TACHIBANA ELETECH

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TACHIBANA ELETECH

TACHIBANA ELETECH CO., LTD.

Annual Report 2013

Year ended March 31, 2013

Accelerating Overseas Business Operations to Become A Technology-Driven Global Trading Company

Tachibana Eletech Co., Ltd. is accelerating its business operations under the two main banners of "globalization" and "group management."

In the business year under review, we consolidated the foundations for overseas business operations by bolstering local networks in Asia centering on China, and also expanded the realm of business in Japan by newly adding two key companies to the Group in a bid to generate the synergy through group management.

Going forward, we will redouble our sincere efforts to respond to customers' requests amid the rapidly changing economic and social environment, and steadily follow the path to become a technology-driven global trading company.

Contents

We Are Accelerating the Generation of Synergy through Further Globalization and Group Management.

Acceleration of Globalization

Operating a total of 12 business bases overseas, including seven subsidiaries.

Tachibana Overseas Holdings Ltd., incorporated in Hong Kong, supervises overseas subsidiaries for expeditious management of overseas business operations. We established a sales office in Dalian, China, in 2012 and in Malaysia in 2013. We also increased capital of a subsidiary in Bangkok, Thailand, and expanded its realm of business.

TACHIBANA SALES (KOREA) LTD.

Established in January 2007. Sells FA equipment, semiconductors and electronic devices.

TACHIBANA SALES (SHANGHAI) LTD.

Established in December 2002. Sells FA equipment, industrial mechatronics products and semiconductors.
<Affiliated business bases>
Beijing Office (2010)
Shenzhen Office (2010)
Wuhan Office, "FA Showroom" (2011)
Dalian Office (2012)

TACHIBANA SALES (TAIWAN) CO., LTD.

Established in February 1997. Exports, imports and sells electric and electronic equipment.

TACHIBANA OVERSEAS HOLDINGS LTD.

Established in March 2012 as a company incorporated in Hong Kong, China. Supervises and manages overseas subsidiaries.

TACHIBANA SALES (HONG KONG) LTD.

Established in March 1992. Sells semiconductors and security equipment, and assembles IC boards under contract.
<Affiliated business base>
Shenzhen Semiconductor Technology Center (2000)

TACHIBANA SALES (BANGKOK) CO., LTD.

Established in March 2007. Sells semiconductors and electronic devices. Also started selling industrial mechatronics products following a capital increase in 2012.

TACHIBANA SALES (SINGAPORE) PTE. LTD.

Established in August 1987. Sells semiconductors, semiconductor parts and materials and electronic devices.
<Affiliated business base>
Malaysia Office, "Engineering Center" (2013)

Malaysia Office

Acceleration of Group Management

The Group's realm of business operations expanded with the addition of two new companies in FY2012.

The Group's operating areas and realm of business operations expanded with the addition of Takagi Co., Ltd. (Takagi Shokai), a trading company specializing in FA equipment operating mainly in the Kanto region, and Tachibana Device Component Co., Ltd., which excels at turning electronic devices into components. A significant synergy effect is expected going forward.

IT&Electronic Solution TAKAGI CO., LTD.

A capital and business tie-up agreement concluded in June 2012.

Sells control equipment and electronic equipment and parts with the Kanto region as its operating base.

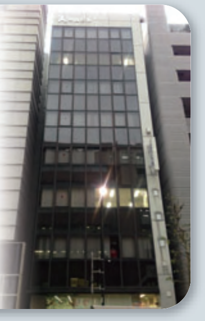
We will expand collaboration with Takagi Shokai, a trading company specializing in FA equipment with 21 sales offices across Japan, mainly in the Kanto region, through a capital and technical tie-up. With little overlapping of manufacturers that both companies deal with as well as customers and operating areas, we can expect a great deal of synergy by mutually utilizing our suppliers and sales channels.

TACHIBANA DEVICE COMPONENT

Started business operations in February 2013.

Develops, manufactures and sells component products embedded with electronic devices.

Tachibana Device Component Co., Ltd. (TCD) was established with the transfer of the component business and the semiconductor resale business from Renesas Electronics Sales Co., Ltd. By leveraging TCD's technological capability to combine electronic devices into modules and boards, we will expand its realm of business by going beyond simple sales of semiconductors to cover commissioned manufacturing as well.



DAIDENSHA

Made into a wholly owned subsidiary in 2010.

A FA trading company specializing in monitoring, measurement, imaging and sensors at production sites

Daidensha Co., Ltd. is a specialized trading company handling parts and components of FA equipment and electronic equipment. Daidensha not only sells input equipment, control equipment, output equipment, systems-related equipment and electronic equipment, etc., but also contributes to customers' problems by integrating its adept engineering technology with the products it sells. It is also expanding sales of environment-friendly products.

President's Statement

Orchestrating Tachibana Eletech Group's Strengths

Review 2013

Despite a demanding business environment, the Group matched last year's level of sales and achieved a record net income.

Against the backdrop of growing expectations from the newly installed government, we have seen encouraging signs from positive policies being implemented. However, the global business environment has continued to be tough with an unstable financial situation in Europe, and a slowing of growth in Chinese markets. Added to which, soured relations have continued between Japan and China.

Under such circumstances, the Group companies focused much attention in the domestic market to boosting synergies. Two important actions were the forging of a capital and business tie-up with Takagi Shokai, and the establishment of a new company, Tachibana Device Component Company. Both of these initiatives added value and enhanced our market positions.

We were proactive in driving forward our position in China, and in other regional markets. Tachibana Overseas Holdings (TOH) was incorporated in Hong Kong to direct and manage the already established six overseas subsidiary companies.

Additionally, and important to strengthening our marketing capabilities and promote internal reforms, we continued to push ahead with the "C.A.P. UP 1500" project, and the company-wide "Isson Zenpin" activity, where each division becomes involved in handling all products.

By business unit, the Factory Automation Systems experienced slow movement of its main products, as orders for programmable controllers and inverters were below target due to capital expenditure constraints by semiconductor and liquid crystal manufacturing equipment makers.

Semiconductor and Electronic Devices sales of products such as microcomputers and customer specific IC's fell sharply due to the effect of slowing overseas markets, which included Europe and China, and substantial declines in orders from white goods manufacturers.

The lackluster results from this division mirrored the performance of Renesas Electronics.

The Building Services Systems benefited from a significant growth in building facilities at the Umeda North Yard development, as well as from condominium developments in the Tokyo metropolitan area.

The Information and Communications business unit

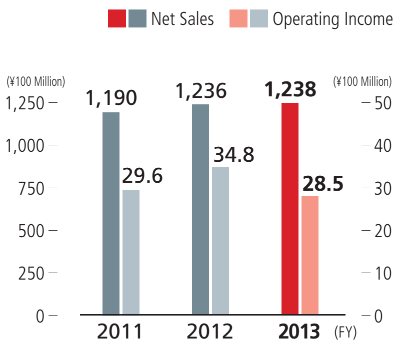
Takeo Watanabe
President, CEO & COO

Consolidated Financial Highlights

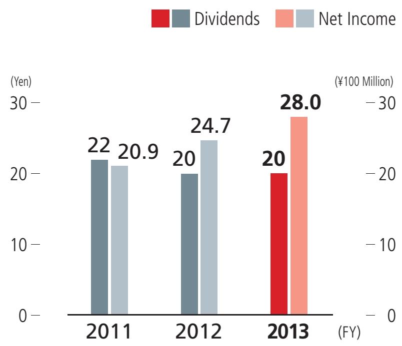
	Millions of yen 2009	2010	2011	2012	2013	Thousands of U.S. dollars 2013
For the Year:						
Net Sales	¥ 116,540	¥ 96,838	¥ 119,021	¥ 123,599	¥ 123,793	$ 1,316,947
Operating Income	2,601	1,036	2,956	3,483	2,854	30,362
Net Income	1,396	815	2,090	2,468	2,797	29,755
At Year-End:						
Shareholders' Equity	¥ 32,549	¥ 33,851	¥ 35,270	¥ 37,005	¥ 40,089	$ 426,479
Total Assets	63,755	70,020	74,394	78,860	82,675	879,521
Per Share Data:						
Net Assets per Share (Yen/U.S. Dollars)	1,558.25	1,619.61	1,694.22	1,777.51	1,925.77	20.49
Net Income per Share (Yen/U.S. Dollars)	66.11	39.12	100.58	118.78	134.60	1.43
Financial Index:						
Equity Ratio (%)	51.0	48.1	47.3	46.8	48.4	48.4
Return on Equity (%)	4.3	2.5	6.1	6.8	7.3	7.3

Notes: 1. Sales figures do not include consumption tax.
2. U.S. dollar amounts are provided solely for convenience at the rate of ¥94 = US$1, the approximate exchange rate as at March 31, 2013.

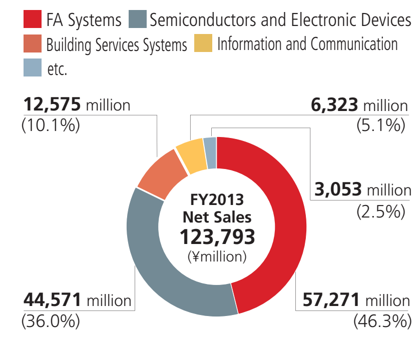
Trends in Net Sales and Operating Income



Trends in Dividends per Share and Net Income



Composition of Net sales by reported segment



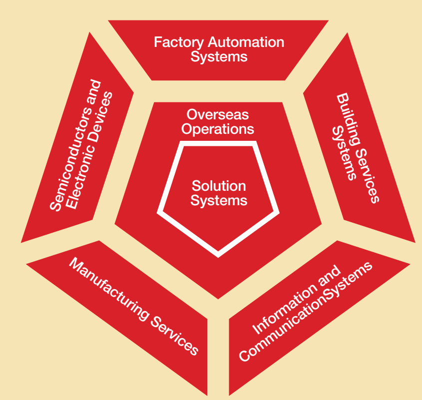
Forward-Looking Statements
Projections of operating results and changes in the business environment provided in this report are based on information available to the management as of the date the report was prepared. As such, these projections are exposed to uncertainties and potential risks that may 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.

Total Solutions to Customer Problems

The Group operates in the following four principal product and systems businesses; 'Factory Automation Systems,' 'Semiconductors and Electronic Devices,' 'Building Services Systems,' and 'Information and Communication Systems.'

Additionally, there is a Solution Systems business unit charged with cultivating demand in the field of environment and energy such as photovoltaic power generation systems, and also with providing customers with total solutions utilizing the products and systems of the four principal divisions.



Factory Automation Systems In addition to the marketing and sales of electrical equipment and factory automation equipment such a PLC, inverters and industrial machinery, the division builds systems for the streamlining and automation of production lines in various industries.

Semiconductors and Electronic Devices Sources, products, and devices from both domestic and overseas manufacturers, as well as offers customers a customized service including design and development of microcomputers and ASICs.

Building Services Systems This business unit offers a wide range of products and services which includes elevators and escalators, air conditioning, lighting, and disaster prevention equipment. This unit also offers both new construction projects and existing factories and office buildings. Energy saving products are also within the division's portfolio.

Information and CommunicationSystems Provides RFID solutions and thin client systems for physical information security. Additionally, supplies industrial customers with personal computers and a range of information and video equipment.

Solution Systems Providing total solutions for production facilities to include efficient energy savings, and environmental safety.

Manufacturing Services Offering mechanical and electronic design, and manufacturing services, to domestic and overseas customers.

Overseas Operations Principally involved with the marketing and sales of semiconductors, devices, and factory automation equipment in China and the ASEAN markets.

produced favorable results from contracts with local governments, banks, and hospitals.

