Annual Report 2013

From April 1,2012 to March 31,2013

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 our quartz devices.

The transparent and beautifully shining crystal has the power to generate stable electrical signal by flowing electricity and resonating precisely through it. Quartz 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

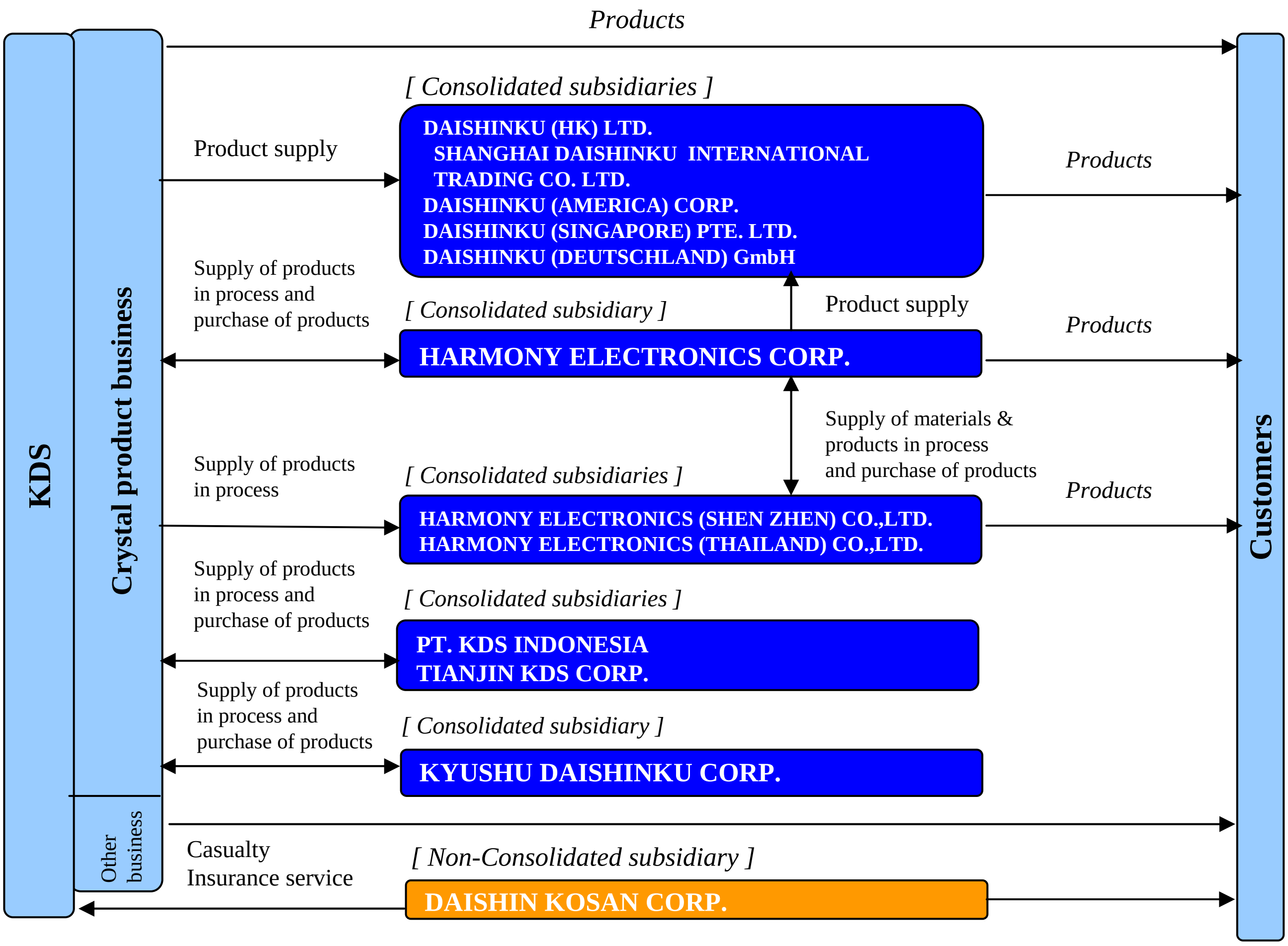
			[Millions of Yen]	Thousands of U.S. Dollars
For The Year	**2011**	**2012**	**2013**	**2013**
Net Sales	37,983	35,150	32,856	349,346
Operating Income	1,425	316	381	4,055
Net Income	425	△ 249	1,089	11,578
At Year - End				
Total Net Assets	32,276	31,521	34,524	367,080
Total Assets	57,508	57,703	58,981	627,121
Per Share of Common Stock			[Yen]	U.S. Dollars
Net Income	10.25	△ 6.01	26.27	0.28
Cash Dividends	8.00	4.00	6.00	0.06
Shareholders'equity per share	694.05	675.07	736.27	7.83

Note : U.S. dollar amounts are calculated at an exchange rate of JPY 83 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

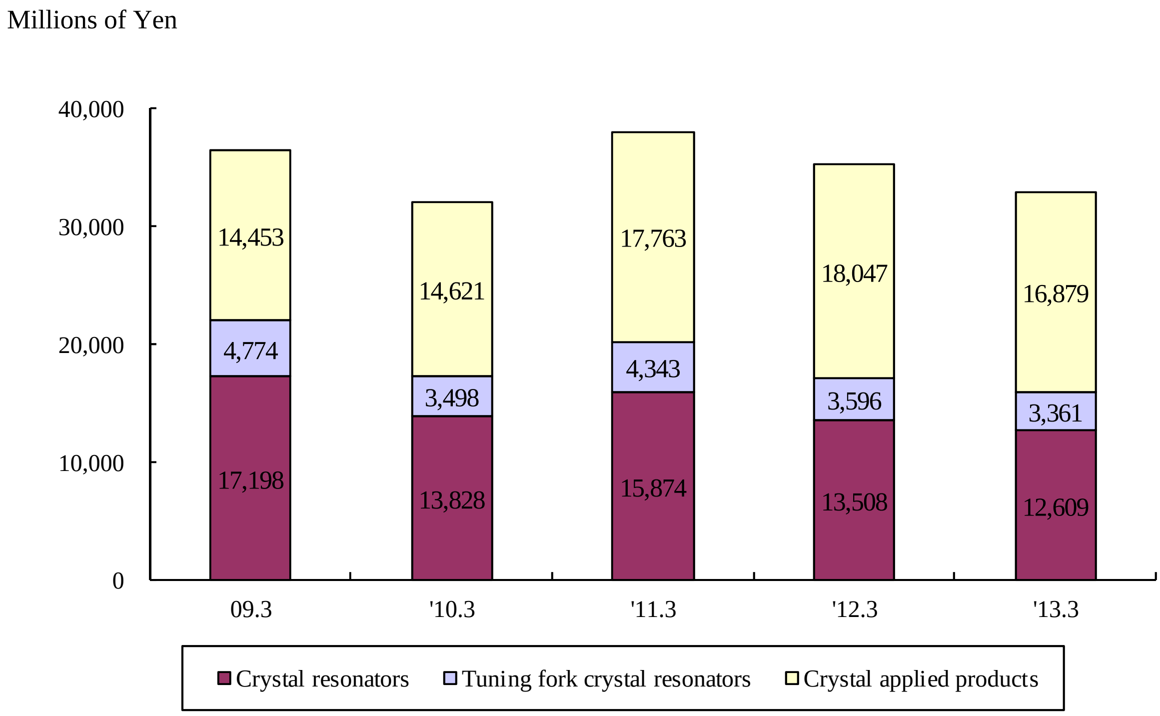
Since our establishment in 1959, we Daishinku have been satisfying the advanced needs of the world demand, under our policy of “reliance”.
After achieving the best performance in corporate history in fiscal year 2000 ending March 2001, we experienced a period of stagnation in 2002 and 2003 after the collapse of the IT bubble. We were able to maintain steady growth after 2004 once we decided to concentrate solely on the quartz crystal business and implement an entirely new product strategy. However, the Lehman Shock of 2008 forced us to record a loss in fiscal year 2008 for the first time in six terms. Our performance continued to suffer due to natural disasters, a sluggish economy and an unprecedented currency appreciation.
In this period, revenues decreased since the electronics market was slack, while profits increased due to the rebound in the China segment and correction of the excessive rise of the yen.

“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 Resonators

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 2013's sales recorded 12,609 million yen (down 6.7% year-on-year).

Tuning Fork Crystal Resonators

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 2013's sales were 3,361 million yen (down 6.6% 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 increased in the current fiscal year. However, sales of crystal-applied products as a whole remained at 16,879 million yen (down 6.5% year-on-year) due to sales decrease 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.

