(Securities Code: 7433)
June 10, 2011

Dear Shareholders,

Hakuto Co., Ltd.
1-13, Shinjuku 1-chome, Shinjuku-ku, Tokyo

Notice of the 59th Annual General Meeting of Shareholders

We all express our heartfelt sympathy to shareholders who were affected by the Great East Japan Earthquake and wish the earliest restoration of the devastated areas.

You are cordially invited to attend the 59th Annual General Meeting of Shareholders of Hakuto Co., Ltd. (the "Company"), which will be held as per the schedule below.

If you are unable to attend the Meeting in person, please first review the Reference Materials for the General Meeting of Shareholders presented hereinafter, and exercise your voting rights no later than 5:30 p.m. on Monday, June 27, 2011, using one of the methods outlined below.

[Exercising your voting rights by mail]
Please indicate "for" or "against" for each agenda item shown on the enclosed Form for Exercising Voting Rights, apply the enclosed protective seal, and mail it in time for delivery by the deadline mentioned above.

[Exercising your voting rights electronically (Internet voting etc.)]
Use a personal computer or cell phone to access the Voting Right Exercise Site: http://www.evote.jp/. Enter the "Login ID" and "Temporary Password" noted on the enclosed Form for Exercising Voting Rights, follow the instructions on the screen and indicate "for" or "against" for each agenda item by the deadline mentioned above.

If you intend to exercise your voting rights via the Internet, please refer to page 55 and 56 of the "Procedures for Exercising Voting Rights via the Internet."

Sincerely,

Ryusaburo Sugimoto
President

Details

1. Date & Time: Tuesday, June 28, 2011 at 10:00 a.m.

2. Venue: Conference Room, 8th Floor, Head Office Building, 1-13, Shinjuku 1-chome, Shinjuku-ku, Tokyo

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

3. Meeting Agenda

(1) Items to be reported:

1. Business Report and consolidated financial statements for the Company's 59th fiscal year (from April 1, 2010 to March 31, 2011), and the audit reports of consolidated financial statements by the Accounting Auditors (CPAs) and the Company's Board of Corporate Auditors
2. Non-consolidated financial statements for the Company's 59th fiscal year (from April 1, 2010 to March 31, 2011)

(2) Items to be resolved:

Item 1: Appointment of Eleven (11) Directors
Item 2: Appointment of One (1) Corporate Auditor

4. Matters concerning convocation

(1) In the event that no indication of "for" or "against" has been made, this shall be treated as the intent of approval.
(2) If you exercise your voting rights both by mail and electronic means (Internet voting etc.), the electronic voting (Internet etc.) shall prevail regardless of the arrival date of the mailed vote.
(3) In the case of multiple voting via the Internet, the last voting shall prevail.
(4) If split votes are cast, a written notice of the diverse exercise of voting rights and the reasons thereof must be provided by June 24, 2011.

[Submitted Documents]

Business Report

(From April 1, 2010 to March 31, 2011)

1. Corporate Group's Business Environment

(1) Business conditions during the fiscal year under review

1) Business developments and results

The Japanese economy was gradually recovering, driven by effects of economic measures and active foreign demand in the first half of the consolidated fiscal year under review. However, after fall, it began to slow down and became at a standstill with weakened export through a sharp yen appreciation, the end of effects of economic measures, and increased costs due to a surge in oil prices caused by unstable political situations in Middle Eastern countries. Furthermore, as the occurrence of the Great East Japan Earthquake on March 11, 2011, and subsequent problems such as Fukushima nuclear crisis and a shortage of power supply immeasurably impaired corporate earnings and consumer confidence, the business sharply declined.

Meanwhile, in China, the largest trading partner for Japan, production and demand continued to expand through a year despite increased interest rates to restrain a rapid growth and inventory adjustment of some products around the end of the fiscal year.

In the electronics industry to which the Group belongs, business slowed down in Japan in the second half of the fiscal year. However, supported by active demands in Asia, sales significantly grew centering on semiconductors from a year earlier, and capital investment increased compared to the previous year in Taiwan and Korea.

As for the industrial chemicals market, a core business of the Company's chemicals business, the oil industry and the paper and pulp industry in Japan, which are our principal customers, continuously showed a slightly downward tendency from a year earlier, as well as a tendency to move production bases to overseas.

Under such circumstances, the Group's sales performance leveled off in industrial chemicals, but increased from a year earlier in electronic components and electronics and electric equipment. As a result, sales for the consolidated fiscal year under review were ¥110,910 million, a 14.1% year-on-year increase.

Regarding profit and loss, gross profit increased 12.3% from a year earlier to ¥17,543 million. As selling and general administrative costs increased just 1.8% to ¥13,151 million, operating income was ¥4,392 million, a 62.1% year-on-year increase, ordinary profit was ¥4,023 million, a 62.0% year-on-year increase, and net income was ¥2,200 million, a 33.0% year-on-year increase.

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

Electronic Components Division

In the electronic component segment, the number of orders increased in the first half of the fiscal year, and sales steadily grew through a year. With favorable effects of governmental economic measures, demands for semiconductors for digital home appliances and in-vehicle products and connectors for personal computers increased. In the later half of the fiscal year, sales of semiconductors for smart phones expanded. As a result, sales in the electronic components segment increased 17.0% year on year to ¥95,882 million, and segment income increased 22.0% year on year to ¥2,329 million.

Electronic and Electric Equipment Division

In the electronic and electric equipment segment, exports of PCB (Printed Circuit Board)-related equipment, our mainstay, to Taiwan and Korea expanded. Sales performance of vacuum-related equipment and large-sized FPD (Flat Panel Display) manufacturing equipment also grew. As a result, sales in this segment significantly increased 22.2% year on year to ¥18,658 million, and segment income was ¥1,113 million. (Segment loss of ¥73 million was recorded in the previous fiscal year).

Industrial Chemicals Division

In the industrial chemicals segment, as the favorable effects of acquisition of new orders for chemicals were offset by stagnant demands in the industry and the decreased number of engineering works, sales of products for the petrochemical industry leveled off from a year earlier. Since demands from the paper and pulp industry did not recover, the Company's sales performance of relevant products slightly decreased from a year earlier. Sales of industrial products were stagnant as seen above, but cosmetic-related products continuously expanded. As a result, sales in this segment increased 1.9% year on year to ¥7,169 million, but segment income decreased 3.0% year on year to ¥508 million.

Others Division

This Division is mainly engaged in general operation and logistics management tasks of the Company on a consignment basis, as well as agency business for insurance companies. The Others Division reported sales of ¥667 million (up 6.0% year on year) and segment income of ¥1 million (down 70.0%).

Note: Internal transactions between consolidated companies are not offset and eliminated.

Sales by segment

	Fiscal 2009 (term ended March 2010)		Fiscal 2010 (term ended March 2011)	
	Sales (¥ million)	Ratio to total (%)	Sales (¥ million)	Ratio to total (%)
Electronic Components	81,985	78.2	95,822	78.4
Electronic and Electric Equipment	15,262	14.5	18,658	15.2
Industrial Chemicals	7,034	6.7	7,169	5.9
Others	629	0.6	667	0.5
Sub-total	104,910	100.0	122,376	100.0
Internal Transaction	(7,743)	–	(11,466)	–
Total	97,167	100.0	110,910	100.0

Note: Figures are exclusive of consumption tax.

Outlook of the Next Fiscal Year

It is presently difficult to exactly estimate impacts of the Great East Japan Earthquake, subsequent Fukushima nuclear crisis and a shortage of power supply on the Group. In the first half of the next fiscal year, a decline in manufacturing of consumer products is anticipated mainly in markets of in-vehicle products and mobile phones due to severed supply chain resulting from shutdown of plants in the earthquake-hit areas.

Meanwhile, the market of communication infrastructure and capital investment in Asia are expected to continue growing steadily. In the second half of the next fiscal year, it is forecast that we will see a phase of recovery from the disaster.

In consideration of such business conditions, we forecast the consolidated sales of the fiscal year ending March 2012 of ¥110.0 billion (down 0.8% year on year), consolidated operating income of ¥4.1 billion (down 6.6%), consolidated ordinary income of ¥4.0 billion (down 0.6%), and consolidated net income of ¥2.5 billion (up 13.6%).

2) Investment in plant & equipment

The total investment in plant and equipment for the reporting fiscal year was ¥695 million.

3) Fund procurement

There are no material facts to report.

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

There are no items to report.

5) Business segments transferred from other companies

There are no items to report.

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

There are no items to report.

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

There are no items to report.

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

(¥ million)

	FY2007	FY2008	FY2009	FY2010 (reporting term)
Sales	133,259	108,882	97,167	110,910
Ordinary profit	2,233	2,014	2,483	4,023
Net income	433	(542)	1,655	2,200
EPS (yen)	19.62	(24.53)	74.88	99.94
Total assets	85,950	67,042	67,075	73,364
Net assets	39,111	36,156	38,379	40,210
BPS (yen)	1,770.12	1,633.43	1,730.67	1,829.59

Notes:

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

(3) Principal subsidiaries

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

(4) Issues facing the Company

The Group formulated a new midterm plan for three years and achieved more-than-expected performance in the first fiscal year ended March 2011. We consider the fiscal year ending March 2012, the middle of the three years, important to ensure attainment of the midterm plan in the fiscal year ending March 2013. However, as it is expected that business environment surrounding the Group will be considerably influenced by the Great East Japan Earthquake mainly in the first half of the fiscal year, we may face various kinds of difficulties in corporate management.

Nevertheless, the Group considers that it is important to deal with the immediate matters of emergency in an appropriate manner, and surely implement proactive measures toward corporate growth in such a period when the future is unclear.

