

The left side of the page features a series of vertical bars and dots. From left to right, there is a wide grey bar, a thin white bar, a thin grey bar, a thin white bar, a thin grey bar, and a thin white bar. Scattered across these bars are several grey circles of varying sizes. A cluster of small dots is located near the top left, and a larger cluster of dots is near the bottom left. The text '2013 Annual Report' is positioned on the right side of the page.

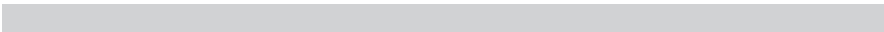
2013  
**Annual Report**



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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 61st term, which began April 1, 2012, and ended March 31, 2013.

The term under review moved on a moderate recovery trend in the first half, reflecting post-earthquake recovery demand and other factors. However, the recurrence of Europe's debt problems and the slower economic growth in China and other emerging markets resulted in lower corporate production, which led to a slowdown in capital investment, and thus a full-scale recovery was not achieved. The second half saw a U.S. economic recovery trend as well as growing sentiment that Europe's debt problems had passed through the worst period. In addition, relations between Japan and China returned to a period of calm, after worsened chill caused by territorial issues, and improvements were seen in a number of problems that had negatively affected Japan's economy. Moreover, the economic stimulus policy of Japan's new government and the Bank of Japan's monetary easing policy led to yen depreciation, bringing positive results for exporting companies and greater hopes for full-scale economic recovery.

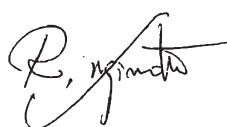
In the electronics industry, the Hakuto Group's main business, results were strong in the telecommunications-related field (mainly smartphones), the in-vehicle product-related business, which benefited from strong automobile sales, and the photovoltaic power generation field, which benefited from the feed-in tariff system for renewable energy. On the other hand, sales of flat-screen TVs and other digital home electronics worsened, as did PC-related sales, which were pressured by the rising popularity of tablet PCs. In the chemicals industry, the weaker yen raised prices for raw materials, and the shrinking market led to lower production, amid stiffer competition in the domestic petroleum and paper manufacturing industries.

In this environment, in the 61st term, the Hakuto Group posted consolidated net sales of ¥111,823 million (down 3.7% year on year), consolidated operating income of ¥3,101 million (down 26.5%) and consolidated net income of ¥2,005 million (down 10.6%).

A solid return of profits to shareholders is one of our important management policies, and our target is a consolidated dividend payout ratio of 20% or higher. For the term-end dividend, we decided to pay a year-end dividend of ¥20.00 per share for the term under review. Accordingly the total annual dividend was ¥35.00 per share, including an interim dividend of ¥15.00 per share.

Continuing its 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 its business.

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



**Ryusaburo Sugimoto,**  
**President**

# The Year in Review

## Electronics-Related Business

### Electronic Devices Division

#### Overview of the Term under Review

- In-vehicle product-related business was strong, but growth was slow in the second half, partly due to the weak China market.
- ↓ Weaker investment in North American communications infrastructure brought a large decline in demand for semiconductors for optical transmission devices.
- ↓ Weaker production of flat-screen TVs resulted in stiff competition in related semiconductors.
- ↑ Sales of semiconductors for cellphone base stations benefited from progress in the shift to long-term evolution (LTE).
- ↓ Demand for semiconductors for cellphones was strong in the first half, but declined in the second half as stronger competition from foreign manufacturers shrank the market share of domestic manufacturers.

#### Outlook for the Next Term (Ending March 31, 2014)

- In-vehicle product-related business is in a recovery trend, mainly for North America. It is expected to maintain its strength.
- Communications infrastructure markets are in a recovery trend in both North America and Japan. They are expected to maintain their strength.
- Cellphone base stations are seeing accelerated development for the LTE-Advanced mobile communications standard, and sales are expected to increase starting in the second half.
- From the summer onward, we anticipate major growth for integrated circuits for use in new tablet personal computers.
- We will focus our efforts on communications, in-vehicle products, the medical fields and others, where continuing growth is expected.

### Electronic Components Division

#### Overview of the Term under Review

- ↑ Our photovoltaic power generation-related business was strong. We began construction of a mega solar power

plant, as a power generation business. We established a joint venture company to strengthen sales to residences.

→ Weaker investment in North American communications infrastructure greatly reduced shipments of optical modules for optical transmission devices. But this business remained strong, due to progress in the introduction of next-generation systems for carriers in Japan starting in the second half.

↑ Contracts for China's high-speed railway moved in a recovery trend, contributing to sales.

#### Outlook for the Next Term (Ending March 31, 2014)

- Our photovoltaic power generation business for non-residential customers is forecast to be strong, despite lower electricity selling prices.
- Communications infrastructure markets are in a recovery trend in both North America and Japan, and shipments of optical transmission devices are expected to be strong.
- Increases in smartphones and cloud computing brought growth in data communications volume. Development and shipment of next-generation transmission devices are expected to be strong.
- Our domestic connector business for personal computers is forecast to face stiff competition due to the sluggish market.

### Electronic and Electronic Equipment Division

#### Overview of the Term under Review

↑ Refurbishment of equipment for semiconductor film deposition generated strong sales to domestic manufacturers.

↓ Transport systems and robots for semiconductor factories ended weak.

↓ Vacuum pumps for original equipment manufacturers (OEMs) ended weak in the second half, due to economic slowdowns in Europe and China.

↑ Vacuum refrigerating machines for touch panels were strong for the full year, despite a temporary slowdown.

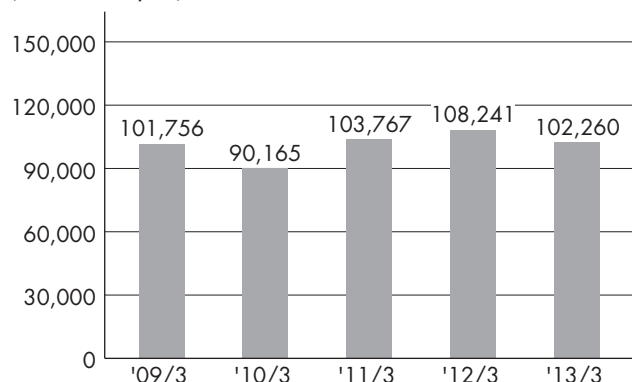
↑ Flexible printed circuit (FPC) board exposure equipment was strong due to uses for smartphones.

#### Outlook for the Next Term (Ending March 31, 2014)

- Microwave annealing equipment for light-emitting diodes (LEDs) are expected to see increased sales in Japan and overseas.
- We are aiming to secure orders for activating furnaces for silicon carbide (SiC) power semiconductors, which are expected to see investments.
- Sales of ion milling equipment for micro-electro-mechanical systems (MEMS) related manufacturing should increase.
- Under the supplementary budget, we expect to receive orders for multiple accelerators.
- Sales to major package manufacturers of new steppers should strengthen.
- We will push for greater sales of printed circuit board (PCB) direct exposure equipment.

