Annual Report 2012

From April 1,2011 to March 31,2012

DAISHINKU CORP.

Profile

Smart phones and tablet PCs are essential communication tools in our daily life today. As information and communication technology (ICT) continues to develop remarkably, Daishinku (KDS) supports this enriched electronic society with their crystal devices.

The transparent and beautifully shining crystal has the power to generate stable electrical signal by flowing electricity and resonating precisely through it. Crystal device functions as the heart of various electronic equipment, such as telecommunications, audio- visuals, and automotive electronics. And its use continues to expand greatly.

Financial Highlights

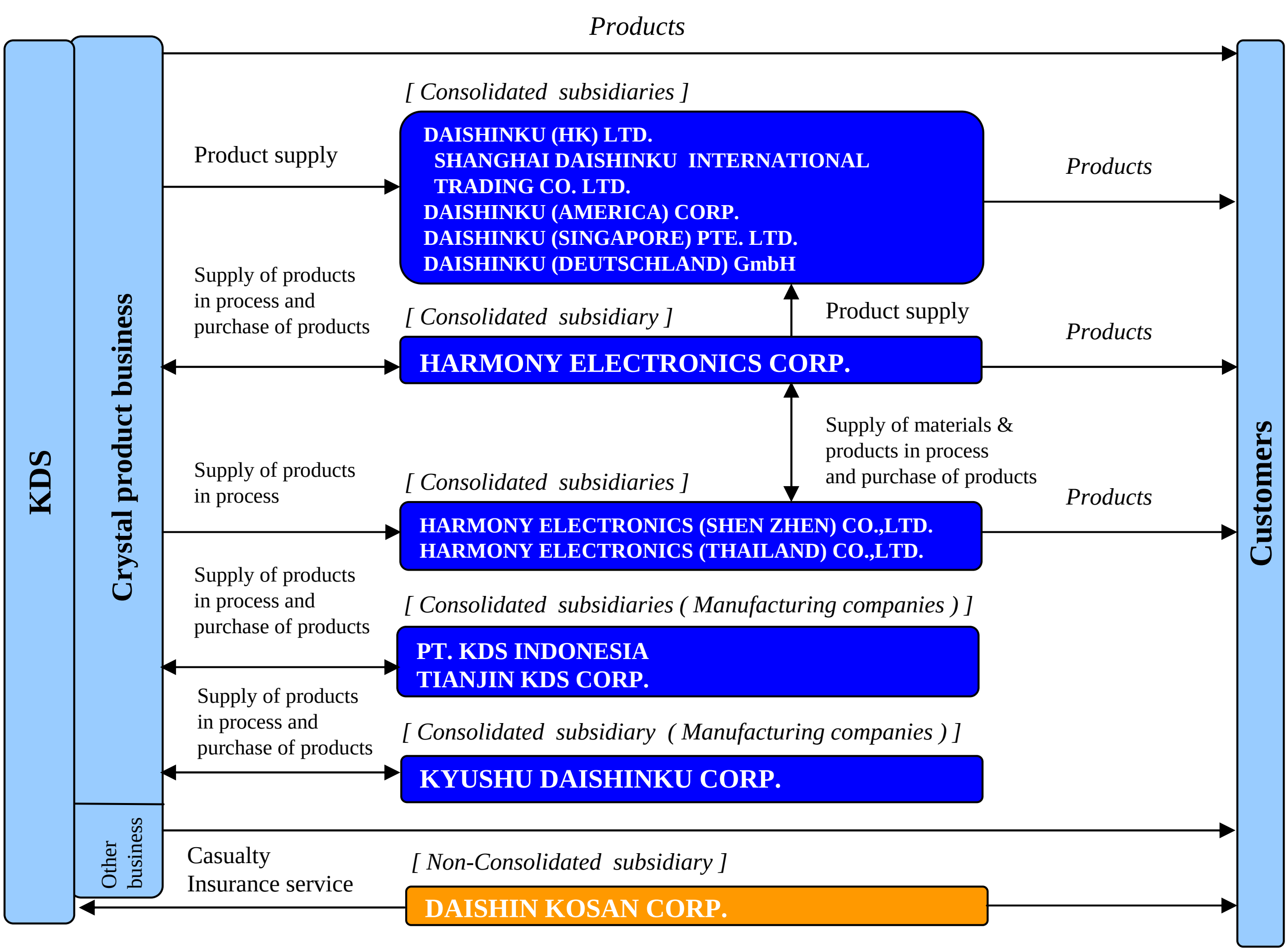
		[Millions of Yen]		Thousands of U.S. Dollars
For The Year	**2010**	**2011**	**2012**	**2012**
Net Sales	31,978	37,983	35,150	428,663
Operating Income	1,227	1,425	316	3,856
Net Income	234	425	△ 249	△ 3,041
At Year - End				
Total Net Assets	32,556	32,276	31,521	384,403
Total Assets	57,732	57,508	57,703	703,697
Per Share of Common Stock			[Yen]	U.S. Dollars
Net Income	5.64	10.25	△ 6.01	△ 0.07
Cash Dividends	5.00	8.00	4.00	0.05
Shareholders'equity per share	716.78	694.05	675.07	8.23

Note : U.S. dollar amounts are calculated at an exchange rate of JPY 82 to US$1.

Profile

Company Group

The KDS Group comprises 13 consolidated subsidiaries and one non-consolidated company. Daishinku is fully specialized in manufacturing and marketing quartz devices. The KDS Group is an integrated quartz device manufacturer, which produces and sells both materials such as synthetic crystals, and electronic components such as crystal resonators, tuning fork crystal resonators and crystal-applied products.



For Shareholders and Investors

Sohei Hasegawa   President

For Shareholders and Investors

Since our establishment in 1959, we Daishinku have been satisfying the advanced needs of the world demand, under our policy of “reliance”.

After the burst of the IT bubble in 2000, we carried out structural reform of our business to concentrate our resources on crystal quartz devices. With the implementation of new product strategies, we posted a record-setting operating income in the fiscal year ended March 2008. From the second half of 2008 to 2009, the Lehman shock threw the market into chaos, forcing us to fight an uphill battle. However, we focused on businesses related to smartphones, pulling our earnings back onto a recovery path. In the fiscal year ended March 2012, the market environment deteriorated due to the effects of natural disasters, such as the Great East Japan Earthquake and flooding in Thailand, together with the European sovereign debt crisis. In addition, unprecedented yen appreciation cut into our profitability. Consequently, we saw both net sales and profits decrease.

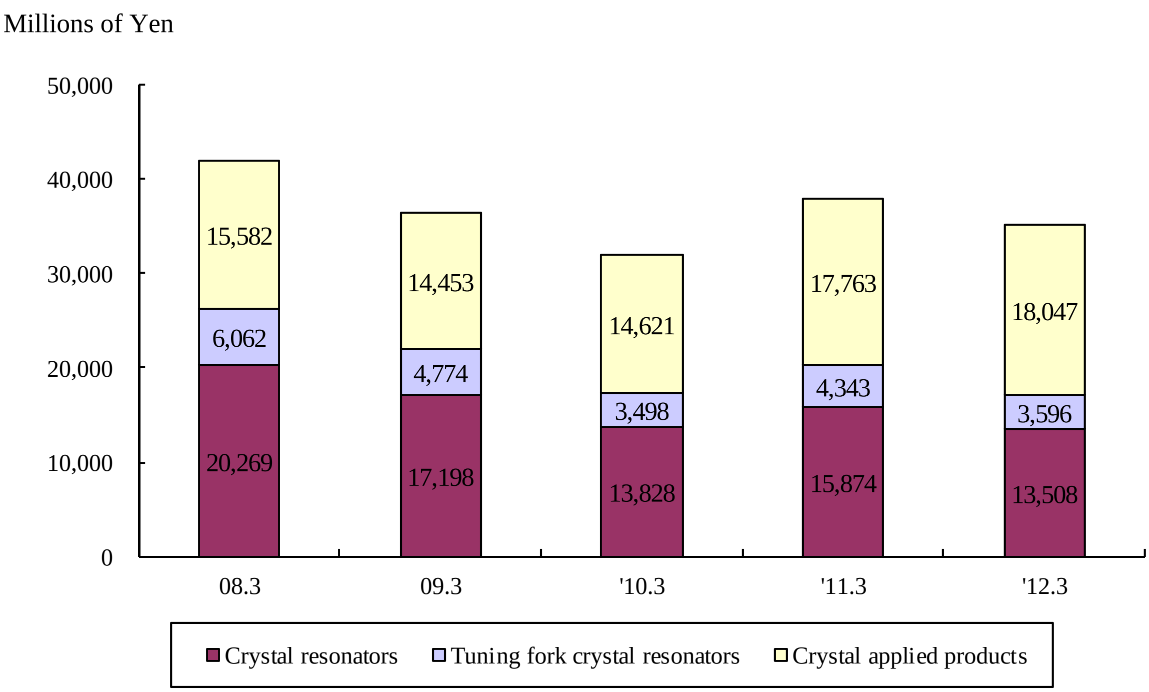
“Medium-and Long-term Management Strategy”

In response to changes in the business environment, management has promoted the business structure reform to focus on profitability. The company continues to accelerate the selection and concentration of business and tries to enhance the corporate value together with group companies. Management predicts continued growth in demand for crystal devices from the information communications, digital consumer electronics, and automotive electronics fields. The KDS group will make full use of accumulated elemental and superior technologies to meet advanced needs and develop differentiated products.

Moreover, the group will enhance customer satisfaction and recognition of the “KDS” brand through its QCD (quality cost delivery)-focused production strategy and customer-needs-oriented sales strategy. Together with the engineering, manufacturing and sales departments, management will define the business domain to concentrate business resources and work toward further development of the business and efficient management of the company.

Sales by Product

Sales performance by Product



*Consolidated

Crystal Resonator
Crystal Resonator is a crystal device, which works at high frequency MHz band, offering great precision and stability. This product is used in AV equipment, automotive electronics, and other electronic equipment. Fiscal 2012's sales recorded ¥13,508 million (down 14.9% year-on-year).

Tuning Fork Crystal Resonator
Tuning fork crystal is a crystal resonator, which covers low frequency kHz band. The typical 32.768 kHz product is often used as a clock standard. Fiscal 2012's sales were ¥3,596 million (down 17.2% year-on-year).

Crystal applied products
Crystal applied products can be classified into crystal oscillators, crystal filters, and optical quartz products. Sales of optical quartz products decreased in the current fiscal year. However, sales of crystal-applied products as a whole remained at ¥18,047 million (up 1.6% year-on-year) due to sales increase of crystal oscillators and crystal filters.

Sales by Product

1) Crystal Oscillators

Crystal oscillator is a crystal device that incorporates a crystal oscillation circuit (IC), enabling the output of a specified frequency. Crystal oscillator is classified into three types : SPXO (Simple Packaged Crystal Oscillator), TCXO (Temperature Compensated Crystal Oscillator), and VCXO (Voltage Controlled Crystal Oscillator).

SPXO: Commonly used in clocks of microcomputers, and like crystal resonators, SPXOs can be used in a wide range of applications.

TCXO: Commonly used as a standard transmission frequency of mobile phones. Recently, TCXOs are widely used for GPS function as well.

VCXO: Commonly used to adjust clock frequency differences, which arise when passing digital signals.VCXOs are often used for modems and digital AV equipment.