In order to overcome these harsh conditions and achieve the midterm plan, we will especially focus on the following five issues:

1) **Developing new businesses in growing markets**
We will develop new businesses in areas appropriate to the need of the times, for example, clean energy to achieve a society in harmony with the environment, smart grid, high-speed railway and electronics products for emerging countries.

2) **Enhancing human resources for overseas business**
For the purpose of an expansion and effective use of human resources for international affairs which are the most important in the Group's overseas development, we will establish a personnel system from the global standpoint, in corporation among the head office of Hakuto Co., Ltd. and overseas local companies.

3) **Developing corporative businesses between Hakuto and domestic subsidiaries**
In preparation for fiercer global competition, we will effectively use Hakuto's resources for business development of domestic subsidiaries, and strive to efficiently develop new businesses and expand business areas including overseas businesses.

4) **Enhancing management infrastructures to support growth strategies**
From the current fiscal year, we will start a project to renew a core ERP system, aiming at commencement of operation in the first half of the next fiscal year. Based on this new system, we will improve management infrastructures which can efficiently support sales activities, responding appropriately to new business environments with standardization of systems and development of shared services in subsidiaries.

5) Strengthening risk management

Recognizing the significance of BCM (Business Continuity Management) to provide for natural disasters, we have formulated the BCP (Business Continuity Plan). We will examine and review the effectiveness of the existing BCP in order to strengthen various measures against potential risks, taking into account the March 11 earthquake.

(5) Main business lines (as of March 31, 2011)

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

Main products in each segment are as follows.

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

(6) Principal offices and plants (as of March 31, 2011)

1) Principal offices and plants of the Company

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

2) Offices of principal subsidiaries

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

(7) Employees (as of March 31, 2011)

1) Employees of the Group

Business segment	Number of employees	Change from end of previous term
Electronic Components	715	(87)
Electronic and Electric Equipment	259	
Industrial Chemicals	185	7
Others	112	21
Common in the Group	165	88
Total	1,436	29

Notes:

1. The number of employees is the number of those who are employed by the Group.
2. Employees working for the "Common in the Group" are attached to back-office sections that cannot be classified into particular business segments. From the consolidated fiscal year under review, employees attached to back-office sections of overseas subsidiaries are included in the "Common in the Group." Accordingly, the numbers of employees in Electronic components division, and Electronic and Electric equipment division decreased.

2) Employees of the Company

Number of employees	Change from end of previous fiscal year	Average age	Average number of years of service
600	Decrease by 9	40.2	12.5

Note: The above figures exclude 23 employees currently dispatched to affiliated companies.

(8) Principal sources of borrowings (as of March 31, 2011)

(¥ million)

Sources	Balance of borrowings
Sumitomo Mitsui Banking Corporation	3,321
Resona Bank, Limited	2,708
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2,707
Nippon Life Insurance Company	795
Mitsubishi UFJ Trust and Banking Corp.	700

(9) Other important matters concerning the Group

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

Recognizing that the Company is not liable for the damage, the Company intends to handle the case in an appropriate manner, for example, by making counterarguments in court.

Mr. Takayama also recognizes he is not liable for the damage, and intends to take same actions as the Company.

2. Profile of the Company

(1) Shares (as of March 31, 2011)

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

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

Of which treasury shares: 2,278,566 shares

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

4) **Number of shareholders:** 6,822 (increased by 286 from the previous fiscal year)

5) **Major shareholders (top ten)**:

Name of shareholder	Number of shares held (thousands shares)	Ownership (%)
Takayama International Education Foundation	4,226.0	19.33
Japan Trustee Services Bank, Ltd. (trust account)	2,573.9	11.77
Ichiro Takayama	1,058.9	4.84
Ken Takayama	1,058.9	4.84
Ryutaro Takayama	1,058.8	4.84
The Master Trust Bank of Japan, Ltd. (trust account)	693.1	3.17
Kuroda Electric Co., Ltd.	604.2	2.76
CBNY DFA INTL SMALL CAP VALUE PORTFOLIO	305.5	1.39
Satori Electric Co., Ltd.	284.0	1.29
Trust & Custody Services Bank, Ltd. (securities investment trust account)	276.8	1.26

Notes:

1. Numbers of shares held are rounded down to the nearest 100 shares.
2. Ratio of shareholding is calculated based on the total number of outstanding shares (21,858,647), which excludes treasury shares. Percentages have been rounded down to two decimal places.
3. Treasury shares owned by the Company are excluded from the list of major shareholders above.

6) **Other important matters concerning shares**

There are no material facts to report.

(2) Share subscription rights

There are no material facts to report.

(3) Corporate Officers

1) Board of Directors and Corporate Auditors (as of March 31, 2011)

Name	Positions in the Company	Responsibility and status of material holding of concurrent positions
Ryusaburo Sugimoto	President (Representative Director)	
Norimichi Hada	Director & Senior Vice President	In charge of Overseas Business
Yoshinae Takada	Director & Senior Vice President	Division Manager of Corporate Management Div.
Noriaki Tomioka	Director & Senior Vice President	Division Manager of Electronic Equipment Div.
Shinkichi Suzuki	Director & Vice President	Division Manager of Corporate Administration Div. and Manager of Sales Administration Dept. and Manager of President's Office and in charge of Risk Management and Corporate Ethics President of Hakuto A&L Co., Ltd.
Hitoshi Takigami	Director & Vice President	Division Manager of Chemical Business Div.
Ryoji Abe	Director & Vice President	Division Manager of Semiconductor Devices 2nd Div. and Electronic Components Div.
Jun Takagi	Director & Vice President	Division Manager of Semiconductor Devices 1st Div.
Ichiro Takayama	Director & Vice President	
Kozo Uno	External Director	Certified Public Accountant and External Auditor for Satori Electric Co., Ltd.
Katsuyoshi Iwashiro	External Director	
Hideo Watanabe	Corporate Auditor	
Chikao Fukuda	External Auditor	Attorney at law
Tadao Kuwano	External Auditor	Certified Public Accountant, Certified Tax Accountant and External Director for Okamura Corporation

Notes:
1. Among the Directors, Messrs. Kozo Uno and Katsuyoshi Iwashiro are External Directors as provided for in Article 2, Item 15 of the Companies Act.
2. Messrs. Chikao Fukuda and Tadao Kuwano are External Auditors as provided for in Article 2, Item 16 of the Companies Act.
3. Messrs. Hideo Watanabe, Chikao Fukuda, and Tadao Kuwano, who are all Corporate Auditors, have extraordinary insight with regard to financial and accounting matters, as described below.
   · The full-time auditor, Mr. Hideo Watanabe, worked in the accounting sections of the Company and Company subsidiaries from April 1975 to June 2003. As such, he spent 28 years dealing with matters like settlement procedures and the preparation of financial statements.
   · Mr. Chikao Fukuda is familiar with corporate law in his capacity as an attorney and has extraordinary insight regarding financial and accounting matters.
   · Mr. Tadao Kuwano holds licenses as both a certified public accountant and certified tax accountant.
4. The Company appointed Messrs. Chikao Fukuda and Tadao Kuwano, who are Corporate Auditors, as Independent Officers as stipulated by Tokyo Stock Exchange, and filed the relevant notification with the TSE.
5. Commencing April 1, 2011, responsibilities of the Directors were changed as follows.

Name	Responsibility or primary occupation
Yoshinae Takada	Director and Senior Vice President, in charge of Corporate Management Div.
Shinkichi Suzuki	Director and Vice President, in charge of Corporate Administration Div. and Manager of President's Office and in charge of Risk Management and Corporate Ethics

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

Name	Date of retirement	Reason	Position as of retirement
Shigeo Takayama	July 25, 2010	Passing away	Director & Honorary Chairman President of Takayama International Education Foundation

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

Positions	Number of recipients	Amount of payment (millions of yen)
Directors (External Directors)	12 (2)	215 (11)
Corporate Auditors (External Auditors)	3 (2)	27 (11)
Total	15	242

Notes:

1. Payments to Directors who are also employees do not include amounts paid as employee salary.
2. Payments to Directors include those paid during his tenure of office to Mr. Shigeo Takayama, Director and Honorary Chairman of the Company, who passed away on July 25, 2010. The number of Directors as of the end of the fiscal year ended March 31, 2011 is 11 (including two External Directors), and the number of Corporate Auditors is three (including two External Auditors).
3. Bonus to Directors and Corporate Auditors for the fiscal year under review is included in the above payment as follows.
   - ¥15,500,000 for 11 Directors (including ¥800,000 for two External Directors)
   - ¥1,500,000 for three Corporate Auditors (including ¥800,000 for two External Auditors)
4. The upper limit on compensation for Directors was set at ¥450 million (not including employee salaries) in the 39th Annual General Meeting of Shareholders, held on June 27, 1991.
5. The upper limit on compensation for Corporate Auditors was set at ¥60 million in the 40th Annual General Meeting of Shareholders, held on June 29, 1992.

4) Matters regarding External Directors

(A) Matters regarding Directors' principal concurrent positions (in positions with executive authority at other companies) and relationships between the Company and those other companies

There are no items to report.

(B) Principal concurrent positions as other companies' external directors or auditors etc. and relationships between the Company and those other companies

- Director Kozo Uno is also an external auditor for Satori Electric Co., Ltd. There are no special relationships between Satori Electric Co., Ltd. and the Company.
- Corporate Auditor Tadao Kuwano is also an external director for Okamura Corporation. There are no special relationships between Okamura Corporation and the Company.