#### Sales

(millions of yen)



## Chemical-Related Business

#### Overview of the Term under Review

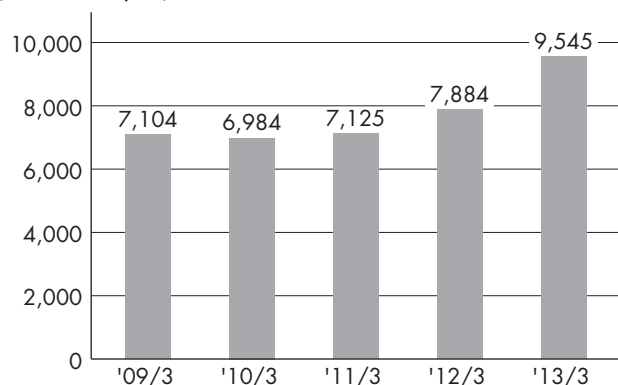
- ↑ Our business acquired from BASF contributed to higher sales on a full-year basis.
- ↓ Capacity utilization rates of petroleum, petrochemical and paper manufacturing-related customers were down, causing weak sales.
- ↑ Our automotive-related business saw market expansion due to launches of new commercial goods.
- Our cosmetics OEM business peaked, but Alcasealan sales were strong.

#### Outlook for the Next Term (Ending March 31, 2014)

- Higher raw material prices due to the weaker yen are a concern.
- In the paper manufacturing-related business, although we expect the weaker yen to reduce paper imports, due to higher pulp prices, we do not expect that our customers' profits will improve.
- The petroleum and petrochemicals market is expected to shrink, due to mergers and elimination of facilities.
- We will consider making a strong effort in cosmetics.
- We will push to develop overseas business, as we focus our efforts to maintain and expand our business.

#### Sales

(millions of yen)



#### Other

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 decreased from the previous term, especially in the semiconductor business, the Hakuto Group's core business, although the industrial chemicals business increased from the previous term due to higher sales in new businesses. As a result, in the term under review, we posted consolidated net sales of ¥111,823 million (down 3.7% year on year). Selling, general and administrative expenses were ¥14,014 million (up 1.2%). In terms of profitability, lower sales resulted in operating income of ¥3,101 million (down 26.5%). Net income for the term was ¥2,005 million (down 10.6%). This result partly reflected extraordinary items such as compensation income of ¥141 million, an impairment loss of ¥436 million.

## Balance Sheet Items

Current assets at the end of the term under review increased by ¥566 million, up 1.0% from the previous term. This was mainly due to an increase of ¥1,817 million in inventories and an increase of ¥548 million in notes and accounts receivable, which counterbalanced a decrease of ¥2,018 million in cash and time deposits.

Property, plant, and equipment at the end of the term under review decreased by ¥15 million, down 0.2% from the previous term.

Investments and other non-current assets at the end of the term under review increased by ¥1,244 million, up 18.6% from the previous term. This reflected an increase of ¥963 million in other non-current assets, this contained intangible fixed assets.

Based on the above, total assets at the end of the term under review increased by ¥1,795 million (up 2.5%) from the previous term to ¥74,176 million.

As for liabilities, current liabilities decreased by ¥636 million (or 2.5%) from the end of the previous term. This was due mainly to a decline in notes and accounts payable of ¥400 million.

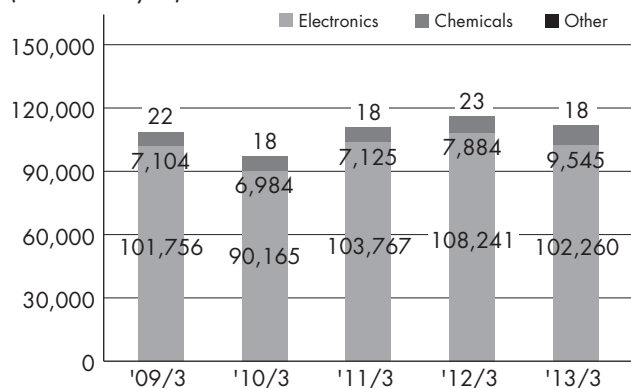
Non-current liabilities increased by ¥138 million (or 2.4%) from the end of the previous term. This was largely attributable to a ¥107 million increase in long-term debt.

Based on the above, total liabilities at the end of the term under review decreased by ¥498 million (or 1.6%) from the previous term to ¥30,622 million.

Net assets increased by ¥2,293 million (or 5.6%) in comparison with the previous term to ¥43,554 million. This was largely attributable to a ¥1,240 million increase in retained earnings, and an ¥874 million improvement in the foreign currency translation adjustment decrease.

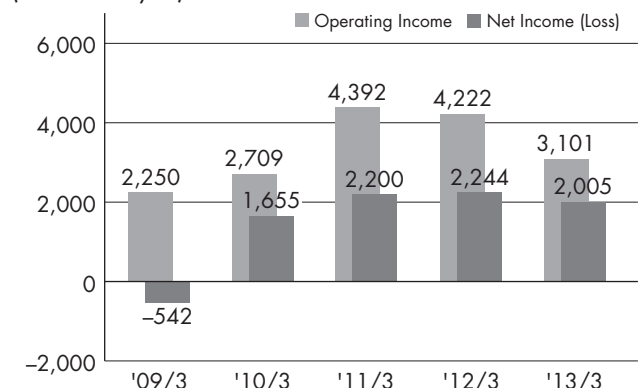
## Sales by Product Category

(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 ¥695 million in cash flows from operating activities, a net outflow of ¥1,846 million in cash flows from investing activities, a net outflow of ¥1,624 million in cash flows from financing activities, and an increase of ¥504 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 decreased by ¥2,271 million from the end of the previous term to ¥10,269 million.

### • Cash flows from operating activities

There was ¥1,670 million in income taxes payable, and an increase in inventories of ¥1,394 million. Despite these, income before income taxes amounting to ¥3,074 million and depreciation and amortization of ¥559 million, among others, resulted in a net inflow of ¥695 million in cash flows from operating activities. In the previous term, cash flows from operating activities resulted in a net inflow of ¥3,602 million due primarily to income before income taxes of ¥4,019 million.

### • Cash flow from investing activities

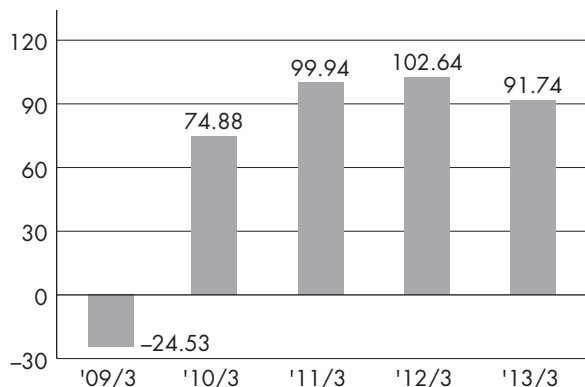
There were payments for purchase of property, plant and equipment amounting to 724 million and ¥1,178 million of other item, major example was expenditures to acquire intangible fixed assets, resulted in a net outflow of ¥1,846 million in cash flows from investing activities. In the previous term, cash flows from investing activities resulted in a net outflow of ¥497 million due primarily to payment for purchase of property, plant and equipment amounting to ¥432 million.