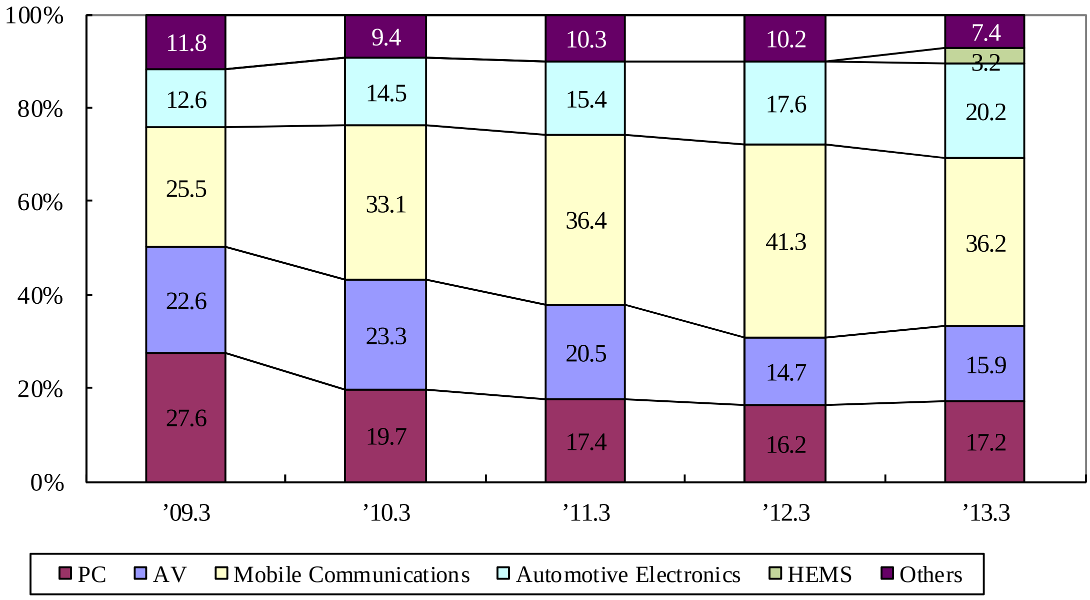
VCXO: Commonly used to adjust clock frequency differences, which arise when passing digital signals.VCXOs are often used for modems and digital AV equipment.

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 by Market

Sales performance by Application



*Consolidated

1) Communications
In total, 1.6 billion units or more of smartphones and feature phones are produced annually, forming a huge market. In this period, sales in the communications equipment market accounted for 36.2% of overall sales, or down 18.1% from the last year partly due to changes in product lineup as a consequence of smartphone design changes.

2) Audio-Visual Equipment
Shipments of OLPFs for use in digital single-lens reflex cameras increased thanks to the recovery from the aftermath of the flood in Thailand. Although some trends towards growth were seen in the category of 4K x 2K high definition TVs, the overall trends in the flat TV market remained low. The sales in the audio-visual market were up 0.5% from the last year, accounting for 15.9% of the overall sales.

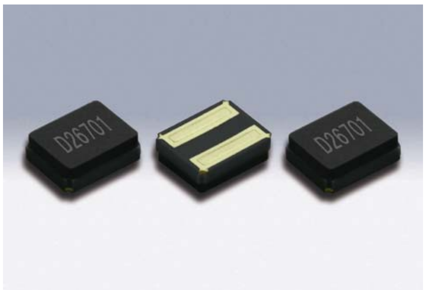
3) PCs
Sales of our crystal devices for PCs accounted for 17.2% of overall sales, down 0.9% from the last year, as a result of the sluggish PC market caused by the widespread use of smartphones and tablet PCs.

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 7.3% from last year and accounted for 20.2% of our total sales.

R&D

Research and Development

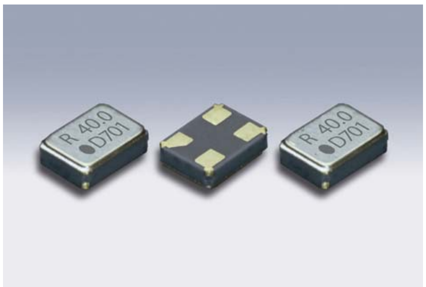
The Company spent 1,791 million yen in research and development. Customers have been demanding crystal devices of smaller size, higher precision and broader frequency range. It is difficult to develop a smaller or higher-frequency-range device that uses bulk oscillation, so the development of a new production 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.



DSX210G

Crystal Resonator "DSX210G"

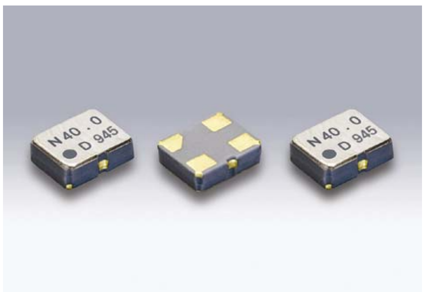
DSX210G is the world's smallest glass sealed type crystal resonator for automotive in 2016 size(2.0 × 1.6 × 0.65 mm). Adopting vacuum glass sealing technology, we succeeded in reducing series resistance by approximately 40% (@16MHz, 2520size) compared with conventional products.



DSO1612AR

Crystal Oscillator "DSO1612AR"

DSO1612AR is the world's smallest and thinnest crystal oscillator in 1612 size(1.6 × 1.2 × 0.5 mm). This product is marketed for wireless modules and small mobile equipment. Its low-profile feature, unavailable from any of our competitors, has gained wide acceptance.



DSO211AN

Crystal Oscillator "DSO211AN"

This crystal oscillator in 2016 size operating at a low voltage of +0.9 V, +1.3 V, or +1.5 V is an optimal choice for small mobile equipment and PC peripherals.

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

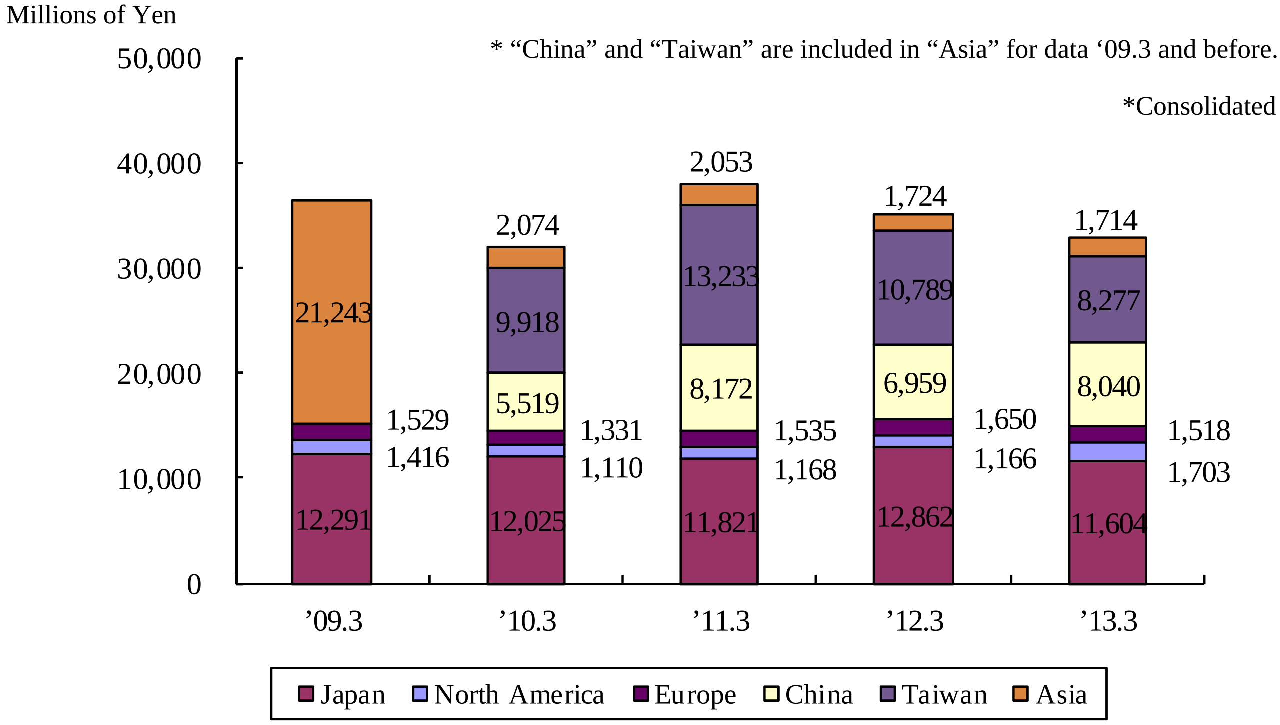
Business Outlook

In this consolidated fiscal year, Japan's economy showed some signs of recovery, including those in the improved domestic stock market climate, due to the demand associated with the recovery from the Great East Japan Earthquake and a sense of anticipation following the change of government. Nonetheless, it has still been weak due to the economic slowdown in overseas countries. The global economy has remained uncertain because of the European debt problem and the slowing economic growth in China and other Asian economies, although America's economy has indicated some recovery trends.