The Overseas Operation's net sales matched those of the previous year, despite being impacted by the slowing economy in China.

For the year ended March 2013, the Group reported consolidated net sales of JPY123,793 million, showing a marginal increase on the previous year, and operating income of JPY2,854 million, some 18% below that of last year.

Ordinary income of JPY4,102 million decreased 4%, while a record net income of JPY2,797 million, an increase of 13.3%, was reported.

A term end dividend of JPY10 per share was declared. With the already paid interim dividend of JPY10 per share, total dividend for the year amounted to JPY20 per share.

Strategy and Outlook 2014

Targeting higher net sales and income from four priority initiatives

The Group will further accelerate the regional development of operations in order to continue to supply competitive products and services to customers.

We are being increasingly called upon to promote corporate social responsibility (CSR). To respond to the confidence society places on us, we will strive to pursue environment-friendly operations.

For the year ending March 2014, the forecast is to achieve consolidated net sales of JPY132 billion, operating income of JPY3.24 billion, ordinary income of JPY4.1 billion, and net income of JPY2.8 billion.

We plan to maintain both interim and final dividend payments at JPY10 per share.

The following four initiatives form the basis of the medium term growth plan.

Expansion of Regional Operations

With the continuing relocation overseas of Japanese company manufacturing, we must be proactive in expanding our operations.

Tachibana engineers are being stationed in Shanghai to provide our local staff with technical guidance and full support, to reinforce the engineering capability in the important China market.

In April of this year, a sales office was opened in Malaysia to further our semiconductor and electronic devices business. This is to be followed by establishing a sales office in Indonesia, where opportunities exist in the automobile industry.

Tachibana Overseas Holdings (TOH) will perform a pivotal role in the development and overseeing of our overseas strategy.

Strengthening Group Synergies

In my review of the 2013 year, I reported a business relationship having been established with Takagi Shokai, and the formation of Tachibana Device Component Company. As Takagi Shokai and Tachibana have little over-lap of suppliers, operating areas, and customers, through mutual collaboration we foresee benefits to follow.

Leveraging the technological competence in turning electronic parts into components, Tachibana Device Components plans to expand its business beyond semiconductors sales, and include commissioned production.

Daidensha, which specializes in monitoring, measuring, and imaging and sensor technologies, will increase efforts to utilize and complement products and engineering technologies.

Going forward we will energetically pursue synergies, and take advantage of the management resources of subsidiary companies at home and overseas.

Manufacturing Services

A dedicated Manufacturing Services (MS), which brought together two separately operating businesses, namely Metal Manufacturing Services (MMS) and Electronic Manufacturing Services (EMS), was established in April 2013.

It has been noticeable that project orders have become more diversified and sophisticated, and often require development, manufacturing, and finished product delivery. With the formation of this integrated manufacturing services, we are better able to focus attention to quality, cost, and delivery (QCD) and strengthen our position with customers.

Enhance Sales Power.

First and foremost, the value of a trading company lies in its "sales power."

In order to enhance company sales power, all-out efforts are being made with training, the "C.A.P. UP 1500" project, and internal reforms.

While improving staff knowledge of products, knowledge of technologies, and engineering capabilities, steps are also being taken to deal with all aspects of sales, business processes, and organizational management.

I believe that a trading company must continuously reach out, and have a voracious appetite to take advantage of opportunities that emerge.

I call this the "dabohaze (goby)" way of business, and to that end I am urging each and every employee to conduct business as the "All-Tachibana" team, by understanding the conditions surrounding the products he or she is working with, and knocking down walls which separate divisions, departments, and sections within our companies.

C.A.P.UP1500

- **C**: Capability (Capability to do something)
- **A**: Ability (Capability, ability, resource, skills or capacity to get things done)
- **P**: Power (Ability to put something into practice)
- **1500** : Toward the achievement of the target of ¥150 billion in non-consolidated net sales

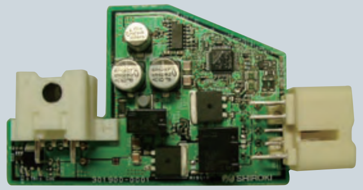
TOPICS

April 2013
Manufacturing Services Launched

Formation of the Manufacturing Services (MS) integrates the former Electronics Manufacturing Services (EMS), and Metal Manufacturing Services (MMS) businesses.

This integration of services and the experience gained from the supply of metal structures and components for multi-level car parking systems, railway cars, and the supply of semiconductors and devices to water heater control and other manufacturers, is now enabling us to offer a wider range of processes and services to customers in both domestic and overseas markets.

Metal members of a multilevel car parking tower



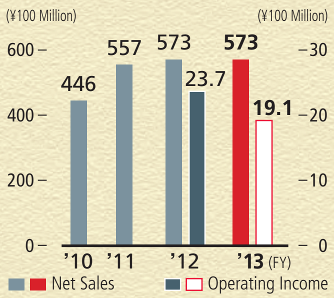
Trunk Closure ECU

Factory Automation Systems

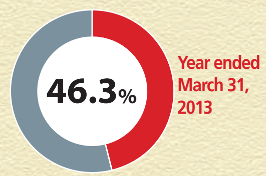
Main products

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



Norio Shimada
Director, Executive Operating Officer

Review 2013

Product Range Expansion Secures Sales

Core products fared rather poorly as orders from semiconductor and liquid crystal manufacturing equipment makers declined due to restrained capital spending. However, overseas projects in the automobile industry turned in a solid performance.

In the industrial machinery segment, electric discharge and laser beam machinery showed strong growth with increased orders for overseas projects in the automobile and construction machinery industries.

Machine tools, such as machining centers and lathes, and welders for steelmakers also fared well. An expansion of the product through the introduction of new products, such as sensors, high-precision decelerators for servo motors, and remote devices assisted in securing sales.

Overall, divisional net sales and operating income reduced by 0.1% and 19.3% respectively when compared to the previous year.

Forward Plans and Outlook 2014

Indonesia market entry furthers our regional penetration

We will continue the development of sales networks to cultivate greater demand in China and in the ASEAN markets.

The Dalian sales office, opened in 2012, has produced encouraging results with steady deliveries to customers of shaft motors for electric discharge machines being manufactured there by Mitsubishi Electric.

Having advanced the FA Systems business presence in Thailand in 2012, a sales office is to be establish in Jakarta, Indonesia, by the end of 2013.

Industrial mechatronics products for the manufacturing sector are increasing in demand, and our target is to penetrate Indonesia's automobile and steel industries with our range of products.

With a brighter picture beginning to emerge in the domestic market, we will be launching campaigns to expand the sales of LED lighting equipment.

The focus will be on the promotion of the highly competitive products manufactured by Mitsubishi Electric.

The objective of a close collaboration with Takagi Shokai, a company with which Tachibana entered into a capital and business tie-up in 2012, will be to seek synergies by mutually utilizing product suppliers and sales channels.

Daidensha has successfully acquired new customers for photovoltaic power generation systems, the results of which will make a contribution to overall divisional sales.

In order to strengthen our position in the Chugoku region, the Fukuyama sales office is to be reorganized and relocated as the Hiroshima sales office.

Programmable controllers (PLC)

MELSERVO, an AC servo made by Mitsubishi Electric Corp.

Topics

Accelerating FA system business in Thailand

We launched the FA system business in Thailand in April 2012, following our earlier moves in South Korea and China. A good start was made with the delivery of industrial mechatronics products to local companies already being under way.

Going forward, we plan to increase the number of both Japanese and local staff in order to expand sales of electric discharge machines, laser beam machines and CAD/CAM systems.

Tachibana Sales (Bangkok) Co., Ltd.

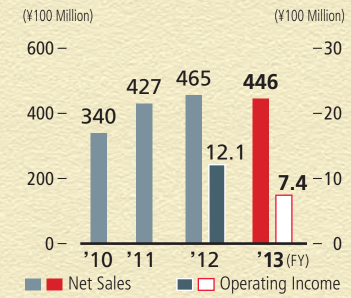
Machine tools (broaching machine)

Semiconductors and Electronic Devices

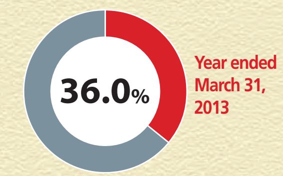
Main products

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



Sadayuki Takami
Operating Officer

Review 2013

Despite the overall lackluster performance, some OA equipment and power conditioners for photovoltaic power generation systems showed growth

With the strength of the Japanese currency overseas markets, particularly the European and Chinese slowing further, orders from white goods manufacturers also fell sharply. That resulted in substantial reductions in sales of products for the consumer markets.

With the soured relations between Japan and China having a significant impact in poor sales in the automobile and consumer electronics industries, and the policy effect of subsidization for eco cars in the domestic market being limited, overall sales were on a weak note.

Power elements for photovoltaic power generation systems fared strongly with the launch of the feed-in tariff system for renewable energy, and general-purpose memory cards also contributed to net sales, while some OA equipment also produced solid performances.

Overall, division net sales and operating income decreased 4.2% and 38.7%, respectively, from the previous year.

Forward Plans and Outlook 2014

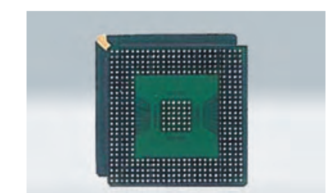
Sales office in Malaysia actively seeks to expand sales of new products

With risks of inflation and higher labor costs in China, we are striving to further expand operations in the ASEAN markets. As part of these efforts, a sales office was opened in Malaysia in April 2013 to support customers and strengthen local development and manufacturing operations. Malaysia is home to a large number of Japanese manufacturers, and the marketing and sales focus will be to those companies, plus the cultivation of local customers.

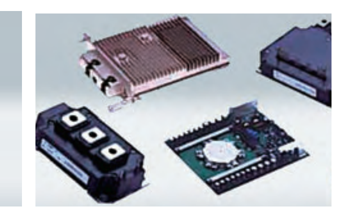
We established a "Foreign Semiconductors & Electronic Devices Division" in April 2013 by reorganizing a Development Department set-up in 2011, tasked with identifying and sourcing excellent new products from around the world. We will be offering a broad range of quality products procured from Chinese, Taiwanese, and ASEAN based manufacturers, including parts for LCD instruments, general-use capacitors and diodes.

With a weakening currency and a rising stock market, the electronic equipment market appears to be on track to moderately recover. The division has been striving to expand sales of S products (strategic products) and K products (next-generation strategic products) as the No. 1 priority.

We are targeting further growth by offering total solutions to customers, and combining main products manufactured by Renesas Electronics and Mitsubishi Electric with S and K products.



Microcomputers

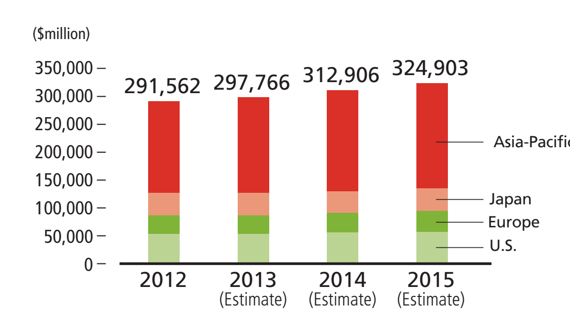


Power and optical devices

Topics

Trends in the global semiconductor market

The global semiconductor market in 2013 is continuing to steadily expand, albeit at a slower pace. Demand related to smartphones is particularly strong in China and many Asia markets.