### • Cash flow from financing activities

Payment of ¥659 million for repayments of short-term borrowings (net) and cash dividends paid of ¥765 million resulted in a net outflow of ¥1,624 million in cash flows from financing activities. In the previous term, cash flows from financing activities resulted in a net outflow of ¥3,131 million, due primarily to repayments of long-term debt (net) of ¥1,193 million.

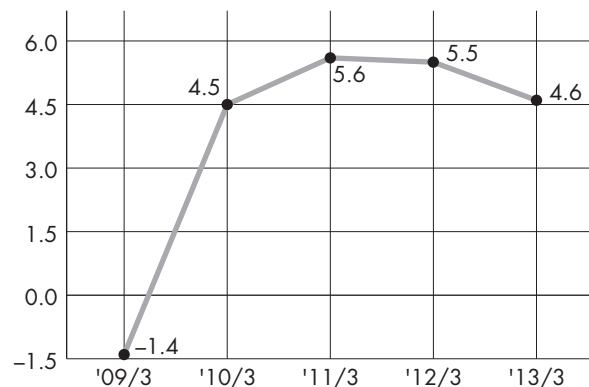
## Net Income (Loss) per Share

(yen)



## Return on Equity

(%)



# Consolidated Balance Sheets

Hakuto Co., Ltd. and Consolidated Subsidiaries  
As of March 31, 2013 and 2012

## Assets

Current Assets:	Millions of Yen		Thousands of
	2013	2012	U.S. Dollars (Note 1)
			2013
Cash and time deposits (Notes 4, 8(c) and 18)	¥ 11,365	¥ 13,383	\$ 120,840
Marketable securities (Notes 3, 4 and 18)	0	127	0
Receivables (Note 4):			
Notes and accounts receivable - trade	29,441	29,042	313,036
Due to unconsolidated subsidiaries and affiliated companies (Note 5)	172	24	1,829
Allowance for doubtful accounts	(134)	(71)	(1,425)
Inventories (Note 7)	16,266	14,449	172,951
Deferred tax assets (Note 16)	715	746	7,602
Prepaid expenses and other current assets	1,861	1,420	19,787
<b>Total current assets</b>	<b>59,686</b>	<b>59,120</b>	<b>634,620</b>
<b>Property, Plant and Equipment:</b>			
Land and land improvements	3,494	3,997	37,150
Buildings and structures	5,871	5,918	62,424
Other assets	6,691	6,194	71,144
	16,056	16,109	170,718
Accumulated depreciation	(9,511)	(9,549)	(101,127)
<b>Total property, plant and equipment (Note 8(c))</b>	<b>6,545</b>	<b>6,560</b>	<b>69,591</b>
<b>Investments and Other Non-current Assets:</b>			
Investment securities (Notes 3, 4 and 5)	5,869	5,473	62,403
Allowance for loss on investment securities	(81)	-	(861)
Deferred tax assets (Note 16)	40	74	425
Other non-current assets	2,117	1,154	22,509
<b>Total investments and other non-current assets</b>	<b>7,945</b>	<b>6,701</b>	<b>84,476</b>
<b>Total Assets</b>	<b>¥ 74,176</b>	<b>¥ 72,381</b>	<b>\$ 788,687</b>

See accompanying notes.



## Liabilities and Net Assets

Current Liabilities:	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2012	2013
Short-term borrowings (Notes 4 and 8)	¥ 3,708	¥ 4,274	\$ 39,426
Long-term debt due within one year (Notes 4 and 8)	2,214	2,438	23,541
Payables (Note 4):			
Notes and accounts payable - trade	12,849	13,249	136,619
Due to unconsolidated subsidiaries and affiliated companies (Note 5)	968	831	10,292
Income taxes payable (Note 16)	611	1,022	6,497
Allowance for employees' bonuses	773	791	8,219
Accrued expenses and other current liabilities	3,521	2,676	37,437
<b>Total current liabilities</b>	<b>24,644</b>	<b>25,281</b>	<b>262,031</b>

## Non-current Liabilities:

Long-term debt (Notes 4 and 8)	4,004	3,897	42,573
Allowance for employees' severance and retirement benefits (Note 9)	346	312	3,679
Allowance for directors' and corporate auditors' severance and retirement benefits	36	40	383
Deferred tax liabilities (Note 16)	1,377	1,382	14,641
Other non-current liabilities	215	209	2,286
<b>Total non-current liabilities</b>	<b>5,978</b>	<b>5,840</b>	<b>63,562</b>
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	86,124
Capital surplus	7,492	7,492	79,660
Retained earnings	30,206	28,965	321,170
Treasury stock, at cost - 2,278,724 shares	(4,185)	(4,185)	(44,498)
<b>Total owners' equity</b>	<b>41,613</b>	<b>40,372</b>	<b>442,456</b>

## Accumulated Other Comprehensive Income

Net unrealized holding gains (losses) on investment securities	2,166	1,895	23,030
Unrealized gains (losses) on hedging derivatives	78	19	829
Foreign currency translation adjustments	(303)	(1,177)	(3,221)
<b>Total other comprehensive income</b>	<b>1,941</b>	<b>737</b>	<b>20,638</b>
Minority interests	-	151	-
<b>Total net assets</b>	<b>43,554</b>	<b>41,260</b>	<b>463,094</b>
<b>Total Liabilities and Net Assets</b>	<b>¥ 74,176</b>	<b>¥ 72,381</b>	<b>\$ 788,687</b>

See accompanying notes.

# Consolidated Income Statements

Hakuto Co., Ltd. and Consolidated Subsidiaries  
Years ended March 31, 2013, 2012 and 2011

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2013	2012	2011	2013
Net Sales (Notes 5 and 21)	¥111,823	¥116,148	¥110,910	\$ 1,188,974
Cost of Sales (Note 5)	94,708	98,083	93,367	1,006,996
Gross Profit	17,115	18,065	17,543	181,978
Selling, General and Administrative Expenses (Notes 11 and 21)	14,014	13,843	13,151	149,006
Operating Income (Note 21)	3,101	4,222	4,392	32,972
Other Income (Expenses):				
Interest and dividend income	179	179	152	1,903
Interest expenses	(109)	(150)	(160)	(1,159)
Exchange gain (loss), net	139	(153)	(347)	1,478
Gains on sale of investment securities	17	114	17	181
Loss on valuation of investment securities	–	(21)	(87)	–
Provision of allowance for loss on investment securities	(81)	–	–	(861)
Compensation received (Note 15)	141	–	–	1,499
Impairment losses on property, plant and equipment (Note 12)	(436)	(91)	(179)	(4,636)
Loss on disaster (Note 13)	–	–	(37)	–
Litigation settlement (Note 14)	–	(90)	–	–
Other - net	123	9	(42)	1,308
	(27)	(203)	(683)	(287)
Income (Loss) before Income Taxes	3,074	4,019	3,709	32,685
Income Taxes Provision (Note 16):				
Current	1,166	1,310	647	12,397
Deferred	(97)	414	785	(1,031)
	1,069	1,724	1,432	11,366
Income before Minority Interests	2,005	2,295	2,277	21,318
Minority interests in net income	–	51	77	–
Net Income	¥ 2,005	¥ 2,244	¥ 2,200	\$ 21,318

## Amounts per Share (Note 2(r)):

	Yen			U.S. Dollars (Note 1)
Net Income	¥ 91.74	¥ 102.64	¥ 99.94	\$ 975.44
Cash Dividends Applicable to the Year	35.00	35.00	35.00	372.14

See accompanying notes.