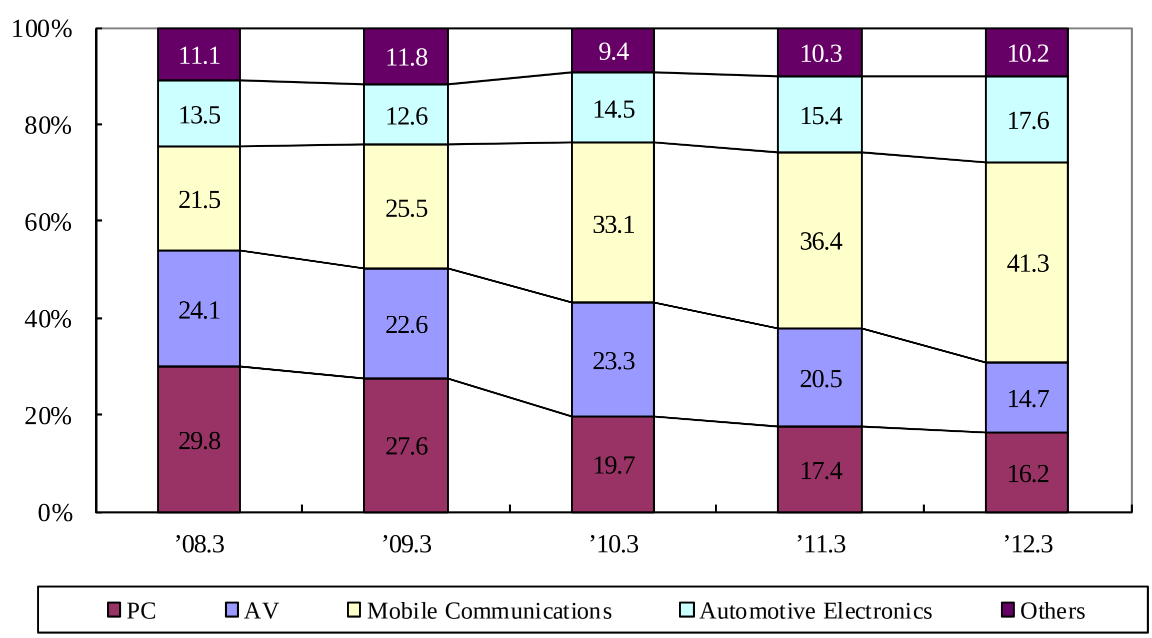
2) Crystal Filters

Crystal Filter is a device that permits the passage of a signal at a specific frequency, while blocking the passage of signals at other frequencies. This product is used in mobile phones and other radio communications equipment. However the market is gradually shrinking.

3) Optical Quartz Products

Optical quartz product is a device, which use crystal’s optical characteristics and physically stable property. Optical Low-Pass Filter (OLPF), usually combined with DSC and other imaging devices, is used to eliminate aliasing effects also known as Moiré fringes by blocking high frequency spatial information.

Sales performance by Application



*Consolidated

Sales by Market

1) Mobile Communications
In total, 1.3 billion units or more of smartphones and feature phones are produced annually, forming a huge market. Shipments of our components for mobile communications applications increased by 5.0% from last year and accounted for 41.3% of our total sales.

2) Audio-Visual Equipment
Shipments of our components to AV equipment applications plunged by 33.3% from last year and accounted for 14.7% of our total sales. This was because the supply-demand balance for our components deteriorated, with shipments of OLPF for digital single-lens reflex cameras having decreased due to the effects of the floods in Thailand and demand for flat-screen TVs having reached saturation after full transition to digital terrestrial broadcasting.

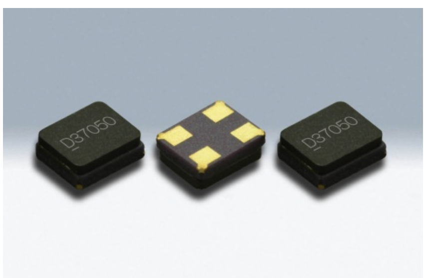
3) PCs
Shipments of our components to PC applications decreased by 13.8% from last year and accounted for 16.2% of our total sales. This was because of the effects of the floods in Thailand as well as a sluggish market, despite the launch of ultra books.

4) Automotive Electronics
Crystals are applied to power train systems (engine control unit, etc.), driver ability controls (ABS, etc.), body control systems (keyless entry system, etc.), and telematics (car navigations, etc.) of automotives. High reliability is required for automotive electronics components. Once products are approved in rigorous quality testing, orders for them can be expected to increase steadily. With more and more electric components being employed in automobiles, the market environment remained favorable throughout the year. Shipments of our components for use in automotive electronics grew by 6.1% from last year and accounted for 17.6% of our total sales.

R&D

Research and Development

The Company spent ¥1,925 million in research and development. Customers have been demanding crystal devices of smaller size, higher precision and broader frequency range. It is difficult to develop a smaller or higher-frequency-range device that uses bulk oscillation, so the development of a new production method has been conducted recently. To satisfy the customer’s needs, the Company will review design principles from every angle so as to generate a new production technique. We believe the growth of a company depends on the quality of its technology prowess, since designs and production process for not only miniaturization but also more sophistication are expected to be required in the future. We also consider that promoting technology development will enhance the attraction of the market.



DSX211G

DSX211G is the world’s smallest glass sealed type crystal resonator in 2016 size(2.0 × 1.6 × 0.65 mm). Adopting vacuum glass sealing technology, we succeeded in reducing series resistance by approximately 40% (@16MHz) compared with existing products.

DSR221STH

DSR221STH is a crystal resonator in 2520 size (2.5 × 2.0 × 0.8mm) with a built-in temperature sensor. The product is the best suited for reference signal generation for mobile phones and GPS-related equipment.

The 0806 Size Crystal Resonator

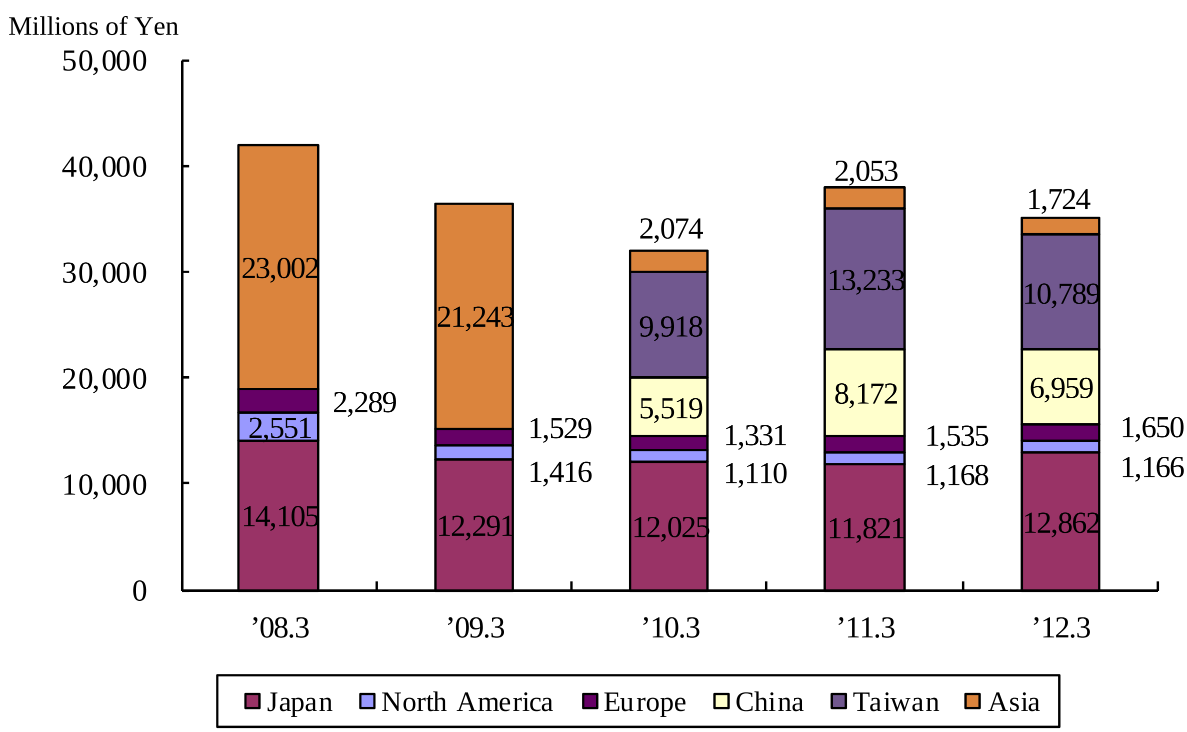
The 0806 size (0.8 × 0.6 × 0.2 mm) crystal resonator is the world’s smallest crystal quartz device in its class. We unveiled it as a reference exhibit at CEATEC JAPAN 2011 held in October 2011. The resonator attracted media attention.

These products are environmentally-friendly crystal devices. They are lead-free and comply with RoHS Directive.

Business Outlook

In the current consolidated fiscal year, the Japanese economy remained stagnant, because consumer spending was weak due to serious impact of the Great East Japan Earthquake and a widespread hesitation to spend money after the disaster, and also production activities by companies were affected by disruption of electricity supplies.
In addition, the lingering European sovereign debt crisis resulted in an economic slowdown, causing the global economic outlook to remain unclear. Furthermore, unprecedented yen appreciation seriously affected the Japanese economy. Meanwhile, in the electronics market including ICT and automobiles, the floods in Thailand triggered global supply-chain turmoil, making people realize yet again the horror of natural disasters. In the Asian region, demand for PCs and television sets was weak and digital single-lens reflex cameras were in short supply due to the effects of the floods. Consequently, demand for components remained sluggish.
In this environment, the Company saw shipments of our components to smartphones and automotive electronics applications increase, while those to consumer equipment applications, such as PCs, decreased. As a result, the KDS Group posted consolidated net sales of 35,150 million yen (down 7.5% from the same period last year). In addition to a decline in net sales, further appreciation of yen against the U.S. dollar cut into the Group’s profit: operating income of 316 million yen (down 77.8% from the same period last year), ordinary income of 55 million yen (down 93.4% from the same period last year) and net loss of 249 million yen (net income of 425 million in the same period last year).

Sales by Region Segment



* “China” and “Taiwan” are included in “Asia” for data ‘09.3 and before.

*Consolidated

Business Outlook

1) Japan
In Japan, shipments remained solid, mainly to automotive electronics applications. As a result, net sales increased by 1,040 million yen (up 8.8% from the same period last year) to 12,861 million yen, but segment income (operating income) decreased by 486 million yen (down 47.1% from the same period last year) to 545 million yen due to the appreciation of the yen against the U.S. dollar.

2) North America
In North America, production of consumer products and automotive electronics shifted to Asian countries. As a result, net sales decreased by 2 million yen (down 0.2% from the same period last year) to 1,165 million yen, while segment income (operating income) declined by 22 million yen (down 38.5% from the same period last year) to 36 million yen.

3) Europe
In Europe, net sales increased by 115 million yen (up 7.5% from the same period last year) to 1,650 million yen, thanks to our efforts to expand shipments of our components to automotive electronics applications. Meanwhile, segment income (operating income) grew by 5 million yen (up 32.7% from the same period last year) to 23 million yen.

4) China
In China, sales decreased in various markets. As a result, net sales declined by 1,213 million yen (down 14.8% from the same period last year) to 6,958 million yen, while segment loss (operating loss) expanded by 70 million yen to 713 million yen (segment loss of 642 million yen in the last year).