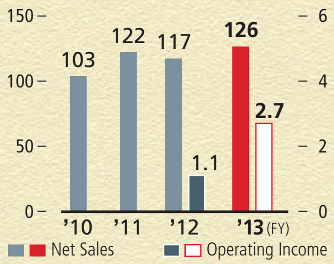
Source: World Semiconductor Trade Statistics (WSTS) Semiconductor Market Forecast Spring 2013

Building Services Systems

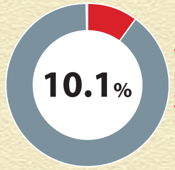
Main products

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

Net Sales/Operating Income



Composition of Net Sales



Hiroshi Yoneda
Operating Officer

Review 2013

Record Sales and Operating Income Achieved

Sales of all-electric housing equipment, including "Eco Cute" electric water heaters, faltered due to concerns over power supply shortages. In order to make up for that weakness in sales, we focused on the promotion of projects and proceeded with close cooperation and information sharing with Mitsubishi Electric. These marketing and sales efforts with LED lighting equipment, emergency generators, and photovoltaic power generation systems for industrial users produced good results. Multi-air conditioners for buildings, package air conditioners, and refrigerating equipment for industrial use also fared favorably.

With the completion of various building facilities related to the development of Umeda North Yard, sales of air conditioners, central supervisory boards, and power receiving/transformation equipment showed strong growth.

As a result, divisional net sales and operating income increased 7.5% and 142.8%, respectively, over the previous year, both marking record highs.

Forward Plans and Outlook 2014

Pursuing further opportunities with LED lighting, digital signage, and industrial-use refrigeration equipment

Replacement demand for LED lighting continues to expand in the power savings-related sector, and in cooperation with Mitsubishi Electric, we are offering a highly competitive range of products.

This year, together with other Tachibana divisions, we will actively promote a company-wide project to expand the sales of LED lighting equipment.
As companies are becoming increasingly aware of power-saving investments in anticipation of higher power rates and the increase in the consumption tax rate, we will propose a new range of services to customers to include power-saving facility construction and digital signage, using LED lighting as a starter. We are selling digital signage to retail chain stores as "Kantan (easy-to-use) Signage," by integrating liquid crystal display television and other relevant equipment with software.

Seizing the changing power relationships in the industrial-use refrigerating equipment sector as an opportunity, we will redouble efforts to expand sales of energy-saving new models manufactured by Mitsubishi Electric. In the future, low-temperature distribution is expected to grow due in part to an expansion of convenient store chains. Thus, we will strive to consolidate our capabilities to provide solutions that include not only hardware, but also construction work and maintenance.

We do not foresee any mega building facilities projects, like the development of Umeda North Yard, coming during the current year. However, we have plans to undertake a number of medium-size projects such as shopping centers and institutions for the elderly, and for this purpose we have increased the divisional personnel.

Air conditioners for offices/stores

Digital signage

Topics

Undertaking a company-wide project to expand sales of LED lighting equipment

A company-wide project to grow sales of LED lighting equipment was launched in April 2013.

LED lighting equipment is finding accelerated use as familiar power-saving equipment, and considered to be needed products at the workplace of all companies that have business dealings with us. In order to satisfy this demand, we are undertaking promotional activities which include non-sales divisions with the aim to achieve semi-annual net sales of ¥500 million.

Solution Systems

Main products

Proposes complex systems such as photovoltaic power generation systems and other systems spanning our business segments with the themes of energy-saving, environment, safety and efficiency, and provides solutions required by production sites

Provides total support through our combined strengths in marketing and technology based on a wide array of achievements.

- Investigation
- Proposal
- System design/fabrication
- Software design/fabrication
- Hardware design/fabrication
- Various construction design/ construction
- On-site coordination
- Preventive maintenance/ maintenance

Kinya Kawahara
Operating Officer

Review 2013

Photovoltaic power generation systems and renewal demand fared well, supported by technical services

In the environment and energy sector, orders for industrial photovoltaic power generation systems related to power generation grew strongly, thanks mainly due to the tailwind of the introduction of the feed-in tariff system for renewable energy.

We were an early starter in setting-up a dedicated team to accumulate technology and knowledge in photovoltaic power generation. Satisfactory results have been forthcoming by steadily taking in expanding demand with our basic designs that optimize layouts and the combination of components, in accordance with the installation environment, and the size of our customers.

In the energy-saving and efficiency solutions sector, demand for renewal of obsolete products, or products where manufacturing has been suspended, as well as power-saving measures, resulted in strong sales of programmable controllers, LED lighting equipment, and air conditioners.

In this sector we were able to secure contracts by offering total solutions from basic system design to construction and on-site contract management.

Forward Plans and Outlook 2014

Actively proposing the universal combination of state-of-the-art technologies and tools

While the feed-in tariff system pushed up demand related to photovoltaic power generation, the tariff rate for FY2013 was lowered by 10% from the previous year. However, the new tariff rate is still in the range that makes photovoltaic power generation profitable, and it is unlikely that demand will decline significantly over the next year or two. Therefore, we foresee continuing growth and new business opportunities for power storage systems.

As the ratio of sales in the Kanto region to overall sales of photovoltaic power generation systems was very low in the 2012 year, we have now assigned dedicated sales and technical staff, based in Tokyo, with a view to improving our position in that large metropolitan market.

In the energy-saving and efficiency solutions sector, we regard pharmaceutical manufacturing systems, the Manufacturing Execution System (MES), and production management systems using robot vision and tablets as the main pillars for growth.

For pharmaceutical manufacturing systems, we are proactively proposing solutions that build mechanisms for manufacturing management and quality control. For MES, we are broadening the scope of offerings by contracting for construction work.

Robot vision is used to make production lines more efficient by mounting robots with the image recognition function, while tablet terminals are adopted to make the production conditions "visible anytime, anywhere." We will be more actively involved in pushing forward to propose the universal combination of state-of-the-art technologies and tools that only a technology-driven trading company can offer.

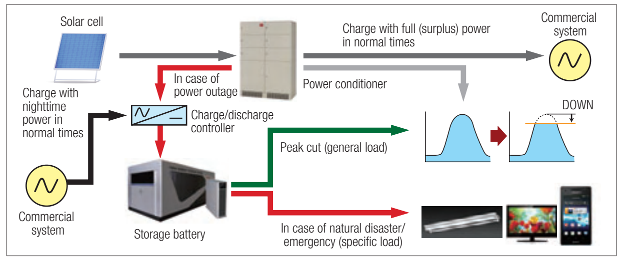
Photovoltaic power generation system (on the roof of the plant building)

Topics

Solutions using lithium ion storage batteries

Faced with rising power costs, restraints in power consumption, and environmental problems, etc., manufacturers are under pressure to reduce consumption by cutting peak demand, and securing infrastructure power sources for lighting and communication systems in times of natural disasters and other emergencies.

Against such backgrounds, we have introduced to our range "lithium ion storage batteries + photovoltaic power generation systems" combining with the photovoltaic power generation knowledge we have thus far accumulated.



Manufacturing Services

Main products

Metal Manufacturing Service (MMS)
Structural members and pallets for multilevel car parking towers, piping members for ships
Electronics Manufacturing Service (EMS)
Controllers for water heaters, remote controllers for air conditioners, etc., passenger car truck closures

We provide contract manufacturing services that only a technology-driven trading company with knowledge of design and manufacturing partners can offer. Having both MMS and EMS, we can offer comprehensive services from substrates to finished products, including exterior packaging.

Hirokazu Ueda
Operating Officer

Review 2013

Cultivated new products in nursing care products and non-home electronics segments

The integrated Manufacturing Services (MS) was launched at the beginning of the current financial year.

During the 2012 year, the Metal Manufacturing Services (MMS) fared well with the supply of components and equipment for multi-level car parking systems. The supply of specialist pipework and valves to the marine sector also made a good contribution to overall performance.

In the Electronics Manufacturing Services (EMS) segment, demand for electric water heaters decreased sharply in the wake of power shortages following the Great East Japan Earthquake, but we were able to make up for this shortfall by cultivating new products in nursing care and non-home electronics segments.

Forward Plans and Outlook 2014

Offering manufacturing services related to motor control and temperature control

Over the years, both MMS and EMS segments have gained customers' trust and support, and have been able to expand sales through the pursuit of quality, price, and delivery (QCD).

The integration of the two businesses provides the opportunity for a wider range of offerings to be made to customers.

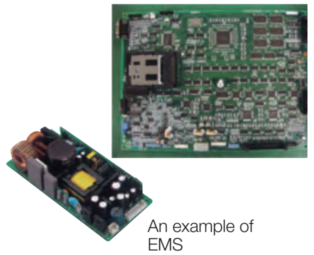
From the design of printed circuit boards to mass production, from parts to finished products when needed in quantities required by customers, through the universal combination of three materials of metals, electronic devices and resins, and not to mention the further pursuit of QCD.

An important strength of the MS services lie in having the capability to undertake production design and quality control suitable to varied plants overseas, and the offer to customers of both stable supply and quality.

Going forward, we wish to investigate manufacturing services related to motor control and temperature control.

In addition to products equipment related with multi-level car parking systems, vehicles and ships, we plan to focus on electronic control units (ECUs) mounted in vehicles.

The 2013 year will see us extending the scope of plants we deal with from China, to Thailand, to Vietnam, while expanding the range of technologies we offer.



An example of EMS

An example of MMS

Topics

Expanding the overseas production structure to the ASEAN region

In production plants we deal with in Suzhou, China, we are engaged in business similar to OEM (Original Equipment Manufacturer) for delivery of finished products that go beyond the framework of EMS. We are beginning to have such plants in the ASEAN region with the cooperation of the Tachibana regional operations.

Overseas Operations

Main products

Sales of industrial mechatronics products, including semiconductors, FA equipment and electric discharge machines

Since the opening of a representative office in Singapore in 1982, we have steadily expanded overseas operations, and in 2012, we established Tachibana Overseas Holdings Ltd. (TOH) in Hong Kong, a holding company to supervise overseas subsidiaries. We are proactively undertaking the FA, Semiconductors and Electronic Devices and other businesses in East Asia and major Southeast Asian countries, including China and Singapore.

Hisanobu Nunoyama
Operating Officer

Review 2013

Active regional operations led to strong performance despite a slowing of the Chinese economy

Despite some impact from the slowdown of the Chinese economy, sales of semiconductors such as microcomputers and customer specific ICs and EMS products fared well, centering on those to Japanese manufacturers. In particular, sales of laser beam machines and other machine tools grew strongly in Shanghai and the ASEAN region.

The holding company, Tachibana Overseas Holdings Limited (TOH), incorporated in Hong Kong in April 2012, has growing responsibilities in providing guidance, coordination, and support to the existing overseas subsidiaries.

Regional sales showed an increase of 7.4% over the previous year.

Forward Plans and Outlook 2014

Expanding sales and technical support networks throughout the region

With the slogan of "China plus one," Japanese and other foreign manufacturers, as well as local manufacturers, are moving to step up production activities in the ASEAN region.

In response to this development, we have established a sales office and engineering center in Kuala Lumpur, Malaysia, in April 2013 with the plan to expand sales of semiconductors and electronic devices from this base.

We are also undertaking an investigation with a view to establishing a sales base in Indonesia, where the automobile industry is growing rapidly.

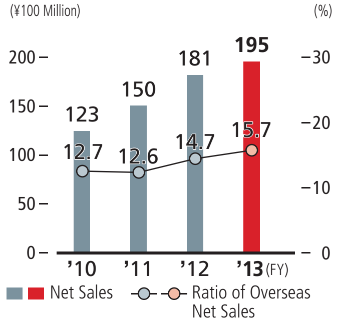
The engineering center in Kuala Lumpur is to function as the ASEAN region base of field application engineers, who engage in technology-based sales activities mainly for semiconductors and electronic devices manufactured by Mitsubishi Electric, Renesas Electronics, and Taiwanese makers.