# Consolidated Statements of Comprehensive Income

Hakuto Co., Ltd. and Consolidated Subsidiaries  
Years ended March 31, 2013, 2012 and 2011

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2013	2012	2011	2013
Income before minority interests	¥ 2,005	¥ 2,295	¥ 2,277	\$ 21,318
Other comprehensive income (losses) (Note 23)				
Net unrealized holding gains (losses) on investment securities	269	(462)	695	2,860
Unrealized gains on hedging derivatives	58	55	69	617
Foreign currency translation adjustments	874	52	(369)	9,293
Share of other comprehensive income of associates accounted for using equity method	3	(1)	1	32
	1,204	(356)	396	12,802
Comprehensive income	3,209	1,939	2,673	34,120
Comprehensive income attributable to				
Comprehensive income attributable to owners of the parent	3,209	1,888	2,596	34,120
Comprehensive income attributable to minority interests	–	51	77	–

See accompanying notes.

# Consolidated Statements of Changes in Net Assets

Hakuto Co., Ltd. and Consolidated Subsidiaries  
Years ended March 31, 2013, 2012 and 2011

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2013	2012	2011	2013
<b>Common stock:</b>				
Balance, beginning of year	¥ 8,100	¥ 8,100	¥ 8,100	\$ 86,124
Total changes of items during the period	-	-	-	-
Balance, end of year	8,100	8,100	8,100	86,124
<b>Capital surplus</b>				
Balance, beginning of year	7,492	7,492	7,492	79,660
Disposal of treasury stock	-	(0)	-	-
Total changes of items during the period	-	(0)	-	-
Balance, end of year	7,492	7,492	7,492	79,660
<b>Retained earnings</b>				
Balance, beginning of year	28,965	27,493	25,956	307,974
Dividends from surplus	(765)	(765)	(663)	(8,134)
Changes the scope of consolidation	-	(6)	-	-
Net income	2,005	2,244	2,200	21,318
Total changes of items during the period	1,241	1,473	1,537	13,196
Balance, end of year	30,206	28,965	27,493	321,170
<b>Treasury stock</b>				
Balance, beginning of year	(4,185)	(4,185)	(4,006)	(44,498)
Disposal of treasury stock	-	0	-	-
Purchase of treasury stock	(0)	(0)	(179)	(0)
Total changes of items during the period	(0)	0	(179)	(0)
Balance, end of year	(4,185)	(4,185)	(4,185)	(44,498)
<b>Total owners' equity</b>				
Balance, beginning of year	40,372	38,900	37,542	429,261
Dividends from surplus	(765)	(765)	(663)	(8,134)
Changes the scope of consolidation	-	(6)	-	-
Net income	2,005	2,244	2,200	21,318
Disposal of treasury stock	-	0	-	-
Purchase of treasury stock	(0)	(0)	(179)	(0)
Total changes of items during the period	1,241	1,472	1,358	13,196
Balance, end of year	41,613	40,372	38,900	442,456
<b>Net unrealized holding gains (losses) on investment securities</b>				
Balance, beginning of year	1,895	2,357	1,660	20,149
Net changes of items other than owners' equity	271	(462)	697	2,881
Total changes of items during the period	271	(462)	697	2,881
Balance, end of year	2,166	1,895	2,357	23,030
<b>Unrealized gains (losses) on hedging derivatives, net of taxes</b>				
Balance, beginning of year	19	(36)	(104)	202
Net changes of items other than owners' equity	59	55	68	627
Total changes of items during the period	59	55	68	627
Balance, end of year	78	19	(36)	829
<b>Foreign currency translation adjustment</b>				
Balance, beginning of year	(1,177)	(1,229)	(860)	(12,515)
Net changes of items other than owners' equity	874	52	(369)	9,294
Total changes of items during the period	874	52	(369)	9,294
Balance, end of year	(303)	(1,177)	(1,229)	(3,221)
<b>Minority interests</b>				
Balance, beginning of year	151	218	141	1,606
Net changes of items other than owners' equity	(151)	(67)	77	(1,606)
Total changes of items during the period	(151)	(67)	77	(1,606)
Balance, end of year	-	151	218	-
<b>Net assets</b>				
Balance, beginning of year	41,260	40,210	38,379	438,703
Dividends from surplus	(765)	(765)	(663)	(8,134)
Changes the scope of consolidation	-	(6)	-	-
Net income	2,005	2,244	2,200	21,318
Disposal of treasury stock	-	0	-	-
Purchase of treasury stock	(0)	(0)	(179)	(0)
Net changes of items other than owners' equity	1,053	(423)	473	11,207
Total changes of items during the period	2,294	1,050	1,831	24,392
Balance, end of year	¥ 43,554	¥ 41,260	¥ 40,210	\$ 463,094

See accompanying notes.

# Consolidated Statements of Cash Flows

Hakuto Co., Ltd. and Consolidated Subsidiaries  
Years ended March 31, 2013, 2012 and 2011

Cash Flows from Operating Activities:	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2013	2012	2011	2013
Income before income taxes	¥ 3,074	¥ 4,019	¥ 3,709	\$ 32,685
Adjustments to reconcile income before income taxes to net cash provided by (used in) operating activities:				
Depreciation and amortization	559	585	524	5,944
Impairment losses on property, plant and equipment	436	91	179	4,636
Gains on sale of investment securities, net	(17)	(88)	7	(181)
Loss on valuation of investment securities	–	21	87	–
Allowance for loss on investment securities, net	81	–	–	861
Allowance for directors' and corporate auditors' severance and retirement benefits, net	(4)	2	(864)	(43)
Change in receivables	372	1,456	(3,702)	3,955
Change in inventories	(1,394)	(1,182)	(2,552)	(14,822)
Change in payables	(1,066)	(1,211)	2,844	(11,334)
Interest and dividends received	191	181	154	2,031
Interest paid	(109)	(149)	(163)	(1,159)
Income tax paid (refund), net	(1,670)	(690)	(470)	(17,757)
Other	242	567	320	2,574
Net cash provided by (used in) operating activities	695	3,602	73	7,390
<b>Cash Flows from Investing Activities:</b>				
Proceeds from sale of property, plant and equipment	150	12	22	1,595
Payments for purchase of property, plant and equipment	(724)	(432)	(525)	(7,698)
Proceeds from sale of marketable securities and investment securities	69	315	120	734
Payments for purchase of marketable securities and investment securities	(10)	(23)	(118)	(106)
Purchase of investments in subsidiaries	(153)	(119)	–	(1,627)
Other	(1,178)	(250)	(149)	(12,526)
Net cash provided by (used in) investing activities	(1,846)	(497)	(650)	(19,628)
<b>Cash Flows from Financing Activities:</b>				
Change in short-term borrowings	(659)	(590)	(423)	(7,007)
Proceeds from long-term debt	2,480	1,450	4,035	26,369
Repayments of long-term debt	(2,597)	(2,643)	(1,821)	(27,613)
Payments for redemption of bonds	–	(500)	(209)	–
Payments for purchase of treasury stock	(0)	(0)	(179)	0
Cash dividends paid	(765)	(765)	(663)	(8,134)
Other	(83)	(83)	(57)	(882)
Net cash provided by (used in) financing activities	(1,624)	(3,131)	683	(17,267)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	504	62	(241)	5,358
Net Increase (Decrease) in Cash and Cash Equivalents	(2,271)	36	(135)	(24,147)
Cash and Cash Equivalents at Beginning of Year	12,540	12,523	12,658	133,334
Decrease in Cash and Cash Equivalents Resulting from Excluding Consolidation	–	(19)	–	–
Cash and Cash Equivalents at End of Year (Note 18)	¥ 10,269	¥ 12,540	¥ 12,523	\$ 109,187

