TACHIBANA ELETECH

TACHIBANA ELETECH CO.,LTD.

Annual Report 2012

Year ended March 31, 2012

A Technology-Driven Trading Company Accelerating Overseas

TACHIBANA ELETECH

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Topics 2012 / Profile

Topics

2011.4.1 - 2012.3.31

2012

Topics of the Year

May 2011

Building Services Systems

Osaka Station City Opens…a mega project we were associated with

The grand opening of Osaka Station City, which comprises JR Osaka Station and the North Gate and South Gate Buildings, took place in May 2011. Tachibana delivered a total of 25 units of elevators and escalators for LUCUA, which houses a variety of specialized stores, and the office building. We are scheduled to deliver a further 60 elevators and escalators for the area north of JR Osaka Station.

Osaka Station City "Jiku no Hiroba" (Time Space Plaza)

May 2011

A new "Taiyo Shokai" launched

The new Taiyo Shokai Co., Ltd. was formed through the management integration of Taiyo Shokai and Tachibana Create, both wholly owned subsidiaries, handling FA equipment and electrical devices. The new company is tasked with reducing costs through efficiencies in management and internal controls.

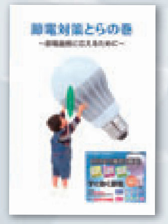
Newly-formed Taiyo Shokai Co., Ltd.

May 2011

Solution Systems

Power-saving business project launched

We have launched efforts across all departments to turn electric power shortages into business opportunities. In support of these efforts, we prepared brochures for our customers to explain and recommend energy-saving actions. These actions have been well received, with orders for switching to LED lighting, introduction of photovoltaic power generation systems, and energy-efficient air-conditioners forthcoming.



A key to power-saving "Natsu no Jin" (Summer Siege)

May 2011

Information and Communication Systems

TC PLAZA established…an on-line shopping

We have launched our first online retailing business for information equipment such as touch-panel monitors and USB memories. In August 2011, we significantly expanded the scope of products sold in the store by incorporating the online direct selling business of a specialized touch-panel monitor manufacturer. Further expansion of the product line is planned to make the on-line shopping site more distinctive.

Net Shop "TC PLAZA"

July 2011

Factory Automation Systems

An industrial mechatronics base established in Wuhan, China

A sales office and showroom in Wuhan City in the inland province of Hubei was established to display and promote electric discharge machines and other mechatronics products.

A sales office established in Wuhan, China

September 2011

Ad / publication to mark the 90th anniversary promotes Tachibana Eletech

On September 1, 2011, the day that marked the 90th anniversary of the company's founding, we ran a full-page color advertisement in the morning edition of the Nihon Keizai Shimbun. We also published a commemorative book, *Our Steps in the Past Decade and for the Future*, and fully renewed a DVD depicting our corporate profile. On that occasion, all executives and employees reconfirmed their resolve for the 100th anniversary 10 years down the road.

A commemorative publication to mark the 90th anniversary of the company's founding

A full-page color ad in the morning edition of the Nihon Keizai Shimbun

October 2011

Semiconductors and Electronic Devices

An agency agreement concluded with Ericsson

We concluded an agency agreement with Ericsson of Sweden for the sale of power modules for communication equipment, and commenced sales to communications equipment manufacturers in Japan.

Ericsson of Sweden

Phison Electronics Corp. of Taiwan

Tachibana Overseas Holdings Ltd. (TOH)

March 2012

Overseas Operations

Tachibana Overseas Holdings Ltd., a wholly owned subsidiary, incorporated in the Hong Kong SAR

Tachibana Overseas Holdings Ltd., the linchpin for supervising our overseas business operations, has been incorporated and it began its operations in Hong Kong on April 1, 2012. As the core firm to oversee our overseas strategy, Tachibana Overseas Holdings will promote the business expansion of overseas subsidiaries and the investment in human resources.

Contents

Profile

Accelerating Overseas Operations.

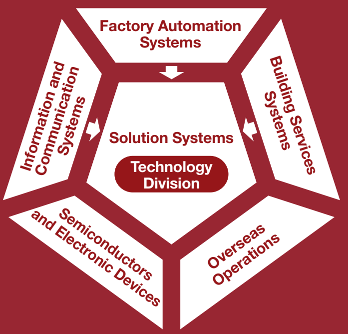
Over the past year we have accelerated the development of overseas operations, while at the same time stepping-up our response to customers' making vigorous efforts toward recovery from the Great East Japan Earthquake.

In the year under review, we placed particular emphasis on developing foundations for overseas business operations and enhanced the marketing and sales networks, mainly in mainland China.

Total Solutions to Solve Customers' Problems

Tachibana Eletech's business operations are divided into four businesses by product—"Factory Automation Systems," "Semiconductors and Electronic Devices," "Information and Communication Systems" and "Building Services Systems"—and "Solution Systems," a business to cultivate new demand in the field of environment and energy, such as photovoltaic power generation systems, and to propose and sell systems spanning the existing divisional operations.

The "Overseas" business unit is responsible for transactions with other countries as a whole, including our overseas subsidiaries.



Factory Automation Systems

Handles motors and other electric equipment, factory automation equipment such as PLC and inverters, and industrial machinery, and also builds systems for automation and streamlining of production lines in various industries.

Semiconductors and Electronic Devices

Supplies semiconductors and electronic devices manufactured in Japan and overseas, from standardized products to customized products tailored to user specifications, and also designs and develops microcomputers and ASICs.

Information and Communication Systems

Provides RFID and virtualization solutions and thin clients systems for physical and information security, and also sells personal computers for industrial use and a variety of information and video equipment.

Building Services Systems

Supplies lighting and air-conditioning equipment, elevators and disaster-prevention equipment to factories, office buildings and stores in a comprehensive manner, and also provides energy-saving equipment for all-electric housing.

Solution Systems

Provides solutions required at production sites with energy-saving, environment, safety and efficiency as the main keywords, and also cultivates demand in the field of environment and energy.

Overseas Operations

Sells semiconductors, FA equipment and industrial mechatronics products in Asia, centering on China, and handles materials for electronic parts and components and various processed metal products in external trade.

We have taken a new step towards being a technology-driven global trading company.

Takeo Watanabe
President, CEO & COO

Review 2012

Strong performance reflects the efforts to fulfill responsibilities of a technology-driven trading company.

The year 2011, during which we marked the 90th anniversary of the company's founding, was a year when the country experienced an unprecedented natural disaster, and began taking steps along the long road to recovery. Our country now stands at a major turning point in its industrial structure and future.

The business environment remained severe and uncertain, and the economy confronted with a multitude of difficulties, which included stagnating corporate activity following the earthquake, concerns over electric power shortages caused by the nuclear power plant disaster, and the devastating floods in Thailand. Additionally, we have had to face a sharp appreciation of our currency, as we witness the continuing economic and fiscal difficulties in the United States and Europe.

In the semiconductor sector, of significant concern to us was the earthquake damage incurred by Renesas Electronic, one of our major business partners. With the knowledge that there would be supply shortages of FA equipment, microcomputers, and many other products, the Tachibana Eletech Group took actions to secure inventories in order to fulfill supply responsibilities to customers, and proactively put forward proposals using alternative products. Many customers evaluated and readily accepted our proposals in order to avoid the scenario of production suspension, and through that action we were able to post a decent level of net sales and profit at the half year to September 2011.

With customers seeing a recovery in business conditions in the second half, the Factory Automation Systems and Semiconductors and Electronic Devices divisions, two of our main businesses, achieved growth. Japanese home electronics manufacturers are facing an uphill battle, with many reporting large losses. However, the impact on our business has been minimal, as the ratio of sales to home electronics manufacturers to our overall sales has been declining in recent years.

In line with the strategy to continue to build our presence in China, we stationed an operating officer in Shanghai, charged with developing the FA Systems business in the existing Shanghai based company, and to follow the establishment of Beijing and Shenzhen branch offices in 2010, we have further added to the growing sales network with the opening a sales office and showroom in Wuhan to promote sales of industrial mechatronics products.

In March of this year Tachibana Overseas Holdings Ltd. was incorporated in Hong Kong. This company reinforces the solid foundations being built to further our regional ambitions, specifically in the China and Southeast Asia markets. It is worthy of note that sales from the overseas operations accounted for 14.7% of consolidated net sales, recording a two percentage point increase from the 12.6% reported in the previous year.

I would further like to add that all companies and operations within the Group continued to energetically push ahead with project "C.A.P. UP 1500" and the management "GT21" targets for the year ending March 2015.

For the year ended March 2012 the Group reported consolidated net sales of JP¥123,599 million, an increase of 3.8% over the previous year, and an operating income of JP¥3,483 million, an increase of 17.8% over that reported a year ago. With Daidensha, a consolidated subsidiary, turning into profit, ordinary income and net income both marked all-time highs at JP¥4,273 million and JP¥2,468 million, increases of up 20.6% and 18.1% respectively on a year on year basis.

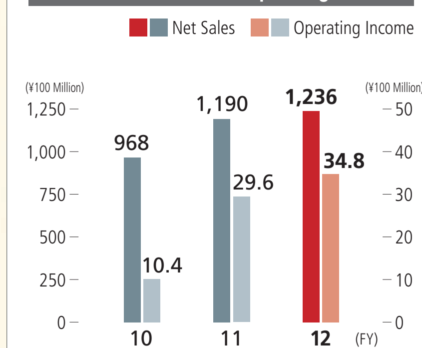
A term-end dividend of JP¥10 per share was declared, and together with interim dividend of JP¥10 per share already paid, takes the total dividend for the year to JP¥20 per share.

Consolidated Financial Highlights

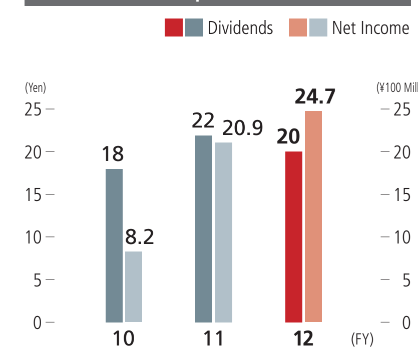
	Millions of yen 2008	2009	2010	2011	2012	Thousands of U.S. dollars 2012
For the Year:						
Net Sales	¥ 130,871	¥ 116,540	¥ 96,838	¥ 119,021	**¥ 123,599**	**$ 1,507,305**
Operating Income	3,495	2,601	1,036	2,956	**3,483**	**42,476**
Net Income	2,006	1,396	815	2,090	**2,468**	**30,098**
At Year-End:						
Shareholders' Equity	¥ 33,031	¥ 32,549	¥ 33,851	¥ 35,270	**¥ 37,005**	**$ 451,280**
Total Assets	75,547	63,755	70,020	74,394	**78,860**	**961,707**
Per Share Data:						
Net Assets per Share (Yen/U.S. Dollars)	1,549.52	1,558.25	1,619.61	1,694.22	**1,777.51**	**21.68**
Net Income per Share (Yen/U.S. Dollars)	94.37	66.11	39.12	100.58	**118.78**	**1.45**
Diluted Net Income per Share (Yen/U.S. Dollars)	94.29	—	—	—	**—**	**—**
Financial Index:						
Equity Ratio (%)	43.7	51.0	48.1	47.3	**46.8**	**46.8**
Return on Equity (%)	6.1	4.3	2.5	6.1	**6.8**	**6.8**

Notes: 1. Sales figures do not include consumption tax.
2. U.S. dollar amounts are provided solely for convenience at the rate of ¥82 = US$1, the approximate exchange rate as at March 31, 2012.

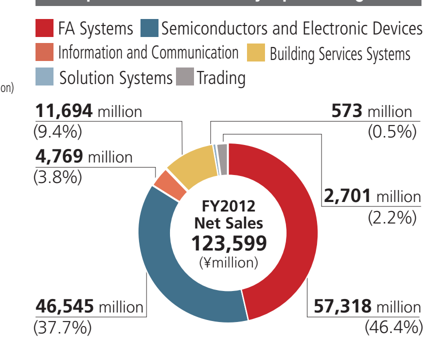
Trends in Net Sales and Operating Income



Trends in Dividends per Share and Net Income



Composition of Net sales by reported segment



Forward-Looking Statements
Projections of operating results and changes in the business environment provided in this report are based on information available to the management as of the date the report was prepared. As such, these projections are exposed to uncertainties and potential risks that may affect the projections should they materialize. Readers are therefore cautioned that actual operating results and the business environment in the future may differ materially from the projections provided herein.

Note on financial figures:
Financial figures in this annual report are presented by rounding figures less than a full unit.

Group Strategy and Outlook 2013

Implementing organization change and accelerating regional growth to meet the demands of emerging markets.

Whilst most major world markets contract, the markets in Asia and other emerging nations continue to expand. We are witnessing an increasing number of companies developing and producing products locally to cater to the market demands. The so-called "out-to-out" trading business, where the regional / local subsidiaries cultivate and develop local customers independent of head office involvement, is rapidly increasing.

Given such changes in the business environment the priority actions we have in motion for the 2013 year are set out as follows….

Of the highest priority is **to increase the pace of development of the overseas operations**, and particularly in China. This action is now well under-way with the formation of the wholly owned subsidiary, Tachibana Overseas Holdings Ltd. in Hong Kong. Operating in the role as an overseas headquarters to the regional subsidiaries TOH will take the lead in growing overseas sales networks, and co-ordinate the introduction of new products to market. The China sales network will, of course, be a very important on-going task for TOH, and in addition to supporting the recently established sales office in Dalian, we have our sights firmly set on establishing presences in Tianjin, Qingdao, and Guangzhou. In Thailand we have witnessed an expansion in demand for FA equipment, and more emphasis is being placed on activity in that market.

India is also a market that is attracting our attention.

A second priority is **the restructuring of the Semiconductors and Electronic Devices division**. Amid intensifying price competition, particularly for home electronics, customers now require a diverse range of products. In order to be an effective player in this market we have re-focused the divisional organization from one that was formerly manufacturer-responsive to one which is now much more customer-responsive. A senior manager has been dedicated to the search and procurement of new product from around the world to further expand our product offering to customers.

The third priority is **related with a major revision to the personnel system, and the changes being made from the former seniority based system to a merit based system**. At the senior level three new operating officers and seven general managers have been appointed in readiness to take on the many new challenges ahead. In tandem with the globalization and consolidation of our business operations it is important that we introduce a merit-based personnel system both in Japan and overseas. The system, based strictly on merit and ability defines proficiency criteria by type of work and job, and enables evaluation of both Japanese and non-Japanese employees on an equal basis.