(C) Main activities during the fiscal year under review

Position	Name	Main activities
Director	Kozo Uno	Mr. Uno attended 10 of the 12 Board of Directors meetings held during the fiscal year under review and provided advice and recommendations that supported reasonable and appropriate decision-making within the Board of Directors by, for example, expressing opinions based on his expert perspective as a certified public accountant and extraordinary management insight.
Director	Katsuyoshi Iwashiro	Mr. Iwashiro attended 11 of the 12 Board of Directors meetings held during the fiscal year under review and provided advice and recommendations that supported reasonable and appropriate decision-making within the Board of Directors by, for example, expressing opinions based on his abundant experience and wide-ranging insight as a former manager of a financial institution.
Corporate Auditor	Chikao Fukuda	Mr. Fukuda attended 11 of the 12 Board of Directors meetings held during the fiscal year under review and provided advice and recommendations that supported transparent and lawful decision-making within the Board of Directors by, for example, expressing opinions based on his expert perspective as a lawyer. Mr. Fukuda also attended all 8 of the Board of Corporate Auditors meetings where his activities included participation in exchanges of opinions and discussions of audit results and important audit-related matters.
Corporate Auditor	Tadao Kuwano	Mr. Kuwano attended all 12 of the Board of Directors meetings held during the fiscal year under review and provided advice and recommendations that supported reasonable and appropriate decision-making within the Board of Directors by, for example, expressing opinions based on his expert perspective as a certified public accountant and certified tax accountant. Mr. Kuwano also attended all 8 of the Board of Corporate Auditors meetings where his activities included participation in exchanges of opinions and discussions of audit results and important audit-related matters.

(D) Overview of agreements limiting liability

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

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

(4) Accounting Auditor

1) **Name:** KPMG AZSA LLC

Note: KPMG AZSA &Co. became a limited liability audit corporation on July 1, 2010, and changed its company name to KPMG AZSA LLC.

2) Compensation

	Payment
Compensation for work related to the fiscal year under review	¥55 million
Total monetary and other assets payable to the Accounting Auditor by the Company and its subsidiaries	¥62 million

Notes:

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

3) Non-audit work

The Company pays a fee to its Accounting Auditor for advisory duties regarding IFRS, which are professional duties other than those stipulated in Article 2, Paragraph 1 of the Certified Public Accountants Law.

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

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

(5) Basic policy for construction of internal control systems

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

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

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

(B) A Director shall be appointed to bear managerial responsibility for compliance activities. Working under this Director, the General Affairs Dept., which shall bear operational responsibility for compliance activities, shall prepare compliance programs and build and maintain compliance systems. The Internal Control Office shall audit compliance system functions and effectiveness.

(C) Based on the Rules for Ethics, the Compliance Committee shall be established and chaired by the President of the Company. This Committee shall discuss important compliance matters and report the results of these discussions to the Board of Directors.

(D) A channel allowing employees to directly report to the Compliance Committee information on violations of laws or social mores shall be established and maintained.

(E) No relationship whatsoever shall be had with anti-social factions and groups which may threaten the order or safety of the civil society, and the Company shall take a resolute stance against any undue claims or sabotage attacks through close coordination with outside professionals such as the police and lawyers.

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

(A) Documents (including electromagnetic record) relating to Directors' performance of their duties shall be preserved and managed, together with related information, as required by the Rules for Document Management. This information shall be maintained in viewable condition for at least ten years, as necessary.

(B) In accordance with the Information Security Policies, the Rules for Electronic Data Management and other rules for information security, protection, management and use of electronic information shall be improved and facilitated.

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

(A) A Director shall be appointed to be responsible for risk management. Working under this Director, the General Affairs Dept., which shall bear operation responsibility for risk management, shall construct a company-wide risk management system.

(B) A director responsible for risk management decides departments in charge of each type of risk. Those departments carry out various measures to make risk management more effective, and continuously monitor status of risk management.

(C) In preparation for the possibility of the realization of risks, the Rules for Crisis Management including emergency measures, measures for containing damage, recovery measures, and measures for preventing recurrences shall be formulated. When risks are realized, damage shall be minimized by responding swiftly and appropriately.

4) Systems for ensuring Directors perform their duties effectively

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

(B) The speed of decision-making shall be increased through measures like simplifying the decision-making process. The Board of Managing Directors shall be consulted in important matters to ensure decisions are made with heightened caution.

(C) To ensure the efficient performance, and establish responsibility for, actions taken based on Board of Directors resolutions, responsible parties, their responsibilities, and implementation details shall be determined based on the Rules for General Organization, the Rules for Segregation of Duties, and the Rules for Administrative Authority.

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

(A) With the Hakuto Group Ethical Code serving as a code of conduct for group companies, Internal Control Systems for the Hakuto Group shall be constructed by having each individual group company adopt necessary rules based on the Hakuto Group Ethical Code.

(B) The Directors responsible for compliance and risk management shall retain authority and responsibility for the construction of compliance and risk management systems at each subsidiary. The General Affairs Dept. shall promote and manage the construction of these systems throughout the Hakuto Group.

(C) The Corporate Planning Department shall adopt the Rules for Managing Subsidiaries and implement management measures as dictated by conditions at subsidiaries.

(D) Based on the Financial Instruments and Exchange Law, each Group company shall establish and implement necessary, appropriate internal controls over financial reporting in order to ensure the reliability of the financial reports of the Hakuto Group. In addition, the Internal Control Office shall periodically examine the effectiveness of the internal controls, report findings to the Board of Directors and provide advice on improvement and corrective measures as per need, as required by the Rules for Internal Control.

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

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

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

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

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

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

(6) Policies regarding the distribution of retained earnings

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

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

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

Regarding the year-end dividend payment for the fiscal year under review, we resolved to pay the dividend of ¥20 per share according to the above-mentioned policies at the Board of Directors meeting held on May 13, 2011. Added to the interim dividend of ¥15 per share paid in December 2010, the total amount of dividends paid for the fiscal year under review will increase ¥5 per share on year to ¥35 per share, and the consolidated payout ratio is 35%.

In the fiscal year under review, we acquired 235,500 shares of common stocks for treasury (total acquisition cost: ¥178,744,500).

(7) Basic policies on company control

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

1) Content of the basic policies

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

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

As a technical trading company and chemical manufacturer, personnel with expert knowledge in the fields of electronics and electricity, and chemistry, are indispensable for providing added value, improving customer satisfaction, and developing competitive products. Employees are necessarily the core of our management resources and the Company has consistently pursued management policies that spare no time or capital when it comes to securing outstanding personnel and providing ongoing training.

Tangible and intangible assets in the form of the Company's management philosophy, which is based on the high ambition of contributing to society, commercial rights based on sales agent agreements with suppliers, technology and know-how, and personnel who share a corporate culture and have deep knowledge of their work have increased the Company's corporate value, enhanced the soundness of its finances, and made it possible for the Company to forthrightly return profits to shareholders in forms such as dividends that have either been stable or risen on Company performance, and treasury share acquisitions.

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

2) Initiatives contributing to realization of the basic policies

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

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

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

■ Electronics Segment

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

■ Chemicals Segment

Backed by higher awareness of environment protection measures, we will exploit a new demand and provide new products that can meet the needs of the society.

We will also develop markets and customers where we can expect the synergy effect with the Electronics Division.

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

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

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

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

Consolidated Balance Sheet

As of March 31, 2011

(Unit: Thousand yen)

Assets	
Current assets	**59,121,168**
Cash and deposits	13,232,475
Notes and accounts receivable - trade	30,292,798
Marketable securities	295,187
Merchandise and finished goods	12,864,883
Work in progress	57,574
Raw materials and supplies	291,208
Deferred tax assets	984,389
Other current assets	1,236,638
Less: Allowance for doubtful accounts	(133,984)
Noncurrent assets	**14,243,304**
Tangible fixed assets:	**6,755,469**
Buildings and structures	1,603,903
Land	4,065,895
Other tangible fixed assets	1,085,671
Intangible assets:	**298,101**
Investments and other assets:	**7,189,734**
Investment securities	6,620,953
Deferred tax assets	74,174
Other investments	536,806
Less: Allowance for doubtful accounts	(42,199)
Total assets	**73,364,472**

Consolidated Balance Sheet

As of March 31, 2011

(Unit: Thousand yen)

Liabilities	
Current liabilities	**25,706,320**
Notes and accounts payable - trade	15,083,796
Short-term borrowings	7,232,308
Corporate bonds due within one year	500,000
Accrued income taxes	409,625
Allowance for bonuses to employees	826,523
Allowance for bonuses to directors	17,000
Allowance for product warranty	36,500
Other current liabilities	1,600,568
Long-term liabilities	**7,447,837**
Long-term borrowings	5,161,577
Deferred tax liabilities	1,726,281
Employees' severance and retirement benefits	294,299
Directors' severance and retirement benefits	38,551
Other long-term liabilities	227,129
Total liabilities	**33,154,157**
Net Assets	
Shareholders' Equity	**38,900,101**
Capital stock	8,100,252
Capital surplus	7,491,717
Retained earnings	27,493,082
Less: Treasury shares	(4,184,950)
Accumulated other comprehensive income	**1,092,134**
Other unrealized gains on available-for-sale securities	2,356,953
Less: Gains or losses on deferred hedge	(35,532)
Foreign currency transaction adjustment	(1,229,287)
Minority interests	**218,080**
Total net assets	**40,210,315**
Total liabilities and net assets	**73,364,472**

Consolidated Statement of Income

April 1, 2010 to March 31, 2011

(Unit: Thousand yen)