In China, we established a sales office in Dalian in June 2012 to sell FA equipment and semiconductors to Japanese manufacturers and to local Chinese firms. In addition to sales companies in Hong Kong and Shanghai, the Dalian office will join forces with the Beijing and Shenzhen branches and the Wuhan sales office - the outposts of the Shanghai company - to lead our business operations in China.

For FA equipment in particular, we have engineers from Japan stationed in China to provide technical guidance to local staff, and to reinforce the overall technical support structure.

Going forward, further expansion of overseas operations is in planning.

Net Sales/Ratio of Overseas Net Sales



Topics

CG, the world's leading OEM maker of remote control products, commends Tachibana Sales (Hong Kong) for the fifth consecutive year

Tachibana Sales (Hong Kong) Ltd., an overseas subsidiary, was commented by C.G. Development Ltd., the world's largest manufacturer of remote control products by commissioning, as the "Good Supplier of the Year 2012." This marks the fifth consecutive annual commendation, and the most times among suppliers to CG.

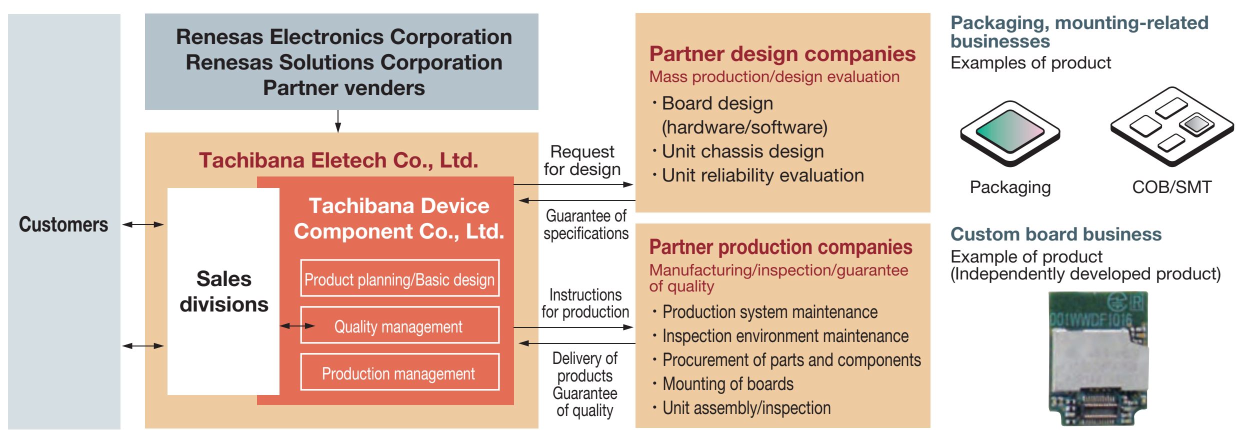
Tachibana Device Component, a New Company, Starts Business Operations

Tachibana Device Component Co., Ltd. (TCD), established with the transfer of the component business and the semiconductor resale business from Renesas Electronics Sales Co., Ltd., started business operations in February 2013.

TCD excels at procuring electronic devices not limited to Renesas Electronics products, as well as at turning electronic devices into components by skilled circuit design engineers. With two main features of its business including "component products," such as modules and boards embedded with semiconductor devices, and "resale products" such as LSIs for lithium batteries, power diodes and memory modules, TCD will provide customers with excellent products and services.

The establishment of TCD will help broaden the scope of new suppliers and customers for the Group as a whole, and also extend our business fields further to a wider realm going beyond simple sales of semiconductors to cover the business of commissioned production. TCD means the birth of another reliable group company that will further improve the reputation of Tachibana Eletech as a "technology-driven trading company."

An Overview of the Component Products Business



A New Website, "Forte of Tachibana Eletech, A Technology-Driven Trading Company," Launched

In December 2012, we marked the grand opening of a new website, "Forte of Tachibana Eletech, A Technology-Driven Trading Company." The website is designed for customers to easily understand what solutions Tachibana Eletech can offer to help solve their problems.

On the website, you can see many examples of projects actually delivered and concrete examples of technological applications, including those related to FA equipment and photovoltaic power generation systems, as well as details about the technological capabilities of the Semiconductors and Electronic Devices business. There are also inside stories about the work of engineers. The handy search function makes it possible to locate most appropriate case examples using such keywords as "Industry," "Solutions" and "Effects of Implementation."

With the opening of the new website, we would like to call attention broadly to the fact that Tachibana Eletech is a "technology-driven trading company" that not only sells FA equipment, equipment instruments, semiconductors and electronic devices, but also excels at building production equipment and automation and streamlining systems for manufacturing lines. Tachibana Eletech also engages in design, and the development and offering of modules that combine various electronic equipment and devices of microcomputers for home electronics. Going forward, we will further increase the number of reference cases uploaded on the website and provide useful information that could offer clues to solving problems of our customers.

URL http://tachibana-tokuiwaza.com/

We are working to improve internal control and risk management

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 Dirtors were convened 14 times, the Corporate Executive Committee 13 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

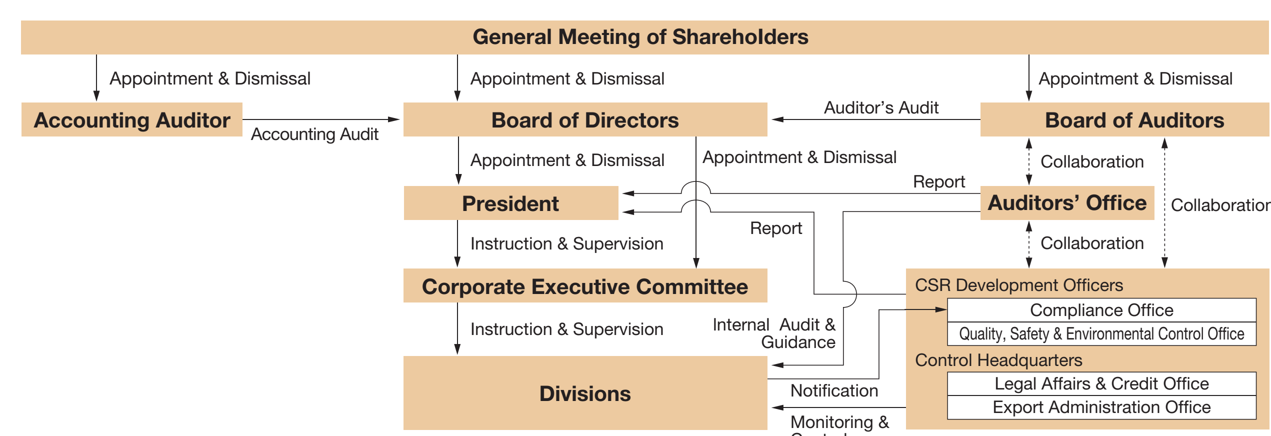
We have formulated internal rules for developing the internal control system, established the Compliance Office to ensure that the execution of duties conforms to laws and regulations as well as to the Articles of Incorporation, and have put in place a system to ensure the appropriateness of our business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

Corporate Governance Structure



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 2013, we audited a total of 19 plants (14 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, this year the QSE Control Office organized quality meetings attended by the divisions involved in quality control (Quality Control Division, Semiconductor Quality Control Office, Technology Division, etc.) and has been promoting improvement projects to improve the quality of purchased goods. These projects are being carried out under 25 themes, including promotion of quality agreements, surveying of supplier capacity and sharing of quality and defect information. At present, 80% of the projects are complete. Operations are being launched in regular order under rules based on new standards, and we are working to secure the quality of our purchased goods.

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. 92% 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 engaged in the appropriate administration and promotion of the chemical substance management system in accordance with in-house rules for management of contained chemical substances. It also serves as the contact point for the acceptance of chemical substance management audits requested by customers. Moreover, the Office also carries out internal audits and provides assessment and guidance while implementing in-house education programs related to chemical substance management. Starting in the year ending March 2012, the Office has been providing support for establishment and administration of the chemical substance management systems of overseas subsidiaries.

In the year ending March 2013, regular checks were conducted on management of chemical substances by suppliers using check sheets, and a list of results from supplier risk assessments was prepared. Plant audits were conducted at suppliers where improvement was needed, and guidance was provided for making the improvements.

Going forward, we will continue to check the management of chemical substances by suppliers, and we will require our suppliers to establish chemical substance management systems (CMS).

Quality control of semiconductors

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

(1) Deal with defects in semiconductor products: When defects are discovered in delivered products, the Office works with the supplier to identify the cause and come up with countermeasures.
(2) Manage environmental chemicals in semiconductor products: In response to customer requests, the Office examines whether or not there are hazardous substances contained in products and prepares reports on the quantities.
(3) Quality control of EMS* products: The Office is involved in all stages of quality control, from being present at trial production to participating in discussions on quality with people at mounting plants.
(4) Auditing of new suppliers: The Office conducts advance investigations into whether or not new suppliers can deliver the required quality.

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. Starting in the year ending March 2012, the Office has also been fabricating inspection equipment in response to customer requests.

In the year ending March 2013, we received about 170 inquiries related to product quality and about 300 related to environmental issues. We also conducted audits of seven 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 becomes waste. Therefore, we are stepping up our supply of lead-free products.

We are pushing for lead-free products while verifying that they satisfy the quality requirements of our customers and are suited to production equipment. In the year ending March 2012, we established adequate systems to prevent the co-mingling and accidental mixing of lead-free and lead-containing products by separately storing and managing them at all of our logistics bases. We also conduct quality and environmental audits. In the audit conducted in the year ending March 2013, we checked on the status of improvements made since the previous year and the effects.

Currently, over 99% of the semiconductors, EMS products and FA equipment we handle are lead-free. The lead-containing products we offer today are limited to those that have been in use for a long time and do not have alternatives when it comes to time for repair and to some special-purpose products such as ammeters and electric power meters.

We Have Established a Relationship of Trust with a Broad Range of Stakeholders

April 2012

Presentation at Welfare Equipment Fair "Barrier Free 2012"

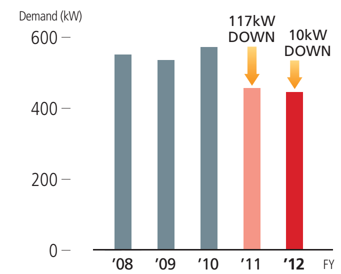
We participated in the 18th International Trade Fair on Barrier Free Equipments & Rehabilitation for the Elderly & the Disabled, held at Index Osaka in Osaka South Port. We sent presenters for two elevators of Mitsubishi Hitachi Home Elevator Corp., which were put on display there. It is important that users "actually ride" on elevators in order to understand the latest safety features, including the safety function to prevent being pinched by elevator doors, and usability such as the convenience of being able to call up/down elevators via remote control. Many visitors took demonstration rides and seemed to have realized the significance of home elevators. In order to realize a barrier-free society where everyone can live with a sense of safety and security, going forward we will continue to propose products useful for comfortable living by the elderly and the disabled.

September 2012

Support for Customers' Energy-Saving Activities on the Basis of Our Own Experiences with Introduction of LED Lighting Equipment

We have been contributing to power saving and reductions of carbon dioxide (CO_2) emissions for customers by proactively lining up equipment and systems that support their energy-saving efforts and offering a combination of products and energy-saving technologies. We are also making all-out efforts of our own to save on energy consumption, and have started introducing power-saving LED lighting equipment in our offices. We completed the replacement of all lighting equipment within the Head Office building with LED equipment in September. This and other measures helped significantly reduce power consumption in the building as a whole. Backed by practical knowledge we acquired through experiences within our own company, we will continue to aggressively support customers' energy-saving activities.