We have recently concluded a capital and business agreement with Takagi Shokai, a trading company established in 1959, which specializes in FA equipment. Takagi Shokai has become an equity affiliate, with Tachibana Eletech having acquired 41.25% of the company from the founding family.

Through 21 sales offices across the country the company sells electronic and electric parts and components, control equipment, and networking systems, reporting net sales of ¥16,773 million in the previous year. With minimal overlap of the manufacturers that both Tachibana and Takagi deal with, and also customers and operating areas, we have concluded that we can expect significant synergy by mutually utilizing the products and sales channels of the two companies.

We are looking ahead to this venture contributing to Group' earnings over the medium- to long-term. Despite the continuing uncertainties in major world economies, we have approached the 2013 with confidence in the belief that the company strategy positions us well for future growth.

At the year ending March 2013 we have forecast to achieve net sales of JP¥127.5 billion, and an operating income of JP¥3,620 million, and on the basis of achieving that result interim and final dividends should be able to be maintained in line with current dividend policy.

We have boosted our management foundation for the rapid acceleration of overseas business operations.

Tachibana Overseas Holdings Ltd. (TOH) incorporated in Hong Kong in March 2012

We inaugurated TOH, an in-house company for supervising overseas subsidiaries, as a locally incorporated company in Hong Kong, China. Through the integrated management of overseas subsidiaries under the aegis of TOH, we can speed up business decisions on business and investment projects in Asian countries as well as in China, and also optimize the management of personnel, financing, and systems. The local incorporation of TOH has the following advantages:

1. **Quick decision-making**
   Centralization of information on projects in China and Asian countries for quick decisions
2. **Timely establishment of business bases**
   Quick installation of new sales and engineering bases from the perspective of overall overseas business operations
3. **Localization of human resources recruitment and development**
   Realization of the optimal overseas personnel structure by reinforcing the recruitment of local staff
4. **Promotion of visualization of management**
   Integrated management of all data on overseas business operations via the consolidated operation of business management systems
5. **Optimization of fund management**
   Maximization of fund management in response to the different tax systems and dividends of each country

Tachibana Overseas Holdings Ltd. (TOH)

Hong Kong	Shanghai	Korea	Singapore	Thailand	Taiwan
Shenzhen Semiconductor Technology Center (2000)	Beijing (2010) Shenzhen (2010) Wuhan "FA Showroom" (2011) Dalian (2012)			Capital increase – Start of domestic sales of FA products (2012)	

Full-fledged hiring of locals launched in China

Tachibana Overseas Holdings Ltd. (TOH)

Promotion of the building of overseas sales networks

Following the establishment of a sales office with a showroom for industrial mechatronics products in Wuhan in July 2011, we opened a sales office in Dalian in June 2012 in a move to further energize our sales efforts targeted at Japanese manufacturers and local Chinese companies. We plan to establish business offices in Tianjin, Qingdao, and Guangzhou in due course going forward. In Thailand, which is witnessing an expansion of domestic demand, we commenced sales of industrial mechatronics products in April 2012. Prior to this, we boosted capital of a Thai subsidiary, Tachibana Sales (Bangkok) Co., Ltd. We also launched marketing activities in India, where Japanese manufacturers have been setting up operations one after another in recent years.

Overseas FA technical support reinforced

In China and other Asian countries, labor costs are rising in tandem with their economic growth, and this is giving rise to increasing demand for FA equipment for automated and labor-saving production lines. As a technology-driven trading company, we are currently providing technical services to customers, mainly out of the Shenzhen Semiconductor Technology center. Going forward, we are planning to deploy engineering centers in Shanghai and North China in order to reinforce our FA technical support structure.

Discovery and development of products that meet local needs of overseas markets

In the Chinese market, sales to local Chinese companies are increasing, as is the number of Japanese manufactures operating in China. At the same time, price competition is becoming more intense, and, particularly for semiconductor devices, we cannot expect to earn profits unless we are capable of supplying products with higher added value. To cope with the situation, we have increased human resources at the Shenzhen Semiconductor Technology center, and are undertaking circuit designing and system development by utilizing locally-based independent design houses (IDHs) to add additional value to our products.

Full-fledged hiring of locals launched in China

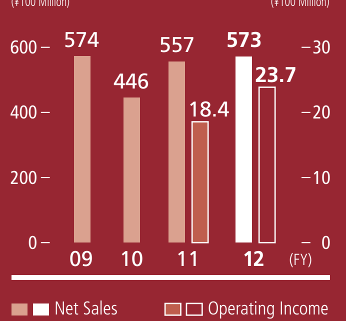
In order to achieve the targeted overseas sales ratio of 30%, human resources development, along with the development of a network of business bases, is essential. We will embark on the full-fledged recruitment of local sales representatives and engineers who conduct transactions with and provide technical support for local Chinese companies, as well as the hiring and fostering of Japanese staff familiar with local business conditions. In particular, we plan to quintuple the present number of local engineers.

Factory Automation Systems

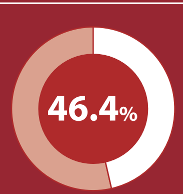
Main products

Programmable controllers (PLC), inverters, AC servos, various motors, power distribution control equipment, industrial robots, electric discharge machines, laser beam machines

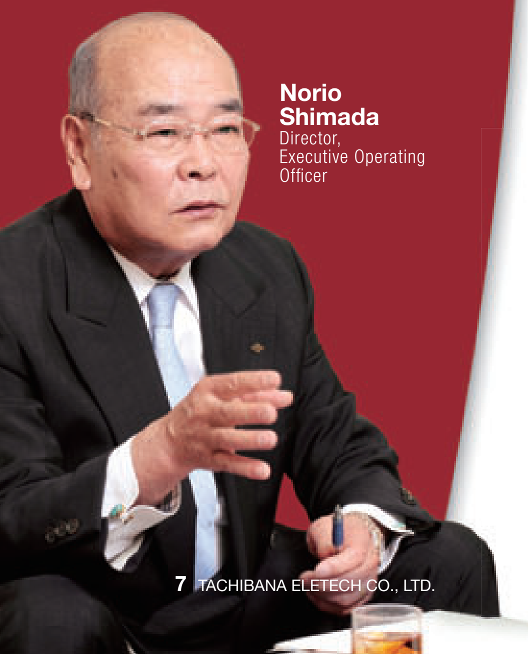
Net Sales/Operating Income



Composition of Net Sales



Year ended March 31, 2012



Norio Shimada
Director, Executive Operating Officer

Review 2012

Fulfilling supply responsibilities secures sales.

Core products, such as programmable controllers and inverters, in the equipment segment showed steady growth from the automobile industry, while AC servos sales were maintained at a level similar to the previous year. The overall satisfactory performance reflected by the efforts made to secure inventories and meet supply commitments to customers following severe disruptions in the aftermath of the earthquake. Power distribution control equipment, which includes no-fuse breakers and electromagnetic switches for control panel manufacturers, also fared well.In the industrial machinery segment electric discharge, laser beam machines, and induction heating equipment grew strongly, mirroring the early recovery in the automobile industry, and also from overseas projects. Daidensha contributed to the divisional results through it's well coordinated marketing and sales efforts with groups of specified agents.

Overall, division net sales and operating income were 2.9% and 29.1% ahead of the previous year.

Forward Plans and Outlook 2013

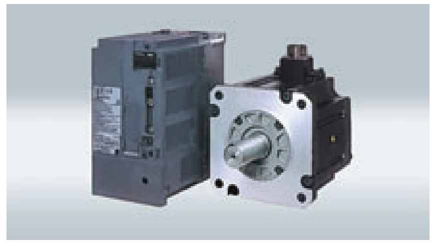
Positioning the division to gain further ground in China, and establishing a base in Thailand.

Whilst overall market conditions continue to hold uncertainties, sales are expected to remain strong for the makers of machinery used in manufacturing tablet computers and smartphones. Sales to the auto industry, centered on overseas markets, are also growing steadily, while in the domestic market sales for food processors (particularly retort food makers) are favorable. In April of last year a new section was created to dedicate support to the marketing and sales of sensors, and we foresee this initiative producing results in the current year. With the nation-wide serious concerns regarding the provision of stable power supplies, we expect there to be increased sales for emergency generators, regular-use generators, and uninterruptable power supply systems.

In China and other countries in the region labour costs continue to rise in tandem with economic growth. This is creating a growing demand for factory automation equipment and labour saving production lines. We are currently in a position to meet this need from the technical resource in our Shenzhen engineering center, and going forward the plan is to establish additional engineering centers in Shanghai, and in the north, to reinforce our technical support capability.

Benefits are being seen from the Wuhan showroom which opened in July last year, with sales for electric discharge machines expected to double in the current year. More recently, a sales office has been established in Dalian. In furthering our regional presence we have located a resident representative in Bangkok to support business development in the Thailand market.

Programmable controllers (PLC)



MELSERVO, an AC servo made by Mitsubishi Electric

Wuhan showroom display of industrial mechatronics products

Located in the industrial park, Hubei Modern Mechanical and Electrical Hardware City in the Wujiashan Economic and Technological Development Zone in Wuhan City. Presently, more than 400 Chinese companies have operations in the development zone established in 2006.

Japanese firms, totaling some 100 or more, including the auto makers Honda and Nissan, and European auto makers, have established business bases in Wuhan City and its vicinity.

A sales office and showroom in Wuhan City

Review 2012

Despite natural disasters at home and overseas higher sales were achieved.

The Great East Japan Earthquake and the devastating floods in Thailand left the semiconductor industry faced with severe inventory shortages. Much effort was put in to filling the gaps with replacement products, supported by self-developed software, and as a result higher sales were achieved, driven by power devices for white goods and microcomputers for the automobile industry.

In the electronic devices sector, printed-circuit boards for OA equipment and contact image sensors showed substantial growth. With a reorganization of our sales force and sales approach we were able to expand product offerings to customers. Marketing and sales efforts to strategic products, and newly developed significantly to sales growth.

Divisional sales and operating income were 9.1% and 0.6% ahead of the previous year.

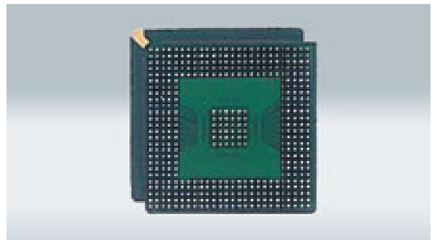
Forward Plans and Outlook 2013

We will make proactive proposals to customers by finding and procuring new products from around the world.

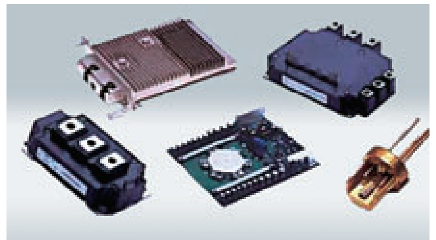
With a strong yen expected for some time to come, increasing our overseas business to a level that matches our domestic sales has become a major company-wide challenge. In the China market sales to domestic customers are increasing, as are the number of Japanese manufacturers operating in China. Price competition is becoming increasingly intense, particularly for semiconductor devices, and we cannot expect to earn an acceptable level of profit unless we have the capability to supply customers with higher added value products.

Actions taken to advance our competitive position include the expansion of our Shenzhen engineering center, and also the utilization of locally-based independent design houses to undertake circuit design and system development. The Development Department established in 2011 tasked with identifying and sourcing excellent products from around the world to enlarge our overall product range has concluded an agency agreement with Ericsson of Sweden, and is also expanding contact and business with Taiwanese makers.

This combination of technical and commercial actions will enable the division to make proactive proposals with new products in the current year. With the recent opening of the Dalian sales office additional sales staff will be recruited to strengthen our market presence.



Microcomputers



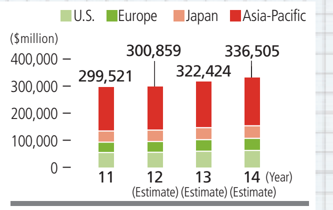
Power and optical devices

Trends in the global semiconductor market

With an early recovery in the world economy seeming unlikely, the global semiconductor market in 2012 is forecasted to grow by a meager 0.4% from the previous year. However, the market is expected to recover in 2013 and grow by an annual average of 4.4% through to 2014.

The Japanese semiconductor market in 2011 shrank by 16.3% from the previous year, and is likely to go on a recovery track in 2013.

Source: World Semiconductor Trade Statistics Inc. (WSTS) Semiconductor Market Forecast Spring 2012

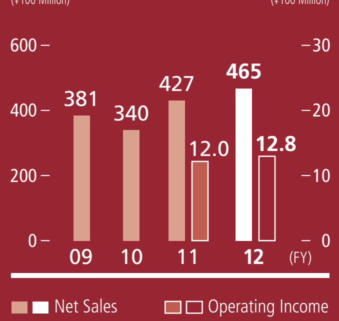


Semiconductors and Electronic Devices

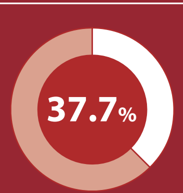
Main products

Semiconductors (microcomputers, ASICs, power units, memories, general-purpose ICs)
Devices (contact image sensors, LCD modules, projector lamps)

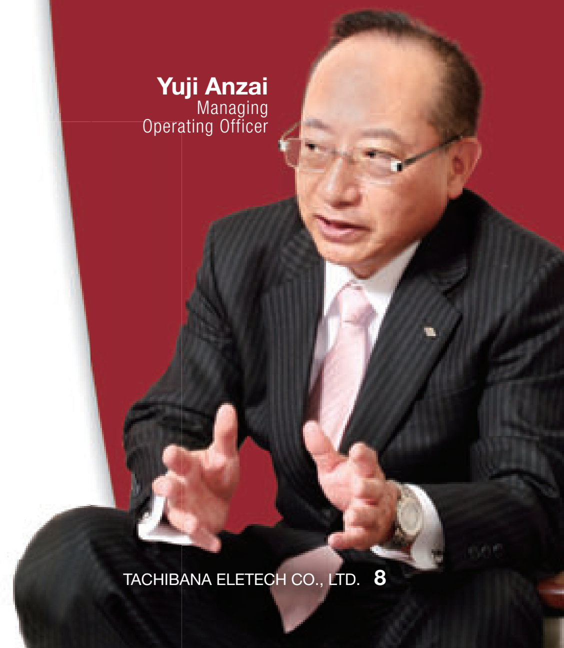
Net Sales/Operating Income



Composition of Net Sales



Year ended March 31, 2012



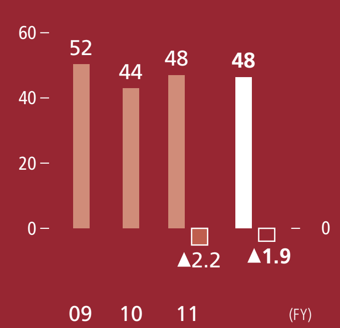
Yuji Anzai
Managing Operating Officer

Information and Communication Systems

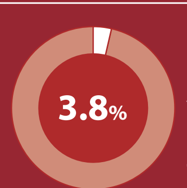
Main products

RFID/DSRC systems, surveillance cameras, Thin clients, touch panel monitors, FA controllers, special-application terminals

Net Sales/Operating Income



Composition of Net Sales



Year ended March 31, 2012

Masao Hamamura
Operating Officer

Review 2012

Information security sector turns-in robust performance.

