Annual Report

Year Ended March 31, 2012

HARIMA CHEMICALS, INC.

Overview of the Business

The world economy as a whole kept glowing, although it was slow, during the fiscal year ended March 31, 2012, driven by the economy of emerging countries, mainly China. The European economy became severe due to factors, such as fiscal retrenchment and high unemployment rate caused by the serious economic and financial crisis. The U.S. economy continued to recover supported by the improvement tendency in corporate earnings and the increase in consumer spending led by the easy monetary policy despite the influence by the financial crisis in Europe. The Chinese economy, mainly the domestic demand, remained solid by the increase in consumer spending supported by rising income levels, while the economic growth tended to slow down due to the decrease of export to Europe, etc.

With respect to Japanese economy, the reorganization of the supply chain management made steady progress in areas, such as the automotive industry in which the production activity was reduced due to the influence of the Great East Japan Earthquake, and the recovery trend was observed in the economy; however, Japanese economy continued to be under the serious situation with the deterioration of the export environment caused by the rapid appreciation of the yen and the slowdown of the overseas economy.

With regard to the business environment surrounding our group, the profitability deteriorated due to the fluctuation of the price of rosin, which is our main raw material. Up until April last year, the Chinese gum rosin price kept jumping up, and suddenly started to decline sharply thereafter. This caused the price reduction pressure against our inventory rosin value.

Under these environments, consolidated net sales of the group for the current fiscal year increased by 30,041 million yen (up 72.4%) year on year to 71,536 million yen due to the fact that overseas sales increased by Lawter B.V., which was added to one of our consolidated subsidiaries. The overseas sales amount ratio was increased from 22.7% (the previous fiscal year) to 54.2%.

Operating income increased by 206 million yen (up 7.1%) year on year to 3,114 million yen. Ordinary income decreased by 606 million yen (down 21.9%) year on year to 2,159 million yen with foreign exchange loss due to the impact of exchange rate fluctuation. Net income decreased by 325 million yen (down 24.3%) year on year to 1,012 million yen.

Status of the Business Segment

(Resin & Tall Oil Products Business Products)

Regarding the demand of resins for printing inks, in the overseas market, after July, Lawter B.V., which assumes a European market, the main force reduced sales volume under the influence of the financial crisis in Europe and the performance was sluggish under the influence of inventory value of raw material rosin. In the domestic market, the dull situation continued due to the shortage of main materials caused by the influence of the Great East Japan Earthquake and the decrease in newspapers and publications. With regard to paint resins, paint resins for marine applications were under dull situation because of the decrease in quantity of domestic shipbuilding, while with regard to general-purpose and building paints, the demand for repaint remained solid. Synthetic rubber emulsifiers remained strong accompanied by increase of export of tires. Overseas sales increased by Lawter B.V., which was added to one of our consolidated subsidiaries.

Net sales of this segment increased by 30,256 million yen (up 153.8%) year on year to 49,929 million yen, while segment ordinary profit decreased by 417 million yen (down 20.5%) year on year to 1,622 million yen.

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(Paper Chemicals)

During the current fiscal year, the domestic cardboard production volume remained strong; however, paper production was significantly reduced due to the factors, such as decrease of demand due to economic downturn, increase of import by appreciation of the yen, and the influence of the Great East Japan Earthquake. This segment promoted rationalization of the production process and further cost reductions.

On the one hand, the overseas paper and cardboard paper production tends to increase continuously while the production growth slows in China and the competition among the paper manufacturers and also paper chemicals has intensified. Under such circumstance, net sales of this segment increased with the full operation at the subsidiary in Dongguan city, Guang Dong Province, China and the brisk performance of subsidiary companies in the United States. Net sales increased by 262 million yen (up 2.0%) year on year to 13,234 million yen, while segment ordinary profit increased by 222 million yen (up 30.6%) year on year to 949 million yen.

