Kaga Electronics Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the Years Ended March 31, 2011 and 2010, and Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Kaga Electronics Co., Ltd.:

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

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

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

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

June 29, 2011

Kaga Electronics Co., Ltd. and Subsidiaries

Consolidated Balance Sheets
March 31, 2011 and 2010

ASSETS	Millions of Yen 2011	Millions of Yen 2010	Thousands of U.S. Dollars (Note 1) 2011
CURRENT ASSETS:			
Cash and cash equivalents	¥ 11,796	¥ 11,797	$ 142,120
Marketable securities (Note 3)	71	70	855
Notes and accounts receivables:			
Trade	47,423	51,978	571,361
Other	6,751	7,236	81,337
Allowance for doubtful receivables	(182)	(184)	(2,193)
Inventories (Note 4)	19,520	18,141	235,181
Deferred tax assets (Note 10)	975	867	11,747
Other current assets	6,522	6,934	78,580
Total current assets	92,876	96,839	1,118,988
PROPERTY, PLANT AND EQUIPMENT (Note 2.g):			
Land	4,100	1,298	49,398
Buildings and structures	4,132	3,720	49,783
Machinery, equipment and vehicles	3,788	3,491	45,639
Molding dies and furniture	3,889	3,272	46,855
Construction in progress	512	120	6,168
Total	16,421	11,901	197,843
Accumulated depreciation	(6,697)	(5,466)	(80,686)
Net property, plant and equipment	9,724	6,435	117,157
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 3)	4,493	4,607	54,133
Guarantee deposits	2,360	2,149	28,434
Refundable insurance premium	1,129	1,056	13,602
Deferred tax assets (Note 10)	620	249	7,470
Other assets	3,484	2,627	41,975
Total investments and other assets	12,086	10,688	145,614
TOTAL	¥ 114,686	¥ 113,962	$ 1,381,759

LIABILITIES AND EQUITY	Millions of Yen 2011	Millions of Yen 2010	Thousands of U.S. Dollars (Note 1) 2011
CURRENT LIABILITIES:			
Short-term bank loans (Notes 6 and 13)	¥ 6,677	¥ 7,816	$ 80,446
Current portion of long-term debt (Notes 7 and 13)	1,893	1,135	22,807
Notes and accounts payables:			
Trade	40,791	43,536	491,458
Other	1,142	891	13,759
Income taxes payables (Note 10)	1,512	1,050	18,217
Other current liabilities (Note 10)	4,972	4,351	59,903
Total current liabilities	56,987	58,779	686,590
LONG-TERM LIABILITIES:			
Long-term debt (Notes 7 and 13)	4,966	2,556	59,831
Liability for employees' retirement benefits (Note 8)	1,556	1,433	18,747
Retirement benefits for directors and corporate auditors (Note 8)	1,295	1,222	15,602
Deferred tax liabilities (Note 10)	351	593	4,229
Asset retirement obligations	227		2,735
Other long-term liabilities	705	826	8,495
Total long-term liabilities	9,100	6,630	109,639
CONTINGENT LIABILITIES (Note 17)			
EQUITY (Note 9):			
Common stock—authorized, 80,000,000 shares; issued, 28,702,118 shares in 2011 and 2010	12,134	12,134	146,193
Capital surplus	13,913	13,913	167,627
Stock acquisition rights			
Retained earnings	25,039	24,012	301,675
Treasury stock—at cost, 1,104,656 shares in 2011 and 1,103,943 shares in 2010	(1,333)	(1,332)	(16,060)
Accumulated other comprehensive income (loss):			
Unrealized loss on available-for-sale securities	(247)	(196)	(2,976)
Deferred gain on derivatives under hedge accounting		9	
Foreign currency translation adjustments	(2,571)	(1,698)	(30,976)
Total	46,935	46,842	565,483
Minority interests	1,664	1,711	20,047
Total equity	48,599	48,553	585,530
TOTAL	¥ 114,686	¥ 113,962	$ 1,381,759

See notes to consolidated financial statements.

Kaga Electronics Co., Ltd. and Subsidiaries

Consolidated Statement of Income and Comprehensive Income
Year Ended March 31, 2011 and Consolidated Statement of OperationsYear Ended March 31, 2010

	Millions of Yen 2011	Millions of Yen 2010	Thousands of U.S. Dollars (Note 1) 2011
NET SALES (Note 21)	¥ 237,952	¥ 239,391	$ 2,866,892
COST OF SALES (Notes 11 and 12)	207,299	211,153	2,497,579
Gross profit	30,653	28,238	369,313
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 11, 12 and 20)	27,089	26,655	326,373
Operating income	3,564	1,583	42,940
OTHER INCOME (EXPENSES):			
Interest and dividend income	138	152	1,663
Interest expense	(114)	(131)	(1,373)
Gain on sales of investment securities	13	481	157
Devaluation loss on investment securities	(383)	(219)	(4,614)
Exchange loss	(489)	(574)	(5,892)
Commission received	209	138	2,518
Rent income	115	56	1,386
Compensation income	140		1,687
Gain on of foreign currency translation adjustment by liquidation of subsidiaries	101		1,217
Loss on foreign currency translation adjustment	(149)		(1,795)
Impairment loss	(1)	(147)	(12)
Others—net	220	58	2,648
Other expenses—net	(200)	(186)	(2,410)
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	3,364	1,397	40,530
INCOME TAXES (Note 10):			
Current	2,027	1,412	24,422
Deferred	(510)	348	(6,145)
Total income taxes	1,517	1,760	18,277
NET INCOME (LOSS) BEFORE MINORITY INTERESTS	1,847	(363)	22,253
MINORITY INTERESTS IN NET LOSS	(8)	(44)	(96)
NET INCOME (LOSS)	1,855	¥ (319)	22,349
MINORITY INTERESTS IN NET LOSS	(8)		(96)
NET INCOME BEFORE MINORITY INTERESTS—(Forward)	¥ 1,847		$ 22,253

(Continued)

Kaga Electronics Co., Ltd. and Subsidiaries

Consolidated Statement of Income and Comprehensive Income
Year Ended March 31, 2011 and Consolidated Statement of Operations Year Ended March 31 2010

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2011	2010	2011
NET INCOME BEFORE MINORITY INTERESTS—(Forward)	¥ 1,847		$ 22,253
OTHER COMPREHENSIVE LOSS:			
Unrealized loss on available-for-sale securities	(55)		(663)
Deferred loss on derivatives under hedge accounting	(9)		(108)
Foreign currency translation adjustments	(875)		(10,542)
Total other comprehensive loss	(939)		(11,313)
COMPREHENSIVE INCOME	¥ 908		$ 10,940
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥ 922		$ 11,108
Minority interests	(14)		(168)

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Note 2.t):			
Basic net income (loss)	¥ 67.20	¥ (11.55)	$ 0.81
Cash dividends applicable to the year (Note 9)	30.00	30.00	0.36

See notes to consolidated financial statements.