See accompanying notes.

# Notes to Consolidated Financial Statements

Hakuto Co., Ltd. and Consolidated Subsidiaries  
Years ended March 31, 2013, 2012 and 2011

## 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, 2013 which was ¥94.05 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 2012 and 2011) 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 (Thailand) Ltd. and Hakuto Engineering (Thailand) Ltd. changed their closing date from December 31 to March 31 in the previous consolidated fiscal year, 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 previous consolidated fiscal year, 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.

(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 that 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. This is not applied for the year ended March 31, 2013 (See: III "Change in accounting policies").

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. This is not applied for the year ended March 31, 2013 (See: III "Change in accounting policies").

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 that 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:

For the year ended March 31, 2013

Hedging instruments	Hedged items
Forward foreign exchange contracts	Future transaction in foreign currency
Interest rate swap contracts	Floating rates on loans payable

For the year ended March 31, 2012 and 2011

Hedging instruments	Hedged items
Forward foreign exchange contracts	Foreign currency accounts receivable or payable and future transaction in foreign currency
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.

(Change in accounting policies)

Up to the year ended March 31, 2012, forward foreign exchange contracts which meet certain criteria were accounted for by the allocation method, which requires that recognized foreign currency receivables or payables be translated at the corresponding contract rates.

Effective for the current fiscal year, the Company has adopted the basic method of hedging accounting, in order to achieve a better presentation of gain or loss related to open derivatives positions.

The change was not applied retrospectively to the previous years because the effect of this change on the financial result is immaterial.

(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.

(Change in accounting policies with amendment of respective law or regulation that are not distinguishable from change in accounting estimates)

From the year ended March 31, 2013, in accordance with the amendment in corporate tax law, the Company and its domestic subsidiaries have changed its depreciation method for property, plant and equipment. Assets acquired on or after April 1, 2012 are depreciated using the method prescribed in amended corporate tax law.

The effect of this change was immaterial to the consolidated financial statements for the current fiscal year.

(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 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 fair value less costs or (ii) its smallest value.

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 are 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.

(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 in the year ended March 31, 2012 and 2011 (See: (e) III "Change in accounting policies").

(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 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 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 years ended March 31, 2013 and 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) Additional information - The Group adopted "Accounting Standard for Accounting Changes and Error Corrections" (Accounting Standards Board of Japan ("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, 2013 and 2012 were as follows:

2013	Millions of Yen		
	Acquisition cost	Book value	Difference
Available-for-sale securities with book values (fair values) exceeding acquisition costs:			
Equity securities	¥ 1,111	¥ 4,466	¥ 3,355
Subtotal	¥ 1,111	¥ 4,466	¥ 3,355
Available-for-sale securities with book values (fair values) not exceeding acquisition costs:			
Equity securities	¥ 451	¥ 361	¥ (90)
Subtotal	451	361	(90)
Total	¥ 1,562	¥ 4,827	¥ 3,265

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	-
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

2013	Thousands of U.S. Dollars		
	Acquisition cost	Book value	Difference
Available-for-sale securities with book values (fair values) exceeding acquisition costs:			
Equity securities	\$ 11,813	\$ 47,485	\$ 35,673
Subtotal	\$ 11,813	\$ 47,485	\$ 35,673
Available-for-sale securities with book values (fair values) not exceeding acquisition costs:			
Equity securities	\$ 4,795	\$ 3,838	\$ (957)
Subtotal	4,795	3,838	(957)
Total	\$ 16,608	\$ 51,323	\$ 34,715

(b) Total sales of available-for-sale securities sold for the years ended March 31, 2013, 2012 and 2011 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2013	2012	2011	2013
Available-for-sale securities:				
Total sales amount	¥ 69	¥ 315	¥ 120	\$ 734
Gains	17	114	17	181
Losses	0	25	24	0

#### 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 the operation department of the 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 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 the 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, 2013 and 2012 were as follows.

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

2013	Millions of Yen		
	Book value	Fair value	Difference
(1) Cash and time deposits	¥ 11,365	¥ 11,365	¥ -
(2) Marketable securities	0	0	-
(3) Receivables	29,613	29,613	-
(4) Investment securities	4,827	4,827	-
Total assets	45,805	45,805	-
(5) Short-term borrowings	3,708	3,708	-
(6) Long-term borrowings (*1)	6,218	6,203	(15)
(7) Payables	13,817	13,817	-
Total liabilities	23,743	23,728	(15)
Derivatives transactions (*2)	(82)	(82)	-

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

2013	Thousands of U.S. Dollars		
	Book value	Fair value	Difference
(1) Cash and time deposits	\$ 120,840	\$ 120,840	\$ -
(2) Marketable securities	0	0	-
(3) Receivables	314,865	314,865	-
(4) Investment securities	51,324	51,324	-
Total assets	487,029	487,029	-
(5) Short-term borrowings	39,426	39,426	-
(6) Long-term borrowings (*1)	66,114	65,954	(160)
(7) Payables	146,911	146,911	-
Total liabilities	252,451	252,291	(160)
Derivatives transactions (*2)	28	28	-

(\*1) 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) Short-term borrowings, (7) Payables

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

(6) Long-term borrowings

Fair value of long-term borrowings is based on current price calculated by discounting the 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		Thousands of U.S. Dollars
	2013	2012	2013
	Book Value		Book Value
Shares of subsidiaries and affiliated companies	¥ 934	¥ 887	\$ 9,931
Unlisted shares	108	101	1,148

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

2013	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	¥ 11,365	¥ -	¥ -	¥ -
Receivables	29,613	-	-	-
Marketable securities	0	-	-	-
Investment securities	-	-	-	-
Total	¥ 40,978	¥ -	¥ -	¥ -

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	¥ -

2013	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	\$ 120,840	\$ -	\$ -	\$ -
Receivables	314,864	-	-	-
Marketable securities	0	-	-	-
Investment securities	-	-	-	-
Total	\$ 435,704	\$ -	\$ -	\$ -

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

2013	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
Long-term borrowings	¥ 2,214	¥ 1,760	¥ 1,267	¥ 483	¥ 328	¥ 166