As in the prior year, sales of thin client terminals, mainly to municipal governments, banks, and hospitals, produced good year end result, and it has been pleasing to note that our reputation has been enhanced, and drawn such customer comments as: "Tachibana comes up first for thin terminal clients." Since becoming a solutions dealer for Fujitsu the sales of terminals, servers, and personal computers orders received for touch-panel monitors, RFID (radio frequency identification device) tag systems for bicycle parking areas, and large scale electrical equipment management systems for public transportation facilities, also contributed to divisional sales. However, sales for CCTV (closed-circuit television) cameras decreased due to an overall fall in demand.

Despite the robust performance in the information security sector, overall division sales for the year declined 0.8% from the previous year.

Forward Plans and Outlook 2013

Setting our sights on IT investments by municipal governments, hospitals, and banks.

VUMS, the Virtual USB Management System, is identified as an area of opportunity and will be energetically promoted. The system defines a variety of input-output devices connected to terminals via USBs in accordance with user authority, and many municipal governments and hospitals are expressing a keen interest. We are also counting on the "RFID tag special procurement demand" that will emerge with changes in radio ranges used in association with next-generation high-speed wireless communication. As RFID tag users are required to "move" from the radio range of 950MHz they are currently using to the radio range of 920MHz, the division will be proactively to take in this "change of range" demand.

With portable power sources drawing much attention in the emergency power market, our proposals will be focused towards industry sectors that are likely to have growing needs amid the tightening of electric power supply.

Thin clients

A wristband for entrance/exit management using RFID

Strengthening cooperation with Fujitsu

Following our appointment as a Fujitsu solutions dealer in the latter part of 2010, we have focused to growing the sales of thin client terminals, servers, and personal computers. This co-operative relationship has opened-up significant business opportunities, and we will continue to further develop our working relationship with Fujitsu.

Server products of Fujitsu Ltd.

Review 2012

Contrasting performance of air-conditioners for buildings and all-electric housing products amid rising demand for energy-saving products and concern over power shortages.

In the facility equipment sector, sales of multi-air conditioners for buildings showed significant growth, and surpassed the previous year's sales mainly due to an increase in replacement demand for energy-savings. Package air-conditioners, and other cooling equipment and systems for stores and room air-conditioners also produced satisfactory results. As consumers turned away from all-electric housing equipment due to concerns over power supply shortages, sales of "Eco Cute" electric water heaters, a mainstay product, dropped substantially. In the building and plant equipment sector, sales for photovoltaic power generation systems and emergency generators grew significantly. However, sales of elevators and special high-pressure power receiving / distribution equipment decreased as a result of a sharp decline in orders for major project construction works. Tachibana Kouwa System Service undertook a number of a renovation projects which included both design and construction works.

Divisional net sales and operating income decreased by 4.1% and 53.6% respectively when compared to the previous year.

Forward Plans and Outlook 2013

A photovoltaic power generation systems and LED lighting focus.

With the launch of the feed-in tariff system for renewable energy our marketing and sales focus is to be directed to photovoltaic power generation systems for large condominium buildings, and institutions for the elderly. Major projects require "spec-in" activity during the design stages. This important sales technique is one with which we have a proven track record with the sales of elevators to both new and renovation construction projects. We are employing this same approach in promoting photovoltaic power generation systems, and have been successful in receiving contract awards for large condominiums and other projects. Demand is also increasing for both regular-use generators for industrial plants to reduce peak power demand, as well as for emergency generators for facilities such as nursing homes, where the installation of emergency power sources are required as a disaster prevention measure. Marketing and sales activity covers a wide range of opportunities, including small and medium size projects, and takes in the demand for LED lighting and power generators.

The results currently being achieved are attributed to the efforts of our sales force through dedication to the "C.A.P. UP1500" project, and with an encouraging overall level of incoming orders we have every reason to expect year end 2013 results to be on target.

Air conditioners for offices/retail outlets (left) and private emergency power generating equipment

Display of "Smart House" with the photovoltaic power generation system and electric vehicle

Developing an all-round construction and services contractor

Tachibana Kouwa System Service continues to be successful with awards for a range of contracts, which include small scale power savings such as switching to LED lighting, and in the repair / maintenance and cleaning of air-conditioning systems and equipment.

The relationships and trust being developed with customers is encouraging, and we are confident that the company is well positioned the gain future work.

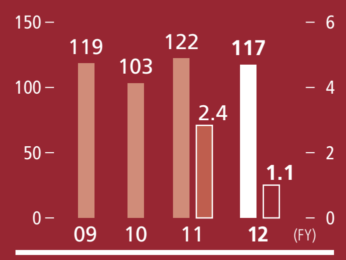
Brochures for stimulating power saving-related business

Building Services Systems

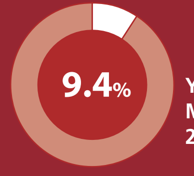
Main products

Package air-conditioners and other air-conditioning equipment, equipment for all-electric housing (Eco Cute, IH cooking heaters), room air-conditioners, power receiving/transformation equipment, monitoring and controlling equipment

Net Sales/Operating Income



Composition of Net Sales



Year ended March 31, 2012

Hiroshi Yoneda
Operating Officer

Solution Systems

Review 2012

A mixed year end result despite the performance achieved with energy-saving and efficiency solutions.

Performance from energy saving and efficiency solutions in monitoring control systems for buildings and plants was at a satisfactory level. Promoting the theme of "preventive maintenance" has led to successes with risk managements awarding contracts to improve productivity by replacing aged production-line programming controllers.

The environment and energy sector experienced a substantial increase in first half orders for industrial photovoltaic power generation systems. Regrettably, the order intake fell sharply in the second half as a result of the discontinuation of subsidies for photovoltaic power generation, and a decline in capital investment prior to the introduction of the feed-in tariff system for renewable energy in July 2012. Orders for residential photovoltaic power generation systems also declined due to the same reason.

Divisional sales were reported at 23.3% below the previous year level.

Forward Plans and Outlook 2013

Organization changes within the division to enable quicker response to opportunities.

Pharmaceutical manufacturing systems are a high marketing and sales priority. The Manufacturing Execution System (MES), and image inspections are seen as areas with growth potential. Solutions proposals are now being made which enable the introduction of mechanisms to verify normal operations of programmable logic controllers (PLCs) related to the manufacturing of products. For MES, we have plans to broaden the scope of potential orders by undertakings required on mass-production lines.

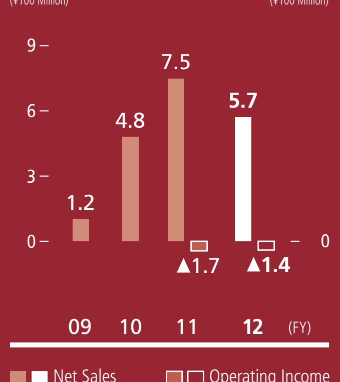
Following the recent introduction of the feed-in tariff system a steady growth in photovoltaic power generation systems is forecast. With the experience and know-how we have accumulated we are concentrating efforts to proposals for commercial and industrial systems for installation on the roofs of carports at companies and hospitals.

Giving consideration to the possibility for regional disparity in work load, we have replaced the former by area structure of the engineering departments with a more flexible cross-section structure to allow better mobility of this important resource. With the need to add strength to proposal based sales efforts a Solutions Systems sales department has been formed to enable speedier and more effective response to be provided. Also, we are stepping up technical guidance and support to sales staff located overseas, and to that end we have under consideration the placing of engineering staff in China.

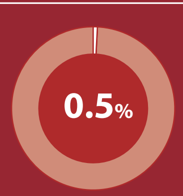
Main products

Proposes and sells photovoltaic power generation systems and other systems spanning our business segments with the themes of energy-saving, environment, safety and efficiency

Net Sales/Operating Income



Composition of Net Sales



Year ended March 31, 2012

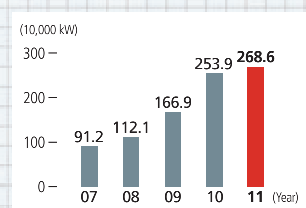
Kinya Kawahara
Operating Officer

Photovoltaic power generation system (on the roof of the plant building)

Photovoltaic power generation system (on the carport roof)

Total shipments of photovoltaic cells by Japanese manufacturers

Shipments of photovoltaic cells in Japan in the year 2011 stood at 2,685,573 kilowatts in terms of power output, setting a record high for five consecutive years and maintaining a market size that ranks one of the largest in the world. Further growth of photovoltaic cells can be expected on the back of rising global demand for new energy sources.



Source: Japan Photovoltaic Energy Association (JPEA)

Overseas Operations

Review 2012

Growing domestic demand in China, and accelerating overseas production moves by Japanese manufacturers.

Substantial sales growth in microcomputers and power modules reported as a result of the relocation of production overseas by Japanese manufacturers, plus the expanding demand from domestic Chinese manufacturers. ODM/OEM for Japanese manufacturers expanded amid intensifying price competition, and increased sales to local Chinese companies undertaking ODM/OEM production increased net sales. Additionally, strong sales in China of home electronics products, such as energy-efficient inverter air-conditioners, led to an increase in procurement of parts. As to factory automation equipment and industrial mechatronics products, sales of devices such as electric discharge machines to Chinese companies (manufacturers of molds for automobiles and home electronics) showed a substantial increase. The Wuhan showroom having also assisted in producing the favorable sales performance.

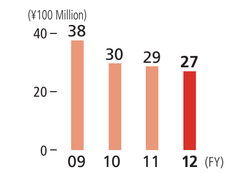
Overseas operations were impressive, reporting sales 20.6% ahead of the previous year.

The international trading arm, based in Japan, and which reports separately from Overseas Operations, posted a substantially increased operating income, despite a lower level of sales than achieved last year.

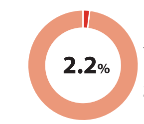
Contracts for metal processed products and interior fittings declined due to the lack of contracts from the transportation (railways) sector. However, frame bars for multi-level car parking systems, and specialist pipework and fittings for the shipbuilding industry, both produced good performances.

International trading produced an operating income some 84.6% ahead of the previous year on sales.

Net Sales



Composition of Net Sales



Year ended March 31, 2012

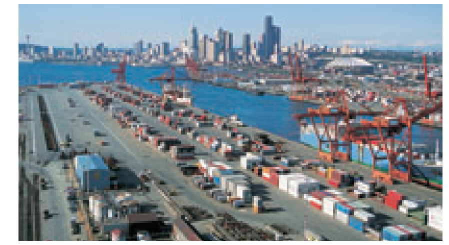
Forward Plans and Outlook 2013

A critical year ahead in furthering expansion in China and ASEAN countries.

Tachibana Overseas Holdings Ltd., a wholly owned subsidiary, was incorporated in Hong Kong in March 2012. This important action allows management to more fully integrate the existing regional businesses, and establish standards for further expansion and development. In China we are increasing and improving value-added proposals so as in to differentiate our offerings from those of Chinese manufacturers with whom competition is becoming increasingly fierce. In line with our strategy to expand the sales network in China, a sales office was opened in Dalian in June 2012 to add strength to the marketing and sales of FA equipment to local Chinese companies.

Among the ASEAN member countries we regard Thailand and Indonesia as particularly promising markets for our products. In April 2012 the capital structure of the Thai subsidiary company, located n Bangkok, was increased. That has allowed the company to add FA equipment to it's product portfolio, which previously was confined to semiconductors sales only. Marketing activity in India, where an increasing number of Japanese manufacturers are establishing operations, has also been set in motion.

The recruitment, training, and development of staff across the region is vital to our future plans, and to achieving the target of raising the ratio of overseas sales to total group sales to 30% by the year ending March 2015. In the current year ending March 2013 we aim to report net sales of JPY21.8 billion.



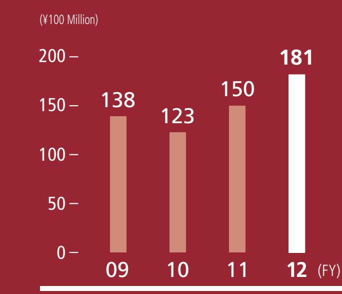
Tachibana Overseas Holdings Ltd.

*The Overseas Business covers overall overseas transactions, including transactions with overseas subsidiaries and trade (exports and imports for domestic sales)

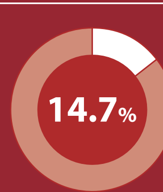
Main products

Principally the management and administration of subsidiary companies in the Asia region, and developing the sales network through which FA equipment, semiconductors, and other products and systems are sold.

Net Sales



Composition of Net Sales



Year ended March 31, 2012

Hisanobu Nunoyama
Operating Officer

We will continue to strengthen internal control and risk management functions.

Basic Policy

Embracing the basic recognition that the objective of a company is to realize efficient economic activities and to seek to enhance shareholder value, and that compliance as the fundamental philosophy of corporate governance is significant, we believe that our important tasks are to respond to the expectations and to the confidence placed in us by various stakeholders, including shareholders, clients, employees, and local communities, as well as to fulfill our social responsibility as a company listed on the First Section of the Tokyo Stock Exchange.

Governance Structure

We have the auditor system in place. The existing auditor system is contributing to the enhancement of the audit system, strengthening of audit functions and improvement of audit effectiveness, with the function of monitoring management working to the fullest possible extent. Therefore, we believe that the existing auditor system is appropriate and effective also from the standpoint of corporate governance.