(Electronics Materials)

The electronics device industry, where this segment is related to, was under very serious situation due to the factors, such as the Great East Japan Earthquake, a deluge in Thailand, and further rapid appreciation of the yen. Moreover, a steep rise in raw material prices could not be spilled over to product prices and it weighed on profit. Under such circumstances, the domestic volume of shipment of consumer electronics device largely decreased due to the sluggishness of demand of flat-panel TV after the shift to terrestrial digital broadcasting. As a result, sales of solder paste of this segment were sluggish. With regard to products associated with automobile production, sales of solder materials increased, while overseas sales of the subsidiary companies in the United States and the Czech Republic increased steadily.

Net sales of this segment decreased by 116 million yen (down 2.4%) year on year to 4,739 million yen, while segment ordinary profit decreased by 20 million yen (down 6.6%) year on year to 288 million yen.

The amounts of adjustments, such as the foreign exchange loss, are not included in the ordinary profit of each segment.

Consolidated Business Performance Trends

(Millions of yen unless otherwise stated)

Category	67th Fiscal Year (Fiscal year ended March 2009)	68th Fiscal Year (Fiscal year ended March 2010)	69th Fiscal Year (Fiscal year ended March 2011)	70th Fiscal Year (Fiscal year ended March 2012)
Net sales	35,328	33,495	41,495	71,536
Ordinary income	385	1,597	2,766	2,159
Net (loss) income	(414)	952	1,337	1,012
Net (loss) income per share (yen)	(15.94)	36.66	51.53	38.99
Total assets	44,818	45,940	63,983	63,429
Net assets	27,180	28,317	29,313	29,581

(Notes) 1. Net (loss) income per share is calculated based on the weighted-average number of issued shares during the fiscal year after deducting treasury stocks.

2. Net loss for the 67th fiscal year is caused by the factors such as a loss accompanied by a valuation loss of investment securities.

Harima Chemicals, Inc. and Subsidiaries

Consolidated Balance Sheet
March 31, 2012

ASSETS	Millions of Yen 2012	Millions of Yen 2011	Thousands of U.S. Dollars (Note 1) 2012
CURRENT ASSETS:			
Cash and cash equivalents (Note 15)	¥ 5,218	¥ 5,958	$ 63,487
Notes and accounts receivable (Note 15):			
Trade notes	2,107	2,038	25,636
Trade accounts	16,376	14,920	199,246
Associated companies	167	156	2,032
Allowance for doubtful notes and accounts	(126)	(38)	(1,533)
Inventories (Note 4)	9,988	10,433	121,523
Deferred tax assets (Note 12)	357	410	4,344
Other current assets	1,878	2,441	22,849
Total current assets	35,965	36,318	437,584
PROPERTY, PLANT AND EQUIPMENT (Note 5):			
Land (Note 6)	10,460	10,609	127,266
Buildings and structures (Notes 6 and 7)	17,512	17,134	213,067
Machinery and equipment	20,694	20,166	251,782
Furniture and fixtures	3,593	3,307	43,716
Lease assets (Note 14)	617	601	7,507
Construction in progress	816	487	9,928
Total	53,692	52,304	653,266
Accumulated depreciation	(32,144)	(31,072)	(391,094)
Net property, plant and equipment	21,548	21,232	262,172
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 3 and 15)	2,747	3,314	33,423
Investments in and advances to associated companies	824	817	10,026
Goodwill	178	126	2,166
Other intangible assets	229	365	2,786
Deferred tax assets (Note 12)	382	302	4,648
Other assets (Note 7)	1,571	1,522	19,115
Allowance for doubtful accounts	(15)	(13)	(183)
Total investments and other assets	5,916	6,433	71,981
TOTAL	¥ 63,429	¥ 63,983	$ 771,737