5) Taiwan
In Taiwan, sales to both communication equipment applications, mainly smartphones, and PC applications declined. As a result, net sales decreased by 2,443 million yen (down 18.5% from the same period last year) to 10,789 million yen, while segment income (operating income) plunged by 696 million yen (down 75.7% from the same period last year) to 223 million yen.

6) Asia
In other Asian countries, sales to AV equipment and PC applications declined. As a result, net sales decreased by 328 million yen (down 16.0% from the same period last year) to 1,724 million yen, while segment income (operating income) increased by 14 million yen (up 51.0% from the same period last year) to 41 million yen.

Financial Report

Financial Condition

Total assets at the end of fiscal year ended in March 31, 2012 amounted to 57,703 million yen, up by 195 million yen from the end of fiscal year ended in March 31, 2011. Current assets grew by 1,486 million yen to 32,498 million yen, mainly due to an increase in cash and deposits. Current liabilities decreased by 411 million yen to 11,822 million yen, mainly due to a decrease in short-term loans payable. Noncurrent assets declined by 1,291 million yen to 25,204 million yen, mainly due to a decrease in machinery, equipment and vehicles. Noncurrent liabilities rose by 1,362 million yen to 14,359 million yen, mainly due to an increase in long-term loans payable. Net assets amounted to 31,521 million yen, down by 755 million yen from the end of fiscal year ended March 31, 2011, due to a decrease in retained earnings.

Cash Flows

Cash and cash equivalents at the end of fiscal year ended in March 31, 2012 amounted to 14,679 million yen, up by 3,079 million yen from the end of fiscal year ended March 31, 2011. This was because the Company posted depreciation and received proceeds from long-term loans payable, despite purchase of property, plant and equipment.

1) Net cash provided by operating activities

Net cash provided by operating activities amounted to 5,808 million yen, up 2,967 million yen from the last year, mainly due to depreciation of 3,919 million yen and a decrease in notes and accounts receivable-trade of 1,875 million yen.

2) Net cash provided by investing activities

Net cash used in investing activities amounted to 3,483 million yen, down by 1,512 million yen from last year, mainly due to purchase of property, plant and equipment of 3,609 million yen.

3) Net cash provided by financing activities

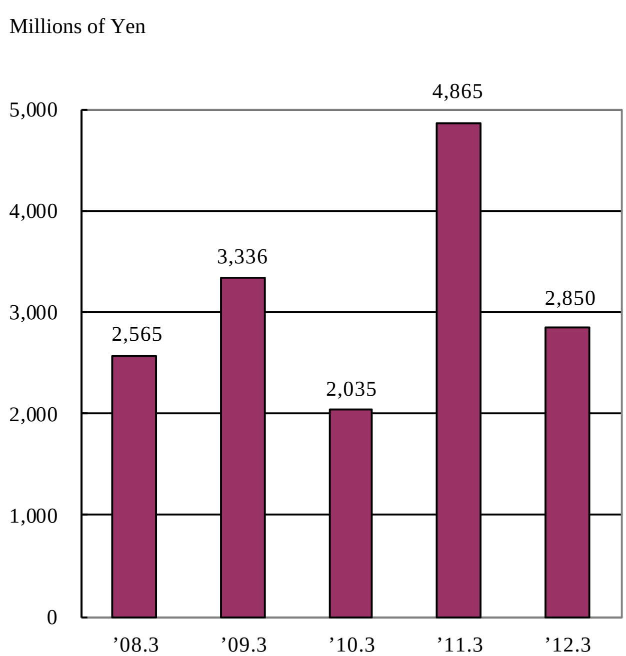
Net cash provided by financing activities amounted to 945 million yen, down by 189 million yen from the last year, mainly due to repayment of long-term loans payable of 3,409 million yen, despite proceeds from long-term loans payable of 5,652 million yen.

Financial Report

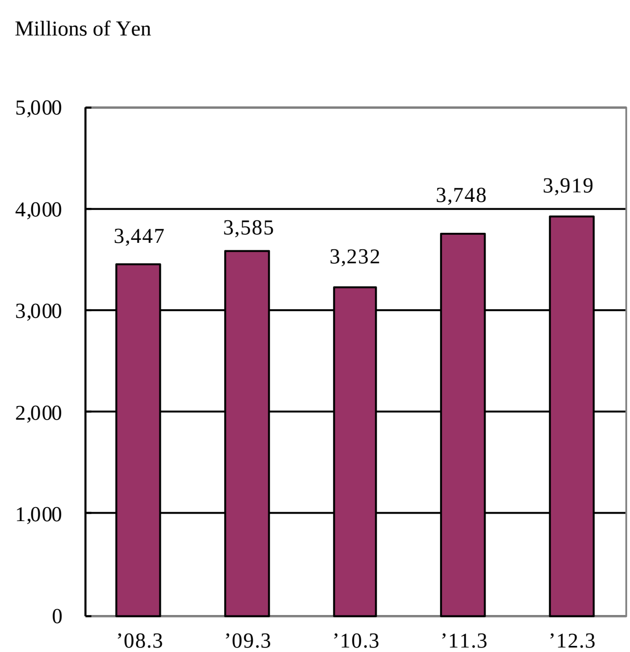
Capital Investment and Depreciation
In the current consolidated fiscal year, we invested 2,850 million yen, mainly for capacity expansion of small-sized crystal oscillators and crystal resonators. Depreciation increased ¥171 million, and amounted to ¥3,919 million.

Tottori Production Div

Capital investment



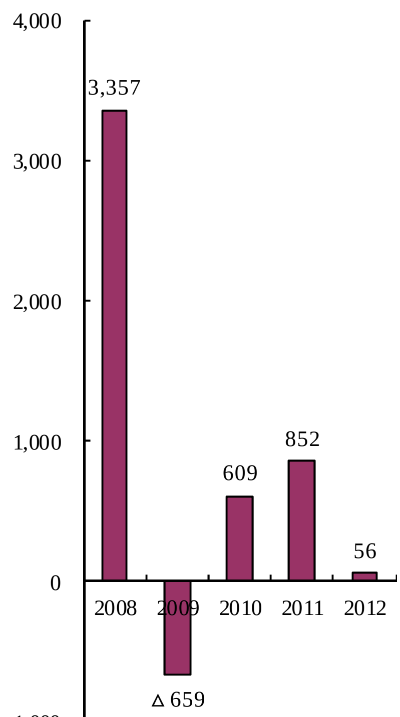
Depreciation



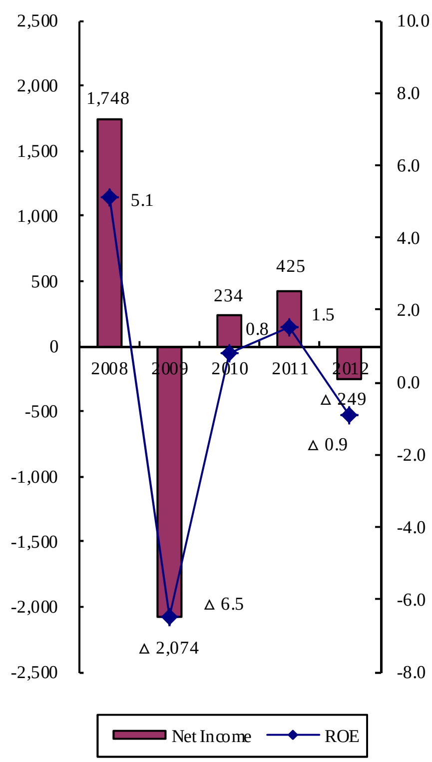
Five Year Summary

For The Year	2008	2009	2010	2011	2012	2012
	[Millions of Yen]					[Thousands of U.S. Dollars]
Net sales	41,947	36,479	31,978	37,983	35,150	428,663
Cost of sales	30,309	29,949	25,087	30,281	28,758	350,711
Gross profit	11,638	6,530	6,891	7,702	6,392	77,952
Selling,general and administrative expenses	7,176	6,914	5,664	6,277	6,076	74,096
Operating Income	4,462	△ 384	1,227	1,425	316	3,856
Income before income taxes and minority interests	3,013	△ 1,524	702	940	△ 47	△ 575
Net Income	1,748	△ 2,074	234	425	△ 249	△ 3,041
Capital investment	2,565	3,336	2,035	4,865	2,850	34,758
Depreciation and amortization	3,447	3,586	3,232	3,748	3,920	47,799
Overseas Sales	30,125	24,125	23,409	28,427	24,348	296,928
Overseas Sales Ratio(%)	71.8	66.1	73.2	74.8	69.3	-
Return on Equity(%)	5.1	△ 6.5	0.8	1.5	△ 0.9	-
Total Assets	60,708	56,139	57,732	57,508	57,703	703,697
Total Shareholders' Equity	38,085	31,821	32,556	32,276	31,521	384,403
Equity Ratio(%)	56.9	52.1	51.5	50.0	48.5	-
	[Yen]					[U.S. Dollars]
Net Income per share	40.51	△ 48.92	5.64	10.25	△ 6.01	△ 0.07
Cash Dividends per share	10.00	8.00	5.00	8.00	4.00	0.05
Shareholders' equity per share	809.80	698.06	716.78	694.05	675.07	8.23

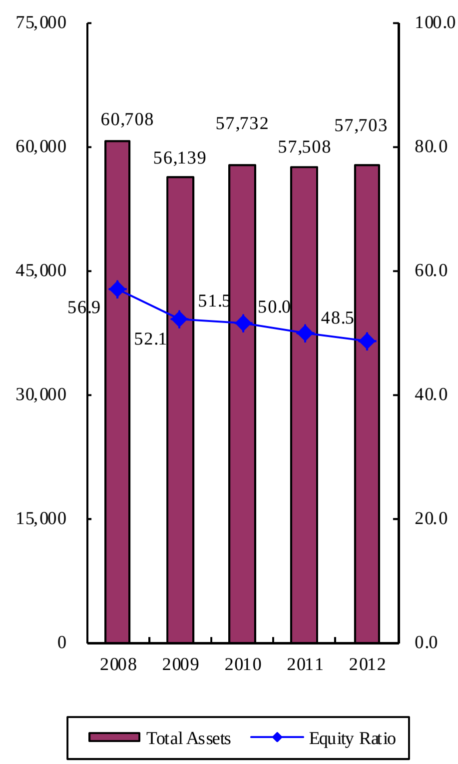
Recurring Income



Net Income & ROE



Total Assets & Equity Ratio



Investor Information

March 31, 2012

Issued Common Stocks Shares	45,246,212
A securities[stock] exchange	Osaka Exchange
Number of shareholders	5,291