We have invited attorneys at law with a wealth of knowledge and experience in compliance to serve as outside directors and outside auditors. We have sought their legal advice based on their extensive knowledge and experience to improve the transparency, soundness and legal conformity of our management. Tachibana Eletech's management consists of six directors, including two outside directors, and three auditors, including two outside auditors.

We also recognize that one of our important tasks is to improve the performance of our core businesses. Accordingly, Directors in charge of management not only concurrently serve as Operating Officers but also appoint Operating Officers who specialize in the execution of operations. Directors execute their roles on the Board of Directors and the Operating Officers at the Corporate Executive Committee. In order to clearly define the managerial responsibilities for each fiscal year, the term of office for both Directors and Operating Officers is one year.

In the fiscal year under review, meetings of the Board of Directors were convened 14 times, the Corporate Executive Committee 12 times, and the Board of Auditors 7 times. Directors make decisions on matters set forth in laws and regulations and basic management policies at the meetings of the Board of Directors, attend the meetings of the Corporate Executive Committee and also other important meetings, and supervise the progress of business execution.

The Board of Auditors formulates and implements audit policies, audit plans, audit methods, allocation of audit operations, etc., and exchanges opinions with an independent auditing company.

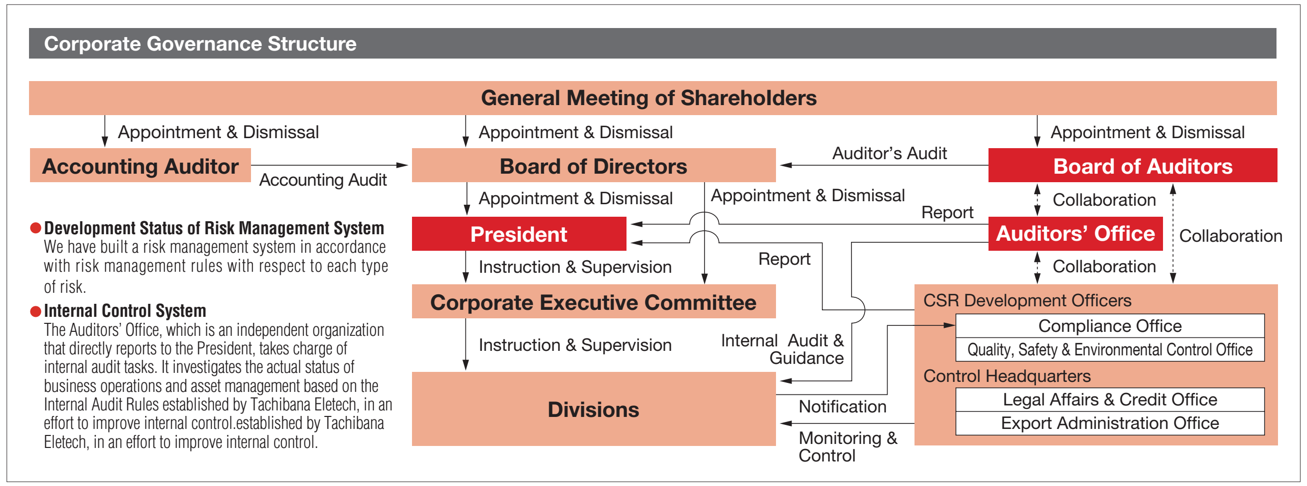
Internal Control and Risk Management

We have formulated internal rules for developing the internal control system, established the Compliance Office to ensure that the execution of duties conforms to laws and regulations as well as to the Articles of Incorporation, and have put in place a system to ensure the appropriateness of our business operations, including those of subsidiaries.

The Compliance Office, in order to facilitate risk management and internal audit activities, encourages operating divisions to prepare respective business-related rules, such as accounting rules, as well as practical sales and other manuals, and makes known the significance of internal audit across the corporate organization. Thus, we have put in place a structure that allows the President, Directors in charge and the Board of Directors to promptly grasp the situation when a risk of loss is identified.

The Auditors' Office, an independent organization that directly reports to the President, is responsible for internal audit tasks. It investigates the actual status of business operations and asset management based on the Internal Audit Rules established by Tachibana Eletech, in efforts to improve internal controls.

We have built a risk management system in accordance with risk management rules with respect to each type of risk. For the promotion of risk management, the Compliance Office makes an audit of the status of risk management at each division.



We have been taking measures to ensure the quality of products from suppliers, and to preserve the environment.

We are auditing the manufacturing plants of suppliers

We have been seeking out new suppliers both in Japan and overseas in response to customers' calls for higher-quality products and cheaper prices. With consideration to the subsequent broadening of the scope of suppliers, we have the Factory Auditing Officer in the Quality, Safety & Environmental Control Office (QSE) in order to ensure the quality control of products procured. The Factory Auditing Officer regularly checks plants, technologies, and production systems of suppliers from the perspective of quality control, and requests improvements when problems are identified. We thus provide products to customers in a manner where we can take responsibility for the quality and delivery of products at all times.

In the year ending March 2012, we audited a total of 34 plants (18 of which are located overseas). Of these plants, we sought improvements for 16 and remedial measures were subsequently taken for all of them.

In addition to this regular plant auditing, in recent years, we have found it increasingly important to exchange written agreements on the buying and selling of products. In the buying and selling of products, the exchange of written agreements (basic transaction contracts, quality assurance agreements, and delivery specifications, etc.) allow us to execute commercial transactions (pricing, quality, delivery time, after-sale services, warranty, and indemnification, etc.) in a sound and reliable manner.

The QSE Control Office has prepared instruction manuals and model agreement forms in English for overseas transactions for quality assurance agreements to help sales representatives understand the content of such agreements in a bid to promote the conclusion of written agreements.

Management of chemical substances

We are supporting customers in their environmental responsiveness through the provision of accurate information. The QSE Control Office is responsible for integrated management of information about chemical substances contained in the products we handle. When we receive inquiries from customers about chemical substances in any of our products, we provide them with all the information obtained from suppliers, and approve products that have been verified as meeting the requirements of customers. 90% of the products we are dealing with meet the RoHS (Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment) Directive issued to draw attention to the effects of substances on human health.

The QSE Control Office is also responsible for the appropriate administration and promotion of the chemical substance management system in accordance with in-house "rules for management of contained chemical substances." When customers request the audit of chemical substance management, we accept the audit with the Office serving as the contact for such requests. The Office also carries out internal audits, and provides assessment and guidance, while taking the initiative to provide in-house education programs for chemical substance management.

In the year ending March 2012, based on our domestic chemical substance management system, we supported the establishment and administration of overseas subsidiaries' chemical substance management systems that match local conditions.

Going forward, we will regularly check the management of chemical substances by suppliers (check sheets) in order to carry out risk assessment of suppliers. We will prepare a list of results from the risk assessment of suppliers, and, depending on the degree of risk identified, provide improvement guidance (factory audit), etc. to suppliers that need to improve their management of chemical substances.

Quality control of semiconductors

As semiconductors make up a very large share of the products we handle, we have established the Semiconductor Quality Control Office as a specialized department to strengthen quality control. The Office has the following four main responsibilities:

(1) Deal with defects in semiconductor products: When defects are found in products delivered, the Office conducts an investigation to identify possible causes, and maps out measures to deal with them in cooperation with suppliers.
(2) Manage environmental chemicals in semiconductor products: In response to customers' requests, the Office examines whether or not there are hazardous substances contained in products and prepares reports. If there are hazardous substances present, the quantities of such substances are reported.
(3) Quality control of EMS* products: The Office is involved in all stages of quality control, from its presence at trial production to discussions about the quality with people at mounting plants.
(4) Audit of new suppliers: The Office conducts an advance investigation into whether or not new suppliers can deliver the quality we require.

The Semiconductor Quality Control Office is currently pursuing quality enhancement efforts on such themes as the strengthening of the logistics management system, quality control education programs for sales representatives, and the creation of a database of environmental chemicals.

In the year ending March 2012, we received about 250 inquiries related to the quality of products and about 450 environment-related inquiries from customers. We also conducted audits of 13 new suppliers.

* EMS (Electronics Manufacturing Service): Service to offer consignment production of electronics devices

Lead-free products

Lead is hazardous to human health and can also pose a threat to the natural environment when it turns to waste. Therefore, we are stepping up the supply of "lead-free products".

We are pushing for lead-free products while ascertaining that alternative products provided by suppliers match the quality demanded by customers and their production facilities. In the year ending March 2012, we established adequate systems to prevent the co-mingling and accidental mixing of lead-free products and lead-containing products by separately storing and managing them at all of our logistics bases. Currently, over 99% of semiconductors, EMS products, and FA equipment we handle are lead-free.

We have significantly decreased the number of lead-containing products in our range of products. Currently, the lead-containing products we offer are limited to products that have been in use for a long time and do not have alternatives in times of repair, and to some special-purpose products such as ammeters and electric power meters.

Statement of Business Risks and Other Risks

Risks which may affect the Tachibana Eletech Group's business performance, financial position, etc. include, but are not limited to, the following.
Forward-looking statements in this report are based on the Group's judgment as of the end of the fiscal year under review (March 31, 2012).

(1) Changes in Economic Climate

The Tachibana Eletech Group is engaged primarily in the business of selling electronic and information equipment and products as well as semiconductor device products. While its customers are mainly in the manufacturing industry, they are wide-ranging in terms of business type. As the circumstances of each customer are susceptible to a fall in demand in the industry in which it operates and a reduction in capital investment attributable to changes in the economic climate, the Group's business performance and financial position could also be affected.

(2) Relationship with Major Customers

The Tachibana Eletech Group mainly deals in FA equipment and products, such as inverters, servos and programmable controllers, and semiconductor products, including memory chips, microcomputers, ASICs, which are primarily supplied by Mitsubishi Electric Corporation and Renesas Technology Sales Co., Ltd. Accordingly, the Group's business performance and financial position could be affected by the business strategies, etc. of these major suppliers. Likewise the Group could also be affected by trends in the market strategies and product strategies of its major clients to which the products are supplied.

(3) Product Quality and Liability

The Tachibana Eletech Group outsources some of the tasks involved in the production process of the systems it sells and its proprietary software. For the quality control of products, we have established a division specializing in quality assurance and are endeavoring to maintain quality assurance for customers. However, in the event that there are problems such as defects in the products or services provided, the Group could be liable for the resulting damages.

(4) Occurrence of Natural Disasters

The Tachibana Eletech Group's business performance and financial position could be affected in the event of occurrence of major earthquakes and other natural disasters because of the deterioration of the business environment due to the damage to company buildings, shutdown of the Head Office function as well as logistics and marketing functions, electric power outage and shutoff of transportation networks that could cause problems in the sale of our products.

(5) Collection of Receivables

The Tachibana Eletech Group pays due attention to credit management, including investigating and analyzing customers on a regular basis.

However, the Group could incur a loss from bad debt if receivables become uncollectible in the event of the rapid deterioration in cash flows of customers, bankruptcy of customers, etc.

(6) Fluctuations in Foreign Exchange Rates

The Tachibana Eletech Group's business operations include selling products to overseas customers as well as procurement from overseas suppliers. Local currency-quoted items in each region, including net sales, costs and assets, are converted into yen in the consolidated balance sheet. Values for these items when converted into yen, even if they remain unchanged in local currencies, could be affected by fluctuations in foreign exchange rates at the time of conversion.

In order to mitigate risks of exchange rate fluctuations, the Tachibana Eletech Group is striving to minimize the impact of exchange rate fluctuations among major currencies, including the US dollar and the Japanese yen, by utilizing currency hedge transactions such as forward exchange contracts. However, the Group's earnings performance and financial position could still be affected by the timing of concluding forward exchange contracts and rapid exchange rate fluctuations.

(7) Financial Structure

The Tachibana Eletech Group's turnover cycle of trade payables is shorter than trade receivables. Therefore, as the demand for operating funds arises in line with the increase in sales, its financial structure requires that such operating funds be raised from financial institutions and other sources outside the Group. Accordingly, the Group's business performance and financial position could be affected by the Group's sales trends, trends in interest rates in the financial markets, and changes in financial institutions' propensity to lend in the future.

(8) Retirement Benefit Obligations

The Tachibana Eletech Group's employee retirement benefit expenses and obligations are calculated on the basis of assumptions set in actuarial calculations, such as the discount rate and the expected rate of return of pension assets. Retirement benefit expenses could increase due to a reduction in the discount rate and changes in investment yields in the future.

Financial Information

Financial Overview

(Fiscal Year Ended March 31, 2012)

(1) Analysis of Financial Position in the Fiscal Year under Review

In the fiscal year ended March 31, 2012, total assets increased by ¥4.466 billion year-on-year to ¥78.86 billion.

Current assets increased by ¥4.08 billion year-on-year to ¥66.287 billion. This was primarily due to an increase of ¥1.741 billion in cash and deposits, an increase of ¥1.733 billion in trade notes and trade accounts receivable, an increase of ¥1.585 billion in articles of trade, and a decrease of ¥629 million in marketable securities.

Fixed assets increased by ¥385 million year-on-year to ¥12.572 billion. This was mainly attributable to an increase of ¥948 million in investment securities, a decrease of ¥128 million in buildings and structures, a decrease of ¥266 million in insurance reserve funds, and a decrease of ¥147 million in claims provable in bankruptcy and rehabilitation.

In the fiscal year ended March 31, 2012, total liabilities increased by ¥2.73 billion year-on-year to ¥41.855 billion.

Current liabilities increased by ¥3.302 billion year-on-year to ¥38.59 billion. This was primarily because of an increase of ¥4.214 billion in trade notes and trade accounts payable, a decrease of ¥370 million in short-term bank loans, and a decrease of ¥678 million in income taxes payable.

Long-term liabilities decreased by ¥571 million year-on-year to ¥3.264 billion. This was mainly due to a decrease of ¥505 million in negative goodwill.

In the fiscal year ended March 31, 2012, total shareholders' equity increased by ¥1.735 billion year-on-year to ¥37.004 billion. This was mainly due to an increase of ¥2.011 billion in retained earnings and a decrease of ¥208 million in unrealized gains on available-for-sale securities.

(2) Analysis of Management Results in the Fiscal Year under Review

1) Net Sales

Net sales in the fiscal year ended March 31, 2012 amounted to ¥123.599 billion, an increase of ¥4.578 billion or 3.8% over the previous fiscal year. The increase in net sales mainly reflected our ability to fulfill our supply responsibility through all-out efforts in each of our business segments by proposing substitution products as a technology-driven trading company amid the widespread supply shortfalls of products in the aftermath of the Great East Japan Earthquake and major flooding in Thailand.