(Concluded)

Kaga Electronics Co., Ltd. and Subsidiaries

Consolidated Statements of Changes in Equity
Years Ended March 31, 2011 and 2010

	Thousands	Millions of Yen										
							Accumulated Other Comprehensive Income					
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Unrealized Gain (Loss) on Available-for-Sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 2009	27,597	¥ 12,134	¥ 13,913	¥	¥ 25,159	¥ (1,332)	¥ (364)		¥ (1,738)	¥ 47,772	¥ 1,789	¥ 49,561
Net loss					(319)					(319)		(319)
Cash dividends, ¥30 per share					(828)					(828)		(828)
Purchase of treasury stock	(1)					(1)				(1)		(1)
Disposal of treasury stock	2					1				1		1
Net change in the year							168	¥ 9	40	217	(78)	139
BALANCE, MARCH 31, 2010	27,598	12,134	13,913		24,012	(1,332)	(196)	9	(1,698)	46,842	1,711	48,553
Net income					1,855					1,855		1,855
Cash dividends, ¥30 per share					(828)					(828)		(828)
Purchase of treasury stock	(1)					(1)				(1)		(1)
Net change in the year							(51)	(9)	(873)	(933)	(47)	(980)
BALANCE, MARCH 31, 2011	27,597	¥ 12,134	¥ 13,913	¥	¥ 25,039	¥ (1,333)	¥ (247)		¥ (2,571)	¥ 46,935	¥ 1,664	¥ 48,599

	Thousands of U.S. Dollars (Note 1)										
						Accumulated Other Comprehensive Income					
	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Unrealized Gain (Loss) on Available-for-Sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Total	Minority Interests	Total Equity
BALANCE, MARCH 31, 2010	$146,193	$167,627	$	$ 289,301	$ (16,048)	$ (2,361)	$ 108	$ (20,458)	$ 564,362	$ 20,614	$ 584,976
Net income				22,349					22,349		22,349
Cash dividends, $0.36 per share				(9,975)					(9,975)		(9,975)
Purchase of treasury stock					(12)				(12)		(12)
Net change in the year						(615)	(108)	(10,518)	(11,241)	(567)	(11,808)
BALANCE, MARCH 31, 2011	$ 146,193	$ 167,627	$	$ 301,675	$ (16,060)	$ (2,976)		$ (30,976)	$ 565,483	$ 20,047	$ 585,530

See notes to consolidated financial statements.

Kaga Electronics Co., Ltd. and Subsidiaries

Consolidated Statements of Cash Flows
Years Ended March 31, 2011 and 2010

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2011	2010	2011
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 3,364	¥ 1,397	$ 40,530
Adjustments for:			
Income taxes—paid	(1,592)	(1,344)	(19,181)
Depreciation and amortization	2,434	2,274	29,325
Impairment loss	1	147	12
Loss on retirement of fixed assets	15	10	181
Provision for directors' and corporate auditors' bonuses	121	11	1,458
Gain (loss) on sales of investment securities	3	(464)	36
Devaluation loss on investment securities	383	219	4,614
Gain on sales of property, plant and equipment	(14)	(17)	(169)
Provision for employees' retirement benefits	99	67	1,193
Provision for directors' and corporate auditors' retirement benefits	72	93	867
Provision for doubtful accounts	259	269	3,120
Changes in assets and liabilities:			
Decrease in notes and accounts receivable	4,763	2,304	57,386
(Increase) decrease in inventories	(1,379)	102	(16,614)
Decrease (increase) in advances paid	88	(344)	1,060
Decrease in interest and dividend receivable	151	147	1,819
Decrease in prepaid expenses and other current assets	273	1,058	3,289
Decrease in trade notes and accounts payable	(2,684)	(1,270)	(32,337)
Increase in accrued expenses and other current liabilities	623	855	7,506
Decrease in interest payable	(122)	(131)	(1,470)
Other—net	(537)	345	(6,468)
Total adjustments	2,957	4,331	35,627
Net cash provided by operating activities	6,321	5,728	76,157
INVESTING ACTIVITIES:			
Payments for time deposits	(112)	(120)	(1,349)
Purchase of property, plant and equipment	(4,876)	(2,499)	(58,747)
Purchase of investment securities	(647)	(889)	(7,795)
Purchase of intangible assets	(1,014)	(723)	(12,217)
Proceeds from sale of property, plant and equipment	72	104	867
Proceeds from sale of investment securities	281	1,550	3,386
Payment for acquisition of securities of subsidiaries	(228)		(2,747)
Proceeds from acquisition of securities of subsidiaries	64	164	771
Increase in short-term loan receivable—net	(18)	(290)	(217)
Payments of long-term loans receivable	(6)	(18)	(72)
Purchase of insurance funds	(107)	(124)	(1,289)
Proceeds from cancellation of insurance funds	35	2	422
Payments for guarantee deposits	(23)	(858)	(277)
Proceeds from collection of guarantee deposits	150	699	1,807
Others—net	60	(39)	722
Net cash used in investing activities	(6,369)	(3,041)	(76,735)
FORWARD	¥ (48)	¥ 2,687	$ (578)

(Continued)

Kaga Electronics Co., Ltd. and Subsidiaries

Consolidated Statements of Cash Flows
Years Ended March 31, 2011 and 2010

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2011	2010	2011
FORWARD	¥ (48)	¥ 2,687	$ (578)
FINANCING ACTIVITIES:			
(Decrease) increase in short-term bank loans—net	(1,154)	483	(13,904)
Proceeds from long-term debt	4,012		48,337
Repayment of long-term debt	(1,463)	(1,905)	(17,627)
Dividends paid	(866)	(869)	(10,434)
Purchase of treasury stock—net	(1)		(12)
Others—net	(50)	(17)	(601)
Net cash provided by (used in) financing activities	478	(2,308)	5,759
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(431)	49	(5,194)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1)	428	(13)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	11,797	11,369	142,133
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 11,796	¥ 11,797	$ 142,120
ADDITIONAL CASH FLOW INFORMATION:			
Purchase of newly consolidated subsidiaries:			
Assets acquired	¥1,962	¥224	$23,639
Liabilities assumed	1,967	399	23,699
Stock owned by the Company	57		687
Payment for acquisition of securities of subsidiaries	163		1,964
Proceeds from acquisition of securities of subsidiaries		164	
Goodwill	225	11	2,711

See notes to consolidated financial statements.