Major Shareholders

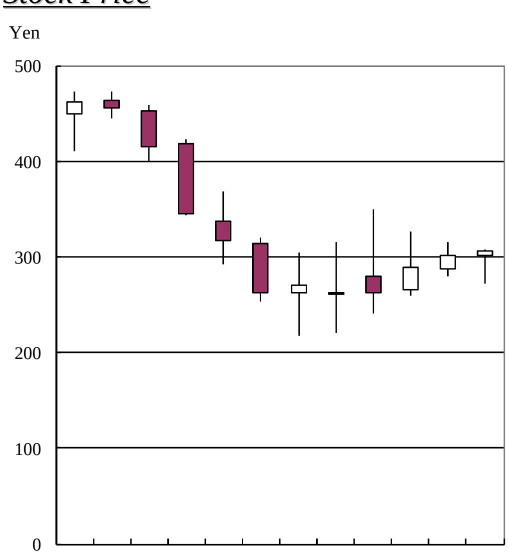
	Number of Shares (Thousands)	Percentage of Total Shares in Issue
Hasegawa Fukushikai	3,000	6.63
Osaka Securities Finance Company,Ltd.	1,894	4.19
Sohei Hasegawa	1,717	3.80
Bank of Tokyo-Mitsubishi UFJ	1,240	2.74
Joyo Bank	1,224	2.71
Dai-Ichi Life Ins.	1,016	2.25
Employee Stock Ownership	899	1.99
Japan Trustee Services Bank Ltd.	774	1.71
The Chase Manhattan Bank	757	1.67
Client Stock Ownership	716	1.58

* Treasury shares : 3,791 (thousands)

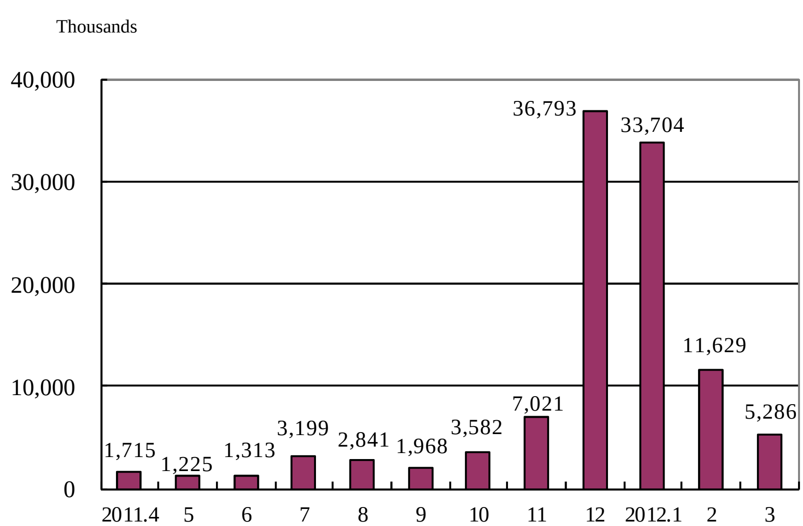
Shareholder Breakdown

	Number of Shareholders	Number of Shares (Thousands)	Percentage of Total Shares in Issue
Individuals and Others	5,050	25,019	56.11
Financial Institutions	26	10,657	23.91
Foreign Investors	37	2,179	4.89
Other Corporation	144	5,257	11.79
Securities Companies	34	1,470	3.30
Total	5,291	44,582	100.00

Stock Price



Trading Volume Shares



Financial Section

Consolidated Balance Sheets

DAISHINKU CORP. and Consolidated Subsidiaries

	(Millions of yen)		*(Thousands of U.S. dollars) (note 4)*
	March 31,		*March 31,*
	2012	2011	*2012*
ASSETS			
Current assets:			
Cash and cash equivalents (Note 2 (c),5 and 18)	¥14,679	¥11,599	*$179,015*
Short-term investments (Note 7 and 18)	-	49	*-*
Trade notes and accounts receivable (Note 18)	8,681	9,871	*105,864*
Inventories (Note 6)	8,013	8,063	*97,719*
Deferred income taxes (Note 13)	40	42	*482*
Other current assets	1,114	1,450	*13,590*
Allowance for doubtful accounts	(29)	(62)	*(349)*
Total current assets	32,498	31,012	*396,321*
Investments and other assets:			
Investment securities (Notes 7,9 and 18)	1,129	1,187	*13,762*
Deferred income taxes (Note 13)	17	30	*213*
Other assets	673	849	*8,206*
Total investments and other assets	1,819	2,066	*22,181*
Property, plant and equipment, at cost：(Note 8)			
Land	5,624	5,629	*68,589*
Buildings and structures	17,696	17,649	*215,800*
Machinery and equipment	47,734	45,651	*582,120*
Construction in progress	1,546	748	*18,851*
Total property, plant and equipment	72,600	69,677	*885,360*
Less: accumulated depreciation	(49,214)	(45,247)	*(600,165)*
Property, plant and equipment, net(Note 9 and 20)	23,386	24,430	*285,195*
Total assets	¥57,703	¥57,508	*$703,697*

The accompanying notes are an integral part of these financial statements.

	(Millions of yen)		*(Thousands of U.S. dollars) (note 4)*
	March 31,		*March 31,*
	2012	2011	*2012*
LIABILITIES AND NET ASSETS			
Current liabilities:			
Short-term borrowings (Note 9 and 18)	¥2,962	¥4,167	*$36,118*
Current portion of long -term debt (Note 9 and 18)	3,763	3,089	*45,886*
Trade notes and accounts payable (Note 18)	3,000	2,092	*36,583*
Accounts payable (Note 18)	1,031	1,280	*12,572*
Accrued income taxes (Note 13)	91	215	*1,112*
Accrued employees' bonuses	376	513	*4,589*
Reserve for directors' and corporate auditors' bonuses	-	10	-
Other current liabilities	599	868	*7,314*
Total current liabilities	11,822	12,234	*144,174*
Long-term liabilities:			
Long-term debt (Note 9 and 18)	11,615	9,707	*141,642*
Retirement benefits to employees (Note 10)	1,656	1,579	*20,196*
Deferred income taxes (Note 13)	442	514	*5,394*
Long-term accounts payable (Note 18)	522	1,093	*6,369*
Asset retirement obligations	24	24	*297*
Other long-term liabilities	101	81	*1,222*
Total long-term liabilities	14,360	12,998	*175,120*
Total liabilities	26,182	25,232	*319,294*
Commitments and contingent liabilities (Note 16)			
Net Assets:			
Shareholders' equity			
Common stock:(Note 15)			
Authorized: 79,479,000 shares			
Issued: 45,246,212 shares at March 31, 2012 and 2011	19,345	19,345	*235,913*
Additional paid-in capital	12,413	12,414	*151,384*
Retained earnings (Note 21)	(192)	812	*(2,346)*
Less: treasury stock, at cost: 3,791,291 shares at March 31, 2012 and 3,783,500 shares at March 31, 2011	(1,521)	(1,518)	*(18,552)*
Total shareholders' equity	30,045	31,053	*366,399*
Accumulated other comprehensive income（loss）			
Net unrealized holding gains(losses) on available-for-sale securities (Note 7)	(59)	(115)	*(720)*
Foreign currency translation adjustments	(2,001)	(2,161)	*(24,399)*
Total accumulated other comprehensive income(loss)	(2,060)	(2,276)	*(25,119)*
Minority interests	3,536	3,499	*43,123*
Total net assets	31,521	32,276	*384,403*
Total liabilities and net assets	¥57,703	¥57,508	*$703,697*

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Income

DAISHINKU CORP. and Consolidated Subsidiaries

	(Millions of yen)		*(Thousands of U.S. dollars) (note 4)*
	For the years ended March 31,		*For the year ended March 31,*
	2012	2011	*2012*
Net sales (Note 20)	¥35,150	¥37,983	*$428,663*
Cost of sales	28,758	30,281	*350,711*
Gross profit	6,392	7,702	*77,952*
Selling, general and administrative Expenses (Note 11)	6,076	6,277	*74,096*
Operating income (Note 20)	316	1,425	*3,856*
Other income (expenses):			
Interest and dividend income	56	47	*684*
Subsidy income	83	252	*1,012*
Insurance received	68	52	*830*
Interest expenses	(345)	(385)	*(4,212)*
Foreign currency exchange gain(loss), net	(84)	(583)	*(1,021)*
Gain(Loss) on sales or disposal of property, plant and equipment, net	(11)	(4)	*(137)*
Reversal of impairment loss	40	115	*487*
Impairment loss on fixed assets (Note 8 and 20)	(41)	-	*(500)*
Loss on devaluation of investment securities	(91)	-	*(1,107)*
Loss on adjustment for changes of accounting standard for asset retirement obligations	-	(10)	-
Other, net	(39)	31	*(467)*
(Loss) income before income taxes and minority interests	(47)	940	*(575)*
Income taxes (Note 13):			
Current	197	333	*2,396*
Deferred	(76)	(81)	*(927)*
	121	252	*1,469*
(Loss) income before minority interests	(168)	688	*(2,044)*
Minority interests	81	263	*997*
Net (loss) income	¥(249)	¥425	*$(3,041)*

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Comprehensive Income

DAISHINKU CORP. and Consolidated Subsidiaries

	(Millions of yen)		*(Thousands of U.S. dollars) (note 4)*
	For the years ended March 31,		*For the year ended March 31,*
	2012	2011	*2012*
(Loss) income before minority interests	¥(168)	¥688	*$2,044*
Other comprehensive income(loss) (Note 14)	56	(156)	*681*
Unrealized holding loss on available-for-sale securities	243	(993)	*2,963*
Unrealized holding loss on available-for-sale securities	299	(1,149)	*3,644*
Total other comprehensive income(loss), net	131	¥(461)	*1,600*
Comprehensive income (loss)			
Comprehensive income attributable to:			
Shareholders of DAISHINKU Corporation	¥(34)	¥(611)	*$(409)*
Minority shareholders of consolidated subsidiaries	165	150	*2,009*

Consolidated Statements of Changes in Net Assets

DAISHINKU CORP. and Consolidated Subsidiaries

	(Millions of yen)		*(Thousands of U.S. dollars) (note 4)*
	For the years ended March 31,		*For the year ended March 31,*
	2012	2011	*2012*
Shareholders' equity			
Common stock			
Balance at beginning of the year	19,345	19,345	*235,913*
Changes of items during the period	-	-	*-*
Total changes of items during the period	-	-	*-*
Balance at end of the year	19,345	19,345	*235,913*
Additional paid –in capital			
Balance at beginning of the year	12,414	12,414	*151,386*
Changes of items during the period			
Disposal of treasury stock	(0)	-	*(2)*
Total changes of items during the period	(0)	-	*(2)*
Balance at end of the year	12,413	12,414	*151,384*
Retained earnings			
Balance at beginning of the year	812	724	*9,908*
Changes of items during the period			
Dividends from surplus	(290)	(373)	*(3,539)*
Decrease from newly consolidated subsidiaries	(14)	-	*(165)*
Effect of the changes in the reporting period of subsidiary	(451)	36	*(5,509)*
Net (loss) income	(249)	425	*(3,041)*
Total changes of items during the period	(1,004)	88	*(12,254)*
Balance at end of the year	(192)	812	*(2,346)*
Treasury stock			
Balance at beginning of the year	(1,518)	(1,510)	*(18,517)*
Changes of items during the period			
Acquisition of treasury stock	(3)	(8)	*(41)*
Disposal of treasury stock	0	-	*6*
Total changes of items during the period	(3)	(8)	*(35)*
Balance at end of the year	(1,521)	(1,518)	*(18,552)*
Total shareholders' equity			
Balance at beginning of the year	31,053	30,973	*378,690*
Changes of items during the period			
Dividends from surplus	(290)	(373)	*(3,539)*
Decrease from newly consolidated subsidiaries	(14)		*(165)*
Effect of the changes in the reporting period of subsidiary	(451)	36	*(5,509)*
Net (loss) income	(249)	425	*(3,041)*
Acquisition of treasury stock	(3)	(8)	*(41)*
Disposal of treasury stock	0	-	*4*
Total changes of items during the period	(1,008)	80	*(12,291)*
Balance at end of the year	30,045	31,053	*366,399*