LIABILITIES AND EQUITY	Millions of Yen 2012	Millions of Yen 2011	Thousands of U.S. Dollars (Note 1) 2012
CURRENT LIABILITIES:			
Short-term bank loans (Notes 7 and 15)	¥ 9,083	¥ 17,255	$ 110,512
Current portion of long-term debt (Notes 7 and 15)	1,685	652	20,501
Notes and accounts payable (Note 15):			
Trade notes	384	490	4,672
Trade accounts	8,049	9,739	97,932
Associated companies	95	65	1,156
Construction and other	737	448	8,967
Income taxes payable	657	411	7,994
Deferred tax liabilities (Note 12)	2	48	24
Other current liabilities	2,019	1,542	24,565
Total current liabilities	22,711	30,650	276,323
LONG-TERM LIABILITIES:			
Long-term debt (Notes 7 and 15)	8,064	1,168	98,114
Deferred tax liabilities (Note 12)	435	229	5,293
Long-term deposits received (Note 15)	1,065	1,129	12,958
Liability for retirement benefits (Note 8)	1,322	1,191	16,085
Asset retirement obligations (Note 9)	45	45	548
Other long-term liabilities	206	258	2,506
Total long-term liabilities	11,137	4,020	135,504
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 7, 14 and 16)			
EQUITY (Note 10):			
Common stock, authorized 59,500,000 shares; issued, 26,080,396 shares in 2012 and 2011	10,013	10,013	121,827
Capital surplus	9,744	9,744	118,555
Retained earnings	9,890	9,267	120,331
Treasury stock - at cost: 131,120 shares in 2012 and 130,808 shares in 2011	(62)	(62)	(754)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	221	182	2,689
Foreign currency translation adjustments	(1,561)	(1,165)	(18,993)
Total	28,245	27,979	343,655
Minority interests	1,336	1,334	16,255
Total equity	29,581	29,313	359,910
TOTAL	¥ 63,429	¥ 63,983	$ 771,737

See notes to consolidated financial statements.

Harima Chemicals, Inc. and Subsidiaries

Consolidated Statement of Income
Year Ended March 31, 2012

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	2012
NET SALES	¥ 71,536	¥ 41,495	$ 870,374
COST OF SALES	57,370	31,385	698,017
Gross profit	14,166	10,110	172,357
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 11 and 13)	11,052	7,202	134,469
Operating income	3,114	2,908	37,888
OTHER INCOME (EXPENSES) (Notes 3 and 5):			
Interest and dividend income	102	99	1,241
Interest expense	(460)	(230)	(5,597)
Rental income	133	132	1,618
Foreign exchange loss	(614)	(6)	(7,470)
Equity in earnings of associated companies	24	13	292
Fire insurance proceeds	332	514	4,039
Losses from fire disaster	-	(360)	-
Other - net	(146)	(470)	(1,776)
Other expenses - net	(629)	(308)	(7,653)
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	2,485	2,600	30,235
INCOME TAXES (Note 12):			
Current	1,194	496	14,527
Deferred	172	610	2,093
Total income taxes	1,366	1,106	16,620
NET INCOME BEFORE MINORITY INTERESTS	1,119	1,494	13,615
MINORITY INTERESTS IN NET INCOME	107	157	1,302
NET INCOME	¥ 1,012	¥ 1,337	$ 12,313

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Notes 2.r and 18):			
Net income	¥38.99	¥51.53	$0.47
Cash dividends applicable to the year	14.00	14.00	0.17

See notes to consolidated financial statements.

Harima Chemicals, Inc. and Subsidiaries

Consolidated Statement of Comprehensive Income
Year Ended March 31, 2012

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	2012
NET INCOME BEFORE MINORITY INTERESTS	¥ 1,119	¥ 1,494	$ 13,615
OTHER COMPREHENSIVE INCOME (Note 17):			
Unrealized gain on available-for-sale securities	38	104	462
Foreign currency translation adjustments	(384)	(512)	(4,672)
Share of other comprehensive income in associates	0	0	0
Total other comprehensive income	(346)	(408)	(4,210)
COMPREHENSIVE INCOME (Note 17)	¥ 773	¥ 1,086	$ 9,405
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO (Note 17):			
Owners of the parent	¥656	¥1,004	$7,982
Minority interests	117	82	1,423

See notes to consolidated financial statements.