(Concluded)

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

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

Under Japanese GAAP, a consolidated statement of income and comprehensive income is required from the fiscal year ended March 31, 2011 and has been presented herein. Accordingly, accumulated other comprehensive income is presented in the consolidated balance sheet and the consolidated statement of changes in equity. Information with respect to other comprehensive income for the year ended March 31, 2010 is disclosed in Note 19. In addition, "net income before minority interests" is disclosed in the consolidated statement of income from the year ended March 31, 2011.

In preparing these consolidated financial statements, certain reclassifications have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2010 financial statements to conform to the classifications used in 2011.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Kaga Electronics Co., Ltd. (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥83 to $1, the approximate rate of exchange at March 31, 2011. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. ***Consolidation*****—**The consolidated financial statements include the accounts of the Company and all of its subsidiaries (50 in 2011 and 48 in 2010) (together, the "Group").

Under the control and influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in 0 (5 in 2010) associated company are accounted for by the equity method. CYBERFRONT Corporation and 4 companies that were owned by CYBERFRONT Corporation became subsidiaries of the company. As a result, these companies are no longer equity-method affiliates.

The excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiary at the date of acquisition is being amortized over a period of five years.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

b. ***Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements***—In May 2006, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Practical Issues Task Force ("PITF") No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements." PITF No. 18 prescribes (1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements, (2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, (3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in the equity; (c) expensing capitalized development costs of R&D; (d) cancellation of the fair value model accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting; (e) recording the prior years' effects of changes in accounting policies in the income statement where retrospective adjustments to financial statements have been incorporated; and (f) exclusion of minority interests from net income, if applicable.

c. ***Business Combination***—In October 2003, the Business Accounting Council issued a Statement of Opinion, "Accounting for Business Combinations," and in December 2005, the ASBJ issued ASBJ Statement No. 7, "Accounting Standard for Business Divestitures" and ASBJ Guidance No. 10, "Guidance for Accounting Standard for Business Combinations and Business Divestitures." The accounting standard for business combinations allows companies to apply the pooling of interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests. For business combinations that do not meet the uniting-of-interests criteria, the business combination is considered to be an acquisition and the purchase method of accounting is required. This standard also prescribes the accounting for combinations of entities under common control and for joint ventures.

In December 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No. 21, "Accounting Standard for Business Combinations." Major accounting changes under the revised accounting standard are as follows: (1) The revised standard requires accounting for business combinations only by the purchase method. As a result, the pooling of interests method of accounting is no longer allowed. (2) The current accounting standard accounts for the research and development costs to be charged to income as incurred. Under the revised standard, in-process research and development (IPR&D) acquired in the business combination is capitalized as an intangible asset. (3) The previous accounting standard provided for a bargain purchase gain (negative goodwill) to be systematically amortized over a period not exceeding 20 years. Under the revised standard, the acquirer recognizes the bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase allocation. This standard was applicable to business combinations undertaken on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or after April 1, 2009.

d. ***Cash Equivalents***—Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits and short-term investments, all of which mature or become due within three months of the date of acquisition.

e. ***Inventories***—The Company and domestic subsidiaries state specific merchandise inventories ordered by customers should be at the lower of cost, determined by the specific identification method, or market and that other merchandise inventories should be at the lower of cost, determined principally by the moving-average method, or market.

The overseas subsidiaries state inventories at the lower of cost, determined principally by the first-in, first-out method, or market.

f. ***Marketable and Investment Securities***—Marketable and investment securities are classified and accounted for, depending on management's intent, as follows: (1) trading securities, which are held for the purpose of earning capital gains in the near term are reported at fair value, and the related unrealized gains and losses are included in earnings, and (2) available-for-sale securities, which are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

Non-marketable available-for-sale securities are stated at cost as determined by the moving-average method. For other than temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

g. ***Property, Plant and Equipment***—Property, plant and equipment are stated at cost. Significant replacements and additions are capitalized; maintenance and repairs, and minor replacements and improvements are charged to income as incurred.

Depreciation of property, plant and equipment of the Company and its consolidated domestic subsidiaries is computed substantially by the declining-balance method at rates based on the estimated useful lives of the assets, while the straight-line method is applied to buildings acquired after April 1, 1998, lease assets of the Company and its consolidated domestic subsidiaries, and all property, plant and equipment of foreign subsidiaries.

Buildings and structures	4 to 50 years
Machinery, equipment and vehicles	8 to 12 years
Molding dies and furniture	2 to 20 years

The Company signed a real estate purchase contract on June 30, 2010 for the purpose of acquiring land for the construction of a new head office. As a result, in the first quarter of the fiscal year, the Company reexamined the useful lives of property, plant and equipment that were expected to be disposed of because of a transfer of ownership. This reexamination resulted in a change from 15 years to 4 years starting in the first quarter of the fiscal year in the useful life of the building, structures, tools, furniture and fixtures used at the head office. Compared with the previous accounting method, this change had the effect of reducing operating income, ordinary income and income before income taxes and minority interests by ¥130 million ($1,566 thousand) each in 2011.

h. ***Long-Lived Assets***—The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

i. ***Goodwill***—Purchased goodwill is amortized on a straight-line basis over five years.

j. ***Software***—Software is recorded in other assets and is amortized over five years.

k. ***Retirement and Pension Plans***—The Company and certain consolidated subsidiaries have defined contribution pension plans. While other consolidated subsidiaries have unfunded retirement benefit plans.

Retirement allowances for directors and corporate auditors are recorded to state the liability at the amount that would be required if all directors and corporate auditors retired at each balance sheet date.

l. ***Asset Retirement Obligations***—In March 2008, the ASBJ published the accounting standard for asset retirement obligations, ASBJ Statement No. 18, "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No. 21, "Guidance on Accounting Standard for Asset Retirement Obligations." Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost. This standard was effective for fiscal years beginning on or after April 1, 2010.

The Company applied this accounting standard effective April 1, 2010. The effect of this change was to decrease operating income by ¥43 million ($518 thousand) and income before income taxes and minority interests by ¥81 million ($976 thousand).

m. ***Leases***—In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007.

Under the previous accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee were capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions should be capitalized to recognize lease assets and lease obligations in the balance sheet. In addition, the accounting standard permits leases which existed at the transition date, and do not transfer ownership of the leased property to the lessee, to be accounted for as operating lease transactions.