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

2013	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
Long-term borrowings	\$ 23,541	\$ 18,713	\$ 13,472	\$ 5,136	\$ 3,488	\$ 1,764

5. Non-consolidated subsidiaries and affiliated companies

Summarized information of balances and transactions with affiliated companies as of the years ended March 31, 2013, 2012 and 2011 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Receivables	¥ 172	¥ 24	\$ 1,829
Investment securities	934	887	9,931
Payables	970	831	10,314

	Millions of Yen			Thousands of U.S. Dollars
	2013	2012	2011	2013
Sales to	¥ 362	¥ 25	¥ 5	\$ 3,849
Purchases from	3,902	3,070	3,048	41,489

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 was ¥500 million as of March 31, 2011. Related party transactions for 2013 and 2012 were as follows:

(Major Shareholder)	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Takayama International Education Foundation:			
Payment of interest on bonds	¥ -	¥ 10	\$ -
Redemption of bonds	-	500	-

7. Inventories

Inventories as of March 31, 2013 and 2012 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Merchandise	¥ 15,304	¥ 13,636	\$ 162,722
Finished goods	476	449	5,061
Raw materials	382	284	4,062
Work in process	91	68	968
Supplies	13	12	138
Total	¥ 16,266	¥ 14,449	\$ 172,951

8. Short-term borrowings and long-term debt

(a) Short-term borrowings consisted principally of loans from banks. The average interest rates on short-term borrowings as of March 31, 2013 and 2012 were 0.8%.

(b) Long-term debt as of March 31, 2013 and 2012 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
1.65% to 1.96% loans from Japanese insurance companies, due in 2012 to 2014	¥ 377	¥ 700	\$ 4,009
0.71% to 3.35% loans from Japanese banks, due in 2012 to 2020	5,841	5,635	62,105
<b>Total</b>	<b>¥ 6,218</b>	<b>¥ 6,335</b>	<b>\$ 66,114</b>
Less amount due within 1 year	2,214	2,438	23,541
<b>Long-term debt</b>	<b>4,004</b>	<b>3,897</b>	<b>42,573</b>

(c) Assets pledged as collateral were none in the year ended March 31, 2013, and for ¥33 million of short-term borrowings and ¥79 million of long-term debt as of March 31, 2012 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Cash and time deposits	¥ -	¥ 46	\$ -
Buildings and structures	-	32	-
<b>Total</b>	<b>¥ -</b>	<b>¥ 78</b>	<b>\$ -</b>

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, 2013 and 2012 consist of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
<b>Funded status:</b>			
Projected benefit obligation	¥ (3,106)	¥ (2,676)	\$ (33,025)
Pension assets	2,504	2,217	26,624
<b>Unfunded projected benefit obligation</b>	<b>(602)</b>	<b>(459)</b>	<b>(6,401)</b>
Unrecognized actuarial differences	523	315	5,561
<b>Net projected benefit obligation recognized</b>	<b>(79)</b>	<b>(144)</b>	<b>(840)</b>
Prepaid pension expense	267	168	2,839
<b>Employees' severance and retirement benefits</b>	<b>¥ (346)</b>	<b>¥ (312)</b>	<b>\$ (3,679)</b>

Included in the consolidated statements of operations for the years ended March 31, 2013, 2012 and 2011 are severance and retirement benefit expenses comprised of the following:

	Millions of Yen			Thousands of U.S. Dollars
	2013	2012	2011	2013
<b>Severance and retirement benefit expenses:</b>				
Service costs-benefits earned during the year	¥457	¥439	¥413	\$ 4,859
Interest cost on projected benefit obligation	45	43	40	478
Expected return on plan assets	(28)	(24)	(21)	(298)
Amortization of actuarial differences	56	71	78	595
Extra severance and retirement benefits	75	65	19	799
<b>Severance and retirement benefit expenses</b>	<b>¥605</b>	<b>¥594</b>	<b>¥529</b>	<b>\$ 6,433</b>

	2013	2012
Discount rate	1.0%	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, 2013 and 2012 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Guarantees for indebtedness of employees	¥ -	¥ 2	\$ -

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, 2013, 2012 and 2011 were ¥149 million (\$1,584 thousand), ¥141 million and ¥147 million respectively.

## 12. Impairment losses

The Group recognized impairment losses for groups of assets in the years ended March 31, 2013 and 2012 and 2011 as follows:

2013		
Location	Use	Type of assets
Funabashi-shi, Chiba	Factory	Land, etc.

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

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 impairment losses for the year ended March 31, 2013 amounted to ¥436 million (\$4,636 thousand).

The impairment losses for the year ended March 31, 2012 amounted to ¥91 million.

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

In the year ended March 31, 2013, the Group came to decision the transferring production basis and selling off fixed assets the factory of an affiliate company, 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, etc.

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.

## 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 was dissolved in August 2002.

## 15. Compensation received

An affiliate company received compensation from Tokyo Electric Power Company, Incorporated for lost earnings.

16. 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 38.0% for the year ended March 31, 2013, and 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, 2013, 2012 and 2011.

	2013	2012	2011
Statutory tax rate:	38.0%	40.7%	40.7%
Valuation allowance	(2.3)	3.8	1.0
Non-deductible expenses	1.6	1.3	1.3
Per capita inhabitant tax	1.2	1.0	1.1
Lower tax rates of overseas consolidated subsidiaries	(6.6)	(7.1)	(5.1)
Amortization of goodwill	0.2	0.5	0.8
Effects of increases in retained earnings of consolidated subsidiaries	2.9	2.3	–
Others	(0.2)	0.4	(1.2)
Effective tax rate	34.8%	42.9%	38.6%

(b) Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2013 and 2012 were as follows:

Deferred tax assets:	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Directors' and corporate auditors' retirement benefits	¥ 13	¥ 15	\$ 138
Accrued employees' bonuses	265	293	2,818
Employees' retirement benefits	87	90	925
Allowance for doubtful accounts	18	22	191
Devaluation of inventories	341	360	3,626
Devaluation of investment securities	357	330	3,796
Differences between fair value and cost of assets of consolidated subsidiaries	353	359	3,753
Loss on write-down of property, plant and equipment	52	124	553
Impairment loss on property, plant and equipment	218	278	2,318
Net loss carryforwards	611	–	6,497
Others	395	283	4,200
Less-Valuation allowance	(1,534)	(1,076)	(16,310)
<b>Total deferred tax assets</b>	<b>¥ 1,176</b>	<b>¥ 1,078</b>	<b>\$ 12,504</b>
Deferred tax liabilities:			
Net unrealized holding gains on investment securities	¥(1,107)	¥ (982)	\$ (11,770)
Retained earnings of subsidiaries	(461)	(372)	(4,902)
Gain on land valuation	(50)	(208)	(532)
Others	(180)	(78)	(1,914)
<b>Total deferred tax liabilities</b>	<b>(1,798)</b>	<b>(1,640)</b>	<b>(19,118)</b>
<b>Net deferred tax assets (liabilities)</b>	<b>¥ (622)</b>	<b>¥ (562)</b>	<b>\$ (6,614)</b>

(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 was reduced to 38.0% for years beginning on or after April 1, 2012 and will be reduced to 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.