Trends of Power Demand by Year August Demand Data in the Past 5 Years



● Energy-saving measures in FY2011
1. Limits on preset temperatures via centralized control of air-conditioning equipment
2. Thinning-out of lighting
3. Introduction of LED lighting equipment on the first and fourth floors
4. Capacity-saving operation of air-conditioning equipment by setting levels that trigger demand warnings

● Energy-saving measures in FY2012
1. Limits on preset temperatures via centralized control of air-conditioning equipment
2. Introduction of LED lighting equipment on all floors
3. Capacity-saving operation of air-conditioning equipment by setting levels that trigger demand warnings

October 2012

Cooperation with Eco Events/Environment Classes on Demand

The "Future Festa Kyoto - Science x Ecology" held on October 8, in which we participated, is one of the largest environment-related events in Kyoto City. About 40 corporations and organizations set up their booths at the fair, and we displayed LED lighting equipment, solar panels, solar cars and wind power-driven cars. A total of some 150 children participated in experience events we sponsored.

As part of our activities to contribute to environmental protection, we regularly hold "environment classes on demand" at elementary schools in Kyoto City. These classes were held at Meitoku Elementary School in June 2012, Hazukashi Elementary School in October 2012, and Fujinomori, Fujishiro and Shoho Elementary Schools in February 2013. Tachibana Eletech employees, as lecturers, explained to students about, among other things, the mechanism of wind-power generation and advantages of LED lighting equipment. We will continue with proactive cooperation with environment-related events.

November 2012

Participation in the Osaka Marathon "Cleanup Campaign"

We took part in the Osaka Marathon "Cleanup Campaign,"advocated by the Osaka Municipal Government to clean up public space for a week prior to the holding of the Osaka Marathon as part of efforts to build a clean and beautiful city. Before the start of business working hours on November 13, 27 employees volunteered to clean up streets around the Head Office building. This was the third time that Tachibana Eletech took part in the cleanup campaign. Compared with the 2011 year, the amount of garbage collected decreased significantly, an indication that the campaign activities are apparently producing results. Some people passing by encouraged the cleaning employees who were wearing windbreakers on which the company name was printed, saying, "Tachibana people are doing a commendable thing!" On April 12, 2013, we engaged in cleanup activities, with newly-recruited employees at the vanguard.

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, 2013).

(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 Information

Financial Overview (Fiscal Year Ended March 31, 2013)

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

In the year ended March 31, 2013, total assets increased by ¥3.815 billion year-on-year to ¥82.675 billion.

Current assets decreased by ¥283 million year-on-year to ¥66.005 billion. This was primarily due to a decrease of ¥2.296 billion in cash and deposits and an increase of ¥2.450 billion in trade notes and trade accounts receivable.

Fixed assets increased by ¥4.098 billion year-on-year to ¥16.670 billion. This was mainly attributable to an increase of ¥3.855 billion in investment securities.

In the fiscal year ended March 31, 2013, total liabilities increased by ¥731 million year-on-year to ¥42.586 billion.

Current liabilities increased by ¥1.377 billion year-on-year to ¥39.968 billion. This was primarily because of an increase of ¥611 million in trade notes and trade accounts payable and an increase of ¥804 million in advances received.

Long-term liabilities decreased by ¥646 million year-on-year to ¥2.618 billion. This was mainly due to a decrease of ¥326 million in long-term debt, an increase of ¥178 million in deferred tax liabilities, and a decrease of ¥503 million in negative goodwill.

In the fiscal year ended March 31, 2013, total net assets increased by ¥3.084 billion year-on-year to ¥40.089 billion. This was mainly due to an increase of ¥2.381 billion in retained earnings, an increase of ¥490 million in valuation difference on available-for-sale securities, and an increase of ¥209 million in foreign currency translation adjustments.

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

1) Net Sales

Net sales in the fiscal year ended March 31, 2013 amounted to ¥123.793 billion, an increase of ¥193 million or 0.2% over the previous fiscal year. With little strength seen in capital investment, Factory Automation Systems sales remained largely on par with the previous fiscal year, while Semiconductor and Electronic Devices sales decreased 4.2% year-on-year. In contrast, Building Services Systems as well as Information and Communication Systems both saw robust sales growth compared to the previous fiscal year. Furthermore, Tachibana Device Component Co., Ltd., which was established during the fiscal year following the acquisition of certain business operations from Renesas Electronics Sales Co., Ltd., contributed to the slight increase in overall net sales.

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

Given the challenging market conditions, cost of sales increased by ¥989 million, or 0.9% over the previous fiscal year, to ¥108.359 billion. The ratio of cost of sales to net sales increased 0.6 percentage points to 87.5%.

Selling, general, and administrative expenses decreased by ¥166 million, or 1.3% over the previous fiscal year, to ¥12.580 billion. This was mainly attributable to expenses for events marking the 90th anniversary of the company's founding recorded in the previous fiscal year and the company's efforts to reduce costs in response to the challenging management environment.

3) Non-Operating Income/Loss

Non-operating income increased by ¥457 million year-on-year to ¥1.512 billion. This mainly reflected an increase in foreign exchange gains due to the rapid weakening of the yen in the second half of the fiscal year and returns from investment realized from the equity method following the business alliance entered into with Takagi Co., Ltd.

Non-operating expenses decreased by ¥1 million year-on-year to ¥264 million.

4) Extraordinary Income/Loss

Extraordinary income decreased ¥17 million stemming from gains on the sale of investment securities recorded in the previous fiscal year.

Extraordinary losses decreased ¥425 million year-on-year to ¥17 million due, in part, to ¥383 million in losses from lawsuits recorded in the previous fiscal year.

5) Net Incomes

Net income increased by ¥329 million, or 13.3% over the previous fiscal year, to ¥2.797 billion, marking an all-time high.

(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, 2013 decreased by ¥1.337 billion year-on-year to ¥12.184 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 ¥1.993 billion, against net cash earned of ¥3.176 billion in the previous year. This mainly stemmed from an increase in accounts receivable of ¥1.475 billion, a decrease in income and other taxes paid of ¥1.218 billion, a decrease in inventories of ¥1.513 billion, and an increase in income before income taxes and minority interests of ¥4.085 billion.

(Cash Flow from Investing Activities)

Net cash used in investing activities amounted to ¥2.753 billion, against net cash used of ¥1.020 billion in the previous year. This was mainly due to proceeds of ¥1.013 billion associated with a decrease in fixed-term deposits and outlays of ¥3.243 billion for the acquisition of investment securities.

(Cash Flow from Financing Activities)

Net cash used by financing activities amounted to ¥736 million, against net cash used of ¥732 million in the previous year. This was primarily attributable to proceeds of ¥185 million from long-term debt, outlays of ¥546 million for repayments of long-term debt, and outlays of ¥416 million for the payment of cash dividends.

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 Asian markets; "broadening the provision of our monozukuri (craftsmanship) services" through the launch of the Manufacturing Services business; "expansion of new businesses" looking to growth markets such as environmental and energy fields; "reinforcement of consolidated synergies" to leverage the collective strengths of group companies; 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, 2013 and 2012

ASSETS	Millions of Yen 2013	Millions of Yen 2012	Thousands of U.S. Dollars (Note 1) 2013
CURRENT ASSETS:			
Cash and cash equivalents (Note 10)	¥ 12,183	¥ 13,520	$ 129,607
Short-term investments (Notes 3, 5 and 10)	791	1,531	8,415
Receivables (Note 10):			
Trade notes	8,427	7,955	89,649
Trade accounts	33,453	31,475	355,883
Other	1,751	1,583	18,627
Allowance for doubtful receivables	(65)	(63)	(691)
Inventories (Note 4)	8,235	9,560	87,606
Deferred tax assets (Note 8)	541	507	5,755
Prepaid expenses and other current assets (Notes 10 and 11)	689	220	7,330
Total current assets	66,005	66,288	702,181
PROPERTY AND EQUIPMENT:			
Land (Note 5)	1,172	1,172	12,468
Buildings and structures (Note 5)	6,578	6,571	69,979
Machinery and equipment	64	63	680
Furniture and fixtures	698	680	7,426
Construction in progress		0	
Total	8,512	8,486	90,553
Accumulated depreciation	(5,008)	(4,846)	(53,276)
Net property and equipment	3,504	3,640	37,277
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 3 and 10)	8,816	7,946	93,787
Investments in associated company	2,985		31,755
Deferred tax assets (Note 8)	11	15	117
Other assets	1,354	971	14,404
Total investments and other assets	13,166	8,932	140,063
TOTAL	¥ 82,675	¥ 78,860	$ 879,521

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen 2013	Millions of Yen 2012	Thousands of U.S. Dollars (Note 1) 2013
CURRENT LIABILITIES:			
Short-term bank loans (Notes 5 and 10)	¥ 1,602	¥ 1,555	$ 17,043
Current portion of long-term debt (Notes 5 and 10)	439	473	4,670
Payables (Note 10) :			
Trade notes	2,283	1,932	24,287
Trade accounts	31,438	31,179	334,447
Other	628	793	6,681
Income taxes payable	653	574	6,947
Accrued expenses	1,059	1,101	11,266
Advance received	1,083	279	11,521
Other current liabilities	783	705	8,329
Total current liabilities	39,968	38,591	425,191
LONG-TERM LIABILITIES:			
Long-term debt (Notes 5 and 10)	558	884	5,936
Long-term accounts payable	87	87	926
Liability for retirement benefits (Note 6)	651	646	6,926
Negative goodwill	876	1,379	9,319
Deferred tax liabilities (Note 8)	428	250	4,553
Other long-term liabilities	18	18	191
Total long-term liabilities	2,618	3,264	27,851
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 2013 and 2012	5,692	5,692	60,553
Capital surplus	5,571	5,571	59,266
Retained earnings	28,441	26,060	302,564
Treasury stock - at cost 602,527 shares in 2013 and 601,823 shares in 2012	(497)	(496)	(5,287)
Accumulated other comprehensive income (loss):			
Unrealized gains on available-for-sale securities	1,125	635	11,968
Deferred gains on derivatives under hedge accounting	5	5	53
Foreign currency translation adjustments	(322)	(532)	(3,426)
Total	40,015	36,935	425,691
Minority interests	74	70	788
Total equity	40,089	37,005	426,479
TOTAL	¥ 82,675	¥ 78,860	$ 879,521

Consolidated Statements of Income

TACHIBANA ELETECH CO., LTD. and Subsidiaries
Years Ended March 31, 2013 and 2012

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2012	**2013**
NET SALES (Note 16)	**¥ 123,793**	¥ 123,599	**$ 1,316,947**
COST OF SALES	**108,359**	107,370	**1,152,755**
Gross profit	**15,434**	16,229	**164,192**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 6 and 9)	**12,580**	12,746	**133,830**
Operating income	**2,854**	3,483	**30,362**
OTHER INCOME (EXPENSES):			
Interest and dividend income	**173**	166	**1,840**
Interest expense	**(41)**	(42)	**(436)**
Foreign exchange profit	**314**	109	**3,340**
Amortization of negative goodwill	**503**	505	**5,351**
Valuation loss on investment securities	**(4)**	(47)	**(43)**
Loss on litigation		(383)	
Other - net	**286**	57	**3,044**
Other income - net	**1,231**	365	**13,096**
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	**4,085**	3,848	**43,458**
INCOME TAXES (Note 8):			
Current	**1,299**	1,233	**13,819**
Deferred	**(17)**	140	**(181)**
Total income taxes	**1,282**	1,373	**13,638**
NET INCOME BEFORE MINORITY INTERESTS	**2,803**	2,475	**29,820**
MINORITY INTERESTS IN NET INCOME	**6**	7	**65**
NET INCOME	**¥ 2,797**	¥ 2,468	**$ 29,755**