The Company applied the revised accounting standard effective April 1, 2008. In addition, the Company accounted for its leases which existed at the transition date, and do not transfer ownership of the leased property to the lessee, as operating lease transactions. All other leases are accounted for as operating leases.

n. ***Bonuses to Directors and Corporate Auditors***—Bonuses to directors and corporate auditors are accrued during the year in which such bonuses are attributable.

o. ***Income Taxes***—The provision for income taxes is computed based on the pretax income included in the consolidated statements of operations. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

p. ***Appropriations of Retained Earnings***—Appropriations of retained earnings are reflected in the financial statements in the year of shareholders' approval.

q. ***Foreign Currency Transactions*****—**All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the income statement to the extent that they are not hedged by forward exchange contracts.

r. ***Foreign Currency Financial Statements***—The balance sheet accounts of the foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date of the subsidiaries except for equity, which is translated at the historical rate.

Differences arising from such translation were shown as "Foreign currency translation adjustments" in a separate component of equity.

Revenue and expense accounts of foreign subsidiaries are translated into yen at the average exchange rate.

s. ***Derivatives and Hedging Activities***—The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange and interest rates. Foreign exchange forward contracts are utilized by the Group to reduce foreign currency exchange risk. The Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: (a) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the income statement and (b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

Foreign currency forward contracts are utilized to hedge foreign exchange exposure of export sales and procurement of inventories from overseas suppliers. Trade receivables and payables denominated in foreign currencies are translated at the forward contract rates if the forward contracts qualify for hedge accounting. Forward contracts that hedge forecasted transactions are measured and recorded at fair value but unrealized gains/losses are deferred until the underlying transactions are completed.

t. ***Per Share Information***—Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period. Diluted net income per share is not disclosed if it is anti-dilutive. Cash dividends per share presented in the accompanying consolidated statements of operations are dividends applicable to the respective years including dividends accrued in the current year but paid after the end of the year.

u. ***New Accounting Pronouncements***

Accounting Changes and Error Corrections**—**In December 2009, the ASBJ issued ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections." Accounting treatments under this standard and guidance are as follows: (1) Changes in Accounting Policies—When a new accounting policy is applied following a revision of accounting standards, the new policy is applied retrospectively unless the revised accounting standards include specific transitional provisions. When the revised accounting standards include specific transitional provisions, an entity shall comply with the specific transitional provisions. (2) Changes in Presentations—When the presentation of financial statements is changed, prior period financial statements are reclassified in accordance with the new presentation. (3) Changes in Accounting Estimates—A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods. (4) Corrections of Prior Period Errors—When an error in prior period financial statements is discovered, those statements are restated. This accounting standard and the guidance are applicable to accounting changes and corrections of prior period errors which are made from the beginning of the fiscal year that begins on or after April 1, 2011.

3. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2011 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Current—Marketable equity securities	¥ 71	¥ 70	$ 855
Non-current:			
Marketable equity securities	¥ 2,870	¥ 2,871	$ 34,578
Non-marketable equity securities	707	767	8,518
Government and corporate bonds	572	450	6,892
Investments in associated companies	54	161	651
Others	290	358	3,494
Total	¥ 4,493	¥ 4,607	$ 54,133

The costs and aggregate fair values of marketable and investment securities at March 31, 2011 and 2010 were as follows:

	Millions of Yen			
March 31, 2011	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Trading				¥ 71
Available-for-sale—equity securities	¥ 3,112	¥ 291	¥ (533)	2,870
Government and corporate bonds	801	2	(231)	572
March 31, 2010				
Securities classified as:				
Trading				¥ 70
Available-for-sale—equity securities	¥ 2,976	¥ 341	¥ (446)	2,871
Government and corporate bonds	624	7	(181)	450

	Thousands of U.S. Dollars			
March 31, 2011	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Trading				$ 855
Available-for-sale—equity securities	$ 37,494	$ 3,506	$ (6,422)	34,578
Government and corporate bonds	9,650	24	(2,782)	6,892

Available-for-sale securities whose fair value are not readily determinable as of March 31, 2010 were as follows. The similar information for 2011 is disclosed in Note 14.

March 31, 2010	Carrying Amount Millions of Yen
Available-for-sale—equity securities	¥ 767
Others	358
Total	¥ 1,125

Proceeds from sales of available-for-sale securities were ¥93 million ($1,120 thousand) in 2011 and ¥1,525 million in 2010. Gross realized gains and losses on these sales, computed on the moving average cost basis, were ¥13 million ($157 thousand) and ¥16 million ($193 thousand) in 2011, respectively, and ¥481 million and ¥17 million in 2010, respectively.

The carrying values of debt securities with contractual maturities for securities classified as available-for-sale at March 31, 2011 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
	Available-for-Sale	Available-for-Sale
Due after ten years	¥ 283	$ 3,410

4. INVENTORIES

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

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Merchandise	¥ 15,082	¥ 13,757	$ 181,710
Finished products	641	725	7,723
Work in process	555	647	6,687
Semi-processed products	53	2	639
Raw materials	3,147	3,000	37,916
Supplies	42	10	506
Total	¥ 19,520	¥ 18,141	$ 235,181

5. LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment as of March 31, 2011 and 2010. As a result, the Group recognized an impairment loss of ¥1 million ($12 thousand) for certain molding dies and furniture for the year ended March 31, 2011. And the Group recognized an impairment loss of ¥147 million for certain buildings and structures, molding dies and furniture, goodwill for the year ended March 31, 2010. The carrying amount of the relevant buildings and structures, molding dies and furniture, goodwill was written down to its recoverable amount. The recoverable amount of the project's group was measured at its net selling price.

6. SHORT-TERM BANK LOANS

The annual average interest rates applicable to bank loans were 0.5% and 0.6% for the years ended March 31, 2011 and 2010, respectively.

As is customary in Japan, the Company maintains deposit balances with banks with which it has bank loans. Such deposit balances are not legally or contractually restricted as to withdrawal.

Under certain basic agreements with banks, collateral must be provided if requested by the lending banks and certain banks have the right to offset cash deposited with them against any bank loan or obligation that becomes due, in the event of default and certain other specified events. The Company has never received any such request.