	(Millions of yen)		*(Thousands of U.S. dollars) (note 4)*
	For the years ended March 31,		*For the year ended March 31,*
	2012	2011	*2012*
Accumulated other comprehensive income (loss)			
Net unrealized holding gains(losses) on available-for-sale securities			
Balance at beginning of the year	(115)	41	*(1,401)*
Changes of items during the period			
Net changes of items other than shareholders' equity	56	(156)	*681*
Total changes of items during the period	56	(156)	*681*
Balance at end of the year	(59)	(115)	*(720)*
Foreign currency translation adjustment			
Balance at beginning of the year	(2,161)	(1,280)	*(26,350)*
Changes of items during the period			
Net changes of items other than shareholders' equity	160	(881)	*1,951*
Total changes of items during the period	160	(881)	*1,951*
Balance at end of the year	(2,001)	(2,161)	*(24,399)*
Accumulated other comprehensive income(loss)			
Balance at beginning of the year	(2,276)	(1,239)	*(27,751)*
Changes of items during the period			
Net changes of items other than shareholders' equity	216	(1,037)	*2,632*
Total changes of items during the period	216	(1,037)	*2,632*
Balance at end of the year	(2,060)	(2,276)	*(25,119)*
Minority interest			
Balance at beginning of the year	3,499	2,822	*42,675*
Changes of items during the period			
Net changes of items other than shareholders' equity	37	677	*448*
Total changes of items during the period	37	677	*448*
Balance at end of the year	3,536	3,499	*43,123*
Total net assets			
Balance at beginning of the year	32,276	32,556	*393,614*
Changes of items during the period			
Dividends from surplus	(290)	(373)	*(3,539)*
Decrease from newly consolidated subsidiaries	(14)		*(165)*
Effect of the changes in the reporting period of subsidiaries	(452)	36	*(5,509)*
Net (loss) income	(249)	425	*(3,041)*
Acquisition of treasury stock	(3)	(8)	*(41)*
Disposal of treasury stock	0	-	*4*
Net changes of items other than shareholders' equity	252	(360)	*3,080*
Total changes of items during the period	(755)	(280)	*9,211*
Balance at end of the year	31,521	32,276	*384,403*

Consolidated Statements of Cash Flows

DAISHINKU CORP. and Consolidated Subsidiaries

	(Millions of yen)		*(Thousands of U.S. dollars) (note 4)*
	For the years ended March 31,		*For the year ended March 31*
	2012	2011	*2012*
OPERATING ACTIVITIES:			
(Loss) income before income taxes and minority interests	¥(47)	¥940	*$(575)*
Adjustments for:			
Depreciation and amortization	3,920	3,748	*47,799*
Impairment loss on fixed assets	41	-	*500*
Allowance for doubtful accounts, net	(41)	(24)	*(496)*
(Decrease) increase in accrued directors’ and corporate auditors’ bonuses	(10)	10	*(122)*
(Decrease) increase in provision for bonuses	(120)	247	*(1,468)*
Retirement benefits to employees, net	78	87	*946*
Asset retirement obligations	-	10	-
Loss on sales or disposal of property, plant and equipment, net	11	4	*137*
Interest and dividend income	(56)	(47)	*(684)*
Interest expenses	345	385	*4,212*
Foreign currency exchange gains , net	(73)	(128)	*(889)*
Loss on devaluation of investment securities	91	-	*1,107*
Reversal of impairment loss	(40)	(115)	*(487)*
Changes in assets and liabilities:			
Decrease(increase) in trade notes and accounts receivable	1,876	(182)	*22,873*
Increase in inventories	(66)	(1,008)	*(810)*
Increase(decrease) in trade notes and accounts payable	327	(344)	*3,984*
Other-net	204	(180)	*2,512*
Sub-total	6,440	3,403	*78,539*
Interest and dividends-received	56	47	*684*
Interest-paid	(343)	(368)	*(4,184)*
Income taxes-paid	(344)	(241)	*(4,199)*
Net cash provided by operating activities	5,809	2,841	*70,840*
INVESTING ACTIVITIES:			
Decrease in short-term investments, net	31	50	*375*
Payments for purchase of property, plant and equipment	(3,609)	(5,277)	*(44,018)*
Proceeds from sales of property, plant and equipment	95	657	*1,160*
Payments for purchase of shares of consolidated subsidiary	-	(257)	-
Other-net	1	(168)	*6*
Net cash used in investing activities	(3,483)	(4,995)	*(42,477)*
FINANCING ACTIVITIES:			
(Decrease) increase in short-term borrowings	(826)	400	*(10,065)*
Proceeds from long -term debt	5,652	3,955	*68,932*
Repayments of long-term debt	(3,409)	(3,520)	*(41,575)*
Cash dividends-paid	(291)	(375)	*(3,553)*
Proceeds from payment by minority shareholders	-	791	-
Cash dividends paid to minority shareholders	(178)	(108)	*(2,173)*
Other- net	(3)	(9)	*(38)*
Net cash provided by financing activities	945	1,134	*11,528*
Effect of exchange rate changes on cash and cash equivalents	88	(92)	*1,075*
Net increase (decrease) in cash and cash equivalents	3,359	(1,112)	*40,966*
Cash and cash equivalents at beginning of year	11,599	12,660	*141,456*
Cash and cash equivalents from newly consolidated subsidiaries	3	-	*39*
Effect of the changes in the fiscal year-end of consolidated subsidiary	(282)	51	*(3,446)*
Cash and cash equivalents at end of year(Note 5)	¥14,679	¥11,599	*$179,015*

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared based on the accounts maintained by Daishinku Corp. (the "Company") and its consolidated subsidiaries. The Company and its domestic subsidiaries have maintained their accounts and records in accordance with the provisions set forth in the Japanese Corporate Law and the Securities and Exchange Law, and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards and are compiled from the consolidated financial statements prepared by the Company as required by the Securities and Exchange Law of Japan. Overseas consolidated subsidiaries maintain their records in conformity with accounting principles and practices generally accepted in their respective countries. In general, no adjustments to the accounts of overseas consolidated subsidiaries have been reflected in the accompanying consolidated financial statements to present them in conformity with Japanese accounting principles and practices followed by the Company as allowed under accounting principles generally accepted in Japan.

Certain items presented in the consolidated financial statements filed with the Director of the Kanto Finance Bureau have been reclassified for the convenience of readers outside Japan.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its significant subsidiaries. Investments in certain subsidiaries which are not consolidated and in affiliates are, due to immaterial, accounted for at cost.

Generally, shareholdings in companies of more than 50% fall into the category of subsidiaries and shareholdings in companies of between 20% and 50% fall into the category of affiliates. However, shareholdings of between 40% and 50% may also fall into the category of subsidiaries, if the Company either substantially controls the investee company or has significant influence and relationship with the investees, respectively.

All significant intercompany accounts and transactions and unrealized inter-company profits are eliminated upon consolidation. The excess of the investment cost over the fair value of underlying net equity in subsidiaries and affiliates which are consolidated or accounted for by the equity method at the date of an acquisition is amortized on a straight-line basis within mainly five years or less.

TIANJIN KDS CORP., HARMONY ELECTRONICS CORP., HARMONY ELECTRONICS (Shen Zhen) Co., Ltd.， HARMONY ELECTRONICS (Thailand) Co., Ltd HARMONY ELECTRONICS (Suzhou) Co., Ltd. and SHANGHAI DAISHINKU INTERNATIONAL TRADING Co., Ltd. use a fiscal year ending December 31. DAISHINKU（H.K）LTD., DAISHINKU（AMERICA）CORP., DAISHINKU (SINGAPORE) PTE. LTD., and DAISHINKU（DEUTSCHLAND）GmbH. use a fiscal year ending March 31.

TIANJIN KDS CORP., HARMONY ELECTRONICS CORP., HARMONY ELECTRONICS (Shen Zhen) Co., Ltd.， HARMONY ELECTRONICS (Thailand) Co., Ltd HARMONY ELECTRONICS (Suzhou) Co., Ltd. has changed its year-end from December 31st to March 31st or performed a hard close as of March 31st, which was effective in the year end March 31st, 2012. Due to the changes to the fiscal year-end of this subsidiary, gains that arouse during the period from January 1 to March 31,2012 are presented as "Effect of the change in the reporting period of subsidiary " in the accompanying Consolidated Statements of Changes in Net Assets, while increase of cash and cash equivalents is presented as " Effect of changes in the fiscal year-end of consolidated subsidiary" in the accompanying Consolidated Statements of Cash Flows.

(b) TRANSLATION OF FOREIGN CURRENCIES

All monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. Resulting gains and losses are included in net profit or loss for the period when incurred.

Assets and liabilities of the overseas consolidated subsidiaries are translated into Japanese yen at the exchange rates prevailing at the balance sheet date.　The shareholders' equity at the beginning of the year is translated into Japanese yen at the historical rates. Differences in yen amounts arising from the use of different rates are presented as "Foreign currency translation adjustments" in the net assets and included in minority interests in the net assets.

(c) CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the consolidated financial statements are composed of cash in hand, bank deposits that may be withdrawn on demand and highly liquid investments purchased with initial maturities of three months or less and which present a low risk of fluctuation in value.

(d) INVENTORIES

Inventories are mainly stated at cost determined by the average method. (The write-downs of inventories due to decreased profitability shall be recognized as cost of sales, in the case that the net selling value falls below the acquisition cost at the end of period, in the same manner as if these inventories were stated at the lower of cost or market.)

(e) SHORT-TERM INVESTMENTS AND INVESTMENT SECURITIES

All securities held by the Company and its consolidated subsidiaries are classified into Available-for-sale securities.

Available-for-sale securities with readily determinable fair values are stated at fair value. Net unrealized gains or losses on these securities are reported as a separate item in the valuation and translation adjustments in the net assets at a net-of-tax amount.

Available-for-sale securities without readily determinable fair values are stated at cost, except as stated in the paragraph below.

When the market price of available-for-sale securities falls below 50% of the price of the securities at the time of acquisition, a realized loss is recognized with the new cost basis being the current market price. If the market price falls 30% or more but less than 50%, a judgment is made about the likelihood of a recovery in price and decision is taken whether to write down to fair value.

(f) PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

Property, plant and equipment are stated at cost. Depreciation is principally computed by the declining-balance method (excluding buildings acquired on or after April 1, 1998, for which the straight-line method is applied), except that the foreign consolidated subsidiaries mainly compute depreciation by the straight-line method.

The principal estimated useful lives used for computing depreciation are as follows:

Building and structures	3 to 60 years
Machinery and equipment	2 to17 years

The cost of maintenance, repairs and minor renewals is charged to income when incurred; major renewals and betterments are capitalized.

(g) FINANCE LEASES

Leases that transfer substantially all the risks and rewards of ownership of the assets are accounted for as capital leases. Leases that do not transfer ownership of the assets at the end of the lease term are accounted for as operating leases, in accordance with accounting principles and practices generally accepted in Japan.

(h)GOODWILL

Goodwill is amortized by the straight-line method over periods of no more than 5 years. Negative goodwill recognized on or after April 1, 2010 is credited to income as incurred.