The growth of the electronics market has been slowing since the production of information and communication equipment (e.g., PCs) and digital home electronics (e.g., TVs) has been sluggish and the much-talked-about smartphones are already in widespread use. Meanwhile, the car electronics sector has been strong due to the growth of eco-friendly cars and increased use of automotive electrical/electronic components.

In such a business environment, sales in the communications and audio-visual equipment markets were lower than forecasted. Consequently, our sales for this consolidated fiscal year were ¥32,856 million (down 6.5% from the same period last year). Nonetheless, operating profit was ¥381 million (up 20.6% from the same period last year), partly owing to improvements in the China segment. Moreover, since a foreign currency transaction gain of ¥991 million was recorded, as a result of the correction of the excessive rise of the yen, ordinary profit was ¥1,409 million (as compared with ¥56 million for the same period last year). Consequently, profits increased, while revenues decreased, with current net profit reaching ¥1,089 million (by comparison, current net loss was ¥249 million for the same period last year).

Sales by Region Segment



Business Outlook

Japan
In Japan, sales to communication equipment and PC equipment applications declined. As a result, net sales decreased by 1,258 million yen (down 9.8% from the same period last year) to 11,604 million yen, while segment loss (operating loss) plunged by 630 million yen (segment income of 545 million yen in the last year) to 85 million yen.

North America
In North America, sales to communication equipment and automotive electronics applications increased. As a result, net sales increased by 537 million yen (up 46.1% from the same period last year) to 1,703 million yen, while segment income (operating income) increased by 31 million yen (up 83.8% from the same period last year) to 67 million yen.

Europe
In Europe, sales to automotive electronics applications declined. As a result, net sales decreased by 132 million yen (down 8.0% from the same period last year) to 1,518 million yen, while segment loss (operating loss) decreased by 29 million yen (segment income of 23 million yen in the last year) to 6 million yen.

China
In China, sales to communication equipment and PC equipment applications increased. As a result, net sales increased by 1,081 million yen (up 15.5% from the same period last year) to 8,040 million yen. Operating profit of the China segment was ¥22 million, up ¥735 million from the same period last year (with the segment marking a loss of ¥713 million for the previous consolidated fiscal year) due to increased revenues and cost improvements by manufacturing subsidiaries.

Taiwan
In Taiwan, sales to communication equipment applications, mainly smartphones, declined. As a result, net sales decreased by 2,512 million yen (down 23.3% from the same period last year) to 8,277 million yen, while segment income (operating income) plunged by 59 million yen (down 26.2% from the same period last year) to 165 million yen.

Asia
In other Asian countries, sales to communication equipment and AV equipment applications declined. As a result, net sales decreased by 10 million yen (down 0.6 % from the same period last year) to 1,714 million yen, while segment income (operating income) decreased by 31 million yen (down 73.6% from the same period last year) to 12 million yen.

Financial Report

Financial Condition

Total assets at the end of fiscal year ended in March 31, 2013 amounted to 58,981 million yen, up by 1,278 million yen from the end of fiscal year ended in March 31, 2012.
Current assets grew by 1,355 million yen to 33,853 million yen, mainly due to an increase in cash and deposits. Current liabilities increased by 1,888 million yen to 13,710 million yen, mainly due to an increase in current portion of long-term loans payable. Noncurrent assets declined by 78 million yen to 25,127 million yen, mainly due to a decrease in machinery, equipment and vehicles. Noncurrent liabilities fell by 3,613 million yen to 10,747 million yen, mainly due to a decrease in long-term loans payable. Net assets amounted to 34,524 million yen, up by 3,003 million yen from the end of fiscal year ended March 31, 2012, due to an increase in foreign currency translation adjustment.

Cash Flows

Cash and cash equivalents at the end of fiscal year ended in March 31, 2013 amounted to 14,864 million yen, up by 185 million yen from the end of fiscal year ended March 31, 2012. This was because the company posted income before income taxes and depreciation, despite repayment of long-term loans payable.

Net cash provided by (used in) operating activities
Net cash provided by operating activities amounted to 4,770 million yen, down 1,039 million yen from the last year, mainly due to income before income taxes of 1,387 million yen and depreciation of 3,551 million yen, despite a decrease in notes and accounts payable-trade of 1,076 million yen.

Net cash provided by (used in) investing activities
Net cash used in investing activities amounted to 2,851 million yen, down by 632 million yen from last year, mainly due to purchase of property, plant and equipment of 2,303 million yen.

Net cash provided by (used in) financing activities
Net cash used in financing activities amounted to 2,408 million yen, up by 3,335 million yen from the last year, mainly due to repayment of long-term loans payable of 4,267 million yen, despite proceeds from long-term loans payable of 2,784 million yen.

Financial Report

Capital Investment and Depreciation

In the current consolidated fiscal year, we invested 1,937 million yen, mainly for capacity expansion of small-sized crystal oscillators and crystal resonators. Depreciation decreased 369 million yen, and amounted to 3,551 million yen.

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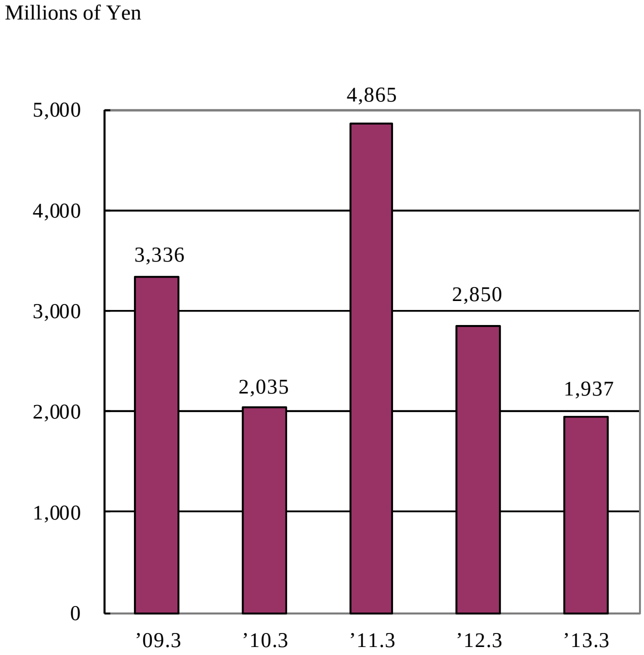
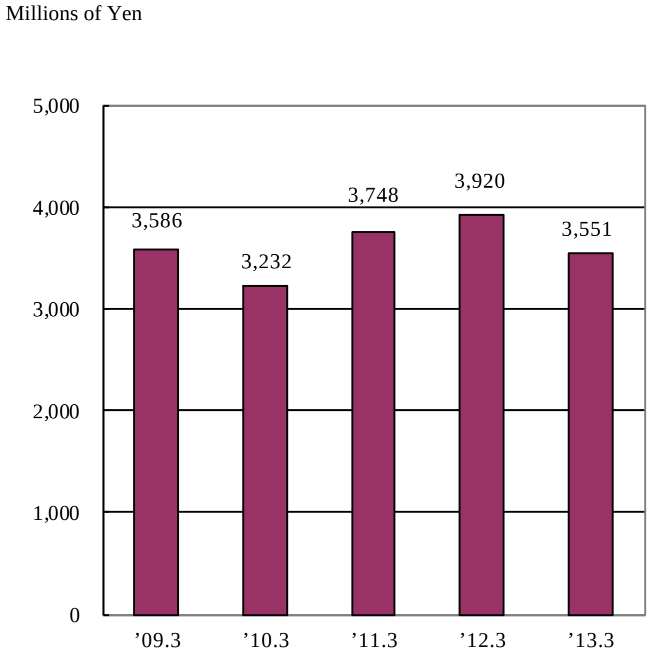
Capital investment