7. LONG-TERM DEBT

Long-term debt at March 31, 2011 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Loans from the banks and other financial institutions partially collateralized	¥ 6,465	¥ 3,620	$ 77,892
Long-term bond	114		1,373
Obligations under finance leases	280	71	3,373
Less current portion	(1,893)	(1,135)	(22,807)
Total long-term debt, less current portion	¥ 4,966	¥ 2,556	$ 59,831

Annual maturities of long-term debt, excluding obligations under finance leases (see Note 13) at March 31, 2011, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2012	¥ 1,857	$ 22,373
2013	1,833	22,084
2014	1,240	14,940
2015	464	5,590
2016	1,184	14,266
Total	¥ 6,578	$ 79,253

8. RETIREMENT AND PENSION PLANS

Under the pension plan, employees terminating their employment are, in most circumstances, entitled to pension payments based on their average pay during their employment, length of service and certain other factors.

The retirement benefits for directors and corporate auditors are paid subject to the approval of the shareholders.

The liability for employees' retirement benefits at March 31, 2011 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Projected benefit obligation	¥ 4,000	¥ 3,710	$ 48,193
Fair value of plan assets	(1,894)	(1,610)	(22,819)
Unrecognized actuarial loss	(112)	(164)	(1,349)
Unrecognized prior service cost	(438)	(503)	(5,278)
Net liability	¥ 1,556	¥ 1,433	$ 18,747

The components of net periodic benefit costs for the years ended March 31, 2011 and 2010 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Service cost	¥ 561	¥ 552	$ 6,759
Interest cost	54	49	651
Expected return on plan assets	(30)	(24)	(361)
Recognized actuarial loss	35	41	422
Amortization of prior service cost	83	71	999
Net periodic benefit costs	¥ 703	¥ 689	$ 8,470

Assumptions used for the years ended March 31, 2011 and 2010 are set forth as follows:

	2011	2010
Discount rate	2.07%	2.07%
Expected rate of return on plan assets	2.0%	2.0%
Recognition period of actuarial gain/loss	10 years	10 years
Amortization period of prior service cost	10 years	10 years

9. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having a Board of Directors, (2) having independent auditors, (3) having a Board of Corporate Auditors, and (4) having the term of service of the directors prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) if the company has prescribed so in its articles of incorporation. However, the Company cannot do so if it does not meet all the above criteria.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

b. Increases/Decreases and Transfer of Common Stock, Reserve and Surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserves and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserves may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

c. ***Treasury Stock and Treasury Stock Acquisition Rights***

The Companies Act provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by a specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

10. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 41% for the years ended March 31, 2011 and 2010.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2011 and 2010 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Deferred tax assets:			
Retirement benefits for directors and corporate auditors	¥ 527	¥ 498	$ 6,349
Allowance for doubtful accounts	573	601	6,904
Accrued bonuses	413	273	4,976
Retirement benefit for employees	624	580	7,518
Tax loss carryforwards	3,556	3,642	42,843
Operating losses of subsidiaries	451	166	5,434
Unrealized loss on available-for-sale securities	148	136	1,783
Devaluation of inventories	152	295	1,831
Impairment loss	243	289	2,928
Loss from revaluation of investment securities	240	143	2,892
Excess depreciation	318	186	3,831
Other	906	787	10,916
Sub-total	8,151	7,596	98,205
Less valuation allowance	(5,667)	(5,782)	(68,277)
Deferred tax assets—total	2,484	1,814	29,928
Deferred tax liabilities:			
Undistributed earnings of overseas subsidiaries	(576)	(636)	(6,940)
Unrealized gain on property and equipment	(202)	(202)	(2,434)
Unrealized gain on available-for-sale securities	(8)	(17)	(96)
Advanced depreciation on fixed assets	(325)	(348)	(3,916)
Other	(130)	(100)	(1,566)
Deferred tax liabilities—total	(1,241)	(1,303)	(1,4952)
Net deferred tax assets	¥ 1,243	¥ 511	$ 14,976

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of operations for the years ended March 31, 2011 and 2010 is as follows:

	2011	2010
Normal effective statutory tax rate	41%	41%
Expenses not deductible for income tax purposes	4	9
Tax benefits not recognized on operating losses of subsidiaries	(1)	31
Difference in tax rates of foreign subsidiaries	(3)	(9)
Dividends from overseas subsidiaries and deferred income taxes on retained profits of overseas subsidiaries	3	13
Effect of amortization of goodwill	2	8
(Decrease) increase in valuation allowance	(2)	13
Provision for directors' and corporate auditors' bonuses, currently not deductible	1	1
Other—net		19
Actual effective tax rate	45%	126%

At March 31, 2011, the Company and certain subsidiaries have tax loss carryforwards aggregating approximately ¥8,615 million ($103,795 thousand) which are available to be offset against future taxable income of the Company and such subsidiaries in future years. These loss carryforwards, if not utilized, will expire as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2012	¥ 1	$ 12
2013	38	458
2014	1,154	13,904
2015	2,979	35,892
2016	2,688	32,386
2017 and thereafter	1,755	21,143
Total	¥ 8,615	$ 103,795

11. DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT

Depreciation of property, plant and equipment was ¥1,555 million ($18,735 thousand) and ¥1,296 million for the years ended March 31, 2011 and 2010, respectively.

12. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥1,172 million ($14,120 thousand) and ¥1,236 million for the years ended March 31, 2011 and 2010, respectively.

13. LEASES

The Group leases buildings, machinery, equipment and vehicles and other assets. Total lease payments under finance leases for the years ended March 31, 2011 and 2010 were ¥83 million ($1,000 thousand) and ¥129 million, respectively.

Impairment losses recorded for the years ended March 31, 2011 and 2010 were ¥25 million ($301 thousand) and ¥57 million, respectively, and related to certain leased property held under finance leases that do not transfer ownership.

As discussed in Note 2.m, ASBJ Statement No. 13, "Accounting Standard for Lease Transactions" requires that all finance lease transactions should be capitalized to recognize lease assets and lease obligations in the balance sheet. However, the ASBJ Statement No. 13 permits leases without ownership transfer of the leased property to the lessee and whose lease inception was before March 31, 2008 to continue to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the financial statements. The Company applied ASBJ Statement No. 13 effective April 1, 2008 and accounted for such leases as operating lease transactions.