	Yen		U.S. Dollars (Note 1)
PER SHARE OF COMMON STOCK (Note 14):	**2013**	2012	**2013**
Basic net income	**¥ 134.60**	¥ 118.78	**$ 1.43**
Cash dividends applicable to the year	**20.00**	20.00	**0.21**

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, 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2012	**2013**
NET INCOME BEFORE MINORITY INTERESTS	**¥ 2,803**	¥ 2,475	**$ 29,820**
OTHER COMPREHENSIVE INCOME (Note 13):			
Unrealized gain (loss) on available-for-sale securities	**490**	(209)	**5,213**
Deferred gain on derivatives under hedge accounting	**0**	4	**0**
Foreign currency translation adjustments	**210**	(77)	**2,234**
Total other comprehensive income (loss)	**700**	(282)	**7,447**
COMPREHENSIVE INCOME (Note 13)	**¥ 3,503**	¥ 2,193	**$ 37,267**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO (Note 13):			
Owners of the parent	**¥ 3,497**	¥ 2,186	**$ 37,203**
Minority interests	**6**	7	**64**

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

TACHIBANA ELETECH CO., LTD. and Subsidiaries
Years Ended March 31, 2013 and 2012

	Thousands	Millions of Yen									
						Accumulated Other Comprehensive Income (Loss)					
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain (Loss) on Available-for-sale Securities	Deferred Gains on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 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
Net income				2,797					2,797		2,797
Cash dividends, ¥20 per share				(416)					(416)		(416)
Purchase of treasury stock	(1)				(1)				(1)		(1)
Net change in the year						490	0	210	700	4	704
BALANCE, MARCH 31, 2013	**20,778**	**¥ 5,692**	**¥ 5,571**	**¥ 28,441**	**¥ (497)**	**¥ 1,125**	**¥ 5**	**¥ (322)**	**¥ 40,015**	**¥ 74**	**¥ 40,089**

	Thousands of U.S. Dollars (Note 1)									
					Accumulated Other Comprehensive Income (Loss)					
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain (Loss) on Available-for-sale Securities	Deferred Gains on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Total	Minority Interests	Total Equity
BALANCE, MARCH 31, 2012	$ 60,553	$ 59,266	$ 277,234	$ (5,277)	$ 6,755	$ 53	$ (5,660)	$ 392,924	$ 745	$ 393,669
Net income			29,755					29,755		29,755
Cash dividends, $0.21 per share			(4,425)					(4,425)		(4,425)
Purchase of treasury stock				(10)				(10)		(10)
Net change in the year					5,213	0	2,234	7,447	43	7,490
BALANCE, MARCH 31, 2013	**$ 60,553**	**$ 59,266**	**$ 302,564**	**$ (5,287)**	**$ 11,968**	**$ 53**	**$ (3,426)**	**$ 425,691**	**$ 788**	**$ 426,479**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

TACHIBANA ELETECH CO., LTD. and Subsidiaries
Years Ended March 31, 2013 and 2012

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2012	**2013**
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	**¥ 4,085**	¥ 3,848	**$ 43,458**
Adjustments for:			
Income taxes - paid	**(1,218)**	(1,906)	**(12,957)**
Depreciation and amortization	**(172)**	(156)	**(1,830)**
Provision for doubtful receivables	**28**	(66)	**298**
Provision for employee bonuses	**(58)**	15	**(617)**
Increase (decrease) in liability for retirement benefits	**4**	(32)	**43**
Valuation loss on investment securities	**4**	47	**43**
Changes in assets and liabilities:			
Increase in receivables – trade	**(1,475)**	(1,668)	**(15,691)**
(Increase) decrease in account receivables – other	**(171)**	49	**(1,819)**
(Increase) decrease in inventories	**1,513**	(1,459)	**16,096**
(Decrease) increase in trade payables	**(173)**	4,366	**(1,840)**
Other - net	**(374)**	138	**(3,982)**
Total adjustments	**(2,092)**	(672)	**(22,256)**
Net cash provided by operating activities	**1,993**	3,176	**21,202**
INVESTING ACTIVITIES:			
Net change in time deposits	**1,013**	(390)	**10,777**
Purchases of short-term investments	**(102)**	(50)	**(1,085)**
Purchases of property and equipment	**(85)**	(65)	**(904)**
Purchases of intangible assets	**(125)**	(67)	**(1,330)**
Purchases of investment securities and associated company	**(3,243)**	(1,718)	**(34,500)**
Proceeds from sales and redemptions of investment securities		202	
Proceeds from redemptions of short-term investments	**180**	810	**1,915**
Other - net	**(391)**	258	**(4,160)**
Net cash used in investing activities	**(2,753)**	(1,020)	**(29,287)**
FINANCING ACTIVITIES:			
Net change in short-term bank loans	**44**	(603)	**468**
Proceeds from long-term debt	**185**	660	**1,968**
Repayments of long-term debt	**(546)**	(310)	**(5,809)**
Net change in treasury stock	**(1)**	(0)	**(11)**
Dividends paid	**(416)**	(476)	**(4,425)**
Other - net	**(2)**	(3)	**(21)**
Net cash used in by financing activities	**(736)**	(732)	**(7,830)**
EFFECT OF FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	**159**	(70)	**1,692**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(1,337)**	1,354	**(14,223)**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**13,520**	12,166	**143,830**
CASH AND CASH EQUIVALENTS, END OF YEAR	**¥ 12,183**	¥ 13,520	**$ 129,607**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

TACHIBANA ELETECH CO., LTD. and Subsidiaries
Years Ended March 31, 2013 and 2012

1. BASIS OF PRESENTING 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 accordance 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 reclassifications have been made in the 2012 consolidated financial statements to conform to the classifications used in 2013.

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 ¥94 to $1, the approximate rate of exchange at March 31, 2013. 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, 2013 and 2012 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, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in an associated company are accounted for by the equity method.

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 5 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 (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 that 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. However , financial statements prepared by foreign subsidiaries in accordance with either IFRS or the accounting principles generally accepted in the United States of America tentatively may be used for the consolidation process, except for, 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. Unification of Accounting Policies Applied Associated Companies for the Equity Method - In March 2008, the ASBJ issued ASBJ Statement No. 16, "Accounting Standard for Equity Method of Accounting for Investments." The new standard requires adjustments to be made to conform the associate's accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate's financial statements are used in applying the equity method unless it is impracticable to determine such adjustments.

d. Cash Equivalents - Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Cash equivalents include time deposits, all of which mature within three months of the date of acquisition.

e. 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.

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

g. 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.

h. 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.

TACHIBANA ELETECH CO., LTD. and Subsidiaries
Years Ended March 31, 2013 and 2012

i. 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 is 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.

j. Retirement Benefits - The Group has a defined benefit 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.

k. 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.

l. 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 in the balance sheet. In addition, the accounting standard permits leases which existed at the transition date and do not transfer ownership of the leased property to the lessee to be accounted for as operating lease transactions.

The 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.

m. 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.

n. Income Taxes - The provision for income taxes is computed based on the pretax income included in the consolidated statement 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.

o. 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.

p. 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 Japanese yen at the current exchange rate.

q. 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 and (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.

Foreign currency forward contracts 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.

r. 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 statement of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

s. Accounting Changes and Error Corrections - In December 2009, the ASBJ issued ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections." Accounting treatments under this standard and guidance are as follows: (1) Changes in Accounting Policies - When a new accounting policy is applied following revision of an accounting standard, the new policy is applied retrospectively unless the revised accounting standard includes specific transitional provisions, in which case the 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.

t. 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 an effective date of April 1, 2000, and the other related practical guidance, and 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, is 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 any resulting 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

The revised accounting standard does 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 have not yet been 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.

(c) Amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases

The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases.

This accounting standard and the guidance for (a) and (b) above are effective for the end of annual periods beginning on or after April 1, 2013, and for (c) above are effective for the beginning of annual periods beginning on or after April 1, 2014, or for the beginning of annual periods beginning on or after April 1, 2015, subject to certain disclosure in March 2015, both 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 for (a) and (b) above from the end of the annual period beginning on April 1, 2013, and for (c) above from the beginning of the annual period beginning on April 1, 2014, and is in the process of measuring the effects of applying the revised accounting standard in future applicable periods.

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3. SHORT-TERM INVESTMENTS AND INVESTMENT SECURITIES

Short-term investments and investment securities as of March 31, 2013 and 2012, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Short-term investments:			
Time deposits other than cash equivalents	**¥ 391**	¥ 1,351	**$ 4,160**
Government and corporate bonds	**400**	180	**4,255**
Total	**¥ 791**	¥ 1,531	**$ 8,415**
Investment securities:			
Marketable equity securities	**¥ 6,667**	¥ 6,028	**$ 70,926**
Government and corporate bonds	**1,968**	1,845	**20,936**
Nonmarketable equity securities	**25**	26	**266**
Others	**156**	47	**1,659**
Total	**¥ 8,816**	¥ 7,946	**$ 93,787**

Information regarding the securities classified as available-for-sale as of March 31, 2013 and 2012, was as follows:

	Millions of Yen			
March 31, 2013	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Equity securities	**¥ 4,926**	**¥ 1,813**	**¥ 73**	**¥ 6,666**
Government and corporate bonds	**1,852**	**17**	**1**	**1,868**
Others	**144**	**13**	**1**	**156**
Total	**¥ 6,922**	**¥ 1,843**	**¥ 75**	**¥ 8,690**
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

	Thousands of U.S. Dollars			
March 31, 2013	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Equity securities	**$ 52,404**	**$ 19,287**	**$ 776**	**$ 70,916**
Government and corporate bonds	**19,702**	**181**	**11**	**19,872**
Others	**1,532**	**138**	**11**	**1,660**
Total	**$ 73,638**	**$ 19,606**	**$ 798**	**$ 92,448**

Impairment losses on available-for-sale securities for the years ended March 31, 2013 and 2012, were ¥4 million ($43 thousand) and ¥47 million, respectively.

4. INVENTORIES

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

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Merchandise	**¥ 8,207**	¥ 9,196	**$ 87,309**
Work in process	**27**	4	**287**
Raw materials	**1**	360	**10**
Total	**¥ 8,235**	¥ 9,560	**$ 87,606**

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

Short-term bank loans at March 31, 2013 and 2012, included bank overdrafts. The annual interest rates applicable to the short-term bank loans ranged from 0.61% to 5.60% and 0.63% to 6.10% at March 31, 2013 and 2012, respectively.