(i) ALLOWANCE FOR DOUBTFUL ACCOUNTS

The allowance for doubtful accounts is computed based on historical write-off experience from a certain reference period plus estimated uncollectible amounts based on the analysis of individual accounts.

(j) ACCRUED EMPLOYEES' BONUSES

Accrued employees' bonuses are provided for the estimated amounts which the Company is obligated to pay to employees after the fiscal year-end, based on services provided during the current period.

(k) RETIREMENT BENEFITS AND PENSION PLAN

The provision for retirement benefits represents the estimated present value of projected benefit obligations in excess of the fair value of the plan assets at the balance sheet date. Unrecognized prior service costs are amortized based on the straight-line method over a period of ten years beginning at the date of adoption of the plan amendment. Unrecognized actuarial gains and losses are amortized based on the straight-line method over a period of ten years starting from the beginning of the subsequent year.

(l) RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses are charged to income when incurred.

(m) INCOME TAXES

The provision for income taxes is computed based on income before income taxes and minority interests in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax basis of assets and liabilities.

(n) DERIVATIVES AND HEDGING ACTIVITIES

Derivative instruments are recognized as either assets or liabilities at their respective fair values at the date of contract, and gains and losses arising from changes in fair value are recognized in earnings in the corresponding fiscal period. If certain hedging criteria are met, such gains and losses are deferred and accounted for as assets or liabilities.

For interest rate swaps, if certain hedging criteria are met, interest rate swaps are not recognized at their fair values as an alternative method under Japanese accounting standards. The amounts received or paid for such interest rate swap arrangements are charged or credited to income as incurred.

(o) DISTRBUTION OF RETAINED EARNINGS

Under the Corporation Law of Japan (the “Law”), the distribution of retained earnings with respect to a given financial period is made by resolution of the shareholders at a general meeting held subsequent to the close of the financial period. The accounts for that period do not, therefore, reflect such distributions. Refer to Note 21.

3. SUPPLEMENTARY INFORMATION

The “Accounting Standard for Accounting Changes and Error Corrections” (Accounting Standards Board of Japan Statement No.24 dated December 4, 2009) and the “Guidance on Accounting Standard for Accounting Changes and Error Corrections” (Accounting Standards Board of Japan Guidance No.24 dated December 4, 2009) have been adopted for any accounting changes and error corrections since the beginning of the consolidated accounting period ended March 31, 2012.

4. U.S. DOLLAR AMOUNTS

The United States dollar amounts are included solely for convenience and represent translations of Japanese yen amounts, as a matter of arithmetical computation only, at the rate of ¥82= US$1, the exchange rate prevailing on March 31, 2012. This translation should not be construed as a representation that Japanese yen amounts have been, could have been or could be realized or converted into United States dollars at the above or any other rate.

5. CASH AND CASHEQUIVALENTS

A reconciliation of cash and cash equivalents between the consolidated statements of cash flows for the years ended March31, 2012 and 2011 and the consolidated balance sheets as of March 31, 2012 and 2011 has been omitted since there were no reconciliation items.

6. INVENTORIES

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

	(Millions of yen)		*(Thousands of U.S. dollars)*
	March 31,		*March 31,*
	2012	2011	*2012*
Finished goods	¥2,919	¥2,593	*$35,600*
Materials and supplies	2,074	2,264	*25,292*
Work in process	3,020	3,206	*36,827*
	¥8,013	¥8,063	*$97,719*

7. SHORT-TERM INVESTMENTS AND INVESTMENT SECURITIES

Short-term investments and investment securities at March 31, 2012 and 2011 were as follows:

	(Millions of yen)		*(Thousands of U.S. dollars)*
	March 31,		*March 31,*
	2012	2011	*2012*
Short-term investments			
Time deposits	¥-	¥49	*$-*
Other	-	-	-
Total	¥-	¥49	*$-*
Investment securities:			
Marketable equity securities and investment trust	¥1,098	¥1,127	*$13,396*
Investment in unconsolidated subsidiaries	30	60	*366*
Other	-	-	-
Total	¥1,128	¥1,187	*$13,762*

Information regarding marketable securities at March 31, 2012 and 2011 is as follows:

	(Millions of yen)			
	March 31,			
	2012			
	Cost	Gross unrealized gains	Gross unrealized losses	Fair value
Equity securities	¥1,158	¥94	¥154	¥1,098
Others	-	-	-	-
Total	¥1,158	¥94	¥154	¥1,098

	(Millions of yen)			
	March 31,			
	2011			
	Cost	Gross unrealized gains	Gross unrealized losses	Fair value
Equity securities	¥1,243	¥98	¥213	¥1,128
Others	-	-	-	-
Total	¥1,243	¥98	¥213	¥1,128

	(Thousands of U.S. dollars)			
	March 31,			
	2012			
	Cost	*Gross unrealized gains*	*Gross unrealized losses*	*Fair value*
Equity securities	*$14,116*	*$1,152*	*$1,872*	*$13,396*
Others				
Total	*$14,116*	*$1,152*	*$1,872*	*$13,396*

Unlisted equity securities of ￥30 million ($ 366 thousand) and ￥59 million as of March 31,2012 and 2011, respectively, that do not have market value and for which it is difficult to determine the fair value are not included in the above table.

8. LOSS ON IMPAIRMENT OF FIXED ASSETS

The Company and its consolidated subsidiary recognized impairment losses for the following asset category. The Company classifies their business property based on management accounting categories. Impairment losses for rental properties and idle assets are determined for individual asset groups. The Company reduced book value of part of idle assets has been declined to net realizable value, and recognized reduced amount as impairment loss.

			(Millions of yen)	*(Thousands of U.S. dollars)*
Location	Use	Classification	2012	*2012*
Kanzaki Plant Kanzaki County, Hyogo Prefecture	Manufacturing equipment for the crystal products industry and idle assets	Machinery and equipment	¥0	*$2*
Tottori Business Place Tottori City, Tottori Prefecture	Idle assets	Machinery and equipment	3	*35*
Nishiwaki Plant Nishiwaki City, Hyogo Prefecture	Idle assets	Machinery and equipment	9	*109*
Tokushima Business Place Yoshinogawa City, Tokushima Prefecture	Idle assets	Machinery and equipment	29	*353*
Total			¥ 41	*$499*

9. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings consisted principally of bank loans with a weighted average interest rate of 2.2% and 1.7% at March 31, 2012 and 2011, respectively.

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

	(Millions of yen)		*(Thousands of U.S. dollars)*
	March 31,		*March 31,*
	2012	2011	*2012*
Loans principally from banks, due from 2012 to 2020, with weighted average interest of 1.1% and 1.5% at March 31, 2012 and 2011, respectively.	¥15,378	¥12,796	*$187,528*
Less; current portion	(3,763)	(3,089)	*(45,886)*
	¥11,615	¥9,707	*$141,642*

The aggregate annual maturities of long-term debt at March 31, 2012 were as follows:

	(Millions of yen)	*(Thousands of U.S. dollars)*
Year ending March 31,		
2013	¥3,763	*$45,886*
2014	5,681	*69,283*
2015	2,750	*33,538*
2016	1,951	*23,788*
2017 and thereafter	1,233	*15,033*
	¥15,378	*$187,528*

Repayment schedule 5 years subsequent to March 31,2012 for long-term debt and other debt is as above:

The following assets were pledged as collateral for bonds and loans principally from banks at March 31, 2012 and 2011:

	(Millions of yen)		*(Thousands of U.S. dollars)*
	March 31,		*March 31,*
	2012	2011	*2012*
Deposit	¥-	¥49	*$-*
Land	385	396	*4,698*
Buildings and structures	324	340	*3,951*
Machinery and equipment	-	118	-
Investments in securities	-	47	-
	¥709	¥950	*$8,649*

Short-term borrowings and long-term debt with pledged assets at March 31, 2012 and 2011 were as follows:

	(Millions of yen)		*(Thousands of U.S. dollars)*
	March 31,		*March 31,*
	2012	2011	*2012*
Short-term borrowings	¥328	¥477	*$4,000*
Current portion of long –term debt	307	454	*3,743*
Long-term debt	674	857	*8,215*
	¥1,309	¥1,788	*$15,958*

10. RETIREMENT BENEFITS TO EMPLOYEES

The Company and a consolidated subsidiary have defined benefit pension plans. The plans comprise funded pension plans and unfunded pension plans. Additionally the Company has a defined contribution plan.

The benefit obligation, plan assets and funded status of the Company and a consolidated subsidiary at March 31, 2012 and 2011 were as follows:

	(Millions of yen)		*(Thousands of U.S. dollars)*
	March 31,		*March 31,*
	2012	2011	*2012*
Benefit obligation at end of year	¥4,103	¥3,817	*$50,042*
Fair value of plan assets at end of year	(2,057)	(1,999)	*(25,094)*
Funded status:	2,046	1,818	*24,948*
Benefit obligation in excess of plan assets			
Unrecognized prior service cost	45	69	*556*
Unrecognized actuarial gain	(446)	(322)	*(5,443)*
Advance pension expense	11	14	*135*
Accrued pension liability recognized in the balance sheet	¥1,656	¥1,579	*$20,196*

Severance and pension costs of the Company and a consolidated subsidiary and assumptions used in the calculation of the benefit obligations were as follows:

	(Millions of yen)		*(Thousands of U.S. dollars)*
	March 31,		*March 31,*
	2012	2011	*2012*
Service costs	¥184	¥179	*$2,251*
Interest costs	92	86	*1,117*
Expected return on plan assets	(39)	(38)	*(476)*
Amortization:			
Prior service costs	(23)	(22)	*(284)*
Actuarial losses	54	54	*659*
Net periodic benefit costs	268	259	*3,267*
Contribution to defined contribution pension plan	78	79	*955*
Total	¥346	¥338	*$4,222*
Discount rate	Mainly 2.0%		
Expected rate of return on plan assets	Mainly 2.0%		

11. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses are included in selling, general and administrative expenses for the years ended March 31, 2012, and 2011 amounted to ¥1,925million ($23,477 thousand) and ¥1,933million respectively.

12. LEASES

The following pro forma amounts represent the acquisition costs, accumulated depreciation, accumulated impairment losses and net book value of the leased assets at March 31, 2012 and 2011, if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

	(Millions of yen)			
	March 31,			
	2012			
	Acquisition costs	Accumulated depreciation	Accumulated impairment losses	Net book value
Machinery and equipment	¥702	¥624	¥-	¥78

	(Millions of yen)			
	March 31,			
	2011			
	Acquisition costs	Accumulated depreciation	Accumulated impairment losses	Net book value
Machinery and equipment	¥881	¥663	¥0	¥218

	(Thousands of U.S. dollars)			
	March 31,			
	2012			
	Acquisition costs	*Accumulated depreciation*	*Accumulated impairment losses*	*Net book value*
Machinery and equipment	*$8,562*	*$7,616*	*$-*	*$946*

The future lease payments for financing leases at March 31, 2012 and 2011 were as follows:

	(Millions of yen)		*(Thousands of U.S. dollars)*
	March 31,		*March 31,*
	2012	2011	*2012*
Due within one year	¥60	¥148	*$730*
Due after one year	22	82	*270*
Future lease payments	¥82	¥230	*1,000*
Leased assets impairment account	¥-	¥0	*$-*

Lease payments relating to finance leases accounted for as operating leases in Japan in the accompanying consolidated financial statements amounted to ¥127 million ($1,545 thousand), and ¥248 million for the years ended March 31, 2012 and 2011,respectively.