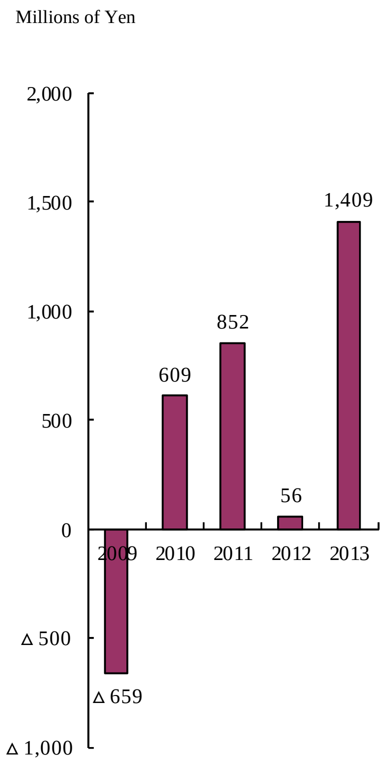
Depreciation



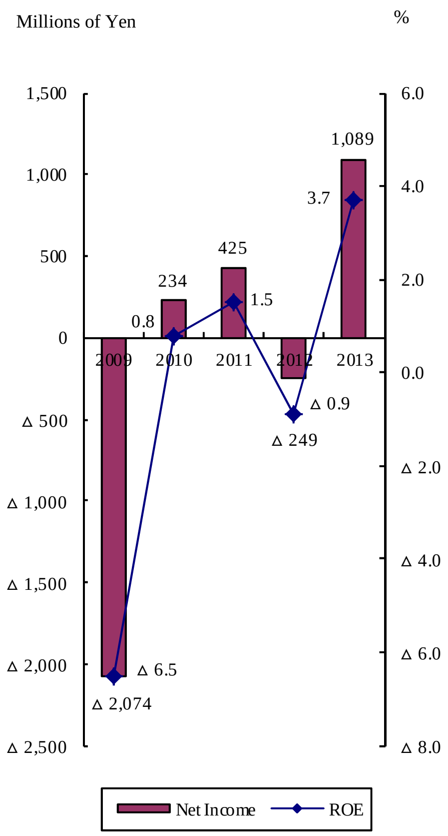
Five Year Summary

For The Year	2009	2010	2011	2012	2013	2013
	[Millions of Yen]					[Thousands of U.S. Dollars]
Net sales	36,479	31,978	37,983	35,150	32,856	349,346
Cost of sales	29,949	25,087	30,281	28,758	26,748	284,406
Gross profit	6,530	6,891	7,702	6,392	6,108	64,940
Selling,general and administrative expenses	6,914	5,664	6,277	6,076	5,727	60,885
Operating Income	△ 384	1,227	1,425	316	381	4,055
Income before income taxes and minority interests	△ 1,524	702	940	△ 47	1,387	14,749
Net Income	△ 2,074	234	425	△ 249	1,089	11,578
Capital investment	3,336	2,035	4,865	2,850	1,937	20,603
Depreciation and amortization	3,586	3,232	3,748	3,920	3,551	37,753
Overseas Sales	24,125	23,409	28,427	24,348	23,468	249,522
Overseas Sales Ratio(%)	66.1	73.2	74.8	69.3	71.4	-
Return on Equity(%)	△ 6.5	0.8	1.5	△ 0.9	3.7	-
Total Assets	56,139	57,732	57,508	57,703	58,981	627,121
Total Shareholders’ Equity	31,821	32,556	32,276	31,521	34,524	367,080
Equity Ratio(%)	52.1	51.5	50.0	48.5	51.7	-
	[Yen]					[U.S. Dollars]
Net Income per share	△ 48.92	5.64	10.25	△ 6.01	26.27	0.28
Cash Dividends per share	8.00	5.00	8.00	4.00	6.00	0.06
Shareholders' equity per share	698.06	716.78	694.05	675.07	736.27	7.83

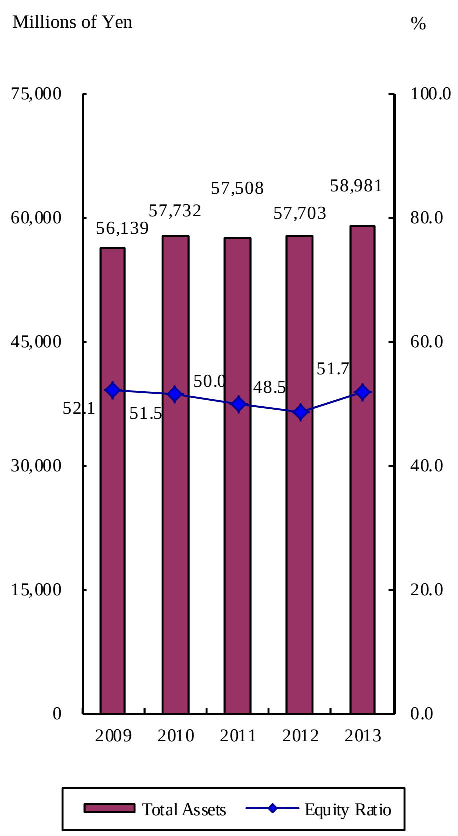
Recurring Income



Net Income & ROE



Total Assets & Equity Ratio



Investor Information

March 31, 2013

Issued Common Stocks Shares	45,246,212
A securities[stock] exchange	Osaka Exchange
Number of shareholders	4,975

Major Shareholders

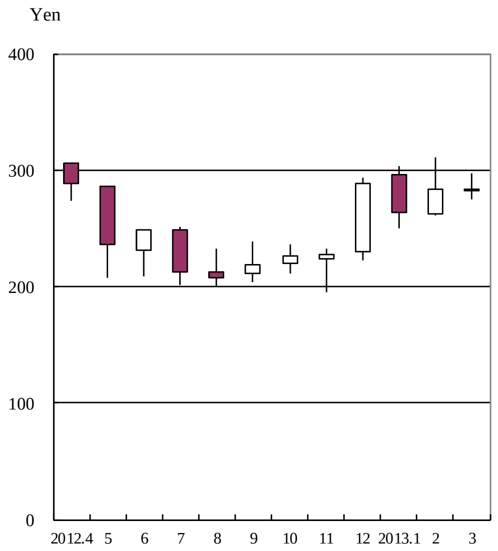
	Number of Shares (Thousands)	Percentage of Total Shares in Issue
Hasegawa Fukushikai	3,000	6.63
Sohei Hasegawa	1,717	3.80
Japan Trustee Services Bank Ltd.	1,376	3.04
Bank of Tokyo-Mitsubishi UFJ	1,240	2.74
Joyo Bank	1,224	2.71
Dai-Ichi Life Ins.	1,016	2.25
Employee Stock Ownership	986	2.18
UBS AG LONDON A/C IPB SEGREGATED CLIENT ACCOUNT	889	1.96
Daishinku Trading-Partner Shareholding Association	775	1.71
Nippon Life Insurance Company	703	1.56

* Treasury shares : 3,797 (thousands)

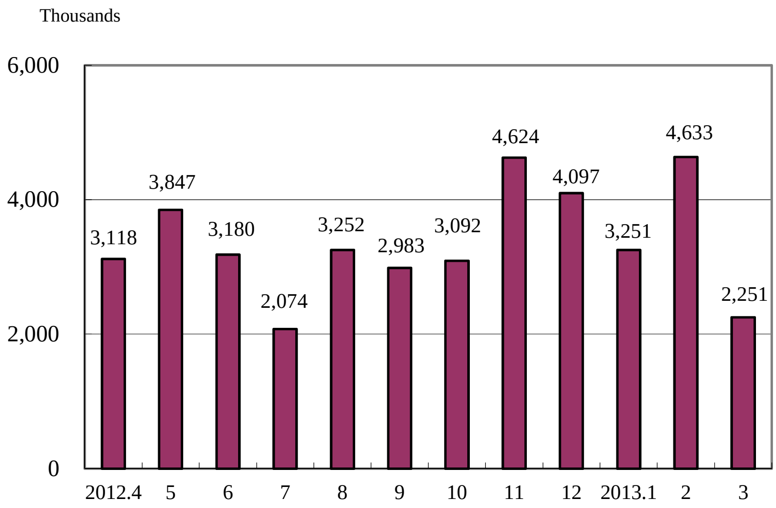
Shareholder Breakdown

	Number of Shareholders	Number of Shares (Thousands)	Percentage of Total Shares in Issue
Individuals and Others	4,745	24,567	55.10
Financial Institutions	23	9,384	21.04
Foreign Investors	49	3,953	8.86
Other Corporation	134	5,523	12.39
Securities Companies	24	1,163	2.61
Total	4,975	44,590	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 5)*
	March 31,		*March 31,*
	2013	2012	*2013*
ASSETS			
Current assets:			
Cash and cash equivalents (Note 2 (c),6 and 19)	¥14,864	¥14,679	*$158,048*
Short-term investments (Note 8 and 19)	500	-	*5,316*
Trade notes and accounts receivable (Note 19)	8,784	8,681	*93,393*
Inventories (Note 7)	8,327	8,013	*88,535*
Deferred income taxes (Note 14)	204	40	*2,166*
Other current assets	1,193	1,114	*12,691*
Allowance for doubtful accounts	(19)	(29)	*(198)*
Total current assets	33,853	32,498	*359,951*
Investments and other assets:			
Investment securities (Notes 8,10 and 19)	1,410	1,129	*14,995*
Deferred income taxes (Note 14)	20	17	*212*
Other assets	616	673	*6,539*
Total investments and other assets	2,046	1,819	*21,746*
Property, plant and equipment, at cost: (Note 9)			
Land	5,693	5,624	*60,537*
Buildings and structures	19,081	17,696	*202,880*
Machinery and equipment	51,905	47,734	*551,890*
Construction in progress	1,486	1,546	*15,798*
Total property, plant and equipment	78,165	72,600	*831,105*
Less: accumulated depreciation	(55,083)	(49,214)	*(585,681)*
Property, plant and equipment, net(Note 10 and 21)	23,082	23,386	*245,424*
Total assets	¥58,981	¥57,703	*$627,121*