Sales		**110,909,913**
Cost of sales		**93,367,378**
Gross profit		**17,542,535**
Selling, general and administrative expenses		**13,150,905**
Operating income		**4,391,630**
Non-operating revenue		
Interest and dividend income	151,567	
Investment profit on equity method	39,112	
Other miscellaneous revenues	122,133	312,812
Non-operating expenses		
Interest expense	160,317	
Foreign exchange losses	347,003	
Claim management expenses	112,457	
Other miscellaneous expenses	62,158	681,935
Ordinary profit		**4,022,507**
Extraordinary income		
Gain on sale of tangible fixed assets	13,075	
Gain on sale of investment securities	16,459	
Reversal of provision for directors' retirement benefits	59,400	
Insurance return	23,626	112,560
Extraordinary losses		
Loss on sale of tangible fixed assets	667	
Loss on disposal of tangible fixed assets	12,230	
Asset impairment loss	179,000	
Loss on sale of investment securities	23,625	
Loss on valuation of investment securities	86,945	
Loss on valuation of membership	700	
Loss on disaster	36,817	
Loss on cancellation of derivatives	86,484	426,468
Income before income taxes and minority interest		**3,708,599**
Income taxes – current	646,614	
Less: Income taxes – deferred	785,152	1,431,766
Income before minority interests		2,276,833
Minority interests in income		76,711
Net income		**2,200,122**

Consolidated Statement of Changes in Net Assets

April 1, 2010 to March 31, 2011

(Unit: Thousand yen)

Shareholders' Equity	
Capital stock	
Balance as of March 31, 2010	8,100,252
Changes during the term	
Total changes during the term	-
Balance as of March 31, 2011	8,100,252
Capital surplus	
Balance as of March 31, 2010	7,491,717
Changes during the term	
Total changes during the term	-
Balance as of March 31, 2011	7,491,717
Retained earnings	
Balance as of March 31, 2010	25,955,790
Changes during the term	
Cash dividends	(662,830)
Net income	2,200,122
Total changes during the term	1,537,292
Balance as of March 31, 2011	27,493,082
Treasury shares	
Balance as of March 31, 2010	(4,006,060)
Changes during the term	
Acquisition of treasury shares	(178,890)
Total changes during the term	(178,890)
Balance as of March 31, 2011	(4,184,950)
Total shareholders' equity	
Balance as of March 31, 2010	37,541,699
Changes during the term	
Cash dividends	(662,830)
Net income	2,200,122
Acquisition of treasury shares	(178,890)
Total changes during the term	1,358,402
Balance as of March 31, 2011	38,900,101

(Unit: Thousand yen)

Accumulated other comprehensive income	
Other unrealized gains on available-for-sale securities	
Balance as of March 31, 2010	1,660,829
Changes during the term	
Net changes in items other than shareholders' equity during the term	696,124
Total changes during the term	696,124
Balance as of March 31, 2011	2,356,953
Gains or losses on deferred hedge	
Balance as of March 31, 2010	(104,248)
Changes during the term	
Net changes in items other than shareholders' equity during the term	68,716
Total changes during the term	68,716
Balance as of March 31, 2011	(35,532)
Foreign currency transaction adjustment	
Balance as of March 31, 2010	(860,407)
Changes during the term	
Net changes of items other than shareholders' equity during the term	(368,880)
Total changes during the term	(368,880)
Balance as of March 31, 2011	(1,229,287)
Total accumulated other comprehensive income	
Balance as of March 31, 2010	696,174
Changes during the term	
Net changes in items other than shareholders' equity during the term	395,960
Total changes during the term	395,960
Balance as of March 31, 2011	1,092,134
Minority interests	
Balance as of March 31, 2010	140,895
Changes during the term	
Net changes in items other than shareholders' equity during the term	77,185
Total changes during the term	77,185
Balance as of March 31, 2011	218,080
Total net assets	
Balance as of March 31, 2010	38,378,768
Changes during the term	
Cash dividends	(662,830)
Net income	2,200,122
Acquisition of treasury shares	(178,890)
Net changes in items other than shareholders' equity during the term	473,145
Total changes during the term	1,831,547
Balance as of March 31, 2011	40,210,315

Notes to Consolidated Financial Statements

Basis of Presentation of Consolidated Financial Statements

1. Matters relating to the scope of consolidation

(1) Number and name of consolidated subsidiaries

Number of consolidated subsidiaries: 14

Name of consolidated subsidiaries:

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

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

Hakuto California, Inc.

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

2. Matters relating to the application of equity method

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

Number of equity method affiliates: 2

Name of equity method affiliates:

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

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

Name of non-consolidated subsidiary:

Hakuto California, Inc.

Reasons for not applying the equity method to Hakuto California, Inc.

The non-consolidated subsidiary Hakuto California, Inc. is excluded from the scope of application of the equity method as its impact on consolidated profits and losses and retained earnings is largely immaterial.

3. Matters relating to the fiscal year of consolidated subsidiaries

Among the consolidated subsidiaries, Hakuto Enterprises Ltd., Hakuto Taiwan Ltd., Hakuto (Thailand) Ltd., Hakuto Engineering (Thailand) Ltd., Shunde Morning Sky Electrical Co., Ltd., Hakuto Enterprises (Shanghai) Ltd., Hakuto Trading (Shenzhen) Ltd., Microtek Hongkong Ltd. and Microtek Shanghai Ltd. have their account settlement dates on the end of December. Meanwhile, the account settlement date for MOLDEC CO., LTD. is the end of February.

Financial statements of these subsidiaries as of their account settlement dates were used for the preparation of consolidated financial statements, and any significant transactions that occurred before the consolidated account settlement date were adjusted in accordance with consolidated accounting practices.

Hakuto Singapore Pte. Ltd. changed its account settlement date from the end of December to the end of March, from the consolidated fiscal year under review. Financial statements for 15 months from January 1, 2010 through March 31, 2011 were used for the preparation of consolidated financial statements.

4. Accounting policies

(1) Valuation standards and methods for material assets

1) Securities

Other securities

Available-for-sale securities

Securities for which market quotations are available:

Stated at fair market value based on the market prices on the Balance Sheet date. (Net unrealized gains/losses are directly charged to shareholders' equity and the cost of sales is computed using the moving average method).

Securities for which market quotations are unavailable:

Valued at cost using the moving average method.

2) Derivatives

Stated at fair market value.

3) Inventories

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

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

(2) Depreciation methods for important depreciable assets

1) Tangible fixed assets (except for lease assets)

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

2) Intangible assets (except for lease assets)

a) Software for in-house use

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

b) Other intangible assets

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

3) Lease assets

(a) Lease assets pertaining to finance lease transactions involving the transfer of ownership

Lease assets pertaining to finance lease transactions involving the transfer of ownership are calculated by the same depreciation method as applied to the Company's noncurrent assets.

(b) Lease assets pertaining to finance lease transactions not involving the transfer of ownership

Lease assets pertaining to finance lease transactions not involving the transfer of ownership are calculated by the straight-line method treating the lease period as the useful life and the residual value as zero.

(3) Allowances and provisions

1) Allowance for doubtful accounts

Allowance for doubtful accounts for non-specific purposes is stated at the amounts based on the historical loss rates, while allowances for specific claims, including Loans to Borrowers with High Possibility of Business Failure, are made at the amounts deemed necessary based on individual assessment on collectibility of claims.

2) Allowance for bonuses to employees

Allowance for bonuses to employees of the Company and some of its subsidiaries is recognized on an accrual basis in the reporting period.

3) Allowance for bonuses to directors

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

4) Allowance for product warranty

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

5) Allowance for employees' severance and retirement benefits

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

6) Allowance for directors' severance and retirement benefits

Allowance for severance and retirement benefits to directors of the Company and some of its consolidated subsidiaries is record the estimated amounts required at the end of the term in accordance with internal regulations. As the retirement benefit system was changed in June 2004, no allowance has been made in and after July of that year.

(4) Significant hedge accounting method

1) Hedge accounting method

The deferred hedge accounting is applied. A specific treatment is used for interest rate swaps that satisfies requirements for the specific treatment of interest rate swaps in hedge accounting. The Company applies designations to forward exchange contracts that fulfill the requirements for the designation method.

2) Hedge instruments and hedge items

a. Hedge instruments: Forward exchange contracts, etc.
Hedge items: Receivables and payables in foreign currencies and anticipated transactions in foreign currencies

b. Hedge instruments: Interest rate swaps
Hedge items: Bank loans (floating interest rate)

3) Hedge policy

In accordance with the Regulations on Market Risk Management and the Foreign Exchange Contract Conclusion Manual of the Company, currency movement risks are hedged for forward exchange contracts, etc. The purpose of interest rate swaps is to reduce the possibility of losses on borrowings as a result of interest rate fluctuations.

4) Valuation method for effectiveness of hedging activities

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

Pertaining to other transactions, a comparison is made of the sum total of the change in cash flow from hedging instruments or their market price fluctuation, and the sum total of the change in cash flow from hedging items or their market price fluctuation and used as a basis to determine changes in both.

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

(5) Other basis of presentation of consolidated financial statements

Accounting for consumption taxes

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

5. Method and period of amortization of goodwill

Goodwill is amortized by using the straight line method over five (5) years.

6. Significant changes in accounting policies

(Adoption of Accounting Standard for Asset Retirement Obligations)

Effective from the consolidated fiscal year under review, the Company adopted the Accounting Standard for Asset Retirement Obligations (ASBJ Statement No. 18 released on March 31, 2008) and the Guidance on Accounting Standard for Asset Retirement Obligations (ASBJ Guidance No. 21 released on March 31, 2008).

This adoption has no material impact on the Company's consolidated financial statements.

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

Effective from the consolidated fiscal year under review, the Company adopted the Accounting Standard for Equity Method of Accounting for Investments (ASBJ Statement No. 16 issued on March 10, 2008) and Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method (PITF No. 24 issued on March 10, 2008).

This adoption has no material impact on the Company's consolidated financial statements.

7. Changes in presentation method

(Consolidated Statement of Income)

1. From the consolidate fiscal year under review, based on the Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22 issued on December 26, 2008), the Company presents "Income before minority interests", applying "the Ministerial Ordinance for Partial Revision of the Ordinance for Enforcement of the Companies Act, the Corporate Accounting Rules, etc." (issued on March 27, 2009, Ordinance of the Ministry of Justice No. 7 of 2009).
2. "Claim management expenses" had been included in "Other miscellaneous expenses" of Non-operating expenses until the previous consolidated fiscal year. However, from the consolidated fiscal year under review, it is separately presented due to an increase in amount and significance.