2) Cost of Sales and Selling, General and Administrative Expenses

Cost of sales increased by ¥3.769 billion or 3.6% over the previous fiscal year to ¥107.37 billion, in line with a rise in net sales. The ratio of cost of sales to net sales declined 0.1 percentage point to 86.9%, reflecting an improved margin.

Selling, general, and administrative expenses increased by ¥282 million or 2.3% over the previous fiscal year to ¥12.745 billion. This mainly reflected higher selling expenses and expenses for events marking the 90th anniversary of the company's founding.

3) Non-Operating Income/Loss

Non-operating income increased by ¥200 million or 23.4% over the previous fiscal year to ¥1.055 billion. This mainly reflected an increase in foreign exchange gains.

Non-operating expenses decreased by ¥3 million or 1.3% from the previous fiscal year to ¥265 million.

4) Extraordinary Income/Loss

Extraordinary income came to ¥17 million, a decrease of 79.1% from the previous fiscal year, stemming from gains on the sale of investment securities, while extraordinary losses came to ¥442 million, an increase of 34.5% over the previous fiscal year, mainly reflecting the recording of ¥383 million in loss from lawsuits.

5) Net Income

Net income increased by ¥378 million or 18.1% over the previous fiscal year to ¥2.468 billion.

Ordinary income and net income marked all-time highs as overseas subsidiaries grew more and Daidensha Co., Ltd., a domestic consolidated subsidiary, moved into the black.

(3) Analysis of Sources of Capital and Liquidity of Funds

1) Status of Cash Flows

The Tachibana Eletech Group's balance of cash and cash equivalents on March 31, 2012 increased by ¥1.353 billion year-on-year to ¥13.52 billion.

The status and breakdown of cash flows in the fiscal year under review are as described below:

(Cash Flow from Operating Activities)

Net cash provided by operating activities amounted to ¥3.175 billion, against net cash used of ¥190 million in the previous year. This mainly stemmed from an increase in accounts receivable of ¥1.668 billion, an increase in inventories of 1.459 billion, income taxes paid of ¥1.906 billion, an increase in trade payables of ¥4.365 billion, and income before income taxes and minority interests of ¥3.847 billion.

(Cash Flow from Investing Activities)

Net cash used in investing activities amounted to ¥1.02 billion, against net cash used of ¥93 million in the previous year. This was mainly due to proceeds of ¥810 million associated with redemptions of securities and outlays of ¥1.717 billion for the acquisition of investment securities.

(Cash Flow from Financing Activities)

Net cash used by financing activities amounted to ¥731 million, against net cash used of ¥480 million in the previous year. This was primarily attributable to outlays of ¥603 million associated with a decrease in short-term bank loans, outlays of ¥309 million for repayments of long-term debt, outlays of ¥476 million in payment of cash dividends, and proceeds of ¥660 million from long-term debt.

2) Funding Demand

The Tachibana Eletech Group's demand for funding was mainly driven by cash advances made between payment for purchases and collection of payments for sales, as well as operating expenses such as selling, general, and administrative expenses.

(4) Current Situation and Strategic Outlook

While we expect the business climate to remain severe, the Tachibana Eletech Group will strive to build a stronger management base for an upcoming opportunity for a leap forward, and to carry out business strategies to aggressively move into new businesses.

More specifically, we will steadily proceed with "aggressive overseas business operations," led by Tachibana Overseas Holdings Co., Ltd. (TOH), in the Asian market centering around China; "expansion of new businesses" looking to growth markets in the environmental and energy fields; "provision of high-quality construction and services" with Tachibana Kouwa System Service Co., Ltd., a subsidiary, at the core; "consolidation management" in pursuit of the comprehensive strength of Group companies by leveraging the respective characteristics of subsidiaries; and "promotion of thorough internal reform efforts" using "C.A.P. UP 1500" as leverage, thereby reinforcing our capacity to offer total solutions as a technology-driven trading company.

Consolidated Balance Sheets

TACHIBANA ELETECH CO., LTD. and Subsidiaries
March 31, 2012 and 2011

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS	**2012**	2011	**2012**
CURRENT ASSETS:			
Cash and cash equivalents (Note 10)	**¥ 13,520**	¥ 12,166	**$ 164,878**
Short-term investments (Notes 3, 5 and 10)	**1,531**	1,773	**18,671**
Receivables (Note 10):			
Trade notes	**7,955**	7,616	**97,012**
Trade accounts	**31,475**	30,080	**383,841**
Other	**1,583**	1,630	**19,305**
Allowance for doubtful receivables	**(63)**	(65)	**(768)**
Inventories (Note 4)	**9,560**	8,159	**116,585**
Deferred tax assets (Note 8)	**507**	589	**6,183**
Prepaid expenses and other current assets (Notes 10 and 11)	**220**	259	**2,683**
Total current assets	**66,288**	62,207	**808,390**
PROPERTY AND EQUIPMENT:			
Land (Note 5)	**1,172**	1,175	**14,293**
Buildings and structures (Note 5)	**6,571**	6,558	**80,134**
Machinery and equipment	**63**	63	**768**
Furniture and fixtures	**680**	672	**8,293**
Construction in progress	**0**	0	**0**
Total	**8,486**	8,468	**103,488**
Accumulated depreciation	**(4,846)**	(4,689)	**(59,098)**
Net property and equipment	**3,640**	3,779	**44,390**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 3 and 10)	**7,946**	6,998	**96,902**
Deferred tax assets (Note 8)	**15**	11	**183**
Other assets	**971**	1,399	**11,842**
Total investments and other assets	**8,932**	8,408	**108,927**
TOTAL	**¥ 78,860**	¥ 74,394	**$ 961,707**

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
LIABILITIES AND EQUITY	**2012**	2011	**2012**
CURRENT LIABILITIES:			
Short-term bank loans (Notes 5 and 10)	**¥ 1,555**	¥ 2,163	**$ 18,963**
Current portion of long-term debt (Notes 5 and 10)	**473**	236	**5,768**
Payables (Note 10) :			
Trade notes	**1,932**	1,786	**23,561**
Trade accounts	**31,179**	27,111	**380,232**
Other	**793**	747	**9,671**
Income taxes payable	**574**	1,252	**7,000**
Accrued expenses	**1,101**	1,058	**13,427**
Deferred tax liabilities (Note 8)		0	
Other current liabilities	**984**	935	**12,000**
Total current liabilities	**38,591**	35,288	**470,622**
LONG-TERM LIABILITIES:			
Long-term debt (Notes 5 and 10)	**884**	772	**10,780**
Long-term accounts payable	**87**	100	**1,061**
Liability for retirement benefits (Note 6)	**646**	678	**7,878**
Negative goodwill	**1,379**	1,884	**16,817**
Deferred tax liabilities (Note 8)	**250**	384	**3,049**
Other long-term liabilities	**18**	18	**220**
Total long-term liabilities	**3,264**	3,836	**39,805**
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 9, 11 and 12)			
EQUITY (Notes 7 and 15):			
Common stock - authorized, 80,000,000 shares; issued 21,381,102 shares in 2012 and 2011	**5,692**	5,692	**69,415**
Capital surplus	**5,571**	5,571	**67,939**
Retained earnings	**26,060**	24,049	**317,805**
Treasury stock - at cost 601,823 shares in 2012 and 601,576 shares in 2011	**(496)**	(496)	**(6,049)**
Accumulated other comprehensive income:			
Unrealized gains on available-for-sale securities	**635**	844	**7,744**
Deferred gains on derivatives under hedge accounting	**5**	1	**61**
Foreign currency translation adjustments	**(532)**	(455)	**(6,488)**
Total	**36,935**	35,206	**450,427**
Minority interests	**70**	64	**853**
Total equity	**37,005**	35,270	**451,280**
TOTAL	**¥ 78,860**	¥ 74,394	**$ 961,707**

Consolidated Statements of Income

TACHIBANA ELETECH CO., LTD. and Subsidiaries
Years Ended March 31, 2012 and 2011

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	**2012**
NET SALES (Notes 16)	**¥ 123,599**	¥ 119,021	**$ 1,507,305**
COST OF SALES	**107,370**	103,601	**1,309,390**
Gross profit	**16,229**	15,420	**197,915**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 6 and 9)	**12,746**	12,464	**155,439**
Operating income	**3,483**	2,956	**42,476**
OTHER INCOME (EXPENSES):			
Interest and dividend income	**166**	144	**2,024**
Interest expense	**(42)**	(44)	**(512)**
Amortization of negative goodwill	**505**	505	**6,159**
Loss on litigation	**(47)**	(256)	**(573)**
Valuation loss on investment securities	**(383)**		**(4,671)**
Other - net	**166**	(8)	**2,024**
Other income (expenses) - net	**365**	341	**4,451**
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	**3,848**	3,297	**46,927**
INCOME TAXES (Note 8):			
Current	**1,233**	1,444	**15,037**
Deferred	**140**	(244)	**1,707**
Total income taxes	**1,373**	1,200	**16,744**
NET INCOME BEFORE MINORITY INTERESTS	**2,475**	2,097	**30,183**
MINORITY INTERESTS IN NET INCOME	**7**	7	**85**
NET INCOME	**¥ 2,468**	¥ 2,090	**$ 30,098**
	Yen		U.S. Dollars (Note 1)
PER SHARE OF COMMON STOCK (Notes 14):			
Basic net income	**¥ 118.78**	¥ 100.58	**$ 1.45**
Cash dividends applicable to the year	**22.00**	20.00	**0.27**

Diluted net income per share is not disclosed because the Company has no dilutive securities.

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

TACHIBANA ELETECH CO., LTD. and Subsidiaries Year Ended March 31, 2012

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	**2012**
NET INCOME BEFORE MINORITY INTERESTS	**¥ 2,475**	¥ 2,097	**$ 30,183**
OTHER COMPREHENSIVE INCOME (Note 13):			
Unrealized (losses) gains on available-for-sale securities	**(209)**	50	**(2,549)**
Deferred gains on derivatives under hedge accounting	**4**	0	**49**
Foreign currency translation adjustments	**(77)**	(173)	**(939)**
Total other comprehensive income	**(282)**	(123)	**(3,439)**
COMPREHENSIVE INCOME (Note 13)	**¥ 2,193**	¥ 1,974	**$ 26,744**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO (Note 13):			
Owners of the parent	**¥ 2,186**	¥ 1,967	**$ 26,659**
Minority interests	**7**	7	**85**

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

TACHIBANA ELETECH CO., LTD. and Subsidiaries
Years Ended March 31, 2012 and 2011

	Thousands	Millions of Yen									
						Accumulated Other Comprehensive Income					
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gains on Available-for-sale Securities	Deferred Gains on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 2010	20,780	¥ 5,692	¥ 5,571	¥ 22,374	¥ (494)	¥ 794	¥ 1	¥ (282)	¥ 33,656	¥ 195	¥ 33,851
Net income				2,090					2,090		2,090
Cash dividends, ¥20 per share				(415)					(415)		(415)
Purchase of treasury stock	(0)				(2)				(2)		(2)
Net change in the year						50	0	(173)	(123)	(131)	(254)
BALANCE, MARCH 31, 2011	20,780	5,692	5,571	24,049	(496)	844	1	(455)	35,206	64	35,270
Net income				2,468					2,468		2,468
Cash dividends, ¥22 per share				(457)					(457)		(457)
Purchase of treasury stock	(1)				(0)				(0)		(0)
Disposal of treasury stock	0				0				0		0
Net change in the year						(209)	4	(77)	(282)	6	(276)
BALANCE, MARCH 31, 2012	**20,779**	**¥ 5,692**	**¥ 5,571**	**¥ 26,060**	**¥ (496)**	**¥ 635**	**¥ 5**	**¥ (532)**	**¥ 36,935**	**¥ 70**	**¥ 37,005**

	Thousands of U.S. Dollars (Note 1)									
					Accumulated Other Comprehensive Income					
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gains on Available-for-sale Securities	Deferred Gains on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Total	Minority Interests	Total Equity
BALANCE, MARCH 31, 2011	$ 69,415	$ 67,939	$ 293,280	$ (6,049)	$10,293	$ 12	$ (5,549)	$ 429,341	$ 780	$ 430,121
Net income			30,098					30,098		30,098
Cash dividends, $0.27 per share			(5,573)					(5,573)		(5,573)
Purchase of treasury stock				(0)				(0)		(0)
Disposal of treasury stock				0				0		0
Net change in the year					(2,549)	49	(939)	(3,439)	73	(3,366)
BALANCE, MARCH 31, 2012	**$ 69,415**	**$ 67,939**	**$ 317,805**	**$ (6,049)**	**$ 7,744**	**$ 61**	**$ (6,488)**	**$ 450,427**	**$ 853**	**$ 451,280**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

TACHIBANA ELETECH CO., LTD. and Subsidiaries
Years Ended March 31, 2012 and 2011

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	**2012**
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	**¥ 3,848**	¥ 3,297	**$ 46,927**
Adjustments for:			
Income taxes - paid	**(1,906)**	(336)	**(23,244)**
Depreciation and amortization	**(156)**	(136)	**(1,902)**
Provision for doubtful receivables	**(66)**	(120)	**(805)**
Provision for employee bonuses	**15**	318	**183**
Valuation loss on investment securities	**47**	256	**573**
Changes in assets and liabilities:			
Increase in receivables - trade	**(1,668)**	(3,459)	**(20,341)**
Decrease (increase) in account receivables - other	**49**	(273)	**598**
Increase in inventories	**(1,459)**	(2,338)	**(17,793)**
Increase in trade payables	**4,366**	2,404	**53,244**
(Decrease) increase in liability for retirement benefits	**(32)**	22	**(390)**
Other - net	**138**	174	**1,682**
Total adjustments	**(672)**	(3,488)	**(8,195)**
Net cash provided (used in) by operating activities	**3,176**	(191)	**38,732**
INVESTING ACTIVITIES:			
Net change in time deposits	**(390)**	577	**(4,756)**
Purchases of short-term investments	**(50)**	(600)	**(610)**
Purchases of property and equipment	**(65)**	(66)	**(792)**
Proceeds from sales of property and equipment		2	
Purchases of intangible assets	**(67)**	(77)	**(817)**
Purchases of investment securities	**(1,718)**	(47)	**(20,951)**
Proceeds from sales and redemptions of investment securities	**202**	264	**2,463**
Proceeds from redemptions of short-term investments	**810**		**9,878**
Other - net	**258**	(147)	**3,146**
Net cash used in investing activities	**(1,020)**	(94)	**(12,439)**
FINANCING ACTIVITIES:			
Net change in short-term bank loans	**(603)**	113	**(7,354)**
Proceeds from long-term debt	**660**	88	**8,049**
Repayments of long-term debt	**(310)**	(268)	**(3,780)**
Net change in treasury stock	**(0)**	(1)	**(0)**
Dividends paid	**(476)**	(410)	**(5,805)**
Other - net	**(3)**	(3)	**(37)**
Net cash used in by financing activities	**(732)**	(481)	**(8,927)**
EFFECT OF FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	**(70)**	(88)	**(854)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**1,354**	(854)	**16,512**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**12,166**	13,020	**148,366**
CASH AND CASH EQUIVALENTS, END OF YEAR	**¥ 13,520**	¥ 12,166	**$164,878**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

TACHIBANA ELETECH CO., LTD. and Subsidiaries
Years Ended March 31, 2012 and 2011

1. BASIS OF PRESENTATION OF 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 the application and disclosure requirements of International Financial Reporting Standards (IFRS).