Pro forma information of leased property whose lease inception was before March 31, 2008 was as follows:

	Millions of Yen					
	2011			2010		
	Machinery, Equipment and Vehicles	Molding Dies and Furniture	Total	Machinery, Equipment and Vehicles	Molding Dies and Furniture	Total
Acquisition cost	¥ 93	¥ 311	¥ 404	¥ 93	¥ 518	¥ 611
Accumulated depreciation	(51)	(232)	(283)	(42)	(317)	(359)
Accumulated impairment loss		(25)	(25)		(57)	(57)
Net leased property	¥ 42	¥ 54	¥ 96	¥ 51	¥ 144	¥ 195

	Thousands of U.S. Dollars		
	2011		
	Machinery, Equipment and Vehicles	Molding Dies and Furniture	Total
Acquisition cost	$ 1,120	$ 3,747	$ 4,867
Accumulated depreciation	(614)	(2,795)	(3,409)
Accumulated impairment loss		(301)	(301)
Net leased property	$ 506	$ 651	$ 1,157

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Due within one year	¥ 56	¥ 96	$ 675
Due after one year	65	155	783
Total	¥ 121	¥ 251	$ 1,458

Allowance for impairment loss on leased property of ¥25 million ($301 thousand) as of March 31, 2011 and ¥57 million as of March 31, 2010 is not included in the obligations under finance leases.

Depreciation expense, interest expense and other information under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Depreciation expense	¥ 76	¥ 118	$ 916
Interest expense	5	10	60
Total	¥ 81	¥ 128	$ 976
Lease payments	¥ 83	¥ 129	$ 1,000
Reversal of allowance for impairment loss on leased property	32	18	386

Depreciation expense and interest expense, which are not reflected in the accompanying consolidated statements of operations, are computed by the straight-line method and the interest method, respectively.

The imputed interest expense portion, which is computed using the interest method, is excluded from the above obligations under finance leases.

The minimum rental commitments under noncancelable operating leases at March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Due within one year	¥ 1,009	¥ 1,021	$ 12,157
Due after one year	1,992	3,250	24,000
Total	¥ 3,001	¥ 4,271	$ 36,157

14. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

On March 10, 2008, the ASBJ revised ASBJ Statement No. 10, "Accounting Standard for Financial Instruments" and issued ASBJ Guidance No. 19, "Guidance on Accounting Standard for Financial Instruments and Related Disclosures." This accounting standard and guidance are applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010 with early adoption permitted from the beginning of the fiscal years ending before March 31, 2010. The Group applied the revised accounting standard and the guidance effective March 31, 2010.

(1) *Group Policy for Financial Instruments*

The Group has financial instruments, mainly debt from financial institution, consistent with its capital financing plan. Cash surpluses, if any, are invested in low risk financial assets. Derivatives are not used for speculative purposes, but rather to manage exposure to foreign exchange risks.

(2) *Nature and Extent of Risks Arising from Financial Instruments*

Receivables such as trade notes and trade accounts are exposed to customer credit risk. Although receivables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates, the position, net of payables in foreign currencies, is hedged by using forward foreign currency contracts. Marketable and investment securities, mainly held-to-maturity securities and equity instruments of customers and suppliers of the Company, are exposed to the risk of market price fluctuations.

(3) *Risk Management for Financial Instruments*

Credit risk management

The Company manages its credit risk from receivables on the basis of internal guidelines, which include monitoring the payment term and balances of major customers by each business administration department to identify the default risk of customers in an early stage.

Market risk management (foreign exchange risk and interest rate risk)

Foreign currency trade receivables and payables are exposed to market risk resulting from fluctuations in foreign currency exchange rates. Such foreign exchange risk is hedged principally by forward foreign currency contracts.

Marketable and investment securities are managed by monitoring market values and financial position of issuers on a regular basis.

(4) *Fair Values of Financial Instruments*

Fair values of financial instruments are based on quoted prices in active markets. If quoted prices are not available, other rational valuation techniques are used. Please see Note 16 for the detail of fair value for derivatives.

Cash and cash equivalents, receivables and payables, short-term bank loans, accrued expenses, income taxes payables

The carrying value of cash and cash equivalents approximates fair value because of their short maturities.

Guarantee deposits

The fair value of guaranteed deposits is calculated by the contract amount supplier presented or calculated from past experience and discounted by a risk free rate.

Marketable and investment securities

The fair values of marketable and investment securities are measured at the quoted market price for the equity instruments, and at the quoted price obtained from the financial institution for certain debt instruments. The information of the fair value for the marketable and investment securities by classification is included in Note 3.

Long-term debt

The fair value of long-term debt is determined by discounting the cash flows related to the debt at the Group's assumed corporate borrowing rate.

Derivatives

The information of the fair value for derivatives is included in Note 16.

(a) Fair Value of Financial Instruments

March 31, 2011	Millions of Yen Carrying Amount	Fair Value	Unrealized Loss
Cash and cash equivalents	¥ 11,796	¥ 11,796	
Marketable securities	71	71	
Notes and accounts receivables	54,173	54,173	
Investment securities	3,442	3,442	
Guarantee deposits	1,165	908	¥ (257)
Total	¥ 70,647	¥ 70,390	¥ (257)
Short-term bank loans	¥ 6,677	¥ 6,677	
Current portion of long-term debt	1,893	1,893	
Notes and accounts payables	40,791	40,791	
Accrued expenses	2,547	2,547	
Income taxes payables	1,512	1,512	
Long-term debt	4,966	4,998	¥ (32)
Derivatives	17	17	
Total	¥ 58,403	¥ 58,435	¥ (32)

March 31, 2011	Thousands of U.S. Dollars Carrying Amount	Fair Value	Unrealized Loss
Cash and cash equivalents	$ 142,120	$ 142,120	
Marketable securities	855	855	
Notes and accounts receivables	652,687	652,687	
Investment securities	41,470	41,470	
Guarantee deposits	14,037	10,940	$ (3,097)
Total	$ 851,169	$ 848,072	$ (3,097)
Short-term bank loans	$ 80,446	$ 80,446	
Current portion of long-term debt	22,807	22,807	
Notes and accounts payables	491,458	491,458	
Accrued expenses	30,687	30,687	
Income taxes payables	18,217	18,217	
Long-term debt	59,831	60,216	$ (385)
Derivatives	205	205	
Total	$ 703,651	$ 704,036	$ (385)

(b) Financial Instruments Whose Fair Value Cannot Be Reliably Determined

March 31, 2011	Carrying Amount Millions of Yen	Thousands of U.S. Dollars
Investments in equity instruments that do not have a quoted market price in an active market	¥ 1,051	$ 12,663
Guarantee deposits that do not have a quoted market price in an active market	1,195	14,398

15. ASSETS PLEDGED AS COLLATERAL

At March 31, 2011, time deposits of ¥16 million ($193 thousand), investment securities of ¥2 million ($24 thousand) were deposited with vendors as collateral for trade payables of ¥27 million ($325 thousand) and land of ¥2,803 million ($33,771 thousand) was pledged as collateral for long-term debt of ¥2,893 million ($34,855 thousand).