Notes to Consolidated Balance Sheet

1. pledged assets and secured liabilities

Assets pledged as collateral are as follows:

(Unit: Thousand yen)

Cash and deposits	46,401
Buildings and structures	119,696
Land	244,337
Total	410,434

Additionally, secured liabilities are stated below:

(Unit: Thousand yen)

Short-term borrowings	19,968
Long-term borrowings	27,313

2. Accumulated amounts of depreciation for tangible fixed assets: ¥9,447,106 thousand

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

Buildings ¥6,181 thousand

4. Notes receivable transfer by endorsement: ¥11,516 thousand

5. Guarantee obligations:

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

¥1,083 thousand

Notes to Consolidated Statement of Income

1. Asset impairment loss

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

Place	Use	Type
Tsu-shi, Mie	Dormant assets	Land

The Group grouped assets by division and consolidated subsidiary, and dormant assets by individual asset. For dormant assets such as lands which have not been used for business without a concrete utilization plan, their book values were impaired to recoverable values. The impaired values were recorded as asset impairment losses of ¥179,000 thousand in extraordinary losses in the consolidated fiscal year under review.
The recoverable value is estimated on the basis of net sales value, and net value available for sale is assessed based on appraisal value.

2. Loss on disaster

Cost for restoration from the Great East Japan Earthquake on March 11, 2011 was reported as loss caused by disaster.

Notes to Consolidated Statement of Changes in Net Assets

1. Class and number of outstanding shares and treasury shares

	Number of shares as of end of the previous term (shares)	Increase during the term (shares)	Decrease during the term (shares)	Number of shares as of end of the term (shares)
Outstanding shares Common shares	24,137,213	–	–	24,137,213
Total	24,137,213	–	–	24,137,213
Treasury shares Common shares (Note)	2,042,926	235,682	–	2,278,608
Total	2,042,926	235,682	–	2,278,608

Note: During this term, the number of treasury shares in common shares increased by 235,682 shares, including 235,500 shares acquired in accordance with the resolution at the Board of Directors meeting, and 182 shares acquired by buying fractional shares.

2. Dividends

(1) Dividend payment

Resolution	Class of share	Total dividends paid (thousand yen)	Per share dividends (yen)	Record date	Effective date
Board Meeting held on May 14, 2010	Common shares	331,415	15.00	March 31, 2010	June 7, 2010
Board Meeting held on October 29, 2010	Common shares	331,415	15.00	September 30, 2010	December 6, 2010

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

Resolution	Class of share	Total dividends paid (thousand yen)	Source of dividend payment	Per share dividends (yen)	Record date	Effective date
Board Meeting held on May 13, 2011	Common shares	437,173	Retained earnings	20.00	March 31, 2011	June 13, 2011

Notes to Financial Instruments

1. Matters concerning the state of financial instruments

(1) Policy to handle financial instruments

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

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

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

Investment securities are exposed to risk of market price fluctuations. To deal with this risk, the Financial and Accounting Dept. check market prices on a regular basis and report them to the executive board. Payment due dates of most notes and accounts payable, which are operating debt, are within one year.

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

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

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

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

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

Financial instruments without market quotations or quotations based on market quotations are stated at reasonably calculated value. Such a value is calculated in consideration of variation factors. Therefore, the value may be changed depending on prerequisites to be adopted. Also, concerning the contracted amounts etc. related to derivative transactions in "2. Matters concerning market value of financial instruments, etc." the amounts themselves should not be considered indicative of the market risk associated with the derivative transaction.

(4) Concentration of credit risks

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

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

Amounts recorded in the consolidated balance sheet, market value, and differences between them as of March 31, 2011 are as stated below. Financial instruments of which market value cannot be easily known are not included in the following table. (See Note 2.)

	Amount recorded in consolidated balance sheet (thousand yen)	Market value (thousand yen)	Difference (thousand yen)
(1) Cash and deposits	13,232,475	13,232,475	–
(2) Notes and accounts receivable -trade	30,292,798	30,292,798	–
(3) Marketable securities	295,187	295,187	–
(4) Investment securities	5,690,925	5,690,925	–
Total assets	49,511,385	49,511,385	–
(5) Notes and accounts payable-trade	15,083,796	15,083,796	–
(6) Short-term borrowings	4,866,373	4,866,373	–
(7) Corporate bonds (*1)	500,000	505,215	5,215
(8) Long-term borrowings (*1)	7,527,512	7,531,979	4,467
Total liabilities	27,977,681	27,987,363	9,682
Derivatives trading (*2)	26,079	26,079	–

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

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

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

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

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

(3) Marketable securities (4) Investment securities

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

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

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

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

Market value of corporate bond is stated at current price calculated by discounting total amount of principal and interest at an interest rate taking into account a remaining term and credit risks of the bond. Market value of long-term borrowings is stated at current price calculated by discounting total amount of principal and interest at an interest rate expected in case of new similar borrowings.

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

Classification	Amount recorded in consolidated balance sheet (thousand yen)
Shares of subsidiaries and affiliated companies	827,388
Unlisted shares	102,640

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

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

	Within one year (thousand yen)	Over one year up to five years (thousand yen)	Over five years up to ten years (thousand yen)	Over ten years (thousand yen)
Cash and deposits	13,232,475	–	–	–
Notes and accounts receivable-trade	30,292,798	–	–	–
Marketable securities	295,187	–	–	–
Investment securities	–	–	20,000	–
Total	43,820,460	–	20,000	–

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

	Within one year (thousand yen)	Over one year up to two years (thousand yen)	Over two years up to three years (thousand yen)	Over three years up to four years (thousand yen)	Over four years up to five years (thousand yen)	Over five years (thousand yen)
Corporate bonds	500,000	–	–	–	–	–
Long-term borrowings	2,365,935	2,123,596	1,358,486	943,563	691,556	44,376

Per share information

Net assets per share: ¥1,829.59
Net loss per share: ¥99.94

Other notes

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

Non-Consolidated Balance Sheet

As of March 31, 2011

(Unit: Thousand yen)

Assets	
Current assets	**45,318,660**
Cash and deposits	8,679,948
Notes receivable - trade	3,203,516
Accounts receivable - trade	21,545,047
Marketable securities	295,187
Merchandise and finished goods	9,346,341
Work in progress	42,438
Raw materials and supplies	237,618
Advance payment	360,141
Prepaid expenses	144,613
Deferred tax assets	889,500
Accounts receivable-other	390,931
Deposits paid	65,126
Other current assets	153,754
Less: Allowance for doubtful accounts	(35,500)
Noncurrent assets	**16,573,376**
Tangible fixed assets:	**4,717,691**
Buildings	1,213,499
Structures	47,265
Machinery and production equipment	55,816
Vehicles	1,511
Tools, furniture and fixtures	415,169
Land	2,821,960
Lease assets	123,929
Construction in progress	38,542
Intangible assets:	**224,138**
Leasehold rights	20,193
Software	29,370
Software in progress	150,000
Lease assets	3,952
Other intangible assets	20,623
Investments and other assets:	11,631,547
Investment securities	5,698,520
Investment securities in affiliates	2,774,233
Long-term loans to affiliates	3,560,266
Claims on obligors under rehabilitation procedure	15,436
Prepaid pension cost	86,967
Other investments	261,343
Less: Allowance for doubtful accounts	(765,218)
Total assets	**61,892,036**

Non-Consolidated Balance Sheet

As of March 31, 2011

(Unit: Thousand yen)

Liabilities	
Current liabilities	**20,079,529**
Notes payable - trade	3,152,185
Accounts payable - trade	8,676,511
Short-term borrowings	3,483,150
Long-term debt due within one year	2,152,667
Corporate bonds due within one year	500,000
Lease obligations	37,530
Accrued expenses	100,551
Accrued income taxes	771,383
Income taxes payable	222,831
Advances received	320,433
Deposits received	10,764
Allowance for bonuses to employees	578,192
Allowance for bonuses to directors	17,000
Allowance for product warranty	36,500
Other current liabilities	19,832
Long-term liabilities	**6,212,811**
Long-term borrowings	4,842,067
Lease obligations	93,048
Deferred tax assets	1,235,500
Directors' severance and retirement benefits	14,800
Long-term guarantee deposited	27,396
Total liabilities	**26,292,340**
Net Assets	
Shareholders' Equity	**33,200,715**
Capital stock	**8,100,252**
Capital surplus	**7,491,729**
Appropriation for statutory reserve	2,532,385
Other capital surplus	4,959,344
Retained earnings	**21,793,611**
Other retained earnings	21,793,611
Reserve for reduction entry of tangible fixed assets	235
General reserve	16,000,000
Balance to be carried forward	5,793,376
Less: Treasury shares	**(4,184,877)**
Valuation and exchange differences	**2,398,981**
Other unrealized gains on available-for-sale securities	**2,383,471**
Less: Gains or losses on deferred hedge	**15,510**
Total net assets	**35,599,696**
Total liabilities and net assets	**61,892,036**

Non-Consolidated Statement of Income

April 1, 2010 to March 31, 2011

(Unit: Thousand yen)