Future lease payments for non-cancelable operating leases as a lessee at March 31, 2012 and 2011 were as follows:

	(Millions of yen)		*(Thousands of U.S. dollars)*
	March 31,		*March 31,*
	2012	2011	*2012*
Due within one year	¥29	¥19	*$357*
Due after one year	13	11	*157*
Future lease payments	¥42	¥30	*$514*

13. INCOME TAXES

Income taxes applicable to the Company and its domestic subsidiaries include (1) corporation tax, (2) enterprise tax and (3) inhabitants tax which, in the aggregate, result in an effective tax rate approximately equal to 40.6% for the years ended March 31, 2012, and 2011

Reconciliation between the Japanese statutory income tax rate and the effective tax rate was as follows.

	2011	
Japanese statutory tax rate	40.6	%
Expenses not deductible for tax purposes	5.8	
Per capital inhabitant tax	2.2	
Valuation allowances	(72.1)	
Losses carried forward expired	62.7	
Income of foreign subsidiaries taxed at lower than statutory tax rates	(5.1)	
Undistributed profit of foreign subsidiaries	2.9	
Dividend income of foreign subsidiaries	-	
Others	(10.2)	
Effective income tax rate	26.8	%

A reconciliation of the statutory tax rate to the effective income tax rate for the year ended March 31, 2012 is not presented, since the net loss was reported in the consolidated statement of income.

(Effects caused by Changes in the Income Tax Rate, etc.)

The "Act for Partial Revision of the Income Tax Act, etc. for the purpose of Creating Taxation System Responding to Changes in Economic and Social Structures" (Act No.114 of 2011) and the "Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction from the Great East Japan Earthquake" (Act No. 117 of 2011) were introduced on 2nd December, 2011. As a result, the statutory effective tax rate used for the calculation of deferred tax assets and liabilities has changed to 38.0% for tax differences expected to be realized during April 1, 2012 to March 31, 2015 and to 35.6% for tax differences expected to be realized after April 1,2015 from the 40.6% used in previous fiscal year.

The effect of the tax rate change was in immaterial.

The components of the deferred tax assets and deferred tax liabilities at March 31, 2012 and 2011 were as follows：

	(Millions of yen)		*(Thousands of U.S. dollars)*
	March 31,		*March 31,*
	2012	2011	*2012*
Deferred tax assets:			
Tax losses carried forward	¥359	¥1,106	*$4,377*
Write-down of inventories	400	455	*4,880*
Write-down of investment	12	14	*145*
Retirement benefits to employees	569	615	*6,940*
Write-down of property, plant and equipment	310	347	*3,780*
Other	399	601	*4,867*
Gross deferred tax assets	2,049	3,138	*24,989*
Less: valuation allowance	(1,929)	(3,028)	*(23,527)*
Total deferred tax assets	¥120	¥110	*$1,462*
Deferred tax liabilities:			
Asset retirement obligations	¥(3)	¥(5)	*$(42)*
Depreciation of foreign subsidiaries	(124)	(146)	*(1,511)*
Temporary difference of investment in subsidiaries	(287)	(309)	*(3,502)*
Other	(93)	(97)	*(1,124)*
Gross deferred tax liabilities	(507)	(557)	*(6,179)*
Net deferred tax assets (liabilities)	¥(387)	¥(447)	*$(4,717)*

14. COMPREHENSIVE INCOME

Other comprehensive income for the year ended March 31, 2012 consisted of the following:

	March 31,2012	
	(Millions of yen)	*(Thousands of U.S. dollars)*
Net unrealized holding gain on securities		
Loss arising during the year	(35)	*(426)*
Reclassification adjustments to profit or loss	91	*1,107*
Amount before income tax effect	56	*681*
Income tax effect	-	-
Total	56	*681*
Translation adjustments		
Adjustments arising during the year	243	*2,963*
Total other comprehensive income	299	*3,644*

15. NET ASSETS

The Japanese Corporation Law (“the Law”) became effective on May 1, 2006, replacing the Japanese Commercial Code (“the Code”).

Under the Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock.. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital.

Under the Law, in cases where dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in-capital and legal earnings reserve must be set aside as additional paid–in-capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Under the Code, companies were required to set aside an amount equal to at least 10% of cash dividends and other cash appropriations as legal earnings reserve until the total of legal earnings reserve and additional paid-in capital equaled 25% of common stock.

Under the Code, legal earnings reserve and additional paid-in capital could be used to eliminate or reduce a deficit by a resolution of the shareholders' meeting or could be capitalized by a resolution of the Board of Directors. Under the law, both of these appropriations generally require a resolution of the shareholders' meeting.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Code, however, additional paid-in capital and legal earnings reserve may be transferred to retained earnings by the resolution of the shareholders meeting as long as the total amount of legal earnings reserve and additional paid-in capital remained equal to or exceeded 25% of common stock. Under the law, all additional paid-in-capital and all legal earnings reserve may be transferred to other capital surplus and remained earnings, respectively, which are potentially available for dividends.

Movements in common stock and treasury stock for the year ended March 31, 2012 and 2011 were as follows:

	Thousands of shares			
	April 1, 2011	Increase in the year	Decrease in the year	March 31, 2012
Shares outstanding				
Common stock	45,246			45,246
Total	45,246			45,246
Treasury stock				
Common stock	3,784	8	*(1)*	3,791
Total	3,784	8	*(1)*	3,791

16. COMMITMENTS AND CONTINGENT LIABILITIES

Contingent liabilities at March 31, 2012 and 2011 were as follows:

	(Millions of yen)		*(Thousands of U.S. dollars)*
	March 31,		*March 31,*
	2012	2011	*2012*
Trade notes endorsed	¥108	¥86	*$1,322*

17. NET INCOME (LOSS) PER SHARE

Amounts per share at March 31, 2012 and 2011 and were as follows:

	(Millions of yen)		*(Thousands of U.S. dollars)*
	March 31,		*March 31,*
	2012	2011	*2012*
Net assets	¥675.07	¥694.05	*$8.23*
Net income	(6.01)	10.25	*(0.07)*
Cash dividends applicable to the year	4.00	8.00	*0.05*

Diluted net income per share for the years ended March 31, 2012 and 2011 has not been disclosed because no potential for dilution exited at March 31, 2012 and 2011. Amounts per share of net assets are computed based on the number of shares of common stock outstanding at the year end. Basic net income per share is computed based on the net income attributable to shareholders of common stock and the weighted-average number of shares of common stock outstanding during the year. Cash dividends per share represent the cash dividends proposed by the Board of Directors as applicable to the respective fiscal years.

18. FAIR VALUES OF FINANCIAL INSTRUMENTS

For financial instruments, amounts recorded on the consolidated balance sheet and fair values as of March 31, 2012 and 2011, and the differences between the two were as follows. It should be noted that financial instruments for which it is considered extremely difficult to assets fair values are not included in the following table.

	March 31, 2012					
	(Millions of yen)			*(Thousands of U.S. dollars)*		
	Amounts on consolidated balance sheet	Fair Value	Difference	*Amounts on consolidated balance sheet*	*Fair Value*	*Difference*
(1)Cash and cash equivalent	¥14,679	¥14,679	-	*$179,015*	*$179,015*	-
(2)Trade notes and accounts receivable	8,681	8,681	-	*105,864*	*105,864*	-
(3)Investment securities	1,099	1,099		*13,396*	*13,396*	-
Assets total	24,459	24,459	-	*298,275*	*298,275*	-
(1)Trade notes and accounts payable	3,000	3,000	-	*36,583*	*36,583*	-
(2)Short-term borrowings	2,962	2,962	-	*36,118*	*36,118*	-
(3) Accounts payable	1,031	967	(64)	*12,572*	*11,795*	*(777)*
(4)Long-term debt	15,377	15,407	30	*187,528*	*187,886*	*358*
(5)Long-term accounts payable	522	490	(32)	*6,369*	*5,989*	*(380)*
Liabilities total	22,892	22,826	(66)	*279,170*	*278,371*	*(799)*
Derivative transactions(*)	(12)	(12)	-	*(143)*	*(143)*	-

	March 31, 2011		
	(Millions of yen)		
	Amounts on consolidated balance sheet	Fair Value	Difference
(1)Cash and cash equivalent	¥11,599	¥11,599	-
(2)Trade notes and accounts receivable	9,871	9,871	-
(3)Short-term investment	49	49	-
(4)Investment securities	1,128	1,128	
Assets total	22,647	22,647	-
(1)Trade notes and accounts payable	2,092	2,092	-
(2)Short-term borrowings	4,167	4,167	-
(3) Accounts payable	1,280	1,190	(90)
(4)Long-term debt	12,795	12,874	79
(5)Long-term accounts payable	1,093	981	(112)
Liabilities total	21,427	21,304	(123)
Derivative transactions(*)	(17)	(17)	-

*Derivative assets and (liabilities) are on a net basis.

Assets

(1) Cash and cash equivalents, (2) Trade notes and accounts receivable

All of these are settled within a short time, and their fair value and book value are nearly equal. Thus, the book value is listed as fair value in the table above. Additionally, foreign exchange forward contracts are accounted for as part of accounts receivable. Therefore, the fair value of the contracts are included in the fair value of underlying account receivable.

(3) Investment securities

The fair value of equity securities equals quoted market price, if available.

Information on securities by category is described in Note 7.

Liabilities

(1) Trade notes and accounts payable, and (2) Short-term borrowings

The book value is used as the fair value for these items, as their fair values approximate their book values due to the short maturity of these instruments.

(3) Long-term debt

The fair value of long-term borrowings is based on the present value of the total amount including principal and interest, discounted by the expected interest rate to be applied if similar new loans with a similar remaining period were entered into. Variable interest rate for long-term borrowings is hedged by interest rate swap contract and accounted for as debt with interest rate. The fair value of long-term borrowings with variable interest is reasonably based on the present value of the total of principal, interest and net cash flow of interest rate swap contract discounted by reasonably estimated interest rate to be applied if similar new loans with a similar remaining period were entered into.

19. DERIVATIVE TRANSACTIONS

1. Derivative transactions that do not adopt hedge accounting

(1) Currency-related derivatives

	(Millions of yen)			
	March 31, 2012			
	Contract amounts			
Off-market transactions	Total	Due after one year	Fair value	Realized gain (losses)
Forward foreign exchange contracts:				
Selling US dollar	¥805	-	¥(12)	¥(12)
Total	¥805	-	¥(12)	¥(12)

	(Thousands of U.S. dollars)			
	March 31, 2012			
	Contract amounts			
Off-market transactions	*Total*	*Due after one year*	*Fair value*	*Realized gain (losses)*
Forward contracts:				
Selling US dollar	*$9,815*	-	*$144*	*$144*
Total	*$9,815*	-	*$144*	*$144*

	(Millions of yen)			
	March 31, 2011			
	Contract amounts			
Off-market transactions	Total	Due after one year	Fair value	Realized gain (losses)
Forward foreign exchange contracts:				
Selling US dollar	¥1,078	-	¥18	¥18
Total	¥1,078	-	¥18	¥18

Fair value is based on information provided by financial institutions at the end of the fiscal year.