Long-term debt at March 31, 2013 and 2012, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Loans from banks and other financial institutions, due serially to 2019 with interest rates ranging from 0% to 1.98% (2013) and 0% to 1.98% (2012):			
Collateralized	**¥ 197**	¥ 181	**$ 2,095**
Unsecured	**800**	1,176	**8,511**
Total	**997**	1,357	**10,606**
Less current portion	**439**	473	**4,670**
Long-term debt, less current portion	**¥ 558**	¥ 884	**$ 5,936**

Annual maturities of long-term debt at March 31, 2013, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2014	**¥ 439**	**$ 4,670**
2015	**429**	**4,564**
2016	**99**	**1,053**
2017	**11**	**117**
2018	**11**	**117**
2019 and thereafter	**8**	**85**
Total	**¥ 997**	**$ 10,606**

The carrying amounts of assets pledged as collateral for the above secured and collateralized long-term debt at March 31, 2013, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Time deposits included in short-term investments	**¥ 6**	**$ 64**
Land	**107**	**1,138**
Buildings and structures - net of accumulated depreciation	**20**	**213**
Total	**¥ 133**	**$ 1,415**

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, 2013 and 2012, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Projected benefit obligation	¥ 4,309	¥ 4,057	$ 45,840
Fair value of plan assets	(3,352)	(3,070)	(35,660)
Unrecognized prior service cost	(8)	44	(84)
Unrecognized actuarial gain	(298)	(385)	(3,170)
Net liability	¥ 651	¥ 646	$ 6,926

The Company changed part of its retirement plan on April 1, 2009 and July 1, 2012. Due to this change, prior service cost of ¥63 million ($670 thousand) and ¥45 million ($479 thousand) was accrued and is being amortized over 10 years.

The components of net periodic benefit costs for the years ended March 31, 2013 and 2012, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Service cost	¥ 226	¥ 187	$ 2,404
Interest cost	75	74	798
Expected return on plan assets	(30)	(29)	(320)
Amortization of prior service cost	(1)	(6)	(11)
Recognized actuarial loss	12	35	129
Subtotal	282	261	3,000
Payments for defined contribution pension plan	243	246	2,585
Additional retirement benefit expenses	20	24	213
Net periodic benefit costs	¥ 545	¥ 531	$ 5,798

Assumptions used for the years ended March 31, 2013 and 2012, are set forth as follows:

	2013	2012
Discount rate	1.5%	2.0%
Expected rate of return on plan assets	1.0%	1.0%
Amortization period of prior service cost	10years	10years
Recognition period of actuarial gain/loss	10years	10years

The total pension fund assets and projected benefit obligation of the welfare pension fund as of March 31, 2012, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Pension fund assets	¥ 62,616	$ 666,128
Projected benefit obligation	(77,267)	(821,990)
Amount of balance	¥ (14,651)	$ (155,862)

The Group's share of the contribution to the fund for the year ended March 31, 2012, was 7.1%.

The balance consists of past service liabilities of ¥13,861 million ($147,457 thousand), adjusted addition for asset valuation of ¥3,567 million ($37,947 thousand) and accumulated funds of ¥4,356 million ($46,340 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 an Audit and Supervisory Board, 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 37.9% and 40.6% for the years ended March 31, 2013 and 2012. 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, 2013 and 2012, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Deferred tax assets:			
Allowance for doubtful receivables	¥ 33	¥ 17	$ 351
Accrued bonuses	298	321	3,170
Enterprise tax	58	47	617
Valuation loss on investment securities	158	161	1,681
Retirement allowance for directors and Audit and Supervisory Board Members	31	34	330
Liability for retirement benefits	279	248	2,968
Loss on devaluation of stock	84	44	894
Tax loss carryforward	312	334	3,319
Other	128	125	1,361
Total gross deferred tax assets	1,381	1,331	14,691
Less valuation allowance	(608)	(585)	(6,468)
Net deferred tax assets	¥ 773	¥ 746	$ 8,223
Deferred tax liabilities:			
Undistributed earnings of overseas subsidiaries	¥ 41	¥ 32	$ 436
Unrealized gains on available-for-sale securities	567	400	6,032
Other	41	42	436
Total gross deferred tax liabilities	649	474	6,904
Net deferred tax assets	¥ 124	¥ 272	$ 1,319

Net deferred tax assets and liabilities at March 31, 2013 and 2012, are reflected in the accompanying consolidated balance sheet under the following captions:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Deferred tax assets (current)	¥ 541	¥ 507	$ 5,755
Deferred tax assets (noncurrent)	11	15	117
Deferred tax liabilities (noncurrent)	(428)	(250)	(4,553)
Net deferred tax assets	¥ 124	¥ 272	$ 1,319

A reconciliation between the normal effective statutory tax rates for the years ended March 31, 2013 and 2012, and the actual effective tax rates reflected in the accompanying consolidated statement of income is as follows:

	2013	2012
Normal effective statutory tax rate	37.9%	40.6%
Expenses not deductible for income tax purposes	1.7	1.9
Income not taxable for income tax proposes	(0.7)	(0.7)
Taxation on per capita basis	1.0	1.1
Change in valuation allowance	0.0	(1.6)
Amortization of negative goodwill	(4.7)	(5.3)
Equity in earnings of associated company	(2.3)	
Difference in foreign subsidiaries tax rates	(1.4)	(1.8)
Decrease adjustment of deferred tax assets for changing tax rates		1.5
Other - net	(0.1)	0.0
Actual effective tax rate	31.4%	35.7%

At March 31, 2013, certain subsidiaries have tax loss carryforwards aggregating approximately ¥841 million ($8,947 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
2015	¥ 36	$ 383
2016	227	2,415
2017	272	2,894
2018	283	3,011
2019 and thereafter	23	244
Total	¥ 841	$ 8,947

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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, 2013 and 2012 were ¥573 million ($6,096 thousand) and ¥563 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 in 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 continue to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the financial statements. The Company applied ASBJ Statement No. 13 effective April 1, 2008, and accounted for such leases as operating lease transactions. Pro forma information of leased property whose lease inception was before March 31, 2008, 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:

	Millions of Yen			Millions of Yen			Thousands of U.S. Dollars		
	March 31, 2013			March 31, 2012			March 31, 2013		
	Machinery and Equipment	Furniture and Fixtures	Total	Machinery and Equipment	Furniture and Fixtures	Total	Machinery and Equipment	Furniture and Fixtures	Total
Acquisition cost	¥ 30	¥ 31	¥ 61	¥ 30	¥ 154	¥ 184	$ 319	$ 330	$ 649
Accumulated depreciation	23	29	52	20	131	151	245	309	554
Net leased property	¥ 7	¥ 2	¥ 9	¥ 10	¥ 23	¥ 33	$ 74	$ 21	$ 95

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Due within one year	¥ 5	¥ 24	$ 53
Due after one year	4	9	43
Total	¥ 9	¥ 33	$ 96

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

Depreciation expense, which is not reflected in the accompanying consolidated statement of income, computed by the straight-line method was ¥24 million ($255 thousand) and ¥42 million for the years ended March 31, 2013 and 2012, respectively.

Future minimum payments under noncancelable operating leases were as follows:

	Operating Leases 2013	
	Millions of Yen	Thousands of U.S. Dollars
Due within one year	¥ 41	$ 436
Due after one year	46	489
Total	¥ 87	$ 925

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 a quoted price is not available another rational valuation technique is used instead. Please see Note 11 for the detail of the fair value of derivatives.

(a) Fair value of financial instruments

	Millions of Yen			Millions of Yen			Thousands of U.S. Dollars		
	March 31, 2013			March 31, 2012			March 31, 2013		
	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	¥ 12,183	¥ 12,183		¥ 13,520	¥ 13,520		$ 129,607	$ 129,607	
Trade receivables	41,880			39,430			445,532		
Allowance for doubtful receivables	(65)			(63)			(691)		
Subtotal	41,815	41,815		39,367	39,367		444,841	444,841	
Other receivables	1,751	1,751		1,583	1,583		18,627	18,627	
Short-term investments and investment securities	9,581	9,575	¥ (6)	9,450	9,425	¥ (25)	101,925	101,861	$ (64)
Total	¥ 65,330	¥ 65,324	¥ (6)	¥ 63,920	¥ 63,895	¥ (25)	$ 695,000	$ 694,936	$ (64)
Short-term bank loans	¥ 1,602	¥ 1,602		¥ 1,555	¥ 1,555		$ 17,043	$ 17,043	
Trade payables	33,721	33,721		33,111	33,111		358,734	358,734	
Long-term debt	997	999	¥ 2	1,357	1,358	¥ 1	10,606	10,627	$ 21
Total	¥ 36,320	¥ 36,322	¥ 2	¥ 36,023	¥ 36,024	¥ 1	$ 386,383	$ 386,404	$ 21
Derivative financial instruments	¥ 7	¥ 7	¥	¥ 8	¥ 8	¥	$ 74	$ 74	$

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. Fair value information for 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.

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

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Investments in equity instruments that do not have a quoted market price in an active market	¥ 3,011	¥ 26	$ 32,032

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

	Millions of Yen				Millions of Yen			
	March 31, 2013				March 31, 2012			
	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Cash and cash equivalents	¥ 12,183			¥	¥ 13,520			¥
Trade receivables	41,880				39,430			
Other receivables	1,751				1,583			
Short-term investments and investment securities:								
Time deposits	391				1,350	¥ 500		
Available-for-sale securities with contractual maturities:								
Government and corporate bonds	400	¥ 1,252	¥ 700		180	852	¥ 500	
Total	¥ 56,605	¥ 1,252	¥ 700	¥	¥ 56,063	¥ 1,352	¥ 500	¥

	Thousands of U.S. Dollars			
	March 31, 2013			
	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Cash and cash equivalents	$ 129,607			$
Trade receivables	445,532			
Other receivables	18,627			
Short-term investments and investment securities:				
Time deposits	4,160			
Available-for-sale securities with contractual maturities:				
Government and corporate bonds	4,255	$ 13,319	$ 7,447	
Total	$ 602,181	$ 13,319	$ 7,447	$

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.

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

		Millions of Yen			Millions of Yen			Thousands of U.S. Dollars		
		March 31, 2013			March 31, 2012			March 31, 2013		
	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 CHF	Payables	¥ 34	¥	¥ 5				$ 362	$	$ 53
Buying U.S.$	Payables	10		1	¥ 104	¥	¥ 8	106		11
Buying EUR	Payables	9		1				96		11
Buying H.K.$	Payables	1		0				11		
Interest rate swaps: (fixed rate payment, floating rate receipt)	Long-term Debt	¥ 520	¥ 260		¥ 780	¥ 520		$ 5,532	$ 2,766	

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

As of March 31, 2013, the Group had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Trade notes discounted	¥ 100	$ 1,064

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13. COMPREHENSIVE INCOME

The components of other comprehensive income for the year ended March 31, 2013 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Unrealized gain (loss) on available-for-sale securities:			
Gains arising during the year	¥ 653	¥ (411)	$ 6,947
Reclassification adjustments to profit or loss	3	(1)	32
Amount before income tax effect	656	(410)	6,979
Income tax effect	(166)	201	(1,766)
Total	¥ 490	¥ (209)	$ 5,213
Deferred gains (loss) on derivatives under hedge accounting:			
Gains arising during the year	¥ (1)	¥ 6	$ (11)
Amount before income tax effect	(1)	6	(11)
Income tax effect	1	(2)	11
Total	¥ (0)	¥ 4	$ (0)
Foreign currency translation adjustments:			
Adjustments arising during the year	¥ 210	¥ (77)	$ 2,234
Total	¥ 210	¥ (77)	$ 2,234
Total other comprehensive income (loss)	¥ 700	¥ (282)	$ 7,447

14. NET INCOME PER SHARE

The average number of common shares used in the computation was 20,779,033 shares for 2013 and 20,779,457 shares for 2012.

15. SUBSEQUENT EVENTS

Cash Dividend

On May 27, 2013, the Company's board of directors approved a year-end cash dividend of ¥10 ($0.11) per share on the outstanding common stock of the Company at March 31, 2013.