Sales		**83,205,842**
Cost of sales		**70,822,845**
Gross profit		**12,382,997**
Selling, general and administrative expenses		**9,570,154**
Operating income		**2,812,843**
Non-operating revenue		
Interest and dividend income	884,315	
Other miscellaneous revenues	83,669	967,984
Non-operating expenses		
Interest expense	110,204	
Interest on corporate bonds	10,250	
Foreign exchange losses	151,493	
Claim management expenses	93,409	
Other miscellaneous expenses	53,615	418,971
Ordinary profit		**3,361,856**
Extraordinary income		
Gain on sales of tangible fixed assets	289	
Gain on sales of investment securities	16,458	16,747
Extraordinary losses		
Loss on sales of tangible fixed assets	18	
Loss on disposal of tangible fixed assets	8,728	
Asset impairment loss	179,000	
Loss on sales of investment securities	22,330	
Loss on valuation of investment securities	86,945	
Provision of allowance for doubtful accounts for subsidiaries and affiliates	28,479	
Loss on disaster	36,817	362,317
Income before income taxes and minority interest		**3,016,286**
Income taxes - current	346,841	
Less: Income taxes - deferred	685,600	1,032,441
Net income		**1,983,845**

Non-Consolidated Statement of Changes in Net Assets

April 1, 2010 to March 31, 2011

(Unit: Thousand yen)

Shareholders' Equity	
Capital stock	
Balance as of March 31, 2010	8,100,252
Changes during the term	
Total changes during the term	-
Balance as of March 31, 2011	8,100,252
Capital surplus	
Appropriation for statutory reserve	
Balance as of March 31, 2010	2,532,385
Changes during the term	
Total changes during the term	-
Balance as of March 31, 2011	2,532,385
Other capital surplus	
Balance as of March 31, 2010	4,959,344
Changes during the term	
Total changes during the term	-
Balance as of March 31, 2011	4,959,344
Total capital surplus	
Balance as of March 31, 2010	7,491,729
Changes during the term	
Total changes during the term	-
Balance as of March 31, 2011	7,491,729
Retained earnings	
Other retained earnings	
Reserve for reduction entry of tangible fixed assets	
Balance as of March 31, 2010	275
Changes during the term	
Reversal of reserve for reduction entry of tangible fixed assets	(40)
Total changes during the term	(40)
Balance as of March 31, 2011	235
General reserve	
Balance as of March 31, 2010	16,000,000
Changes during the term	
Total changes during the term	-
Balance as of March 31, 2011	16,000,000
Balance to be carried forward	
Balance as of March 31, 2010	4,472,321
Changes during the term	
Reversal of reserve for reduction entry of tangible fixed assets	40
Cash dividends	(662,830)

(Unit: Thousand yen)

Net income	1,983,845
Total changes during the term	1,321,055
Balance as of March 31, 2011	5,793,376
Total retained earnings	
Balance as of March 31, 2010	20,472,596
Changes during the term	
Cash dividends	(662,830)
Net income	1,983,845
Total changes during the term	1,321,015
Balance as of March 31, 2011	21,793,611
Treasury shares	
Balance as of March 31, 2010	(4,005,988)
Changes during the term	
Acquisition of treasury shares	(178,889)
Total changes during the term	(178,889)
Balance as of March 31, 2011	(4,184,877)
Total shareholders' equity	
Balance as of March 31, 2010	32,058,589
Changes during the term	
Cash dividends	(662,830)
Net income	1,983,845
Acquisition of treasury shares	(178,889)
Total changes during the term	1,142,126
Balance as of March 31, 2011	33,200,715
Valuation and exchange differences	
Other unrealized gains on available-for-sale securities	
Balance as of March 31, 2010	1,693,458
Changes during the term	
Net changes in items other than shareholders' equity during the term	690,013
Total changes during the term	690,013
Balance as of March 31, 2011	2,383,471
Gains or losses on deferred hedge	
Balance as of March 31, 2010	21,621
Changes during the term	
Net changes in items other than shareholders' equity during the term	(6,111)
Total changes during the term	(6,111)
Balance as of March 31, 2011	15,510
Total valuation and exchange differences	
Balance as of March 31, 2010	1,715,079
Changes during the term	
Net changes in items other than shareholders' equity during the term	683,902
Total changes during the term	683,902
Balance as of March 31, 2011	2,398,981

(Unit: Thousand yen)

Total net assets	
Balance as of March 31, 2010	33,773,668
Changes during the term	
Cash dividends	(662,830)
Net income	1,983,845
Acquisition of treasury shares	(178,889)
Net changes in items other than shareholders' equity during the term	683,902
Total changes during the term	1,826,028
Balance as of March 31, 2011	35,599,696

Notes to Non-Consolidated Financial Statements

Significant Accounting Policies

1. Valuation standards and methods of assets
   (1) Valuation standards and methods of securities
      1) Securities of subsidiaries and affiliates
         The cost method using the moving-average method is used.
      2) Other securities
         Available-for-sale securities
            Securities for which market quotations are available:
               Stated at fair market value based on the market prices on the Balance Sheet date. (Net unrealized gains/losses are directly charged to shareholders' equity and the cost of sales is computed using the moving average method.)
            Securities for which market quotations are unavailable:
               Valued at cost using the moving average method.

   (2) Valuation standards and methods of derivatives, etc.
      Derivatives: Stated at fair market value.

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

2. Depreciation and amortization for noncurrent assets
   (1) Tangible fixed assets (except for lease assets)
      Tangible fixed assets are depreciated by using the declining balance method. However, buildings (excluding connected fixed installations) acquired on or after April 1, 1998, are depreciated by using the straight-line method. The standards stipulated in the Corporate Tax Law are used with respect to useful life and residual value.

   (2) Intangible assets (except for lease assets)
      1) Software for in-house use
         Software for in-house use is amortized by using the straight-line method over the estimated useful life of five (5) years.
      2) Other intangible assets
         Other intangible assets are amortized by using the straight-line method over the useful lives stipulated in the Corporate Tax Law.

   (3) Lease assets
      Lease assets pertaining to finance lease transactions not involving the transfer of ownership
         Lease assets pertaining to finance lease transactions not involving the transfer of ownership are calculated by the straight-line method treating the lease period as the useful life and the residual value as zero.

3. Allowances and provisions

(1) Allowance for doubtful accounts

Allowance for doubtful accounts for non-specific purposes is stated at amounts based on the historical loss rates, while allowances for specific claims, including Loans to Borrowers with High Possibility of Business Failure, are made at the amounts deemed necessary based on individual assessment on collectability of claims.

(2) Allowance for bonuses to employees

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

(3) Allowance for bonuses to directors

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

(4) Allowance for product warranty

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

(5) Allowance for employees' severance and retirement benefits

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

(6) Allowance for directors' severance and retirement benefits

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

4. Hedge Accounting Method

(1) Hedge accounting method

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

(2) Hedge instruments and hedge items

1) Hedge instruments: Forward exchange contracts, etc.
Hedge items: Receivables and payables in foreign currencies and anticipated transactions in foreign currencies

2) Hedge instruments: Interest swaps
Hedge items: Bank loans (rate floating interest)

(3) Hedge policy

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

(4) Valuation method for effectiveness of hedging activities

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

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

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

Accounting for consumption taxes

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

6. Significant changes in accounting policies

Adoption of Accounting Standard for Asset Retirement Obligations

Effective from the fiscal year under review, the Company adopted the Accounting Standard for Asset Retirement Obligations (ASBJ Statement No. 18 released on March 31, 2008) and the Guidance on Accounting Standard for Asset Retirement Obligations (ASBJ Guidance No. 21 released on March 31, 2008).

This adoption has no material impact on the Company's financial statements.

7. Changes in presentation method

(Statement of Income)

"Claim management expenses" had been included in "Other miscellaneous expenses" of Non-operating expenses until the previous fiscal year. However, from the fiscal year under review, it is separately presented due to an increase in amount.

Notes to Non-Consolidated Balance Sheet

1. Accumulated amounts of depreciation for tangible fixed assets: ¥6,739,354 thousand

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

Buildings	¥6,181 thousand

3. Guarantee obligations:

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

¥1,083 thousand

4. Monetary claims on and obligations to affiliates

Short-term monetary claims:	¥2,047,689 thousand
Long-term monetary claims:	¥3,560,266 thousand
Short-term monetary obligations:	¥1,512,022 thousand

Notes to Non-Consolidated Statement of Income

1. Transactions with affiliates

Sales to subsidiaries:	¥9,121,257 thousand
Purchases from subsidiaries:	¥3,126,574 thousand
Other operating transactions:	¥899,985 thousand
Non-operating transactions:	¥35,369 thousand

2. Impairment loss

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

Place	Use	Type
Tsu-shi, Mie	Dormant assets	Land

The Company grouped business assets by division, and dormant assets by individual asset. For dormant assets such as building equipment, which have not been used for business without a concrete utilization plan, their book values were impaired to recoverable values. The impaired values were recorded as asset impairment losses of ¥179,000 thousand in extraordinary losses in the fiscal year under review.
The recoverable value is estimated on the basis of net sales value, and net value available for sale is assessed based on appraisal value.

3. Loss on disaster

Cost for restoration from the Great East Japan Earthquake on March 11, 2011 was reported as loss caused by disaster.

Notes to Non-Consolidated Statement of Changes in Net Assets

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

Common shares: 2,278,566 shares

Tax effect accounting

1. Major items for deferred tax assets

(Unit: Thousand yen)

Directors' severance and retirement benefits	6,022
Allowance for bonuses to employees	242,184
Allowance for doubtful accounts	314,395
Loss on valuation of inventories	564,609
Loss on valuation of affiliate shares	738,401
Loss on valuation of investment securities	385,732
Depreciation	56,447
Gain on valuation of merger assets	131,433
Asset impairment loss	145,837
Others	126,532
Subtotal deferred tax assets	2,711,592
Valuation allowance	(1,515,911)
Total deferred tax assets	1,195,681

2. Major items for deferred tax liabilities

(Unit: Thousand yen)

Loss on valuation of investment securities	(1,495,509)
Gains or losses on deferred hedge	(10,624)
Prepaid pension cost	(35,387)
Others	(161)
Total deferred tax liabilities	(1,541,681)
Net deferred tax assets	(346,000)

Transactions with related parties

1. Parent company and major corporate shareholders

(Unit: Thousand yen)

Position	Name	Address	Capital or investments	Business or position	Voting right ownership	Relationship with related parties	Transaction	Amount traded	Item	Balance at end of term
Major Shareholder	Takayama International Education Foundation	Shinjuku-ku, Tokyo	–	Supportive activities for foreign students/pre-college students	Direct 17.51% held	–	Bond issuance (*1)	–	Corporate onds due within one year	500,000
							Interest payment (*1)	10,250	Current liabilities, etc.	309
							Expense advancement	8,761	Current assets, etc.	–

(Terms and conditions of transactions and their decisions)

Note: Interests and others were traded under the same terms as general transactions.