Harima Chemicals, Inc. and Subsidiaries

Consolidated Statement of Change in Equity
Year Ended March 31, 2012

	Thousands	Millions of Yen								
						Accumulated Other Comprehensive Income				
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-sale Securities	Foreign Currency Translation Adjustments	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 2010	25,953	¥ 10,013	¥ 9,744	¥ 8,241	¥ (60)	¥ 78	¥ (728)	¥ 27,288	¥ 1,029	¥ 28,317
Net income				1,337				1,337		1,337
Cash dividends, ¥12.00 per share				(311)				(311)		(311)
Purchase of treasury stock	(3)				(2)			(2)		(2)
Net change in the year						104	(437)	(333)	305	(28)
BALANCE, MARCH 31, 2011	25,950	10,013	9,744	9,267	(62)	182	(1,165)	27,979	1,334	29,313
Net income				1,012				1,012		1,012
Cash dividends, ¥15.00 per share				(389)				(389)		(389)
Purchase of treasury stock	(1)				(0)			(0)		(0)
Net change in the year						39	(396)	(357)	2	(355)
BALANCE, MARCH 31, 2012	25,949	¥ 10,013	¥ 9,744	¥ 9,890	¥ (62)	¥ 221	¥ (1,561)	¥ 28,245	¥ 1,336	¥ 29,581

	Thousands of U.S. Dollars (Note 1)								
					Accumulated Other Comprehensive Income				
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-sale Securities	Foreign Currency Translation Adjustments	Total	Minority Interests	Total Equity
BALANCE, MARCH 31, 2011	$ 121,827	$ 118,555	$ 112,751	$ (754)	$ 2,214	$ (14,174)	$ 340,419	$ 16,231	$ 356,650
Net income			12,313				12,313		12,313
Cash dividends, $0.18 per share			(4,733)				(4,733)		(4,733)
Purchase of treasury stock				(0)			(0)		(0)
Net change in the year					475	(4,819)	(4,344)	24	(4,320)
BALANCE, MARCH 31, 2012	$ 121,827	$ 118,555	$ 120,331	$ (754)	$ 2,689	$ (18,993)	$ 343,655	$ 16,255	$ 359,910

See notes to consolidated financial statements

Harima Chemicals, Inc. and Subsidiaries

Consolidated Statement of Cash Flows
Year Ended March 31, 2012

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	2012
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 2,485	¥ 2,600	$ 30,235
Adjustments for:			
Income taxes - paid	(925)	(170)	(11,254)
Depreciation and amortization	2,014	1,621	24,504
Loss on impairment of long-lived assets	14	54	170
Foreign exchange loss (gain)	596	(95)	7,251
Gain on sales of property, plant and equipment	(5)	(1)	(61)
Changes in assets and liabilities:			
Increase in trade notes and accounts receivable	(1,803)	(359)	(21,937)
Decrease (increase) in inventories	148	(663)	1,801
(Decrease) increase in trade notes and account payable	(1,182)	1,400	(14,381)
Other - net	305	(174)	3,711
Total adjustments	(838)	1,613	(10,196)
Net cash provided by operating activities	1,647	4,213	20,039
INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	(1,967)	(1,559)	(23,932)
Proceeds from sales of property, plant and equipment	10	3	122
Purchases of intangible assets	(169)	(28)	(2,056)
Purchases of investment securities	(86)	(515)	(1,046)
Proceeds from sales and redemption of investment securities	699	1,174	8,505
Payment for purchase of consolidated subsidiaries, net of cash and cash equivalents acquired	-	(10,380)	-
Other - net	(200)	(51)	(2,434)
Net cash used in investing activities	(1,713)	(11,356)	(20,841)
FINANCING ACTIVITIES:			
Net change in short-term bank loans	(7,684)	10,763	(93,491)
Proceeds from long-term debt	9,973	132	121,341
Payments from long-term debt	(2,186)	(670)	(26,597)
Dividends paid	(389)	(311)	(4,733)
Other - net	(189)	75	(2,300)
Net cash (used in) provided by financing activities	(475)	9,989	(5,780)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(199)	(190)	(2,421)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(740)	2,656	(9,003)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	5,958	3,302	72,490
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 5,218	¥ 5,958	$ 63,487

See notes to consolidated financial statements.

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2011 consolidated financial statements to conform to the classifications used in 2012.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Harima Chemicals, Inc. (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥82.19 to $1, the approximate rate of exchange at March 31, 2012. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. ***Consolidation*** **-** The consolidated financial statements include the accounts of the Company and all its subsidiaries (together, the "Group").

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

Investments in associated companies are accounted for by the equity method.