Interest –related transactions at March 31, 2012 and 2011 were as follows:

March 31, 2012 Not applicable

	(Millions of yen)			
	March 31, 2011			
	Contract amounts			
Off-market transactions	Total	Due after one year	Fair value	Realized gain (losses)
Interest rate swaps:				
Receive variable / Pay fixed	¥42	-	¥1	¥1
Total	¥42	-	¥1	¥1

2. Derivative transactions that adopt hedge accounting

(1) Currency-related derivatives

			(Millions of yen)		
			March 31, 2012		
			Contract amounts		
Hedge accounting method	Type	Main hedge item	Total	Due after one year	Fair values
Allocation method for forward foreign exchange contract	Selling US dollar	Account receivable	¥1,521	¥-	※2
Total			¥1,521	¥-	

			(Thousands of U.S. dollars)		
			March 31, 2012		
			Contract amounts		
Hedge accounting method	*Type*	*Main hedge item*	*Total*	*Due after one year*	*Fair values*
Allocation method for forward foreign exchange contract	*Selling US dollar*	*Account receivable*	*$18,502*	*$-*	※2
Total			*$24,207*	*$-*	

March 31, 2011 Not applicable

Foreign exchange forward contracts are accounted for as part of accounts receivable. Therefore, the fair value of the contracts are included in the fair value of underlying account receivable.

(2) Interest rate-related derivatives

Hedge accounting method	Type	Main hedge item	(Millions of yen) March 31, 2012 Contract amounts Total	Due after one year	Fair values
Interest rate swaps	Receive variable / Pay fixed	Long-term debt	¥1,985	¥1,555	※2
Total			¥1,985	¥1,555	

Hedge accounting method	*Type*	*Main hedge item*	*(Thousands of U.S. dollars) March 31, 2012 Contract amounts Total*	*Due after one year*	*Fair values*
Interest rate swaps	*Receive variable/ Pay fixed*	*Long-term loans payable*	*$24,207*	*$18,963*	※2
Total			*$24,207*	*$18,963*	

Hedge accounting method	Type	Main hedge item	(Millions of yen) March 31, 2011 Contract amounts Total	Due after one year	Fair values
Interest rate swaps	Receive variable / Pay fixed	Long-term loans payable	¥2,415	¥1,985	※2
Total			¥2,415	¥1,985	

※

1. Fair value is based on information provided by financial institutions at the end of the fiscal year.
2. Since these interest rate swaps that are subject to special treatment accounted for with long-term loans payable, which are hedged items, their fair value is included in the fair value of said long-term loans payable.

20. SEGMENT INFORMATION

(1) Overview of reportable segments

Segments used for financial reporting are the Company's constituent units for which separate financial information is available and for which the Board of Directors performs periodic studies for the purpose of determining the allocation of resources and evaluating performance.

The Company undertakes production and sales activities in the quartz crystal. Within Japan, these operations are mainly handled by the Company. Overseas, operations are handled by DAISHINKU (AMERICA) CORP. in America, DAISHINKU (DEUTSULAND) GmbH in Europe, DAISHINKU (HK) LTD. and TIANJIN KDS CORP. in China, HARMONY ELECTRONICS CORP. and its subsidiaries in Taiwan, and DAISHINKU (SINGAPORE) PTE.LTD. and PT. KDS INDONESIA in Asia. These affiliates each operate as autonomous business units, forming comprehensive strategies in each region and developing business activities for the products and services they undertake.

Accordingly, the Company's basic production and sales structure comprises the six regional reportable segments of Japan, North America, Europe, China, Taiwan, and Asia.

(2) Calculation methods for net sales, profits/losses, assets, liabilities, and other items for each reportable segment

The accounting methods by reportable business segment herein are almost the same as the description of the "summary of significant accounting policies (Note 2)". Income by reportable business segment is stated on an operating income basis. Intersegment net sales and transfers are based on the values of transactions undertaken between third parties.

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

(Millions of yen)

	Japan	North-America	Europe	China	Taiwan	Asia	Total	Adjustment	Consolidated amount
Year ended March 31,2012									
Sales:									
Sales to outside customers	¥12,862	¥1,166	¥1,650	¥6,959	¥10,789	¥1,724	¥35,150	¥ -	¥35,150
Inter-segment sales	12,523	73	2	4,071	1,199	4,431	22,299	(22,299)	-
Total	25,385	1,239	1,652	11,030	11,988	6,155	57,449	(22,299)	35,150
Segment profit (loss)	545	37	23	(713)	223	42	157	159	316
Segment assets	¥36,361	¥565	¥602	¥7,985	¥13,291	¥4,618	¥63,422	¥(5,719)	¥57,703
Others:									
Depreciation	1,619	2	1	687	636	648	3,593	(18)	3,575
Impairment loss	41						41	-	41
Increase in tangible and Intangible fixed assets	2,105	-	0	59	543	181	2,888	(1)	2,887

(Thousands of U.S. dollars)

	Japan	*North-America*	*Europe*	*China*	*Taiwan*	*Asia*	*Total*	*Adjustment*	*Consolidated amount*
Year ended March 31,2012									
Sales:									
Sales to outside customers	*$156,849*	*$14,219*	*$20,128*	*$84,863*	*$131,576*	*$21,028*	*$428,663*	*$ -*	*$428,663*
Inter-segment sales	*152,723*	*885*	*27*	*49,646*	*14,617*	*54,041*	*271,939*	*(271,939)*	*-*
Total	*309,572*	*15,104*	*20,155*	*134,509*	*146,193*	*75,069*	*700,602*	*(271,939)*	*428,663*
Segment profit (loss)	*6,651*	*448*	*285*	*(8,696)*	*2,722*	*512*	*1,922*	*1,934*	*3,856*
Segment assets	*$443,428*	*$6,894*	*$7,349*	*$97,376*	*$162,081*	*$56,317*	*$773,445*	*$(69,748)*	*$703,697*
Others:									
Depreciation	*19,747*	*23*	*13*	*8,380*	*7,755*	*7,901*	*43,819*	*(223)*	*43,596*
Impairment loss	*500*	*-*	*-*	*-*	*-*		*500*	*-*	*500*
Increase in tangible and Intangible fixed assets	*25,674*	*-*	*3*	*717*	*6,624*	*2,209*	*35,227*	*(18)*	*35,209*

(Millions of yen)

	Japan	North-America	Europe	China	Taiwan	Asia	Total	Adjustment	Consolidated amount
Year ended March 31,2011									
Sales:									
Sales to outside customers	¥11,821	¥1,168	¥1,536	¥8,172	¥13,233	¥2,053	¥37,983	¥ -	¥37,983
Inter-segment sales	19,234	98	2	4,985	1,835	4,739	30,893	(30,893)	-
Total	31,055	1,266	1,538	13,157	15,068	6,792	68,876	(30,893)	37,983
Segment profit (loss)	1,031	60	18	(643)	920	28	1,414	11	1,425
Segment assets	¥36,365	¥516	¥596	¥8,850	¥13,447	¥5,078	¥64,852	¥(7,344)	¥57,508
Others:									
Impairment loss	-	-	-	-	-	-	-	-	-
Depreciation	1,430	2	1	703	702	716	3,554	(23)	3,531
Increase in tangible and Intangible fixed assets	2,577	-	2	883	1,171	940	5,573	-	5,573

Note: 1. Effective for the year ended March 31, 2011, the Company adopted the “Accounting Standard for Segment Information” (ASBJ statement No.17, March 27, 2009) and “Guidance on Accounting Standard for Segment Information” (ASBJ Guidance No.20, March 21, 2008).

2. (1) Adjustments on segment profit (loss) are eliminations of transactions in intersegment transactions, amortization of goodwill, and other adjustments.

(2) Adjustments on segment assets are eliminations of receivables and payables in intersegment debtors and creditors, and other adjustments.

(3) Adjustment on depreciation is eliminations of transactions in intersegment transactions.

3. Segment profit (loss) is reconciled to operating income on the consolidated statements of income.

4. Major countries and regions located in areas outside of Japan, China and Taiwan are as follows:

(1) North-America: The United States

(2) Europe: Germany

(3) Asia: Singapore, Indonesia

Amortization of goodwill presented in the above table is included in selling, general and administrative expenses in the consolidated statement of income for the year ended March 31, 2012 and 2011.

(Related information)

(1) Information by products and services

Sales to external customers of individual products and services accounted for more than 90% of net sales reported on the Consolidated Statements of Income. The Company, therefore, has not provided information by product and service.

(2) Information by region

a. Sales

	Millions of Yen		Thousands of U.S. dollars
Nets sales	2012	*2011*	*2012*
Japan	¥10,802	¥9,556	*$131,735*
North-America	1,240	1,164	*15,127*
Europe	1,664	1,490	*20,295*
China	6,926	8,142	*84,459*
Taiwan	10,729	13,178	*130,844*
Asia	3,789	4,453	*46,203*
Total	¥35,150	¥37,983	*$428,663*

Note: Net sales are classified by country and region based on customer location.

b. Tangible assets

	Millions of Yen		Thousands of U.S. dollars
	2012	*2011*	*2012*
Japan	¥12,653	¥12,528	*$154,304*
North-America	47	49	*573*
Europe	2	3	*24*
China	3,081	3,657	*37,576*
Taiwan	5,504	5,573	*67,118*
Asia	2,099	2,620	*25,600*
Total	¥23,386	¥24,430	*$285,195*

(Loss on impairment of fixed assets by each reportable segment)

	Millions of Yen	Thousands of U.S. dollars
	2012	*2012*
Japan	¥41	*$500*
North-America	-	-
Europe	-	-
China	-	-
Taiwan	-	-
Asia	-	-
Total	¥41	*$500*

(Amortization and remaining balance of goodwill by each reportable segment)

	Japan	North-America	Europe	China	Taiwan	Asia	Total	Adjustment	Consolidated amount
	(Millions of yen)								
Year ended March 31,2012									
Amortization	¥ -	-	-	-	-	-	-	¥67	¥67
Remaining balance	-	-	-	-	-	-	-	¥99	¥99

	Japan	*North-America*	*Europe*	*China*	*Taiwan*	*Asia*	*Total*	*Adjustment*	*Consolidated amount*
	(Thousands of U.S. dollars)								
Year ended March 31,2012									
Amortization	*$ -*	-	-	-	-	-	-	*$820*	*$820*
Remaining balance	-	-	-	-	-	-	-	*$1,204*	*$1,204*

	Japan	North-America	Europe	China	Taiwan	Asia	Total	Adjustment	Consolidated amount
	(Millions of yen)								
Year ended March 31,2011									
Amortization	¥ -	-	-	-	-	-	-	¥167	¥167
Remaining balance	-	-	-	-	-	-	-	¥83	¥83

(Negative goodwill by each reportable segment)

As there is no negative goodwill, the disclosure of information on negative goodwill has been omitted.

21. SUBSEQUENT EVENTS

The following distribution of retained earnings of the Company, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2012, was approved at a meeting of the shareholders of the Company held on June 28, 2012:

	(Millions of yen)	*(Thousands of U.S. dollars)*
Cash dividends (¥1=U.S.$0.01 per share)	¥41	*$504*

Report of Independent Auditors

To the Board of Directors of DAISHINKU CORP.

We have audited the accompanying consolidated financial statements of DAISHINKU CORP. and consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2012, and the consolidated statements of income, comprehensive income, changes in net assets, 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 designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the 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 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. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls 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. 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 DAISHINKU CORP. and consolidated subsidiaries at March 31, 2012, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and , in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 4.

Kasumigaseki Audit Corporation

Kasumigaseki Audit Corporation
Osaka, Japan
June 28, 2012