2. Directors and major individual shareholders

(Unit: Thousand yen)

Position	Name	Address	Capital or investments	Business or position	Voting right ownership	Relationship with related parties	Transaction	Amount traded	Item	Balance at end of term
Director	Ichiro Takayama	–	–	Director of the Company	Direct 4.39% held	–	Acquisition of membership rights (Note: 1)	12,752	Accounts payable	–

(Terms and conditions of transactions and their decisions)

Note: The acquisition cost was decided on the basis of market value.

3. Subsidiaries and affiliates

(Unit: Thousand yen)

Position	Name	Address	Capital or investments	Business or position	Voting right ownership	Relationship with related parties	Transaction	Amount traded	Item	Balance at end of term
Subsidiary	Microtek Inc.,	Suginami-ku, Tokyo	300,180	Sale of electronic components	Direct 100% holding	Purchase and sale of electronic components Concurrent officers	Loan of funds (*1)	198,663	Long-term loans to affiliates (*3)	3,560,266
							Interests receipt (*2)	29,181	Current assets, etc.	671
Subsidiary	Hakuto Enterprises (Shanghai) Ltd.	Shanghai, China	728,374	Sale of electronic equipment and components	Direct 100% holding	Purchase and sale of electronic equipment and components Concurrent officers	Sale of electronic equipment and components (*4)	3,694,037	Account receivable	1,128,215
Subsidiary	Hakuto Enterprises Ltd.	Tsimshatsui, Kowloon, Hong Kong	433,723	Sale of electronic equipment and components	Direct 100% holding	Purchase and sale of electronic components Concurrent officers	Dividend received (*5)	558,035	–	–
Affiliate	Sanei giken. Co., Ltd.	Amagasaki-shi, Hyogo	98,460	Manufacture and sale of electronic and electric equipments	Direct 33% holding	Sale of electronic and electric equipments	Purchase of electronic and electric equipments (*4)	3,047,992	Account payable	844,833

(Terms and conditions of transactions and their decisions)
Notes:

1. The Company and some subsidiaries introduced the Cash Management System, and the transaction value is aggregated on the net value basis.
2. Interests and others were traded under the same terms as general transactions.
3. We recorded an allowance for doubtful accounts of ¥745,831 thousand for long-term loans to affiliates for Microtek Inc. We also recorded a provision of allowance for doubtful accounts of ¥28,478 thousand for the fiscal year under review.
4. Terms and conditions for purchase and sale of goods are decided in common with those of the general transactions.
5. Dividends to be received are reasonably determined in accordance with a specific standard based on the distributable amount of surplus.

Per share information

Net assets per share:	¥1,628.63
Net income per share:	¥90.11

Other notes

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

Reference Materials for the General Meeting of Shareholders

Agenda items and reference materials

Item 1: Appointment of Eleven (11) Directors

The term of office of all eleven (11) Directors will expire at the conclusion of this General Meeting of Shareholders. Director Shigeo Takayama passed away on July 25, 2010. Approval of the appointment of eleven (11) Directors is, therefore, requested. Career histories of the candidates are as follows:

Candidate Number	Name (Date of Birth)	Brief History, Position, Responsibility, and Status of material holding of concurrent positions		Number of Shares of the Company Owned by the Candidate
1	Ryusaburo Sugimoto (Jun. 3, 1954)	Apr. 1978	Joined the Company	14,240
		Jun. 2004	Director & Vice President, Division Manager of Semiconductor Devices Div.	
		Aug. 2006	Director & Senior Vice President, Division Manager of Semiconductor Devices 1st Div. and in charge of Semiconductor Devices 2nd Div.	
		Jun. 2007	Director & Executive Vice President, in charge of Electronics Business and Semiconductor Devices Div.	
		Apr. 2008	President (Representative Director) (present)	

Candidate Number	Name (Date of Birth)	Brief History, Position, Responsibility, and Status of material holding of concurrent positions		Number of Shares of the Company Owned by the Candidate
2	Yoshinae Takada (May 27, 1957)	Apr. 1983	Joined the Company	4,200
		Jun. 2004	Director & Vice President, Manager of Corporate Planning Dept. and Financial & Accounting Dept., and in charge of E.D.P. Dept.	
		Jul. 2006	Director & Vice President, Manager of Corporate Planning Dept. and Financial & Accounting Dept. and in charge of E.D.P. Dept. and Overseas Subsidiaries Management Div.	
		Apr. 2007	Director & Vice President, Manager of Corporate Planning Dept. and Financial & Accounting Dept., in charge of E.D.P. Dept. and J-SOX Project Team Leader	
		Jun. 2007	Director & Vice President, Manager of Financial & Accounting Dept., in charge of E.D.P. Dept. and J-SOX Project Team Leader	
		Apr. 2008	Director & Vice President, Division Manager of Corporate Management Div., Manager of Corporate Planning Dept. and Financial & Accounting Dept.	
		Jun. 2008	Director & Senior Vice President, Division Manager of Corporate Management Div., Manager of Corporate Planning Dept. and Financial & Accounting Dept.	
		Apr. 2009	Director & Senior Vice President, Division Manager of Corporate Management Div., Manager of Financial & Accounting Dept.	
		Apr. 2010	Director & Senior Vice President, Division Manager of Corporate Management Div.	
		Apr. 2011	Director & Senior Vice President, in charge of Corporate Management Div. (present)	

Candidate Number	Name (Date of Birth)	Brief History, Position, Responsibility, and Status of material holding of concurrent positions	Number of Shares of the Company Owned by the Candidate
3	Norimichi Hada (Oct. 8, 1946)	Oct. 1969 Joined the Company Jun. 2001 Director & Vice President, General Manager of Affiliate Company Administration Dept. of the Company Sep. 2001 Director & Vice President, Division Manager of Electronics 1st Div. and in charge of Branches & Offices Apr. 2003 Director & Vice President, Division Manager of Electronic Components 2nd Div. and in charge of Branches Feb. 2004 Director & Vice President, Division Manager of Electronic Components Div. Aug. 2006 Director & Senior Vice President, Division Manager of Electronic Components Div. Apr. 2008 Director & Senior Vice President, in charge of Overseas Business (present)	15,293
4	Noriaki Tomioka (Apr. 18, 1949)	Mar. 1973 Joined the Company Jun. 2007 Director & Vice President, in charge of Overseas Business of the Company Apr. 2008 Director & Vice President, in charge of Electronic Equipment Business and Division Manager of Electronic Equipment 1st & 2nd Div. Jun. 2008 Director & Senior Vice President, in charge of Electronic Equipment Business and Division Manager of Electronic Equipment 1st & 2nd Div. Apr. 2010 Director & Senior Vice President, Division Manager of Electronic Equipment Div. (present)	3,100
5	Hitoshi Takigami (Oct. 27, 1956)	Apr. 1985 Joined the Company Apr. 2003 General Manager of Sales Dept., Chemical Business Div. Dec. 2003 Deputy Division Manager of Chemical Business Div. Apr. 2006 Division Manager of Chemical Business Div. Jun. 2007 Director & Vice President, Division Manager of Chemical Business Div. (present)	2,400

Candidate Number	Name (Date of Birth)	Brief History, Position, Responsibility, and Status of material holding of concurrent positions		Number of Shares of the Company Owned by the Candidate
6	Ryoji Abe (Nov. 9, 1957)	Mar. 1983	Joined the Company	2,200
		Aug. 2002	Manager of AP Sales Promotion Dept., Electronic Devices 1st Div.	
		Feb. 2006	Manager of AP Sales Dept., Semiconductor Devices Div.	
		Apr. 2006	Manager of 1st Sales Dept., Semiconductor Devices 2nd Div.	
		Apr. 2007	Deputy Division Manager of Semiconductor Devices 2nd Div.	
		Oct. 2007	Division Manager of Semiconductor Devices 2nd Div.	
		Apr. 2008	Division Manager of Semiconductor Devices 2nd Div. and Electronic Components Div.	
		Jun. 2008	Director & Vice President, Division Manager of Semiconductor Devices 2nd Div. and Electronic Components Div.	
		Apr. 2010	Director & Vice President, in charge of Semiconductor Devices 2nd Div. and Division Manager of Electronic Components Div.	
		Mar. 2011	Director & Vice President, Division Manager of Semiconductor Devices 2nd Div. and Electronic Components Div. (present)	
7	Jun Takagi (Jul. 8, 1959)	Apr. 1984	Joined the Company	2,800
		Apr. 2003	Manager of 2nd Devices Sales Dept., Electronic Components 1st Div.	
		Jun. 2004	Deputy Division Manager of Semiconductor Devices Div.	
		Apr. 2006	Deputy Division Manager of Semiconductor Devices 1st Div.	
		Apr. 2007	Division Manager of Semiconductor Devices 1st Div.	
		Jun. 2008	Director & Vice President, Division Manager of Semiconductor Devices 1st Div. (present)	