In preparing these consolidated financial statements, certain reclassifications and rearrangements 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 reclssifications have been made in the 2011 consolidated financial statements to conform to the classifications used in 2012.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which TACHIBANA ELETECH 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 ¥82 to $1, the approximate rate of exchange at March 31, 2012. 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 as of March 31, 2012 and 2011 include the accounts of the Company and all subsidiaries (together, the "Group").

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated.

The excess of the cost of acquisition over the fair value of the Group's share of the net assets of subsidiaries acquired is amortized on a straight-line basis over five years. The excess of the fair value of the Group's share of the net assets of subsidiaries acquired over the cost of acquisition, which occurred on or before March 31, 2010, is amortized on a straight-line basis over 5 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 also 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 IFRS 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 equity; (c) expensing capitalized development costs of research and development (R&D) costs; (d) cancellation of fair value model accounting for property, plant and equipment and investment properties and incorporation of cost model accounting; and (e) exclusion of minority interests from net income, if contained in net income.

c. 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, all of which mature within three months of the date of acquisition.

d. Allowance for Doubtful Receivables - The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the Group's past credit loss experience and an evaluation of potential losses in the receivables outstanding.

e. Inventories - Inventories are stated at the lower of cost, principally determined by the average method, or net selling value.

f. Short-term Investments and Investment Securities - Securities included in short-term investments and investment securities are classified and accounted for, depending on management's intent, as follows: (1) held-to-maturity debt securities, for which there is the positive intent and ability to hold to maturity are reported at amortized cost; and (2) available-for-sale securities, which are not classified as either of the aforementioned securities, are reported at fair value with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. The cost of securities sold is determined based on the moving-average method.

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

g. Property and Equipment - Property and equipment are stated at cost. Depreciation is computed primarily by the declining-balance method while the straight-line method is applied to buildings acquired after April 1, 1998. The range of useful lives is principally from 3 to 50 years for buildings and structures, from 4 to 12 years for machinery and equipment, and from 2 to 20 years for furniture and fixtures.

h. Long-Lived Assets - The Group reviews its long-lived assets for impairment whenever events or changes in circumstances 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.

TACHIBANA ELETECH CO., LTD. and Subsidiaries
Years Ended March 31, 2012 and 2011

i. Retirement Benefits - The Group has a noncontributory funded pension plan covering substantially all of its employees and corporate officers. The Company and certain consolidated subsidiaries participate in the welfare pension plans. The liability for employees' and corporate officers' retirement benefits are accounted for based on projected benefit obligations and plan assets at the balance sheet date.

j. Asset Retirement Obligations - In March 2008, the ASBJ published 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 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.

k. 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 was effective for fiscal years beginning on or after April 1, 2008.

Under the previous accounting standard, finance leases that were deemed 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 was disclosed in the note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions should be capitalized by recognizing lease assets and lease obligations on 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 Group applied the revised accounting standard effective April 1, 2008. In addition, the Group accounted for leases which existed at the transition date and does not transfer ownership of the leased property to the lessee as operating lease transactions.

l. Construction Contracts - In December 2007, the ASBJ issued ASBJ Statement No. 15, "Accounting Standard for Construction Contracts," and ASBJ Guidance No. 18, "Guidance on Accounting Standard for Construction Contracts." Under this accounting standard, the construction revenue and construction costs should be recognized by the percentage-of-completion method if the outcome of a construction contract can be estimated reliably. When total construction revenue, total construction costs and the stage of completion of the contract at the balance sheet date can be reliably measured, the outcome of a construction contract can be estimated reliably. If the outcome of a construction contract cannot be reliably estimated, the completed-contract method should be applied. When it is probable that the total construction costs will exceed total construction revenue, an estimated loss on the contract should be immediately recognized by providing for a loss on construction contracts.

m. Income Taxes - The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. 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.

n. Foreign Currency Transactions - Both 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 consolidated statement of income to the extent that they are not hedged by forward exchange contracts.

However, short-term and long-term receivables and payables covered by forward exchange contracts are translated at the contract rates. Any differences between the foreign exchange contract rates and historical rates resulting from the translation of receivables and payables are recognized as income or expense over the lives of the related contracts.

o. Foreign Currency Financial Statements - The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate. Differences arising from such translations are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity. Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the current exchange rate.

p. 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 and interest rate swaps are utilized by the Group to reduce foreign currency exchange and interest rate risks. 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:
(1) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions recognized in the consolidated statement of income.
(2) for derivatives used for hedging purposes, if such derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on the derivatives are deferred until maturity of the hedged transactions.

The foreign currency forward contracts are employed to hedge foreign currency exposures to the procurement of products from overseas suppliers. Forward contracts applied for forecasted (or committed) transactions are measured at fair value and the unrealized gains/losses are deferred until the underlying transactions are completed.

Interest rate 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 is recognized and included in interest expense or income.

q. 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 because the Company has no dilutive securities.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years, including dividends to be paid after the end of the year.

r. 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 with 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.

s. New Accounting Pronouncements
Accounting Standard for Retirement Benefits - On May 17, 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998 with effective date of April 1, 2000 and the other related practical guidances, being followed by partial amendments from time to time through 2009.

Major changes are as follows:
(a) Treatment in the balance sheet
Under the current requirements, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are not recognized in the balance sheet, and the difference between retirement benefit obligations and plan assets (hereinafter, "deficit or surplus"), adjusted by such unrecognized amounts, are recognized as a liability or asset.

Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss shall be recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and the deficit or surplus shall be recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).
(b) Treatment in the statement of income and the statement of comprehensive income (or the statement of income and comprehensive income)
The revised accounting standard would not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts would be recognized in profit or loss over a certain period no longer than the expected average remaining working lives of the employees. However, actuarial gains and losses and past service costs that arose in the current period and yet to be recognized in profit or loss shall be included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments.

This accounting standard and the guidance are effective for the end of annual periods beginning on or after April 1, 2013 with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Company expects to apply the revised accounting standard from the end of the annual period beginning on April 1, 2013 and is in the process of measuring the effects of applying the revised accounting standard for the year ending March 31, 2014.

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3. SHORT-TERM INVESTMENTS AND INVESTMENT SECURITIES

Short-term investments and investment securities as of March 31, 2012 and 2011 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Short-term investments:			
Time deposits other than cash equivalents	¥ 1,351	¥ 963	$ 16,476
Government and corporate bonds	180	810	2,195
Total	¥ 1,531	¥ 1,773	$ 18,671
Investment securities:			
Marketable equity securities	¥ 6,028	¥ 6,408	$ 73,512
Government and corporate bonds	1,845	385	22,500
Non-marketable equity securities	26	58	317
Others	47	147	573
Total	¥ 7,946	¥ 6,998	$ 96,902

Information regarding the securities classified as available-for-sale at March 31, 2012 and 2011 was as follows:

	Millions of Yen			
March 31, 2012	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Equity securities	¥ 4,908	¥ 1,374	¥ 254	¥ 6,028
Government and corporate bonds	1,530	4	9	1,525
Others	44	7	4	47
Total	¥ 6,482	¥ 1,385	¥ 267	¥ 7,600
March 31, 2011	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Equity securities	¥ 4,890	¥ 1,856	¥ 338	¥ 6,408
Government and corporate bonds	1,190	6	1	1,195
Others	144	6	3	147
Total	¥ 6,224	¥ 1,868	¥ 342	¥ 7,750

	Thousands of U.S. Dollars			
March 31, 2012	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Equity securities	$ 59,854	$ 16,756	$ 3,098	$ 73,512
Government and corporate bonds	18,659	49	110	18,598
Others	536	85	48	573
Total	$ 79,049	$ 16,890	$ 3,256	$ 92,683

Impairment losses on available-for-sale securities for the years ended March 31, 2012 and 2011, were ¥47 million ($573 thousand) and ¥256 million, respectively.

4. INVENTORIES

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

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Merchandise	¥ 9,196	¥ 7,612	$ 112,146
Work in process	4	17	49
Raw materials	360	530	4,390
Total	¥ 9,560	¥ 8,159	$ 116,585

5. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans at March 31, 2012 and 2011 included bank overdrafts. The annual interest rates applicable to the short-term bank loans ranged from 0.63% to 6.10% and 0.63% to 5.60% at March 31, 2012 and 2011, respectively.

Long-term debt at March 31, 2012 and 2011 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Loans from banks and other financial institutions, due serially to 2019 with interest rates ranging from 0% to 1.98% (2012) and 0% to 2.10% (2011):			
Collateralized	¥ 181	¥ 90	$ 2,207
Unsecured	1,176	918	14,341
Total	1,357	1,008	16,548
Less current portion	473	(236)	5,768
Long-term debt, less current portion	¥ 884	¥ 772	$ 10,780

Annual maturities of long-term debt at March 31, 2012 were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2013	¥ 473	$ 5,768
2014	426	5,195
2015	407	4,963
2016	22	268
2017	11	134
2018 and thereafter	18	220
Total	¥ 1,357	$ 16,548

The carrying amounts of assets pledged as collateral for the above secured and collateralized long-term debt at March 31, 2012 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Time deposits included in short-term investments	¥ 6	$ 73
Land	107	1,305
Buildings and structures - net of accumulated depreciation	22	268
Total	¥ 135	$ 1,646

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6. RETIREMENT BENEFITS

The Company participates in defined benefit pension plans. The Company and certain consolidated subsidiaries participate in the welfare pension plans. Under the pension plans, 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 liability for employees' retirement benefits, including accruals for corporate officers at March 31, 2012 and 2011 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Projected benefit obligation	¥ 4,057	¥ 3,979	$ 49,476
Fair value of plan assets	(3,070)	(2,903)	(37,439)
Unrecognized prior service cost	44	51	537
Unrecognized actuarial gain	(385)	(449)	(4,696)
Net liability	¥ 646	¥ 678	$ 7,878

The Company changed part of its retirement plan on April 1, 2009. Due to this change, prior service cost of ¥63 million ($768 thousand) was accrued and is being amortized over 10 years.

The components of net periodic benefit costs for the years ended March 31, 2012 and 2011 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Service cost	¥ 187	¥ 214	$ 2,280
Interest cost	74	86	902
Expected return on plan assets	(29)	(28)	(354)
Amortization of prior service cost	(6)	(6)	(73)
Recognized actuarial loss	35	81	428
Subtotal	261	347	3,183
Payments for defined contribution pension plan	246	239	3,000
Additional retirement benefit expenses	24	76	293
Net periodic benefit costs	¥ 531	¥ 662	$ 6,476

Assumptions used for the years ended March 31, 2012 and 2011 are set forth as follows:

	2012	2011
Discount rate	2.0%	2.0%
Expected rate of return on plan assets	1.0%	1.0%
Amortization period of prior service cost	10 years	10 years
Recognition period of actuarial gain/loss	10 years	10 years

The total pension fund assets and projected benefit obligation of the welfare pension fund as of March 31, 2011 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Pension fund assets	¥ 61,290	$ 747,439
Projected benefit obligation	(76,311)	(930,622)
Amount of balance	¥ (15,021)	$ (183,183)

The Group's share of the contribution to the fund for the year ended March 31, 2011 was 6.9%.

Supplemental Information
The balance consists of past service liabilities of ¥14,437 million ($176,061 thousand), adjusted addition for asset valuation of ¥1,901 million ($23,183 thousand) and accumulated funds of ¥1,317 million ($16,061 thousand).

7. 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) the term of service of the directors is 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) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria.

The Companies Act permits companies to distribute dividends-in-kind (noncash assets) to shareholders subject to certain limitations and additional requirements.

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 the aggregate amount of the legal reserve and additional paid-in capital equals 25% of common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve 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 also 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 specific formula. Under the Companies Act, stock acquisition rights, which were previously presented as a liability, are now 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.

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8. 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 40.6% for the years ended March 31, 2012 and 2011. Foreign subsidiaries are subject to income taxes of the countries in which they operate.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2012 and 2011 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Deferred tax assets:			
Allowance for doubtful receivables	¥ 17	¥ 46	$ 207
Accrued bonuses	321	339	3,915
Enterprise tax	47	95	573
Valuation loss on investment securities	161	159	1,963
Retirement allowance for directors and corporate auditors	34	43	415
Liability for retirement benefits	248	296	3,024
Tax loss carryforward	334	427	4,073
Other	169	202	2,061
Total gross deferred tax assets	1,331	1,607	16,231
Less valuation allowance	(585)	(714)	(7,134)
Net deferred tax assets	¥ 746	¥ 893	$ 9,097
Deferred tax liabilities:			
Undistributed earnings of subsidiaries	¥ 32	¥ 33	$ 390
Unrealized gains on available-for-sale securities	400	599	4,878
Other	42	45	512
Total gross deferred tax liabilities	474	677	5,780
Net deferred tax assets	¥ 272	¥ 216	$ 3,317

Net deferred tax assets and liabilities at March 31, 2012 and 2011 are reflected in the accompanying consolidated balance sheets under the following captions:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Deferred tax assets (Current)	¥ 507	¥ 589	$ 6,183
Deferred tax assets (Non-current)	15	11	183
Deferred tax liabilities (Current)		(0)	
Deferred tax liabilities (Non-current)	(250)	(384)	(3,049)
Net deferred tax assets	¥ 272	¥ 216	$ 3,317

A reconciliation between the normal effective statutory tax rates for the years ended March 31, 2012 and 2011 and the actual effective tax rates reflected in the accompanying consolidated statements of income is as follows:

	2012	2011
Normal effective statutory tax rate	40.6%	40.6%
Expenses not deductible for income tax purposes	1.9	2.2
Income not taxable for income tax proposes	(0.7)	(0.7)
Taxation on per capita basis	1.1	1.2
Change in valuation allowance	(1.6)	1.1
Gain on negative goodwill		(0.8)
Amortization of negative goodwill	(5.3)	(6.2)
Difference in foreign subsidiaries tax rates	(1.8)	
Decrease adjustment of deferred tax assets for changing tax rates	1.5	
Other - net	0.0	(1.0)
Actual effective tax rate	35.7%	36.4%

On December 2, 2011, new tax reform laws were enacted in Japan, which changed the normal effective statutory tax rate from approximately 40.6% to 37.9% effective for the fiscal years beginning on or after April 1, 2012 through March 31, 2015, and to 35.6% afterwards. The effect of this change was to decrease deferred tax assets in the consolidated balance sheet as of March 31, 2012, by ¥65 million ($793 thousand) and to increase deferred tax liabilities as then by ¥66 million ($807 thousand), income taxes - deferred in the consolidated statement of income for the year then ended by ¥55 million ($670 thousand), and unrealized gains on available-for-sale securities by ¥56 million ($683 thousand).