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

	(Millions of yen)		*(Thousands of U.S. dollars) (note 5)*
	March 31,		*March 31,*
	2013	2012	*2013*
LIABILITIES AND NET ASSETS			
Current liabilities:			
Short-term borrowings (Note 10 and 19)	¥2,530	¥2,962	*$26,905*
Current portion of long -term debt (Note 10 and 19)	6,261	3,763	*66,574*
Trade notes and accounts payable (Note 19)	2,654	3,000	*28,217*
Accounts payable (Note 19)	763	1,031	*8,113*
Accrued income taxes (Note 14)	327	91	*3,474*
Accrued employees' bonuses	498	376	*5,297*
Other current liabilities	677	599	*7,197*
Total current liabilities	13,710	11,822	*145,777*
Long-term liabilities:			
Long-term debt (Note 10 and 19)	8,060	11,615	*85,697*
Retirement benefits to employees (Note 11)	1,738	1,656	*18,482*
Deferred income taxes (Note 14)	484	442	*5,150*
Long-term accounts payable (Note 19)	310	522	*3,293*
Asset retirement obligations	25	24	*263*
Other long-term liabilities	130	101	*1,379*
Total long-term liabilities	10,747	14,360	*114,264*
Total liabilities	24,457	26,182	*260,041*
Commitments and contingent liabilities (Note 17)			
Net Assets:			
Shareholders’ equity			
Common stock:(Note 16)			
Authorized: 79,479,000 shares			
Issued: 45,246,212 shares at March 31, 2013 and 2012	19,345	19,345	*205,687*
Additional paid-in capital	12,413	12,413	*131,988*
Retained earnings (Note 22)	773	(192)	*8,210*
Less: treasury stock, at cost: 3,797,250 shares at March 31, 2013 and 3,791,291 shares at March 31, 2012	(1,523)	(1,521)	*(16,190)*
Total shareholders’ equity	31,008	30,045	*329,695*
Accumulated other comprehensive income（loss）			
Net unrealized holding gains(losses) on available-for-sale securities (Note 8)	90	(59)	*960*
Foreign currency translation adjustments	(580)	(2,001)	*(6,173)*
Total accumulated other comprehensive income(loss)	(490)	(2,060)	*(5,213)*
Minority interests	4,006	3,536	*42,598*
Total net assets	34,524	31,521	*367,080*
Total liabilities and net assets	¥58,981	¥57,703	*$627,121*

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 5)*
	For the years ended March 31,		*For the year ended March 31,*
	2013	2012	*2013*
Net sales (Note 21)	¥32,856	¥35,150	*$349,346*
Cost of sales	26,748	28,758	*284,406*
Gross profit	6,108	6,392	*64,940*
Selling, general and administrative Expenses (Note 12)	5,727	6,076	*60,885*
Operating income (Note 21)	381	316	*4,055*
Other income (expenses):			
Interest and dividend income	42	56	*446*
Subsidy income	91	83	*967*
Insurance received	205	68	*2,180*
Interest expenses	(295)	(345)	*(3,135)*
Foreign currency exchange gain(loss), net	991	(84)	*10,532*
Gain(Loss) on sales or disposal of property, plant and equipment, net	(21)	(11)	*(226)*
Reversal of impairment loss	28	40	*293*
Impairment loss on fixed assets (Note 9 and 21)	(16)	(41)	*(169)*
Loss on devaluation of investment securities	(12)	(91)	*(127)*
Other, net	(7)	(39)	*(67)*
Income (loss) before income taxes and minority interests	1,387	(47)	*14,749*
Income taxes (Note 14):			
Current	405	197	*4,310*
Deferred	(178)	(76)	*(1,899)*
	227	121	*2,411*
Income (loss) before minority interests	1,160	(168)	*12,338*
Minority interests	71	81	*760*
Net income (loss)	¥1,089	¥(249)	*$11,578*

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 5)*
	For the years ended March 31,		*For the year ended March 31,*
	2013	2012	*2013*
Income (loss) before minority interests	¥1,160	¥(168)	*$12,338*
Other comprehensive income (Note 15)			
Unrealized holding loss on available-for-sale securities	149	56	*1,589*
Foreign currency transaction adjustments	1,915	243	*20,354*
Total other comprehensive income, net	2,064	299	*21,943*
Comprehensive income	¥3,224	¥131	*$34,281*
Comprehensive income attributable to:			
Shareholders of DAISHINKU Corporation	¥2,658	¥(34)	*$28,266*
Minority shareholders of consolidated subsidiaries	566	165	*6,015*

Consolidated Statements of Changes in Net Assets

DAISHINKU CORP. and Consolidated Subsidiaries

	(Millions of yen)		*(Thousands of U.S. dollars) (note 5)*
	For the years ended March 31,		*For the year ended March 31,*
	2013	2012	*2013*
Shareholders' equity			
Common stock			
Balance at beginning of the year	19,345	19,345	*205,687*
Changes of items during the period			
Total changes of items during the period	-	-	-
Balance at end of the year	19,345	19,345	*205,687*
Additional paid –in capital			
Balance at beginning of the year	12,413	12,414	*131,988*
Changes of items during the period			
Disposal of treasury stock	-	(0)	-
Total changes of items during the period	-	(0)	-
Balance at end of the year	12,413	12,413	*131,988*
Retained earnings			
Balance at beginning of the year	(192)	812	*(2,046)*
Changes of items during the period			
Dividends from surplus	(124)	(290)	*(1,322)*
Decrease from newly consolidated subsidiaries	-	(14)	-
Effect of the changes in the reporting period of subsidiary	-	(451)	-
Net income (loss)	1,089	(249)	*11,578*
Total changes of items during the period	965	(1,004)	*10,256*
Balance at end of the year	773	(192)	*8,210*
Treasury stock			
Balance at beginning of the year	(1,521)	(1,518)	*(16,175)*
Changes of items during the period			
Acquisition of treasury stock	(2)	(3)	*(16)*
Disposal of treasury stock	-	0	-
Total changes of items during the period	(2)	(3)	*(16)*
Balance at end of the year	(1,523)	(1,521)	*(16,190)*
Total shareholders' equity			
Balance at beginning of the year	30,045	31,053	*319,455*
Changes of items during the period			
Dividends from surplus	(124)	(290)	*(1,322)*
Decrease from newly consolidated subsidiaries	-	(14)	-
Effect of the changes in the reporting period of subsidiary	-	(451)	-
Net income (loss)	1,089	(249)	*11,578*
Acquisition of treasury stock	(2)	(3)	*(16)*
Disposal of treasury stock	-	0	-
Total changes of items during the period	963	(1,008)	*10,240*
Balance at end of the year	31,008	30,045	*329,695*

Consolidated Statements of Changes in Net Assets

DAISHINKU CORP. and Consolidated Subsidiaries

	(Millions of yen)		*(Thousands of U.S. dollars) (note 5)*
	For the years ended March 31,		*For the year ended March 31,*
	2013	2012	*2013*
Accumulated other comprehensive income (loss)			
Net unrealized holding gains (losses) on available-for-sale securities			
Balance at beginning of the year	(59)	(115)	*(628)*
Changes of items during the period			
Net changes of items other than shareholders' equity	149	56	*1,588*
Total changes of items during the period	149	56	*1,588*
Balance at end of the year	90	(59)	*960*
Foreign currency translation adjustment			
Balance at beginning of the year	(2,001)	(2,161)	*(21,273)*
Changes of items during the period			
Net changes of items other than shareholders' equity	1,421	160	*15,100*
Total changes of items during the period	1,421	160	*15,100*
Balance at end of the year	(580)	(2,001)	*(6,173)*
Accumulated other comprehensive income (loss)			
Balance at beginning of the year	(2,060)	(2,276)	*(21,901)*
Changes of items during the period			
Net changes of items other than shareholders' equity	1,570	216	*16,688*
Total changes of items during the period	1,570	216	*16,688*
Balance at end of the year	(490)	(2,060)	*(5,213)*
Minority interest			
Balance at beginning of the year	3,536	3,499	*37,598*
Changes of items during the period			
Net changes of items other than shareholders' equity	470	37	*5,000*
Total changes of items during the period	470	37	*5,000*
Balance at end of the year	4,006	3,536	*42,598*
Total net assets			
Balance at beginning of the year	31,521	32,276	*335,152*
Changes of items during the period			
Dividends from surplus	(124)	(290)	*(1,322)*
Decrease from newly consolidated subsidiaries	-	(14)	-
Effect of the changes in the reporting period of subsidiaries	-	(451)	-
Net income (loss)	1,089	(249)	*11,578*
Acquisition of treasury stock	(2)	(3)	*(16)*
Disposal of treasury stock	-	0	-
Net changes of items other than shareholders' equity	2,040	252	*21,688*
Total changes of items during the period	3,003	(755)	*31,928*
Balance at end of the year	34,524	31,521	*367,080*