17. Derivative financial instruments

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

The following tables summarize fair value information as of March 31, 2013 and 2012 of derivative transactions for which hedge accounting has been adopted.

(a) Derivative transactions for which hedge accounting has not been adopted  
Currency-related transactions

2013		Millions of Yen			
Classification	Type of transaction	Contracted amount	Over 1 year	Fair value	Valuation gains and losses
Trading outside marketplace transaction	Future exchange contract				
	Sell				
	U.S. dollars	¥ 4,831	¥ -	¥ (208)	¥ (208)
	Buy				
	U.S. dollars,	2,924	-	0	0
	Euro,	284	-	(5)	(5)
	Canadian dollars	80	-	4	4
<b>Total</b>		<b>¥ 8,119</b>	<b>¥ -</b>	<b>¥ (209)</b>	<b>¥ (209)</b>

2013		Thousands of U.S. Dollars			
Classification	Type of transaction	Contracted amount	Over 1 year	Fair value	Valuation gains and losses
Trading outside marketplace transaction	Future exchange contract				
	Sell				
	U.S. dollars	\$ 51,366	\$ -	\$ (2,212)	\$ (2,212)
	Buy				
	U.S. dollars,	31,090	-	0	0
	Euro,	3,020	-	(53)	(53)
	Canadian dollars	851	-	43	43
<b>Total</b>		<b>\$ 86,326</b>	<b>\$ -</b>	<b>\$ (2,222)</b>	<b>\$ (2,222)</b>

Interest-related transactions  
For the ended March 31, 2013 and 2012

Derivative transaction for which hedge accounting has been adopted.

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

2013			Millions of Yen		
Hedge accounting methods	Type of transaction	Main hedged items	Contracted amount	Over 1 year	Fair value
<b>Basic method</b>	Future exchange contract				
	Buy				
	U.S. dollars,	Forecasted transaction in foreign currency	¥ 595	¥ 198	¥ 94
	Euro,		42		9
	Canadian dollars		116		23
<b>Total</b>			<b>¥ 753</b>	<b>¥ 198</b>	<b>¥ 126</b>

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

2013			Thousands of U.S. Dollars		
Hedge accounting methods	Type of transaction	Main hedged items	Contracted amount	Over 1 year	Fair value
<b>Basic method</b>	Future exchange contract				
	Buy				
	U.S. dollars,	Forecasted transaction in foreign currency	\$ 6,326	\$ 2,105	\$ 999
	Euro,		447	0	96
	Canadian dollars		1,233	0	245
<b>Total</b>			<b>\$ 8,006</b>	<b>\$ 2,105</b>	<b>\$ 1,340</b>



## Interest-related transactions

2013			Millions of Yen		
			Contracted amount	Over 1 year	Fair value
Hedge accounting methods	Type of transaction	Main hedged items			
Special method for interest swap	Interest rate swap Pay fixed Receive floating	Long-term borrowings	¥ 2,770	¥ 2,013	¥ -
Total			¥ 2,770	¥ 2,013	¥ -

2012			Millions of Yen		
			Contracted amount	Over 1 year	Fair value
Hedge accounting methods	Type of transaction	Main hedged items			
Special method for interest swap	Interest rate swap Pay fixed Receive floating	Long-term borrowings	¥ 1,732	¥ 725	¥ -
Total			¥ 1,732	¥ 725	¥ -

2013			Thousands of U.S. Dollars		
			Contracted amount	Over 1 year	Fair value
Hedge accounting methods	Type of transaction	Main hedged items			
Special method for interest swap	Interest rate swap Pay fixed Receive floating	Long-term borrowings	\$29,452	\$21,404	\$ -
Total			\$29,452	\$21,404	\$ -

## 18. 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, 2013, 2012 and 2011 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2013	2012	2011	2013
Cash and time deposits	¥ 11,365	¥ 13,383	¥ 13,232	\$120,840
Add: marketable securities	0	127	295	0
<b>Total</b>	<b>11,365</b>	<b>13,510</b>	<b>13,527</b>	<b>120,840</b>
Less: time deposits with maturities exceeding three months	(1,096)	(843)	(709)	(11,653)
Less: corporate bonds exceeding three months	-	(127)	(295)	0
<b>Cash and cash equivalents</b>	<b>¥ 10,269</b>	<b>¥ 12,540</b>	<b>¥ 12,523</b>	<b>\$109,187</b>

## 19. Information for certain lease transactions

Future lease payments under operating leases as of March 31, 2013 and 2012 were ¥303 million (\$3,222 thousand) and ¥276 million, including ¥166 million (\$1,765 thousand) and ¥152 million due within one year.

## 20. Subsequent events

On May 8, 2013, the Board of Directors approved payment of year-end cash dividends to the shareholders of record as of March 31, 2013 of ¥20.0 (\$0.21) per share or a total of ¥437 million (\$4,646 thousand).

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 per share or a total of ¥437 million.

## 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."

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.

In the past, the Group calculated the valuation of inventory by the company specific rule. However, as from the year ended March 31, 2013, the Group has changed such calculation method in order to conform to requirements under financial reporting.

In the past, the Group charged the financial cost like interest rate to reported segment performance. However, as from the year ended March 31, 2013, the Group has changed to eliminate the financial cost in order to control segment performance by same policy with consolidated financial reporting.

For the year ended March 31, 2012, the report was modified by the same method for the years ended March 31, 2013. For the year ended March 31, 2011, the report was not modified by the same method for the years ended March 31, 2012 and 2013.

3. Information about reported segment sales and profit or loss

Millions of Yen					
2013	Electronics Components	Electronic and Electric Equipment	Industrial Chemicals	Others	Total
Net sales					
To external customers	¥ 83,951	¥ 18,309	¥ 9,545	¥ 18	¥ 111,823
To other segments	–	–	–	678	678
Total	¥ 83,951	¥ 18,309	¥ 9,545	¥ 696	¥ 112,501
Segment income	1,707	1,056	343	15	3,121
Other					
Depreciation and amortization	347	53	146	–	546

Millions of Yen					
2012	Electronics Components	Electronic and Electric Equipment	Industrial Chemicals	Others	Total
Net sales					
To external customers	¥ 88,550	¥ 19,691	¥ 7,884	¥ 23	¥ 116,148
To other segments	–	–	0	669	669
Total	¥ 88,550	¥ 19,691	¥ 7,884	¥ 692	¥ 116,817
Segment income	2,317	1,303	577	15	4,212
Other					
Depreciation and amortization	358	60	151	–	569

Millions of Yen					
2011	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

Thousands of U.S. Dollars					
2013	Electronics Components	Electronic and Electric Equipment	Industrial Chemicals	Others	Total
Net sales					
To external customers	\$ 892,621	\$ 194,673	\$ 101,489	\$ 191	\$ 1,188,974
To other segments	–	–	–	7,209	7,209
Total	\$ 892,621	\$ 194,673	\$ 101,489	\$ 7,400	\$ 1,196,183
Segment income	18,150	11,228	3,647	159	33,184
Other					
Depreciation and amortization	3,690	564	1,552	–	5,805