At March 31, 2012, certain subsidiaries have tax loss carryforwards aggregating approximately ¥918 million ($11,195 thousand) which are available to offset taxable income of such subsidiaries in future years. These tax loss carryforwards, if not utilized, will expire as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2014	¥ 15	$ 183
2015	114	1,390
2016	234	2,854
2017	272	3,317
2018 and thereafter	283	3,451
Total	¥ 918	$ 11,195

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9. LEASES

The Group leases certain machinery, computer equipment and other assets.
Total rental expenses for the years ended March 31, 2012 and 2011 were ¥563 million ($6,865 thousand) and ¥566 million.
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 on the balance sheet. However, ASBJ Statement No.13 permits leases without ownership transfer of the leased property to the lessee whose lease inception was before March 31, 2008 to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes 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 such as acquisition cost, accumulated depreciation, accumulated impairment loss, obligations under finance leases, depreciation expense, interest expense and other information of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis was as follows:

	As of March 31, 2012			As of March 31, 2011			As of March 31, 2012		
	Millions of Yen			Millions of Yen			Thousands of U.S. Dollars		
	Machinery and Equipment	Furniture and Fixtures	Total	Machinery and Equipment	Furniture and Fixtures	Total	Machinery and Equipment	Furniture and Fixtures	Total
Acquisition cost	¥ 30	¥ 154	¥ 184	¥ 39	¥ 203	¥ 242	$ 366	$ 1,878	$ 2,244
Accumulated depreciation	20	131	151	26	141	167	244	1,598	1,842
Net leased property	¥ 10	¥ 23	¥ 33	¥ 13	¥ 62	¥ 75	$ 122	$ 280	$ 402

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Due within one year	¥ 24	¥ 42	$ 293
Due after one year	9	33	109
Total	¥ 33	¥ 75	$ 402

The cost of leased property and obligations under finance leases includes imputed interest expense.

Depreciation expense, which is not reflected in the accompanying consolidated statements of income, computed by the straight-line method was ¥42 million ($512 thousand) and ¥50 million for the years ended March 31, 2012 and 2011, respectively.

Future minimum payments under noncancelable operating leases were as follows:

	Operating Leases 2012	
	Millions of Yen	Thousands of U.S. Dollars
Due within one year	¥ 113	$ 1,378
Due after one year	41	500
Total	¥ 154	$ 1,878

10. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group Policy for Financial Instruments
The Group uses mainly bank loans to fund its ongoing operations. Cash surplus is invested in bank deposits or low-risk financial assets. Derivatives are used to reduce foreign currency exchange risk of receivables and payables denominated in foreign currencies and interest rate risks of variable interest rate loans, not for speculative purposes.

(2) Nature, Extent of Risks Arising from Financial Instruments and Risk Management for Financial Instruments
Trade receivables, such as trade notes and trade accounts, are exposed to customer credit risk.
The Group manages its credit risk from receivables on the basis of internal guidelines, which include monitoring of payment terms and balances and monitoring major customers' financial status on a regular basis.
Other receivables are mainly rebate receivables from major vendors and the Company considers their credit risks to be limited.
Securities included in short-term investments and investment securities, mainly equity instruments of customers and suppliers of the Group and high credit rating bonds, are exposed to market price fluctuations. The market values are reported to the Group's administrative director on a regular basis.
Payment terms of trade payables, such as trade notes and trade accounts, are mainly less than one year.
Although foreign currency trade receivables and payables are exposed to fluctuations in foreign currency exchange rates, the Group reduces such foreign currency exchange risk by using forward foreign currency contract hedges.
Short-term bank loans and long-term debt are mainly used to finance the Group's operating activity payments.
Although a part of such bank loans are exposed to market risks from changes in variable interest rates, those risks are mitigated by using interest rate swaps.

(3) 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 instead. Please see Note 11 for the detail of the fair value of derivatives.

(a) Fair value of financial instruments

	March 31, 2012			March 31, 2011			March 31, 2012		
	Millions of Yen			Millions of Yen			Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Unrealized Gains/Losses	Carrying Amount	Fair Value	Unrealized Gains/Losses	Carrying Amount	Fair Value	Unrealized Gains/Losses
Cash and cash equivalents	¥ 13,520	¥ 13,520		¥ 12,166	¥ 12,166	¥	$ 164,878	$ 164,878	
Trade receivables	39,430			37,696			480,853		
Allowance for doubtful receivables	(63)			(65)			(768)		
Sub-total	39,367	39,367		37,631	37,631		480,085	480,085	
Other receivables	1,583	1,583		1,630	1,630		19,305	19,305	
Short-term investments and investment securities	9,450	9,425	¥ (25)	8,713	8,713		115,244	114,939	$ (305)
Total	¥ 63,920	¥ 63,895	¥ (25)	¥ 60,140	¥ 60,140	¥	$ 779,512	$ 779,207	$ (305)
Short-term bank loans	¥ 1,555	¥ 1,555		¥ 2,163	¥ 2,163		$ 18,963	$ 18,963	
Trade payables	33,111	33,111		28,897	28,897		403,793	403,793	
Long-term debt	1,357	1,358	¥ 1	1,008	1,011	¥ 3	16,548	16,561	$ 13
Total	¥ 36,023	¥ 36,024	¥ 1	¥ 32,068	¥ 32,071	¥ 3	$ 439,304	$ 439,317	$ 13
Derivative financial instruments	¥ 8	¥ 8	¥	¥ 1	¥ 1	¥	$ 98	$ 98	$

Cash and cash equivalents, trade receivables, other receivables, trade payables and short-term bank loans

The carrying values approximate fair value because of their short maturities.

Short-term investments and investment securities

The fair values of short-term investments and investment securities are measured at the quoted market price of the stock exchange for equity instruments, and at the quoted price obtained from financial institutions for certain debt instruments. The fair value of short-term investments and investment securities by classification is included in Note 3.

Long-term debt

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

Derivatives

Fair value information for derivatives is included in Note 11.

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(b) Carrying amount of financial instruments whose fair value cannot be reliably determined

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Investments in equity instruments that do not have a quoted market price in an active market	¥ 26	¥ 58	$ 317

(4) Maturity Analysis for Financial Assets and Securities with Contractual Maturities

	March 31, 2012				March 31, 2011			
	Millions of Yen				Millions of Yen			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Cash and cash equivalents	¥ 13,520			¥	¥ 12,166			¥
Trade receivables	39,430				37,696			
Other receivables	1,583				1,630			
Short-term investments and investment securities:								
Time deposits	1,350	¥ 500			963			
Available-for-sale securities with contractual maturities:								
Government and corporate bonds	180	852	¥ 500		810	¥ 330	¥ 50	
Others							100	
Total	¥ 56,063	¥ 1,352	¥ 500	¥	¥ 53,265	¥ 330	¥ 150	¥

	March 31, 2012			
	Thousands of U.S. Dollars			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Cash and cash equivalents	$ 164,878			$
Trade receivables	480,853			
Other receivables	19,305			
Short-term investments and investment securities:				
Time deposits	16,463	$ 6,098		
Available-for-sale securities with contractual maturities:				
Government and corporate bonds	2,196	10,390	$ 6,098	
Total	$ 683,695	$ 16,488	$ 6,098	$

Please see Note 5 for annual maturities of long-term debt.

11. DERIVATIVES

The Group enters into foreign currency forward contracts to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies. The Group also enters into interest swap contracts to manage its interest rate exposures on certain liabilities. All derivative transactions are entered into to hedge foreign currency exposures incorporated within its business. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged assets or liabilities.
Because the counterparties to these derivatives are limited to major international financial institutions, the Group does not anticipate any losses arising from credit risk.
These derivative transactions entered into by the Group are executed by the International Division and an overseas subsidiary.
These derivative transactions entered into by the Group are controlled by the Financial Department in accordance with internal policies which regulate the authorization and credit limit amount.
Hedging accounting is applied to all derivative transactions.

Derivative transactions to which hedge accounting is applied

		At March 31, 2012			At March 31, 2011			At March 31, 2012		
		Millions of Yen			Millions of Yen			Thousands of U.S. Dollars		
	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value	Contract Amount	Contract Amount Due after One Year	Fair Value	Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts:										
Buying U.S.$	Payables	¥ 104	¥	¥ 8	¥ 92	¥	¥ 1	$ 1,268	$	$ 98
Buying H.K.$	Payables				¥ 2	¥	¥ 0			
Interest rate swaps: (fixed rate payment, floating rate receipt)	Long-term Debt	¥ 780	¥ 520		¥ 800	¥ 600		$ 9,521	$ 6,341	

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

The above interest rate 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 is recognized and included in interest expense or income. In addition, the fair value of such interest rate swaps in Note 10 is included in that of the hedged items (i.e. long-term debt).

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.

12. CONTINGENT LIABILITIES

At March 31, 2012, the Group had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Trade notes discounted	¥ 51	$ 622

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13. COMPREHENSIVE INCOME

The components of other comprehensive income for the year ended March 31, 2012 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Unrealized losses on available-for-sale securities:		
Losses arising during the year	¥ (411)	$ (5,012)
Reclassification adjustments to profit or loss	(1)	(12)
Amount before income tax effect	(410)	(5,000)
Income tax effect	(201)	(2,451)
Total	¥ (209)	$ (2,549)
Deferred gains on derivatives under hedge accounting:		
Gains arising during the year	¥ 6	$ 73
Amount before income tax effect	6	73
Income tax effect	2	24
Total	¥ 4	$ 49
Foreign currency translation adjustments:		
Adjustments arising during the year	¥ (77)	$ (939)
Total	¥ (77)	$ (939)
Total other comprehensive income	¥ (282)	$ (3,439)

The corresponding information for the year ended March 31, 2011 was not required under the accounting standard for presentation of comprehensive income as an exemption for the first year of adopting that standard and not disclosed herein.

14. NET INCOME PER SHARE

The average number of common shares used in the computation was 20,779,457 shares for 2012 and 20,779,964 shares for 2011.

15. SUBSEQUENT EVENTS

Cash Dividend

On May 25, 2012, the Company's Board of Directors approved a year-end cash dividend of ¥10 ($0.12) per share on the outstanding common stock of the Company at March 31, 2012.

16. SEGMENT INFORMATION

Under 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," 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.

1. Description of reportable segments

The Group has six reportable segments and each has products and services as described in the table below. The segments are categorized by available separate financial information and evaluated by management regularly. Management discusses the segments' financial information in order to make decisions, such as how to allocate resources among the Group. The Group plans domestic and overseas strategies based on the segments.

Reportable Segment	Products and Services
Factory Automation Systems Business	Programmable controllers, inverters, AC servos, various types of motors, power distribution control equipment and control devices, industrial robots, electric discharge machines and laser beam machines
Semiconductors and Electronic Devices Business	Semiconductors (microcomputers, ASIC, power devices, memory modules and standard IC) Electronic devices (contact image sensors, LCD modules and projector lamps)
Information and Communication Systems Business	RFID/DSRC systems, surveillance cameras, thin clients, touch panels, FA controllers and various types of special terminals
Building Services Systems Business	Package air conditioners and other air-conditioning equipment, equipment for all-electric housing (heat pump systems named "ECO Cute," IH cooking heaters), room air-conditioners, power receiving/transformation equipment, and monitoring and controlling equipment
Solution Systems Business	Proposing systems and providing solutions with all the operating divisions relating to photovoltaic systems, energy saving, natural environments, safety and efficiency
Trading	Exporting and importing parts and materials for carrier machines and railroad vehicles

2. Methods of Measurement for the Amounts of Sales, Profit (Loss), Assets and Other Items for Each Reportable Segment

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

3. Information about Sales, Profit (Loss), Assets and Other Items

	Millions of Yen								
	2012								
	Reportable Segment								
	Factory Automation Systems Business	Semiconductors and Electronic Devices Business	Information and Communication Systems Business	Building Services Systems Business	Solution Systems Business	Trading	Total	Reconciliation	Consolidated
Sales									
Sales to external customers	¥ 57,318	¥ 46,545	¥ 4,769	¥ 11,694	¥ 573	¥ 2,700	¥ 123,599		¥ 123,599
Intersegment sales or transfers									
Total	57,318	46,545	4,769	11,694	573	2,700	123,599		123,599
Segment profit (loss)	2,369	1,209	(190)	113	(135)	117	3,483		3,483
(Operating profit (loss))	25,373	19,297	2,922	6,237	793	1,241	55,863	¥ 22,997	78,860
Segment assets									
Other:									
Depreciation	171	99	20	30	23	5	348		348
Increase in property, plant and equipment and intangible assets	67	45	10	12	10	3	147		147