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 four 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)
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
Information and Communication Systems Business	RFID/DSRC systems, surveillance cameras, thin clients, touch panels, FA controllers and various types of special terminals

Effective year ended March 31, 2013, the solution systems business and trading segment were included into the other businesses segment in consideration of their significance.

In accordance with this change, reportable segment information for the year ended March 31, 2012 was conformed to the current classification.

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								
	2013								
	Reportable Segment								
	Factory Automation Systems Business	Semiconductors and Electronic Devices Business	Building Services Systems Business	Information and Communication Systems	Total	Others	Total	Reconciliation	Consolidated
Sales									
Sales to external customers	¥ 57,271	¥ 44,571	¥ 12,575	¥ 6,323	¥ 120,740	¥ 3,053	¥ 123,793		¥ 123,793
Intersegment sales or transfers									
Total	57,271	44,571	12,575	6,323	120,740	3,053	123,793		123,793
Segment profit (loss)	1,912	741	274	(73)	2,854	0	2,854		2,854
(Operating profit (loss))									
Segment assets	28,811	17,610	8,548	3,645	58,614	2,271	60,885	¥ 21,790	82,675
Other:									
Depreciation	159	96	27	18	300	30	330		330
Equity in earnings of associated company	252				252		252		252
Investment in associated company under the equity method	2,985				2,985		2,985		2,985
Increase in property, plant and equipment and intangible assets	79	71	14	12	176	17	193		193

TACHIBANA ELETECH CO., LTD. and Subsidiaries
Years Ended March 31, 2013 and 2012

Millions of Yen — 2012

	Reportable Segment: Factory Automation Systems Business	Reportable Segment: Semiconductors and Electronic Devices Business	Reportable Segment: Building Services Systems Business	Reportable Segment: Information and Communication Systems	Reportable Segment: Total	Others	Total	Reconciliation	Consolidated
Sales									
Sales to external customers	¥ 57,318	¥ 46,545	¥ 11,694	¥ 4,769	¥ 120,326	¥ 3,273	¥ 123,599		¥ 123,599
Intersegment sales or transfers									
Total	57,318	46,545	11,694	4,769	120,326	3,273	123,599		123,599
Segment profit (loss) (Operating profit (loss))	2,369	1,209	113	(190)	3,501	(18)	3,483		3,483
Segment assets	25,373	19,297	6,237	2,922	53,829	2,034	55,863	¥ 22,997	78,860
Other:									
Depreciation	171	99	30	20	320	28	348		348
Increase in property, plant and equipment and intangible assets	67	45	12	10	134	13	147		147

Thousands of U.S. Dollars — 2013

	Reportable Segment: Factory Automation Systems Business	Reportable Segment: Semiconductors and Electronic Devices Business	Reportable Segment: Building Services Systems Business	Reportable Segment: Information and Communication Systems	Reportable Segment: Total	Others	Total	Reconciliation	Consolidated
Sales									
Sales to external customers	$ 609,266	$ 474,160	$ 133,777	$ 67,265	$ 1,284,468	$ 32,479	$ 1,316,947		$ 1,316,947
Intersegment sales or transfers									
Total	609,266	474,160	137,777	67,265	1,284,468	32,479	1,316,947		1,316,947
Segment profit (loss) (Operating profit (loss))	20,340	7,883	2,915	(776)	30,362		30,362		30,362
Segment assets	306,500	187,340	90,936	38,777	623,553	24,160	647,713	$ 231,808	879,521
Other:									
Depreciation	1,691	1,021	287	192	3,191	320	3,511		3,511
Equity in earnings of associated company	2,681				2,681		2,681		2,681
Investment in associated company under the equity method	31,755				31,775		31,755		31,755
Increase in property, plant and equipment and intangible assets	840	755	149	128	1,872	181	2,053		2,053

Notes: Segment assets included in the reconciliation line as of March 31, 2013 and 2012, which were ¥21,790 million ($231,808 thousand) and ¥22,997 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 — 2013

	Factory Automation Systems Business	Semiconductors and Electronic Devices Business	Building Services Systems Business	Information and Communication Systems	Total	Others	Total	Elimination/ Corporate	Total
Amortization of negative goodwill	¥ 503	¥	¥	¥	¥ 503	¥	¥ 503		¥ 503
Negative goodwill at March 31, 2013	876				876		876		876

Millions of Yen — 2012

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

Thousands of U.S. Dollars — 2013

	Factory Automation Systems Business	Semiconductors and Electronic Devices Business	Building Services Systems Business	Information and Communication Systems	Total	Others	Total	Elimination/ Corporate	Total
Amortization of negative goodwill	$ 5,351	$	$	$	$ 5,351	$	$ 5,351	$	$ 5,351
Negative goodwill at March 31, 2013	9,319				9,319		9,319		9,319

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

Deloitte.

Deloitte Touche Tohmatsu LLC
Yodoyabashi Mitsui Building
4-1-1,Imabashi,Chuo-ku
Osaka 541-0042
Japan

Tel: +81 (6) 4560 6000
Fax: +81 (6) 4560 6001
www.deloitte.com/jp

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 its consolidated subsidiaries as of March 31, 2013, and the related consolidated statements 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 accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, 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 accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 its consolidated subsidiaries as of March 31, 2013, and the consolidated results of their operations and their cash flows for the year then ended in accordance 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 accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 14, 2013

Member of
Deloitte Touche Tohmatsu Limited

Company Data (as of June 27, 2013)

Company Outline

Company Name in English
TACHIBANA ELETECH CO., LTD.

Date of Establishment
July 12, 1948

Capital
¥5,692,138,150

Number of Employees
802 (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
Makoto Nishimura

Director
Masato Tujikawa

Standing Auditor
Nobuto Takigawa

Auditor
Yasuhiro Otani

Auditor
Hiroumi Shioji

Managing Operating Officer
Yoji Shimizu

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

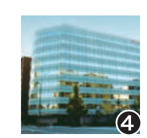
Operating Officer
Hirokazu Ueda

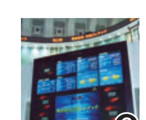
Operating Officer
Keiji Yamajo

History

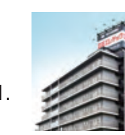
1921 Norimitsu Tachibana founded Tachibana Shokai. ①
1925 Special contract made with Mitsubishi Corporation.
1947 Special contract made with Mitsubishi Electric Corporation.
1948 Tachibana Shokai Ltd established. ②
1961 Head Office moved to Nishi-ku in Osaka City. ③
1962 Special contract with Mitsubishi Electric Corporation annulled to make new agency agreement.
1982 Singaporean branch office established.
1985 Osaka Software Center established.
1986 Listed as the specified brand in the Second Section (New Second Section) of the Osaka Securities Exchange.
1987 Tachibana Sales (Singapore) Pte. Ltd. established.
1988 Hong Kong branch office established.
1990 Listed as stock on the Second Section of the Osaka Securities Exchange.
1992 Tachibana Sales (Hong Kong) Ltd. established.
1994 Head Office newly built. ④
1997 Tachibana Sales (Taiwan) Co., Ltd. established.
2000 Shenzhen Semiconductor Technology Center established.
2001 Ritsuryokai established.
Renamed "Tachibana Eletech Co., Ltd". ⑤
Acquired ISO14001.
2002 Tachibana Sales (Shanghai) Ltd. established.
2003 Acquired ISO9001.
2004 Listed on the Second Section of the Tokyo Stock Exchange. ⑥

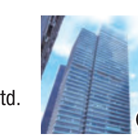


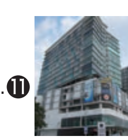





2005 Listed on the First Section of the Tokyo Stock Exchange and the Osaka Securities Exchange. ⑦
2006 Acquired ISMS.
2007 Tachibana Sales (Korea) Ltd. established.
Tachibana Sales (Bangkok) Co., Ltd. established.
Tachibana Overseas Holdings (in-house company) established.
Move from ISMS certification standard to ISO27001.
2008 Minami Osaka Building completed (the Minami Osaka branch office and the "Risshikan" training center with accommodation/dormitory). ⑧
2010 Tachibana Kouwa System Service Co., Ltd. established through the merger between Tachibana ES and Kouwa Kogyo.
Daidensha Co., Ltd. becomes wholly owned subsidiary.
Beijing Office, Shenzhen Office established.
2011 Taiyo Shokai Co., Ltd. absorbs Tachibana Create Ltd.
Wuhan Office established.
90th anniversary of the company's founding. ⑨
2012 Tachibana Overseas Holdings Ltd. incorporated as a supervising holding company for overseas subsidiaries. ⑩
Dalian Office established.
Conclude a capital and business tie-up agreement with Takagi Co., Ltd.
Tachibana Device Component Co., Ltd. established. ⑪
2013 Malaysia Office established. ⑫





Company Data (as of June 27, 2013)

Subsidiaries and Affiliates

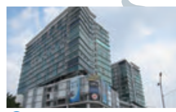

1 HONG KONG


2 SINGAPORE


3 TAIWAN


4 SHANGHAI


5 KOREA


11 MALAYSIA OFFICE


6 BANGKOK (THAILAND)


7 BEIJING OFFICE


8 SHENZHEN OFFICE

9 WUHAN OFFICE


10 DALIAN OFFICE

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

TACHIBANA DEVICE COMPONENT CO., LTD.
Uchiyama Bld., 2-12-5, Uchikanda, Chiyoda-ku, Tokyo, 101-0047

[Equity Method Affiliate]

TAKAGI CO., LTD.
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. Office: Malaysia
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) CO., LTD.
4F, No.288 Fu-Shing N. RD., Taipei 104,Taiwan, R.O.C.
Tel. 886-2-2518-1112

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

TACHIBANA SALES (KOREA) LTD.
No.1118, Mario Tower, 222-12, Guro-Dong, Guro-gu, Seoul 152-741 Korea
Tel. 82-2-890-6620

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,V)
  - Semiconductors and Electronic Devices — Semiconductors and Electronic Devices Division (I,II,III); Foreign Semiconductors & Electronic Devices Division; Semiconductor Technology Division
  - Building Services Systems — Building Services Systems Division
  - Information and Communication Systems — Information & Communication Systems Division
  - Solution Systems — Solution Systems Division; Technology Division
  - Manufacturing Services — Manufacturing Services Division
  - Overseas Operations — Tachibana Overseas Holdings Ltd.; International Dept.
  - Finance & Administration — Corporate Planning Division; Finance & Administration Division

Investor Information (as of March 31, 2013)

Authorized Number of Shares:
80,000,000

Issued Number of Shares:
21,381,102

Number of Shareholders:
3,034

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

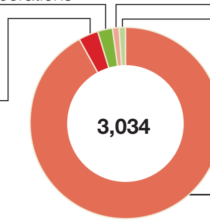
*On July 16, 2013, the Tokyo Stock Exchange completed its acquisition of the Osaka Securities Exchange.

Major Shareholders

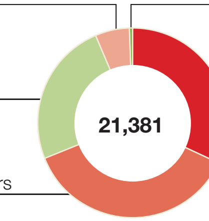
Shareholders	Shares (thousand stocks)	Ratio of stocks held to total outstanding share volume (%)
Mitsubishi Electric Corporation	1,601	7.71
Tachibana Eletech's Employees Shareholders' Association	1,255	6.04
Sansei Technos Co., Ltd.	1,232	5.93
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	901	4.34
Kinden Corporation	628	3.02
Noritz Corporation	618	2.98
Nippon Life Insurance Company	431	2.08
Chigusa Satake	409	1.97
ESPEC Corp.	377	1.82
The Iyo Bank, Ltd.	363	1.75
Total	7,820	37.64

Notes: 1. Shown with less than 1,000 shares truncated.
2. The Company holds 602,527 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)