Consolidated Statements of Cash Flows

DAISHINKU CORP. and Consolidated Subsidiaries

	(Millions of yen)		*(Thousands of U.S. dollars) (note 5)*
	For the years ended March 31,		*For the year ended March 31*
	2013	2012	*2013*
OPERATING ACTIVITIES:			
Income (loss) before income taxes and minority interests	¥1,387	¥(47)	*$14,749*
Adjustments for:			
Depreciation and amortization	3,551	3,920	*37,753*
Impairment loss on fixed assets	16	41	*169*
Allowance for doubtful accounts, net	(10)	(41)	*(102)*
Insurance received	(205)	(68)	*(2,180)*
Increase (decrease) in accrued directors' and corporate auditors' bonuses	-	(10)	-
Increase (decrease) in provision for bonuses	120	(120)	*1,276*
Retirement benefits to employees, net	50	78	*533*
Loss on sales or disposal of property, plant and equipment, net	21	11	*226*
Interest and dividend income	(42)	(56)	*(446)*
Interest expenses	295	345	*3,135*
Foreign currency exchange gains , net	(141)	(73)	*(1,501)*
Loss on devaluation of investment securities	12	91	*127*
Reversal of impairment loss	(28)	(40)	*(293)*
Changes in assets and liabilities:			
Increase (decrease) in trade notes and accounts receivable	761	1,876	*8,091*
Increase (decrease) in inventories	326	(66)	*3,472*
Increase (decrease) in trade notes and accounts payable	(1,076)	327	*(11,442)*
Other-net	(83)	204	*(890)*
Sub-total	4,954	6,372	*52,677*
Interest and dividends-received	42	56	*446*
Interest-paid	(296)	(343)	*(3,155)*
Income taxes-paid	(150)	(344)	*(1,594)*
Insurance –received	220	68	*2,342*
Net cash provided by operating activities	4,770	5,809	*50,716*
INVESTING ACTIVITIES:			
Decrease in short-term investments, net	(500)	31	*(5,316)*
Payments for purchase of property, plant and equipment	(2,303)	(3,609)	*(24,491)*
Proceeds from sales of property, plant and equipment	53	95	*560*
Other-net	(101)	1	*(1,068)*
Net cash used in investing activities	(2,851)	(3,483)	*(30,315)*
FINANCING ACTIVITIES:			
Increase (decrease) in short-term borrowings	(682)	(826)	*(7,248)*
Proceeds from long -term debt	2,784	5,652	*29,596*
Repayments of long-term debt	(4,267)	(3,409)	*(45,372)*
Cash dividends-paid	(126)	(291)	*(1,339)*
Cash dividends paid to minority shareholders	(115)	(178)	*(1,226)*
Other- net	(2)	(3)	*(16)*
Net cash provided by financing activities	(2,408)	945	*(25,605)*
Effect of exchange rate changes on cash and cash equivalents	674	88	*7,173*
Net increase (decrease) in cash and cash equivalents	185	3,359	*1,969*
Cash and cash equivalents at beginning of year	14,679	11,599	*156,079*
Cash and cash equivalents from newly consolidated subsidiaries	-	3	-
Effect of the changes in the fiscal year-end of consolidated subsidiary	-	(282)	-
Cash and cash equivalents at end of year(Note 5)	¥14,864	¥14,679	*$158,048*

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., SHANGHAI DAISHINKU INTERNATIONAL TRADING Co., Ltd. and DAISHINKU (THAILAND) Co., Ltd. use a fiscal year ending December 31. DAISHINKU（H.K）Ltd. , DAISHINKU（AMERICA）CORP., DAISHINKU (SINGAPORE) PTE. Ltd., DAISHINKU（DEUTSCHLAND）GmbH., PT KDS INDONESIA and KYUSYU DAISHINKU CORP 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. , SHANGHAI DAISHINKU INTERNATIONAL TRADING Co., Ltd. and DAISHINKU (THAILAND) Co., Ltd. has performed a hard close as of March 31st, 2013.

(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 to10 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.

(p) ACCONTING STANDARDS ISSUED BUT NOT YET ADOPTED

・"Accounting standards about retirement benefits "(ASBJ Statement No.26, May 17, 2012)

・"Guidance on accounting standards about retirement benefits "(ASBJ Guidance No.25, May 17, 2012)

(1) Overview

Actuarial gains and losses and prior service costs are required to be recognized in net assets at net of tax effects. Funded status is fully recognized as a liability or asset on the balance sheet. With respect to the amortization method of the expected benefit, the benefit formula basis is newly allowed as an option, in addition to the straight-line basis. In addition, the method for determining the discount rate is amended.

(2) Date of adoption

The Company and its consolidated subsidiaries in Japan will adopt the accounting standards at the end of the fiscal year ending March 31, 2014. However, the Company plans to apply the accounting standard regarding the revision of the determination of projected benefit obligations and current service cost from the fiscal year beginning April 1, 2014. The standard and guidance will not be applied retrospectively to financial statements of the prior years.

(3) Impact of the adoption of the accounting standards

The adoption of these standards is expected to have a significant impact of the consolidated financial statements of the Group. At the time of preparation of consolidated financial statements, the effects of adoption of the accounting standards on the consolidated financial statements were being evaluated.

3. CHANGE IN ACCOUNTING POLICY

(Change in accounting policies which are difficult to distinguish from change in accounting estimate)

Effective April 1, 2012, the Company and its domestic consolidated subsidiaries, in accordance with the revision to the Corporation Tax Act of Japan, have changed their method of depreciation of property and equipment acquired on or after April 1, 2012 to the depreciation method set forth in the revised Corporation Tax Act.

As a result of this change, opening income, income before income taxes and minority interests for the fiscal year ended March 31, 2013 increased by ¥53 million (US$568 thousand).

4. RECLASSIFICATIONS

Certain reclassifications have been made to the prior year's consolidated financial statements in order to conform to the current year presentations.

5. 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 ¥94= US$1, the exchange rate prevailing on March 31, 2013. 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.

6. CASH AND CASHEQUIVALENTS

A reconciliation of cash and cash equivalents between the consolidated statements of cash flows for the years ended March31, 2013 and 2012 and the consolidated balance sheets as of March 31, 2013 and 2012 has been omitted since there were no reconciliation items.

7. INVENTORIES

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

	(Millions of yen)		*(Thousands of U.S. dollars)*
	March 31,		*March 31,*
	2013	2012	*2013*
Finished goods	¥2,798	¥2,919	*$29,752*
Materials and supplies	2,387	2,074	*25,382*
Work in process	3,142	3,020	*33,401*
	¥8,327	¥8,013	*$88,535*

8. SHORT-TERM INVESTMENTS AND INVESTMENT SECURITIES

Short-term investments and investment securities at March 31, 2013 and 2012 were as follows:

	(Millions of yen)		*(Thousands of U.S. dollars)*
	March 31,		*March 31,*
	2013	2012	*2013*
Short-term investments			
Time deposits	¥500	¥-	*$5,316*
Other	-	-	-
Total	¥500	¥-	*$5,316*
Investment securities:			
Marketable equity securities and investment trust	¥1,278	¥1,098	*$13,589*
Investment in unconsolidated subsidiaries	30	30	*319*
Other	102	-	*1,087*
Total	¥1,410	¥1,128	*$14,995*

Information regarding marketable securities at March 31, 2013 and 2012is as follows:

	(Millions of yen)			
	March 31,			
	2013			
	Cost	Gross unrealized gains	Gross unrealized losses	Fair value
Equity securities	¥1,143	¥175	¥(40)	¥1,278
Others	-	-	-	-
Total	¥1,143	¥175	¥(40)	¥1,278

	(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

	(Thousands of U.S. dollars)			
	March 31,			
	2013			
	Cost	*Gross unrealized gains*	*Gross unrealized losses*	*Fair value*
Equity securities	*$12,158*	*$1,863*	*$(433)*	*$13,588*
Others				
Total	*$12,158*	*$1,863*	*$(433)*	*$13,588*

Unlisted equity securities of ¥132 million ($1,407 thousand) and ¥30 million as of March 31,2013 and 2012, 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.

