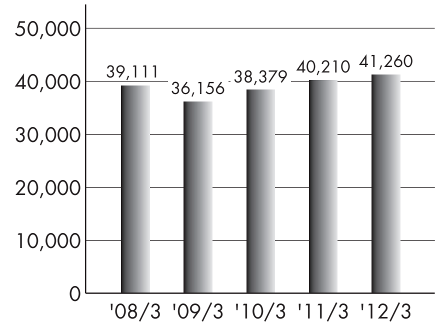
Net Sales
(millions of yen)



Net Income (Loss)
(millions of yen)



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



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