Reportable segment assets and liabilities have not been shown, as they are not used as the basis for deciding the allocation of management resource 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
	2013	2012	2011	2013
Segment total	¥ 112,501	¥ 116,817	¥ 122,376	\$ 1,196,183
Eliminations	(678)	(669)	(11,466)	(7,209)
Net sales shown in the consolidated statements of operations	¥ 111,823	¥ 116,148	¥ 110,910	\$ 1,188,974

##### (b) Income/loss

	Millions of Yen			Thousands of U.S. Dollars
	2013	2012	2011	2013
Segment total	¥ 3,121	¥ 4,212	¥ 3,951	\$ 33,184
Amortization of goodwill	(18)	(46)	(71)	(191)
Other adjustment	(2)	56	512	(21)
Operating Income shown in the consolidated statements of operations	¥ 3,101	¥ 4,222	¥ 4,392	\$ 32,972

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, 2013 and 2012

##### 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			
2013			
Japan	Asia	Others	Total
¥ 68,782	¥ 42,357	¥ 684	¥ 111,823

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			
2013			
Japan	Asia	Others	Total
\$ 731,334	\$ 450,367	\$ 7,273	\$1,188,974

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)  
For the years ended March 31, 2013 and 2012

Millions of Yen					
2013					
	Electronic Components	Electronic and Electric Equipment	Industrial Chemicals	Others	Total
Impairment loss	¥ -	¥ -	¥ 436	¥ -	¥ 436

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

Thousands of U.S. Dollars					
2013					
	Electronic Components	Electronic and Electric Equipment	Industrial Chemicals	Others	Total
Impairment loss	\$ -	\$ -	\$ 4,636	\$ -	\$ 4,636

For the year ended March 31, 2011

The Group recognized impairment loss amounted ¥179 million 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, 2013 and 2012

Millions of Yen					
2013					
	Electronic Components	Electronic and Electric Equipment	Industrial Chemicals	Others	Total
Amortized amount	¥ 13	¥ 5	¥ -	¥ -	¥ 18
Unamortized balance	¥ 2	¥ 18	¥ -	¥ -	¥ 20

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					
2013					
	Electronic Components	Electronic and Electric Equipment	Industrial Chemicals	Others	Total
Amortized amount	\$ 138	\$ 53	\$ -	\$ -	\$ 191
Unamortized balance	\$ 21	\$ 191	\$ -	\$ -	\$ 212

(Information about negative goodwill)

For the years ended March 31, 2013, 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 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 current period 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
	2013	2012	2013
<b>Net unrealized holding gains (losses) on investment securities</b>			
Increase (decrease) during the year	¥ 408	¥ (916)	\$ 4,338
Reclassification adjustments	(17)	(67)	(181)
Sub-total, before tax	391	(983)	4,157
Tax (expense) or benefit	(122)	521	(1,297)
Sub-total, net of tax	¥ 269	¥ (462)	\$ 2,860
<b>Unrealized gains (losses) on hedging derivatives</b>			
Increase (decrease) during the year	¥ 126	¥ (20)	\$ 1,340
Reclassification adjustments	(32)	76	(340)
Sub-total, before tax	94	56	1,000
Tax (expense) or benefit	(36)	(1)	(383)
Sub-total, net of tax	¥ 58	¥ 55	\$ 617
<b>Foreign currency translation adjustments</b>			
Increase (decrease) during the year	¥ 874	¥ 52	\$ 9,293
Reclassification adjustments	-	-	-
Sub-total, before tax	874	52	9,293
Tax (expense) or benefit	-	-	-
Sub-total, net of tax	¥ 874	¥ 52	\$ 9,293
<b>Share of other comprehensive income of associates accounted for using equity method</b>			
Increase (decrease) during the year	¥ 3	¥ (1)	\$ 32
Reclassification adjustments	0	0	0
Sub-total	¥ 3	¥ (1)	\$ 32
<b>Total other comprehensive income</b>	¥ 1,204	¥ (356)	\$ 12,802

# 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, 2013 and 2012, 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, 2013, 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, 2013 and 2012, and their financial performance and cash flows for the three years in the period ended March 31, 2013, 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, 2013 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.

June 26, 2013  
Tokyo, Japan

**KPMGT AZSA LLC**

# Financial Highlights

Hakuto Co., Ltd. and Consolidated Subsidiaries  
As of March 31, 2013, 2012 and 2011

## OPERATING DATA

	Millions of Yen			Thousands of U.S. Dollars	Percent change between 2013 and 2012
	2013	2012	2011	2013	
NET SALES	¥111,823	¥116,148	¥110,910	\$1,188,974	-3.7%
INCOME BEFORE INCOME TAXES	3,074	4,019	3,709	32,685	-23.5%
NET INCOME	2,005	2,244	2,200	21,318	-10.7%

## FINANCIAL DATA

TOTAL ASSETS	¥ 74,176	¥ 72,381	¥ 73,364	\$ 788,687	2.5%
NET ASSETS	43,554	41,260	40,210	463,094	5.6%

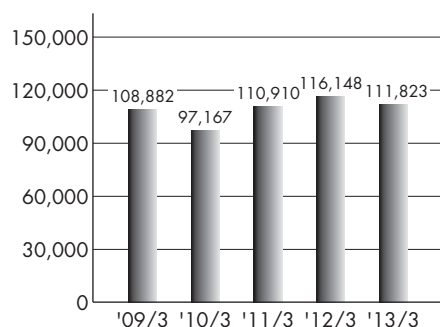
## PER SHARE DATA

	Yen			U.S. Dollars	
	¥	¥	¥	\$	
NET INCOME PER SHARE	¥ 91.74	¥ 102.64	¥ 99.94	\$ 975.44	-10.6%
CASH DIVIDENDS PER SHARE	35.00	35.00	35.00	372.14	0.0%

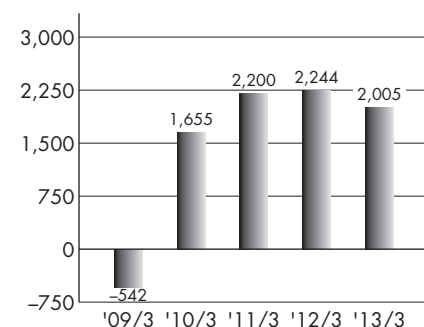
The U.S. dollar amounts represent translations of Japanese yen amounts at the rate of ¥94.05 to U.S. \$1. See Note 1 to the consolidated financial statements.

## Financial Highlights Chart

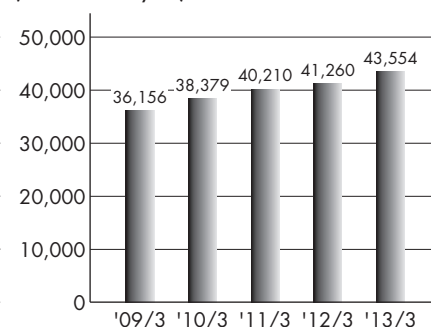
**Net Sales**  
(millions of yen)



**Net Income (Loss)**  
(millions of yen)



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





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