Candidate Number	Name (Date of Birth)	Brief History, Position, Responsibility, and Status of material holding of concurrent positions		Number of Shares of the Company Owned by the Candidate
*8	Nobuhito Shintoku (Dec. 6, 1960)	Apr. 1985	Joined the Company	2,700
		May 2005	Manager of Human Resources Dept., Corporate Administration Div.	
		Apr. 2008	Manager of General Affairs Dept., Corporate Administration Div. and Chief of Isehara Technical Center	
		Apr. 2009	Deputy Division Manager of Corporate Administration Div. and Manager of General Affairs Dept. and Chief of Isehara Technical Center	
		Apr. 2010	Division Manager of Corporate Administration Div. and Manager of General Affairs Dept. and Chief of Isehara Technical Center (present)	
		Jun. 2011	President of Hakuto A&L Co., Ltd. (present)	
9	Ichiro Takayama (Jan. 3, 1958)	Jun. 1986	Qualified Medical Doctor (US)	1,058,923
		May 1990	Qualified Medical Doctor (Japan)	
		Jun. 1990	Director of the Company	
		Jun. 1996	Resignation of Director	
		Jun. 2000	Director of the Company (present)	
10	Kozo Uno (Jul. 3, 1933)	Aug. 1963	Registered as Certified Public Accountant	-
		Jul. 1969	Senior Partner of Asahi & Co. (accounting corporation, currently KPMG AZSA LLC)	
		May 1974	Established a private office as CPA (present)	
		Oct. 1993	Deputy Managing Partner of Asahi & Co. (currently KPMG AZSA LLC)	
		May 1997	Managing Partner of Asahi & Co.	
		May 1999	Chairman of Asahi & Co.	
		Aug. 2003	External Auditor of Satori Electric Co., Ltd. (present)	
		Jun. 2004	External Director of the Company (present)	
		Jun. 2005	External Auditor of Kadokawa Group Holdings, Inc.	
		Mar. 2007	External Auditor of Hidaka Country Club, Inc. (present)	

Candidate Number	Name (Date of Birth)	Brief History, Position, Responsibility, and Status of material holding of concurrent positions		Number of Shares of the Company Owned by the Candidate
11	Katsuyoshi Iwashiro (Mar. 20, 1945)	Oct. 2001	Deputy President of The Asahi Bank, Ltd. (currently Resona Bank, Limited.)	5,400
		Jun. 2002	President of Shoei Insurance Service Co., Ltd.	
		Jun. 2003	External Auditor of Kobayashi Yoko Co., Ltd.	
		Jun. 2005	External Director of the Company (present)	

Notes:

1. "*" in the table indicates a new candidate for appointment to the position of Director.
2. In the fiscal year under review, the Company made transactions of golf-club membership which was possessed by Mr. Ichiro Takayama, a candidate for Director, with him. There are no relationships of special interests between the Company and each of other candidates.
3. Mr. Kozo Uno and Mr. Katsuyoshi Iwashiro are both candidates for appointment to the position of External Director provided in Article 2, Paragraph 3, Item 7 of the Companies Act Enforcement Regulations.
4. Information relating in particular to the candidates for appointment as External Directors is provided below.
   (1) Reasons for appointing External Directors
      1) Mr. Kozo Uno is a certified public accountant, has served for many years as the Managing Partner and Chairman of Asahi & Co. (now KPMG AZSA LLC), and has accumulated expert knowledge and years of experience in the fields of finance and accounting. It is judged, therefore, that his advice would help increase management transparency and strengthen corporate governance, and his appointment as an External Director is requested.
      2) Mr. Katsuyoshi Iwashiro has served as the Deputy President of Asahi Bank Ltd. (now Resona Bank Ltd.) and in other capacities that have allowed him to accumulate rich experience in company management. It is judged, therefore, that seeking his opinions and advice on critical management issues would help promote proper decision making, and his appointment as an External Director is requested.
   (2) Years served as External Director since appointment
      1) Mr. Kozo Uno will have served as an External Director for seven years as of the end of this General Meeting of Shareholders.
      2) Mr. Katsuyoshi Iwashiro will have served as an External Director for six years as of the end of this General Meeting of Shareholders.
   (3) Independence of External Director candidates
      1) Neither Mr. Kozo Uno nor Mr. Katsuyoshi Iwashiro has served in any managerial capacity (as defined in Article 2, Paragraph 3, Item 6, of the Companies Act Enforcement Regulations, same applies below) at either the Company or any of its designated related companies (as defined in Article 2, Paragraph 3, Item 19 of the Companies Act Enforcement Regulations, same applies below) over the past five years.
      2) Neither Mr. Kozo Uno nor Mr. Katsuyoshi Iwashiro has received significant sums of money or other assets from either the Company or any of its designated related companies over the past two years and no such receipts are scheduled.
      3) Neither Mr. Kozo Uno nor Mr. Katsuyoshi Iwashiro has any family relationships of the third degree or closer to any person working in a managerial capacity at either the Company or any of its designated related companies.
   (4) Agreements limiting the liability of External Directors
      To facilitate the recruitment of outstanding people suited to serve as External Directors and

make it possible for these people to fulfill the roles expected of them, the Company has included in the current Articles of Incorporation provisions allowing it to enter into agreements limiting the liability of External Directors for payment of damages to the Company.
Mr. Kozo Uno and Mr. Katsuyoshi Iwashiro are presently serving as External Directors and the Company has entered into agreements with both Mr. Kozo Uno and Mr. Katsuyoshi Iwashiro limiting their liability for damages to the higher of an amount of ¥3 million or the smallest amount specified under Article 425, Paragraph 1 of the Companies Act. Should the reappointments of Mr. Kozo Uno and Mr. Katsuyoshi Iwashiro be approved, the Company will extend the above agreements with both.

Item 2: Appointment of One (1) Corporate Auditor

The term of office of Mr. Hideo Watanabe, a Corporate Auditor, will expire at the conclusion of this General Meeting of Shareholders. Approval of the appointment of one (1) Corporate Auditor is, therefore, requested.
The Board of Corporate Auditors has approved this proposal.
The career history of the candidate is as follows.

Name (Date of Birth)	Brief History, Position, Responsibility, and Status of material holding of concurrent positions		Number of Shares of the Company Owned by the Candidate
Shinkichi Suzuki (Nov. 15, 1948)	Mar. 1974	Joined the Company	2,400
	Nov. 2000	Deputy Manager of Finance Dept., Corporate Administration Div.	
	Dec. 2001	Manager of Human Resources Dept., Corporate Administration Div.	
	May 2005	Manager of Sales Administration Dept.	
	May 2006	President of Hakuto A&L Co., Ltd.	
	Jun. 2007	Director & Vice President, Manager of Sales Administration Dept. and in charge of Human Resources Dept., General Administration Dept., General Affairs Dept., Isehara Technical Center and Branches (administration related) of the Company	
	Apr. 2008	Director & Vice President, Division Manager of Corporate Administration Div. and Manager of Human Resources Dept.	
	Jun. 2009	Director & Vice President, Division Manager of Corporate Administration Div. and Manager of Human Resources Dept. and in charge of Risk Management and Corporate Ethics	
	Apr. 2010	Director & Vice President, in charge of Corporate Administration Div. and Manager of Human Resources Dept. and in charge of Risk Management and Corporate Ethics	
	Oct. 2010	Director & Vice President, in charge of Corporate Administration Div. and Manager of Sales Administration Dept. and Manager of President's Office and in charge of Risk Management and Corporate Ethics	
	Apr. 2011	Director & Vice President, in charge of Corporate Administration Div. and Manager of President's Office and in charge of Risk Management and Corporate Ethics (present)	

Notes:
1. The candidate for Corporate Auditor above is scheduled to retire from his position of Director of the Company at the conclusion of this General Meeting of Shareholders.
2. There are no special interests between the Company and the candidate for Corporate Auditor above.

Procedures for Exercising Voting Rights via the Internet

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

1. Voting Right Exercise Site

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

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

* "i-mode," "EZweb," and "Yahoo!" are the respective registered trademarks of Nippon Telegraph and Telephone Corporation, KDDI Corporation, and Yahoo! Inc. of the U.S.

(2) Firewalls, anti-virus software, proxy servers, or other aspects of the shareholder's Internet usage environment may prevent the use of a personal computer to exercise of voting rights.

(3) Please use the i-mode, EZweb, or Yahoo! *Keitai* services when using a cell phone to exercise voting rights. For security-related reasons, cell phones that cannot send encrypted data (SSL transmissions) and cell phone information cannot be used to exercise voting rights.

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

(4) Voting rights may be exercised until 5:30 PM on June 27, 2011 (Monday), but shareholders are requested to do so as early as possible. A help desk has been established to answer questions and help shareholders exercise their voting rights.

2. Exercising voting rights via the Internet

(1) Enter your "Login ID" and "Temporary Password," both of which are noted on the voting form, in the appropriate spaces on the Voting Right Exercise Site (http://www.evote.jp/). Follow the instructions on your computer screen and indicate whether you are for or against each item.

(2) To prevent unauthorized access by parties other than shareholders and the alteration of shareholder votes, shareholders voting via the Internet will be asked to change their "Temporary Password" on the Voting Right Exercise Site.

3. Cost for accessing the Voting Right Exercise Site

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

4. Treatment of voting rights exercised multiple times

(1) If you exercise your voting right both by mail and via the Internet, the voting via the Internet shall prevail regardless of the arrival date of the mailed vote.

(2) In the case of multiple voting via the Internet, the last voting shall prevail.

5. For More Information

Questions regarding the system for voting via the Internet

Mitsubishi UFJ Trust and Banking Corporation, Corporate Agency Department (Helpdesk)
Tel: 0120-173-027 (only in Japan, toll free)
Hours: 9:00–21: 00

Other questions

Mitsubishi UFJ Trust and Banking Corporation, Corporate Agency Department
Tel: 0120-232-711 (only in Japan, toll free)
Hours: 9:00–21: 00 (excluding weekends and national holidays)

6. Voting platform for institutional investors

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

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