TACHIBANA ELETECH CO., LTD. and Subsidiaries
Years Ended March 31, 2012 and 2011

	Millions of Yen								
	2011								
	Reportable Segment								
	Factory Automation Systems Business	Semiconductors and Electronic Devices Business	Information and Communication Systems Business	Building Services Systems Business	Solution Systems Business	Trading	Total	Reconciliation	Consolidated
Sales									
Sales to external customers	¥ 55,681	¥ 42,671	¥ 4,806	¥ 12,190	¥ 746	¥ 2,927	¥ 119,021		¥ 119,021
Intersegment sales or transfers									
Total	55,681	42,671	4,806	12,190	746	2,927	119,021		119,021
Segment profit (loss) (Operating profit (loss))	1,835	1,202	(222)	243	(165)	63	2,956		2,956
Segment assets	23,897	18,535	2,297	6,910	690	1,128	53,457	¥ 20,937	74,394
Other:									
Depreciation	180	103	22	31	25	7	368		368
Increase in property, plant and equipment and intangible assets	56	44	8	16	9	3	136		136

	Thousands of U.S. Dollars								
	2012								
	Reportable Segment								
	Factory Automation Systems Business	Semiconductors and Electronic Devices Business	Information and Communication Systems Business	Building Services Systems Business	Solution Systems Business	Trading	Total	Reconciliation	Consolidated
Sales									
Sales to external customers	**$ 699,000**	**$ 567,622**	**$ 58,159**	**$ 142,610**	**$ 6,988**	**$ 32,926**	**$ 1,507,305**		**$ 1,507,305**
Intersegment sales or transfers									
Total	**699,000**	**567,622**	**58,159**	**142,610**	**6,988**	**32,926**	**1,507,305**		**1,507,305**
Segment profit (loss) (Operating profit (loss))	**28,890**	**14,744**	**(2,317)**	**1,378**	**(1,646)**	**1,427**	**42,476**		**42,476**
Segment assets	**309,427**	**235,329**	**35,634**	**76,061**	**9,671**	**15,134**	**681,256**	**$ 280,451**	**961,707**
Other:									
Depreciation	**2,085**	**1,207**	**244**	**366**	**280**	**62**	**4,244**		**4,244**
Increase in property, plant and equipment and intangible assets	**817**	**549**	**122**	**146**	**122**	**37**	**1,793**		**1,793**

Notes: Segment assets included in the reconciliation line as of March 31, 2012 and 2011, which were ¥22,997 million ($280,451 thousand) and ¥20,937 million, respectively, are corporate assets which are not allocated to each reportable segment and primarily comprise financial resources (cash and cash equivalents and short-term investments) and long-term investment funds (investment securities).

4. Information about goodwill and negative goodwill is as follows:

	Millions of Yen								
	2012								
	Factory Automation Systems Business	Semiconductors and Electronic Devices Business	Information and Communication Systems Business	Building Services Systems Business	Solution Systems Business	Trading	Total	Elimination/ Corporate	Total
Amortization of negative goodwill	**¥ 505**	**¥**	**¥**	**¥**	**¥**	**¥**	**¥ 505**	**¥**	**¥ 505**
Negative goodwill at March 31, 2012	**1,379**						**1,379**		**1,379**

	Millions of Yen								
	2011								
	Factory Automation Systems Business	Semiconductors and Electronic Devices Business	Information and Communication Systems Business	Building Services Systems Business	Solution Systems Business	Trading	Total	Elimination/ Corporate	Total
Amortization of negative goodwill	¥ 505	¥	¥	¥	¥	¥	¥ 505	¥	¥ 505
Negative goodwill at March 31, 2011	1,884						1,884		1,884

	Thousands of U.S. Dollars								
	2012								
	Factory Automation Systems Business	Semiconductors and Electronic Devices Business	Information and Communication Systems Business	Building Services Systems Business	Solution Systems Business	Trading	Total	Elimination/ Corporate	Total
Amortization of negative goodwill	**$ 6,159**	**$**	**$**	**$**	**$**	**$**	**$ 6,159**	**$**	**$ 6,159**
Negative goodwill at March 31, 2012	**16,817**						**16,817**		**16,817**

Note: Amortization of negative goodwill is not included in segment profit.

5. Information about gain on negative goodwill

For the year ended March 31, 2011

The Company purchased additional stock of DAIDENSHA Co., Ltd. that had been its subsidiary and recorded a gain on negative goodwill of ¥65 million ($793 thousand). DAIDENSHA Co., Ltd. belongs to Factory Automation Systems Business.

This amount is not included in segment profit.

Deloitte.

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Yodoyabashi Mitsui Building
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Japan

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of TACHIBANA ELETECH CO., LTD.:

We have audited the accompanying consolidated balance sheet of TACHIBANA ELETECH CO., LTD. and subsidiaries as of March 31, 2012, and the related consolidated statement of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in conformity with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of TACHIBANA ELETECH CO., LTD. and subsidiaries as of March 31, 2012, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

Our audit 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.

Deloitte Touche Tohmatsu LLC
June 14, 2012

Company Data (as of June 28, 2012)

Company Outline

Company Name in English
TACHIBANA ELETECH CO., LTD.

Date of Establishment
July 12, 1948

Capital
¥5,692,138,150

Number of Employees
791 (Consolidated 1,020)

Stock Listings
First Section of the Tokyo Stock Exchange,
First Section of the Osaka Securities Exchange

ISO Acquisitions
Product Quality Management System
ISO9001 JQA-QMA10303

Environmental Management System
ISO14001 JQA-EM1654

Information Security Management System
ISO27001 IS 509430

Board of Directors and Auditors

President, CEO & COO
Takeo Watanabe

Director, Executive Operating Officer
Norio Shimada

Director, Executive Operating Officer
Hideyuki Shimoyoshi

Director, Managing Operating Officer
Masashi Sumitani

Director
Yoshitsugu Nakamura

Director
Masato Tujikawa

Standing Auditor
Nobuto Takigawa

Auditor
Yasuhiro Otani

Auditor
Hiroumi Shioji

Managing Operating Officer
Yuji Anzai

Managing Operating Officer
Yoji Shimizu

Operating Officer
Masao Hamamura

Operating Officer
Yukio Ueda

Operating Officer
Hideki Matsuno

Operating Officer
Hitoshi Yamaguchi

Operating Officer
Sadayuki Takami

Operating Officer
Hisanobu Nunoyama

Operating Officer
Hisashi Takami

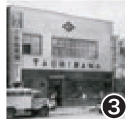
Operating Officer
Kinya Kawahara

Operating Officer
Hiroshi Yoneda

History

1921 Norimitsu Tachibana founded Tachibana Shokai. ❶
1925 Make a special contract with Mitsubishi Corporation.
1947 Make a special contract with Mitsubishi Electric Corporation.
1948 Tachibana Shokai Ltd established. ❷
1961 Head Office moved to Nishi-ku in Osaka city.
1962 Annul the special contract with Mitsubishi Electric Corporation and make a agency agreement with it a new. ❸
1982 Singapore branch office established.
1985 Osaka Software Center established.
1986 Tachibana Sales (Singapore) Pte. Ltd. established.
Listed as the specified brand in the Second Section (New Second Section) of the Osaka Securities Exchange.
1987 Tachibana Sales (Hong Kong) Ltd. established.
1990 Named as the brand in the Second Section of the Osaka Securities Exchange.
1994 Head Office newly built. ❹
1997 Tachibana Sales (Hong Kong) Ltd. established.
2000 Shenzhen Semiconductor Technology Center established.
2001 Ritsuryokai established.
Renamed "Tachibana Eletech Corporation". ❺
Acquire ISO14001.
2002 Tachibana Sales (Shanghai) Ltd. established.
2003 Conclude a specified agent contract with Renesas Sales.
Acquire ISO9001.
2004 Listed in the Second Section of the Tokyo Stock Exchange. ❻


❶

❷

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2005 Listed in the First Section of the Tokyo Stock Exchange and the Osaka Securities Exchange. ❼
2006 Acquire ISMS.
2007 Tachibana Sales (Korea) Ltd. established.
Tachibana Sales (Bangkok) Co., Ltd. established.
Tachibana Overseas Holdings Ltd. (in-house company) established.
Move from ISMS certification standard to ISO27001.
2008 Minami Osaka Building completed (the Minami Osaka branch office and the "Risshikan" training center with accommodation/dormitory). ❽
2010 Tachibana Kouwa System Service Co., Ltd. established through the merger between Tachibana ES and Kouwa Kogyo
Daidensha Co., Ltd. Becomes A Wholly Owned Subsidiary.
Beijing Branch, Shenzhen Branch established
Conclude specified agent contracts with Renesas Electronics Corp. and Renesas Electronics Sales Co., Ltd.
2011 Taiyo Shokai Co., Ltd. absorbs Tachibana Create Ltd.
Wuhan Sales Office Established. ❾
90th anniversary of the company's founding ❿
2012 Tachibana Overseas Holdings Ltd. incorporated as a supervising holding company for overseas subsidiaries. ⓫
Dalian Sales Office established ⓬
Conclude a capital and business tie-up agreement with Takagi Shokai.


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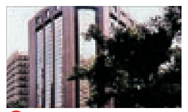
Company Data (as of June 28, 2012)

Subsidiaries and Affiliates

❶HONG KONG

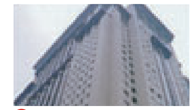
❷SINGAPORE



❸TAIWAN

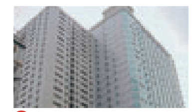
❹KOREA

❺THAILAND

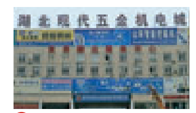


❻SHANGHAI

❼BEIJING



❽SHENZHEN



❾WUHAN

❿DALIAN

KENDEN INDUSTRY CO., LTD.
2-6-23, Mitejima, Nishiyodogawa-ku, Osaka 555-0012
Tel. 81-6-6471-9451

TACHIBANA SOLUTIONS PLAZA LTD.
1-13-25, Nishi-honmachi, Nishi-ku, Osaka 550-8555
Tel. 81-6-6539-5155

TACHIBANA KOUWA SYSTEM SERVICE CO., LTD.
2-5-1, Ohama-Cho, Amagasaki City 660-0095
Tel. 81-6-6413-3623

TAIYO SHOKAI CO., LTD.
1-6-17, Nipponbashi-nishi, Naniwa-ku, OSAKA 556-0004
Tel. 81-6-6632-9088

TECHNOLOGY NETWORK, INC.
3-8-15, Hinaga-higashi, Yokkaichi 510-0886
Tel. 81-593-45-9090

DAIDENSHA CO., LTD.
1-6-17, Nipponbashi-nishi, Naniwa-ku, OSAKA 556-0004
Tel. 81-6-6632-6111

[Equity Method Affiliate]
TAKAGI SHOKAI
2-2-7 Kitasenzoku, Ota-ku, Tokyo 145-0062
Tel.81-3-3783-6314

TACHIBANA OVERSEAS HOLDINGS LTD.
Unit 2605, 26/F., One Kowloon, No.1, Wang Yuen Street, Kowloon Bay, Kowloon, Hong Kong
Tel. 852-2838-8103

TACHIBANA SALES (SINGAPORE) PTE. LTD.
10 Anson Road #05-19B International Plaza Singapore 079903
Tel. 65-6270-4567

TACHIBANA SALES (HONG KONG) LTD.
Unit 2605, 26/F., One Kowloon, No.1, Wang Yuen Street,Kowloon Bay, Kowloon, Hong Kong
Tel. 852-2838-8103

TACHIBANA SALES TAIWAN LTD.
4F, No.288 Fu-Shing N. RD., Taipei 104,Taiwan, R.O.C.
Tel. 886-2-2518-1112

TACHIBANA SALES (SHANGHAI) LTD.
Room K , Floor 18, Huamin Empire Plaza, No.728 West Yanan Road, Shanghai 200050. PRC.
Tel. 86-21-3100-1700

TACHIBANA SALES (KOREA) LTD.
C-Dong 3005, Daelim Acrotel, 467-6
Dogok-Dong, Gangnam-Gu,. Seoul 135-270 Korea
Tel. 82-2-2187-7102

TACHIBANA SALES (BANGKOK) CO., LTD.
62 Thaniya Building 11th Fl.,Room No.1109, Silom Road,Suriyawong Bangrak,
Bangkok 10500 Thailand
Tel. 66-2-652-5191

Organizational Structure (as of June 28, 2012)

- Shareholders Meeting
- Board of Director
- Auditors and Auditor Meeting
- President
- Corporate Executive Committee
  - Factory Automation Systems
    - FA Systems Division (I,II,III,IV)
  - Semiconductors and Electronic Devices
    - Semiconductors and Electronic Devices Division (I,II,III)
    - Semiconductors and Electronic Devices Sales Promotion Headquarters
    - Semiconductor Technology Division
  - Information and Communication Systems
    - Information & Communication Systems Division
  - Building Services Systems
    - Building Services Systems Division
  - Solution Systems
    - Solution Systems Division
    - Technology Division
  - Overseas Operations
    - Tachibana Overseas Holdings Ltd.
    - Overseas Division
  - Finance & Administration
    - Corporate Planning Division
    - Finance & Administration Division

Investor Information (as of March 31, 2012)

Authorized Number of Shares:
80,000,000

Issued Number of Shares:
21,381,102

Number of Shareholders:
3,117

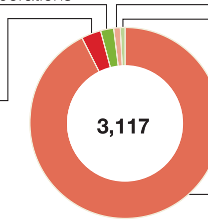
Listings:
Osaka Securities Exchange
1st Section
Tokyo Stock Exchange
1st Section

Major Shareholders

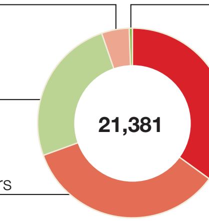
Shareholders	Shares (thousand stocks)	Ratio of stocks held to total outstanding share volume (%)
Mitsubishi Electric Corporation	1,601	7.71
Tachibana Eletech's Employees Shareholders' Association	1,286	6.19
Sansei Technos Co., Ltd.	1,232	5.93
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	901	4.34
Kinden Corporation	628	3.02
Noritz Corporation	618	2.98
Japan Trustee Services Bank, Ltd.	447	2.16
Nippon Life Insurance Company	431	2.08
Chigusa Satake	409	1.97
The Master Trust Bank of Japan, Ltd.	404	1.95
Total	7,962	38.32

Notes: 1. Shown with less than 1,000 shares truncated.
2. The Company holds 601,823 shares of its own stock, but is excluded from the above list of major shareholders. The shareholding ratio is calculated by subtracting treasury stock.

Distribution by Number of Shareholders



Distribution by Number of Shares Held (thousand stocks)



Note: Treasury is included in "Other Domestic Corporations."

Share price and Trade volume Trends (Tokyo Stock Exchange)