16. DERIVATIVES

The Group enters into foreign exchange forward contracts to hedge foreign exchange risk associated with assets and liabilities denominated in foreign currencies.

It is the Group's policy to use derivatives for the purpose of reducing market risks associated with assets and liabilities. The Group does not enter into derivative contracts for trading or speculative purposes.

Derivatives are subject to market and credit risk. The Group, however, does not anticipate any credit risk, because the counterparties to those derivatives are limited to major financial institutions.

Each business department executes foreign exchange forward contracts, which are limited to the normal course of business. The administrative department controls the position of derivative transactions. The manager of the accounting department periodically provides detailed reports of derivative transactions to management.

As noted in Note 14, the Group applied ASBJ Statement No. 10, "Accounting Standard for Financial Instruments" and ASBJ Guidance No. 19, "Guidance on Accounting Standard for Financial Instruments and Related Disclosures." The accounting standard and the guidance are applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2011; therefore, the required information is disclosed only for 2011.

Derivative Transactions to Which Hedge Accounting Is Applied at March 31, 2011

		Millions of Yen		
March 31, 2011	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts:				
Buying U.S.$	Payables	¥ 1,927		¥ 1,941
Buying Euro	Payables	4		4
Buying THB	Payables	812		809
Selling U.S.$	Receivables	2,252		2,278

		Thousands of U.S. Dollars		
March 31, 2011	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts:				
Buying U.S.$	Payables	$ 23,217		$ 23,386
Buying Euro	Payables	48		48
Buying THB	Payables	9,783		9,747
Selling U.S.$	Receivables	27,133		27,446

The fair value of derivative transactions is measured at the quoted price obtained from the financial institution.

The contract or notional amounts of derivatives which are shown in the above table do not represent the amounts exchanged by the parties and do not measure the Group's exposure to credit or market risk.

Interest related transactions as of March 31, 2011:

			Millions of Yen		
Hedge Accounting Method	Type of Transaction	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Special treatment for interest swaps	Interest rate and currency swaps U.S. dollars Receipt, yen Payment Floating Receipt, Fixed Payment	Long-term debt	¥ 917	¥ 584	(Note)

			Thousands of U.S. dollars		
Hedge Accounting Method	Type of Transaction	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Special treatment for interest swaps	Interest rate and currency swaps U.S. dollars Receipt, yen Payment Floating Receipt, Fixed Payment	Long-term debt	$ 11,048	$ 7,036	(Note)

Note: The above interest rate and currency swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements are recognized and included in interest expense. In addition, the fair value of such interest rate and currency swap is included in that of hedged items.

17. CONTINGENT LIABILITIES

Contingent liabilities at March 31, 2011 for employees' loans guaranteed, amounted to ¥78 million ($940 thousand) and for bank loans guaranteed of ELATEC VERTRIEBS GMBH, which is affiliate, amounted to ¥29 million ($349 thousand).

18. CONTINGENT LOSS

Regarding a software development project entrusted to the domestic subsidiary, Kaga Solution Network Co., LTD. ("KAGA SOLNET"), the delivery was delayed, and a contract cancellation was required by a certain customer on May 7, 2008. The entrusted amount of the project was ¥475 million ($5,723 thousand). KAGA SOLNET was sued in the Tokyo District Court on January 29, 2009 and is required to pay for the compensation loss of ¥513 million ($6,181 thousand). Although it is impossible to estimate the reasonable impact at this point, there is a possibility that it will affect the results of the Company's operation depending on the result of the trial.

19. COMPREHENSIVE INCOME

For the Year Ended March 31, 2010

Total comprehensive income for the year ended March 31, 2010 was the following:

	Millions of Yen
	2010
Total comprehensive loss attributable to:	
Owners of the parent	¥ (100)
Minority interests	(39)
Total comprehensive loss	¥ (139)

Other comprehensive income for the year ended March 31, 2010 consisted of the following:

	Millions of Yen
	2010
Other comprehensive income:	
Unrealized gain on available-for-sale securities	¥ 172
Deferred gain on derivatives under hedge accounting	11
Foreign currency translation adjustments	33
Share of other comprehensive income in an associate	7
Total other comprehensive income	¥ 223

20. SUBSEQUENT EVENT

The following appropriation of retained earnings at March 31, 2011 was approved at the Company's shareholders meeting held on June 29, 2011:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥15.00 ($0.18) per share	¥ 414	$ 4,988

21. SEGMENT INFORMATION

For the Years Ended March 31, 2011 and 2010

In March 2008, the ASBJ revised ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures" and issued ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures." Under the standard and guidance, an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments. This accounting standard and the guidance are applicable to segment information disclosures for the fiscal years beginning on or after April 1, 2010.

The segment information for the year ended March 31, 2010 under the revised accounting standard is also disclosed hereunder as required.

(1) Description of reportable segments

The Group's reportable segments are those for which separately financial information is available and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Group. The Group has three reporting segments that are made up of different categories of products and services: electronic components, information equipment and software. The electronic components segment includes the development, manufacture and sale of semiconductors, general electronic components and other products, the electronics manufacturing service (EMS), and other activities. The information equipment segment includes sales of PCs, PC peripherals, photograph and imaging products, original brand products, and other products. The software segment includes the production of computer graphics, planning and development of amusement products, and other activities.

(2) Methods of measurement for the amounts of sales, profit (loss), assets, liabilities and other items for each reportable segment

The accounting policies of each reportable segment are consistent to those disclosed in Note 2, "Summary of Significant Accounting Policies."

(3) Information about sales, profit (loss), assets and other items is as follows:

	Millions of Yen							
	2011							
	Reportable Segment							
	Electric Components	Information Equipment	Software	Total	Other	Total	Reconciliations	Consolidated
Sales:								
Sales to external customers	¥ 171,577	¥ 50,886	¥ 5,687	¥ 228,150	¥ 9,802	¥ 237,952		¥ 237,952
Inter segment sales or transfers	1,343	778	2,418	4,539	3,159	7,698	¥ (7,698)	
Total sales	¥ 172,920	¥ 51,664	¥ 8,105	¥ 232,689	¥ 12,961	¥ 245,650	¥ (7,698)	¥ 237,952
Segment profit	¥ 2,902	¥ 73	¥ 487	¥ 3,462	¥ 230	¥ 3,692	¥ (128)	¥ 3,564
Segment assets	97,210	15,755	6,044	119,009	5,390	124,399	(9,713)	114,686
Other:								
Depreciation	971	142	408	1,521	43	1,564	(9)	1,555
Increase in-property, plant and equipment and intangible assets	4,336	193	637	5,166	724	5,890		5,890