9. 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	2013	2012	*2013*
Kanzaki Plant Kanzaki County, Hyogo Prefecture	Manufacturing equipment for the crystal products industry and idle assets	Machinery and equipment	¥-	¥0	*$-*
Tottori Business Place Tottori City, Tottori Prefecture	Idle assets	Machinery and equipment	1	3	*6*
Nishiwaki Plant Nishiwaki City, Hyogo Prefecture	Idle assets	Machinery and equipment	-	9	*-*
Tokushima Business Place Yoshinogawa City, Tokushima Prefecture	Idle assets	Machinery and equipment	2	29	*18*
Kyushu Daishinku Corp Kawaminami-cho, Koyu, Miyazaki Prefecture	Idle assets	Machinery and equipment	4	-	*42*
HARMONY ELECTRONICS CORP. Kaohsiung City, Taiwan	Idle assets	Machinery and equipment	9	-	*103*
Total			¥16	¥ 41	*$169*

10. 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 2.2% 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)*
	March 31,		*March 31,*
	2013	2012	*2013*
Loans principally from banks, due from 2013 to 2021, with weighted average interest of 1.1% and 1.1% at March 31, 2013 and 2012, respectively.	¥14,321	¥15,378	*$152,271*
Less; current portion	(6,261)	(3,763)	*(66,574)*
	¥8,060	¥11,615	*$85,697*

The aggregate annual maturities of long-term debt at March 31, 2013 were as follows:

	(Millions of yen)	*(Thousands of U.S. dollars)*
Year ending March 31,		
2014	¥6,261	*$66,574*
2015	3,307	*35,164*
2016	2,171	*23,082*
2017	1,282	*13,629*
2018 and thereafter	1,300	*13,822*
	¥14,321	*$152,271*

Repayment schedule 5 years subsequent to March 31, 2013 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, 2013 and 2012:

	(Millions of yen)		*(Thousands of U.S. dollars)*
	March 31,		*March 31,*
	2013	2012	*2013*
Land	¥432	¥385	*$4,594*
Buildings and structures	348	324	*3,695*
	¥780	¥709	*$8,289*

Short-term borrowings and long-term debt with pledged assets at March 31, 2013 and 2012 were as follows:

	(Millions of yen)		*(Thousands of U.S. dollars)*
	March 31,		*March 31,*
	2013	2012	*2013*
Short-term borrowings	¥-	¥328	*$-*
Current portion of long –term debt	132	307	*1,407*
Long-term debt	41	674	*435*
	¥173	¥1,309	*$1,842*

11. 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, 2013 and 2012 were as follows:

	(Millions of yen)		*(Thousands of U.S. dollars)*
	March 31,		*March 31,*
	2013	2012	*2013*
Benefit obligation at end of year	¥4,556	¥4,103	*$48,441*
Fair value of plan assets at end of year	(2,353)	(2,057)	*(25,017)*
Funded status:	2,203	2,046	*23,424*
Benefit obligation in excess of plan assets			
Unrecognized prior service cost	26	45	*279*
Unrecognized actuarial gain	(498)	(446)	*(5,294)*
Advance pension expense	7	11	*73*
Accrued pension liability recognized in the balance sheet	1,738	¥1,656	*$18,482*

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,*
	2013	2012	*2013*
Service costs	¥188	¥184	*$2,004*
Interest costs	96	92	*1,020*
Expected return on plan assets	(41)	(39)	*(435)*
Amortization:			
Prior service costs	(20)	(23)	*(218)*
Actuarial losses	31	54	*329*
Net periodic benefit costs	254	268	*2,700*
Contribution to defined contribution pension plan	80	78	*852*
Total	334	¥346	*$3,552*
Discount rate	Mainly 1.5 %	Mainly 2.0%	
Expected rate of return on plan assets	Mainly 2.0%	Mainly 2.0%	

12. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses are included in selling, general and administrative expenses for the years ended March 31, 2013, and 2012 amounted to ¥1,792million ($19,048 thousand) and ¥1,925million respectively.

13. 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, 2013 and 2012, if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

	(Millions of yen)			
	March 31,			
	2013			
	Acquisition costs	Accumulated depreciation	Accumulated impairment losses	Net book value
Machinery and equipment	¥128	¥107	¥-	¥21

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

	(Thousands of U.S. dollars)			
	March 31,			
	2013			
	Acquisition costs	*Accumulated depreciation*	*Accumulated impairment losses*	*Net book value*
Machinery and equipment	*$1,362*	*$1,140*	*$-*	*$222*

The future lease payments for financing leases at March 31, 2013 and 2012 were as follows:

	(Millions of yen)		*(Thousands of U.S. dollars)*
	March 31,		*March 31,*
	2013	2012	*2013*
Due within one year	¥21	¥60	*$223*
Due after one year	1	22	*12*
Future lease payments	¥22	¥82	*$235*
Leased assets impairment account	¥-	¥-	*$-*

Lease payments relating to finance leases accounted for as operating leases in Japan in the accompanying consolidated financial statements amounted to ¥23 million ($243 thousand), and ¥127 million for the years ended March 31, 2013 and 2012,respectively.

Future lease payments for non-cancelable operating leases as a lessee at March 31, 2013 and 2012 were as follows:

	(Millions of yen)		*(Thousands of U.S. dollars)*
	March 31,		*March 31,*
	2013	2012	*2013*
Due within one year	¥26	¥29	*$274*
Due after one year	23	13	*252*
Future lease payments	¥49	¥42	*$526*

14. 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 38.0% for the years ended March 31, 2013.

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

	2013	2012
Japanese statutory tax rate	38.0 %	-
Expenses not deductible for tax purposes	12.2	-
Per capital inhabitant tax	1.5	-
Valuation allowances	(34.3)	-
Income of foreign subsidiaries taxed at lower than statutory tax rates	(5.6)	-
Undistributed profit of foreign subsidiaries	(1.4)	-
Others	5.9	-
Effective income tax rate	16.3 %	-

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.

The components of the deferred tax assets and deferred tax liabilities at March 31, 2013 and 2012 were as follows：

	(Millions of yen)		*(Thousands of U.S. dollars)*
	March 31,		*March 31,*
	2013	2012	*2013*
Deferred tax assets:			
Tax losses carried forward	¥110	¥359	*$1,170*
Write-down of inventories	282	400	*2,999*
Write-down of investment	-	12	*-*
Retirement benefits to employees	592	569	*6,,291*
Write-down of property, plant and equipment	309	310	*3,288*
Other	559	399	*5,946*
Gross deferred tax assets	1,852	2,049	*19,694*
Less: valuation allowance	(1,539)	(1,929)	*(16,362)*
Total deferred tax assets	¥313	¥120	*$3,332*
Deferred tax liabilities:			
Asset retirement obligations	¥-	¥(3)	*$-*
Depreciation of foreign subsidiaries	(105)	(124)	*(1,114)*
Temporary difference of investment in subsidiaries	(307)	(287)	*(3,267)*
Other	(162)	(93)	*(1,723)*
Gross deferred tax liabilities	(574)	(507)	*(6,104)*
Net deferred tax assets (liabilities)	¥(261)	¥(387)	*$(2,772)*

15. COMPREHENSIVE INCOME

Other comprehensive income for the year ended March 31, 2013 and 2012 consisted of the following:

	(Millions of yen)		*(Thousands of U.S. dollars)*
	March 31		*March 31*
	2013	2012	*2013*
Net unrealized holding gain on securities			
Gains (losses) arising during the year	181	(35)	*1,929*
Reclassification adjustments to profit or loss	12	91	*127*
Amount before income tax effect	193	56	*2,056*
Income tax effect	(44)	-	*(467)*
Total	149	56	*1,589*
Translation adjustments			
Gains (losses) arising during the year	1,915	243	*20,354*
Total other comprehensive income	2,064	299	*21,943*

16. 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, 2013 and 2012 were as follows:

	Thousands of shares			
	April 1, 2012	Increase in the year	Decrease in the year	March 31, 2013
Shares outstanding				
Common stock	45,246	-	-	45,246
Total	45,246	-	-	45,246
Treasury stock				
Common stock	3,791	6	-	3,797
Total	3,791	6	-	3,797

The increase in common stock in treasury is due to the purchase of shares of less than one unit.

17. COMMITMENTS AND CONTINGENT LIABILITIES

Contingent liabilities at March 31, 2013 and 2012 were as follows:

	(Millions of yen)		*(Thousands of U.S. dollars)*
	March 31,		*March 31,*
	2013	2012	*2013*
Trade notes endorsed	¥74	¥108	*$785*

18. NET INCOME (LOSS) PER SHARE

Amounts per share at March 31, 2013 and 2012 and were as follows:

	(Millions of yen)		*(Thousands of U.S. dollars)*
	March 31,		*March 31,*
	2013	2012	*2013*
Net assets	¥736.27	¥675.07	*$7.83*
Net income	26.27	(6.01)	*0.28*
Cash dividends applicable to the year	6.00	4.00	*0.06*

Diluted net income per share for the years ended March 31, 2013 and 2012 has not been disclosed because no potential for dilution exited at March 31, 2013 and 2012. 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.