	Millions of Yen							
	2010							
	Reportable Segment							
	Electric Components	Information Equipment	Software	Total	Other	Total	Reconciliations	Consolidated
Sales:								
Sales to external customers	¥ 157,795	¥ 68,311	¥ 2,705	¥ 228,811	¥ 10,580	¥ 239,391		¥ 239,391
Inter segment sales or transfers	1,127	1,458	1,617	4,202	3,047	7,249	¥ (7,249)	
Total sales	¥ 158,922	¥ 69,769	¥ 4,322	¥ 233,013	¥ 13,627	¥ 246,640	¥ (7,249)	¥ 239,391
Segment profit	¥ 895	¥ 93	¥ 467	¥ 1,455	¥ 312	¥ 1,767	¥ (184)	¥ 1,583
Segment assets	93,781	21,067	3,989	118,837	5,786	124,623	(10,661)	113,962
Other:								
Depreciation	920	181	164	1,265	43	1,308	(10)	1,298
Increase in-property, plant and equipment and intangible assets	1,553	324	538	2,415	807	3,222		3,222

	Thousands of U.S. Dollars							
	2011							
	Reportable Segment							
	Electric Components	Information Equipment	Software	Total	Other	Total	Reconciliations	Consolidated
Sales:								
Sales to external customers	$ 2,067,193	$ 613,084	$ 68,518	$ 2,748,795	$ 118,097	$ 2,866,892		$ 2,866,892
Inter segment sales or transfers	16,180	9,374	29,133	54,687	38,060	92,747	$ (92,747)	
Total sales	$ 2,083,373	$ 622,458	$ 97,651	$ 2,803,482	$ 156,157	$ 2,959,639	$ (92,747)	$ 2,866,892
Segment profit	$ 34,964	$ 880	$ 5,867	$ 41,711	$ 2,771	$ 44,482	$ 1,542)	$ 42,940
Segment assets	1,171,205	189,819	72,819	1,433,843	64,940	1,498,783	(117,024)	1,381,759
Other:								
Depreciation	11,699	1,711	4,915	18,325	518	18,843	(108)	18,735
Increase in-property, plant and equipment and intangible assets	52,241	2,325	7,675	62,241	8,723	70,964		70,964

Notes: 1. Other is a business segment but is not included in the reporting segments, which consists of sales of sporting goods and etc.

2. For assets, eliminations or corporate in the fiscal year that ended in March 2010 include corporate assets of ¥2,654 million that consist primarily of short-term investments (cash and securities, etc.) at the Company. In addition, eliminations or corporate in the fiscal year that ended in March 2011 include corporate assets of ¥2,407 million that consist primarily of short-term investments (cash and securities, etc.) at the Company.

3. The adjustment for segment operating income is as follows:

(1) Segment income

	Millions of Yen	
	2011	2010
Elimination of inter-segment trade	¥ 13	¥ 3
Amortization of goodwill	(141)	(187)
Total	¥ (128)	¥ (184)

(2) Segment assets

	Millions of Yen	
	2011	2010
Elimination of inter-segment trade	¥ (12,120)	¥ (13,314)
Reconciliations	2,407	2,653
Total	¥ (9,713)	¥ (10,661)

(3) Depreciation and amortization

	Millions of Yen	
	2011	2010
Elimination of inter-segment trade	¥ (9)	¥ (10)
Total	¥ (9)	¥ (10)

Associated Information

For the current fiscal year ended March 31, 2011

(1) *Information about individual products and services*

This information is not presented because the Group prepares reports in accordance with a management approach based on individual products and services.

(2) *Geographic information*

(a) Sales

Millions of Yen				
2011				
Japan	North America	Europe	East Asia	Total
¥ 171,139	¥ 2,183	¥ 5,293	¥ 59,337	¥ 237,952

Thousands of U.S. Dollars				
2011				
Japan	North America	Europe	East Asia	Total
$ 2,061,916	$ 26,301	$ 63,771	$ 714,904	$ 2,866,892

Note: Sales are classified in countries or regions based on location of customers.

(b) Property, plant and equipment

Millions of Yen				
2011				
Japan	North America	Europe	East Asia	Total
¥ 7,534	¥ 37	¥ 84	¥ 2,069	¥ 9,724

Thousands of U.S. Dollars				
2011				
Japan	North America	Europe	East Asia	Total
$ 90,771	$ 446	$ 1,012	$ 24,928	$ 117,157

Notes: 1. Countries and regions are classified according to geographical proximity.

2. Countries and regions outside Japan are broken down into the following geographical areas:

(1) North America: United States
(2) Europe: United Kingdom, Czech Republic, and Russia
(3) East Asia: Hong Kong, Singapore, Taiwan, Korea, China, Malaysia, and Thailand

3. Information about major customers

This information is not presented because sales to each external customers were not more than 10% of consolidated sales.

For the Year Ended March 31, 2010

a. Operations in Different Industries

The Company and subsidiaries operate within one business segment, which is the electronic component trading business.

b. ***Operations by Geographic Area***

The following table shows segment information by geographic area for the year ended March 31, 2010:

	Millions of Yen					
	2010					
	Japan	North America	Europe	East Asia	Eliminations or Corporate	Consolidated
(1) Sales and operating income						
Sales:						
Outside customers	¥ 194,586	¥ 263	¥ 3,042	¥ 41,500		¥ 239,391
Interarea	16,240	113	37	7,690	¥ (24,080)	
Total sales	210,826	376	3,079	49,190	(24,080)	239,391
Operating expenses	210,175	498	3,157	48,663	(24,685)	237,808
Operating income (loss)	¥ 651	¥ (122)	¥ (78)	¥ 527	¥ 605	¥ 1,583
(2) Total assets	¥ 94,429	¥ 225	¥ 1,423	¥ 23,994	¥ (6,109)	¥ 113,962

c. ***Sales to Foreign Customers***

Sales to foreign customers for the year ended March 31, 2010 are as follows:

	Millions of Yen
	2010
Sales to:	
North America	¥ 2,456
Europe	3,486
East Asia	52,283
Total	¥ 58,225

* * * * * *

7. Distribution of Report Document Copies (U.S. DPM 3610B)

To Whom	Address	Method of Delivery	No. of Copies
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	外部印刷用Opinion（L/H サイン有り）		(1)
	Wordファイル	E-mail A-1 高木麻衣	

Others (attach listing)	
To this office—Report Archive File	1
To this office—W/P File (To 吉川朋弥（1班-1）)	1
To this office—Partner (To 小林功幸 ptr.（A）)	1
Total	8 + (1)