19. FAIR VALUES OF FINANCIAL INSTRUMENTS

For financial instruments, amounts recorded on the consolidated balance sheet and fair values as of March 31, 2013 and 2012, 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, 2013					
	(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	¥14,864	¥14,864	-	*$158,048*	*$158,048*	-
(2)Trade notes and accounts receivable	8,784	8,784	-	*93,393*	*93,393*	-
(3)Investment securities	1,278	1,278	-	*13,589*	*13,589*	-
Assets total	24,926	24,926	-	*265,030*	*265,030*	-
(1)Trade notes and accounts payable	2,654	2,654	-	*28,217*	*28,217*	-
(2)Short-term borrowings	2,530	2,530	-	*26,905*	*26,905*	-
(3) Accounts payable	763	727	(36)	*8,113*	*7,732*	*(381)*
(4)Long-term debt	14,321	14,459	138	*152,272*	*153,741*	*1,469*
Liabilities total	20,268	20,370	102	*215,507*	*216,595*	*1,088*
Derivative transactions(*)	12	12	-	*125*	*125*	-

	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)*	-

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

Assets

(1) Cash and cash equivalents and (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) Accounts payable and (4) Long-term debt

The fair value of accounts payable and long-term borrowings are 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.

20. DERIVATIVE TRANSACTIONS

1. Derivative transactions that do not adopt hedge accounting

(1) Currency-related derivatives

	(Millions of yen)			
	March 31, 2013			
	Contract amounts			
Off-market transactions	Total	Due after one year	Fair value	Realized gain (losses)
Forward foreign exchange contracts:				
Selling US dollar	¥935	-	¥942	¥(7)
Total	¥935	-	¥942	¥(7)

	(Thousands of U.S. dollars)			
	March 31, 2013			
	Contract amounts			
Off-market transactions	*Total*	*Due after one year*	*Fair value*	*Realized gain (losses)*
Forward foreign exchange contracts:				
Selling US dollar	*$9,944*	-	*$10,014*	*$(70)*
Total	*$9,944*	-	*$10,014*	*$(70)*

	(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)

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

2. Derivative transactions that adopt hedge accounting

(1) Currency-related derivatives

			(Millions of yen)		
			March 31, 2013		
			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	¥381	¥-	※2
Total			¥381	¥-	

			(Thousands of U.S. dollars)		
			March 31, 2013		
			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*	*$4,051*	*$-*	※2
Total			*$4,051*	*$-*	

			(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	¥-	※
Total			¥1,521	¥-	

※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

			(Millions of yen)		
			March 31, 2013		
			Contract amounts		
Hedge accounting method	Type	Main hedge item	Total	Due after one year	Fair values
Interest rate swaps	Receive variable / Pay fixed	Long-term debt	¥1,555	¥125	※2
Total			¥1,555	¥125	

			(Thousands of U.S. dollars)		
			March 31, 2013		
			Contract amounts		
Hedge accounting method	*Type*	*Main hedge item*	*Total*	*Due after one year*	*Fair values*
Interest rate swaps	*Receive variable/ Pay fixed*	*Long-term debt*	*$16,534*	*$1,329*	※2
Total			*$16,534*	*$1,329*	

			(Millions of yen)		
			March 31, 2012		
			Contract amounts		
Hedge accounting method	Type	Main hedge item	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	

※

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 debt, which are hedged items, their fair value is included in the fair value of said long-term debt.

21. 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 31,2013									
Sales:									
Sales to outside customers	¥ 11,604	¥ 1,703	¥ 1,518	¥ 8,040	¥ 8,277	¥ 1,714	¥ 32,856	¥ -	¥ 32,856
Inter-segment sales	11,732	33	4	4,415	1,187	4,140	21,511	(21,511)	-
Total	23,336	1,736	1,522	12,455	9,464	5,854	54,367	(21,511)	32,856
Segment profit (loss)	¥ (85)	¥ 67	¥ (6)	¥ 22	¥ 165	¥ 12	¥ 175	¥ 206	¥ 381
Segment assets	36,215	761	568	8,427	13,949	4,817	64,737	(5,756)	58,981
Others:									
Depreciation	1,400	2	1	594	653	586	3,236	(15)	3,221
Impairment loss	6	-	-	-	10	-	16	-	16
Increase in tangible and Intangible fixed assets	1,426	-	1	26	368	113	1,934	(12)	1,922

(Thousands of U.S. dollars)

	Japan	*North-America*	*Europe*	*China*	*Taiwan*	*Asia*	*Total*	*Adjustment*	*Consolidated amount*
Year ended March 31,2013									
Sales:									
Sales to outside customers	*$ 123,381*	*$ 18,110*	*$ 16,146*	*$ 85,482*	*$ 88,004*	*$ 18,223*	*$ 349,346*	*$ -*	*$ 349,346*
Inter-segment sales	*124,743*	*344*	*38*	*46,951*	*12,623*	*44,024*	*228,723*	*(228,723)*	*-*
Total	*248,124*	*18,454*	*16,184*	*132,433*	*100,627*	*62,247*	*578,069*	*(228,723)*	*349,346*
Segment profit (loss)	*$ (899)*	*$ 718*	*$ (61)*	*$ 236*	*$ 1,751*	*$ 118*	*$ 1,863*	*$ 2,192*	*$ 4,055*
Segment assets	*385,060*	*8,089*	*6,035*	*89,602*	*148,310*	*51,225*	*688,321*	*(61,200)*	*627,121*
Others:									
Depreciation	*14,881*	*17*	*9*	*6,314*	*6,950*	*6,235*	*34,406*	*(155)*	*34,251*
Impairment loss	*66*	*-*	*-*	*-*	*103*	*-*	*169*	*-*	*169*
Increase in tangible and Intangible fixed assets	*15,163*	*-*	*2*	*277*	*3,916*	*1,204*	*20,562*	*(131)*	*20,431*

(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:									
Impairment loss	1,619	2	1	687	636	648	3,593	(18)	3,575
Depreciation	41						41	-	41
Increase in tangible and Intangible fixed assets	2,105	-	0	59	543	181	2,888	(1)	2,887

Note: 1. (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.

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

3. 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, 2013 and 2012.

(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	2013	2012	*2013*
Japan	¥ 9,388	¥ 10,802	$ *99,824*
North-America	1,740	1,240	*18,502*
Europe	1,519	1,664	*16,146*
China	8,140	6,926	*86,544*
Taiwan	7,878	10,729	*83,768*
Asia	4,191	3,789	*44,562*
Total	¥ 32,856	¥ 35,150	$ *349,346*

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

b. Tangible assets

	Millions of Yen		Thousands of U.S. dollars
	2013	2012	*2013*
Japan	¥ 12,358	¥ 12,653	$ *131,400*
North-America	52	47	*553*
Europe	1	2	*16*
China	2,950	3,081	*31,366*
Taiwan	5,852	5,504	*62,218*
Asia	1,869	2,099	*19,871*
Total	¥ 23,082	¥ 23,386	$ *245,424*

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

	Millions of Yen		Thousands of U.S. dollars
	2013	2012	*2013*
Japan	¥ 6	¥ 41	*$* *66*
North-America	-	-	-
Europe	-	-	-
China	-	-	-
Taiwan	10	-	103
Asia	-	-	-
Total	¥ 16	¥ 41	*$* *169*

(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 31,2013									
Amortization	¥ -	-	-	-	-	-	-	¥ 50	¥ 50
Remaining balance	-	-	-	-	-	-	-	¥ 53	¥ 53
	(Thousands of U.S. dollars)								
	Japan	*North-America*	*Europe*	*China*	*Taiwan*	*Asia*	*Total*	*Adjustment*	*Consolidated amount*
Year ended March 31,2013									
Amortization	*$* -	-	-	-	-	-	-	*$ 528*	*$ 528*
Remaining balance	-	-	-	-	-	-	-	*$ 567*	*$ 567*
	(Millions of yen)								
	Japan	North-America	Europe	China	Taiwan	Asia	Total	Adjustment	Consolidated amount
Year ended March 31,2012									
Amortization	¥ -	-	-	-	-	-	-	¥ 67	¥ 67
Remaining balance	-	-	-	-	-	-	-	¥ 99	¥ 99

(Negative goodwill by each reportable segment)

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

22. 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, 2013, was approved at a meeting of the shareholders of the Company held on June 27, 2013:

	(Millions of yen)	*(Thousands of U.S. dollars)*
Cash dividends (¥1=U.S.$0.01 per share)	¥ 166	$ *1,763*

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, 2013, 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, 2013, 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 5.

Kasumigaseki Audit Corporation

Kasumigaseki Audit Corporation

Osaka, Japan

June 27, 2013