The excess of the cost of acquisition over the fair value of the net assets of an acquired subsidiary at the date of acquisition is being amortized over a period not exceeding 20 years.

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

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

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

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

Certain consolidated foreign subsidiaries are stated at the lower of cost, determined by the first-in, first-out method, or net selling value.

e. ***Investment Securities -*** Investment securities are classified and accounted for, as follows: Marketable available-for-sale securities are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

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

f. ***Property, Plant and Equipment*** - Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its consolidated domestic subsidiaries is principally computed by the declining-balance method, while the straight-line method is applied to buildings acquired after April 1, 1998, and certain domestic subsidiaries and foreign subsidiaries apply the straight-line method, using rates based on the estimated useful lives of the assets. The range of useful lives is from 5 to 50 years for buildings, from 4 to 17 years for machinery and equipment.

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

h. ***Other Assets -*** Amortization of capitalized software costs is computed using the straight-line method over 5 years, the estimated useful life of the assets. Amortization of customer lists costs is computed using the straight-line method over 5 years, the estimated economic life of the assets.

i. ***Retirement Benefits -*** The Company and certain consolidated subsidiaries have a funded defined benefit pension plan, defined contribution pension plan and severance lump-sum payment plan covering substantially all of its employees.

The Company and certain domestic subsidiaries have adopted an accounting standard for employees' retirement benefits and accounted for the asset for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date.

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

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

k. ***Research and Development Costs -*** Research and development costs are charged to income as incurred.

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

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions be capitalized by recognizing lease assets and lease obligations in the balance sheet.

The Company applied the revised accounting standard effective April 1, 2008. In addition, the Company accounted for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as acquisition cost of lease assets measured at the obligations under finance leases less interest expense at the transition date.

All other leases are accounted for as operating leases.

m. ***Bonuses to Directors and Corporate Auditors -*** Bonuses to directors and corporate auditors are accrued at the year-end to which such bonuses are attributable.

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

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

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

q. ***Derivative Financial Instruments -*** The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange and interest rates. Foreign exchange forward contracts and interest rate swaps are utilized by the Group to reduce foreign currency exchange and interest rate risks. The Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: (1) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statement of income and (2) for derivatives used for hedging purposes, if such derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

Interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements is recognized and included in interest expenses or income.

r. ***Per Share Information -*** Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period.

Diluted net income per share is not disclosed because there are no outstanding potentially dilutive securities.

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

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

t. ***New Accounting Pronouncements***

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

Major changes are as follows:

(*a*) *Treatment in the balance sheet*

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

Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss shall be recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and the deficit or surplus shall be recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

(*b*) *Treatment in the statement of income and the statement of comprehensive income (or the statement of income and comprehensive income)*

The revised accounting standard would not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts would be recognized in profit or loss over a certain period no longer than the expected average remaining working lives of the employees. However, actuarial gains and losses and past service costs that arose in the current period and yet to be recognized in profit or loss shall be included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments.

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

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

3. INVESTMENT SECURITIES

Investment securities as of March 31, 2012 and 2011 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Non-current:			
Equity securities	¥ 2,063	¥ 2,081	$ 25,100
Trust fund investments and other	684	1,233	8,323
Total	¥ 2,747	¥ 3,314	$ 33,423

The costs and aggregate fair values of investment securities at March 31, 2012 and 2011 were as follows:

	Millions of Yen			
March 31, 2012	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 1,671	¥ 584	¥ 226	¥ 2,029
Debt securities	703	4	23	684
March 31, 2011				
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 1,688	¥ 579	¥ 220	¥ 2,047
Debt securities	1,292	0	59	1,233

	Thousands of U.S. Dollars			
March 31, 2012	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	$ 20,331	$ 7,105	$ 2,750	$ 24,686
Debt securities	8,553	50	280	8,323

Carrying amounts of available-for-sale securities whose fair value is not readily determinable as of March 31, 2012 and 2011 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Available-for-sale:			
Equity securities	¥ 34	¥ 34	$ 414
Other	0	0	0

The information for available-for-sale securities which were sold during the years ended March 31, 2012 and 2011 was as follows:

	Millions of Yen		
March 31, 2012	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	¥ 29	¥ 9	¥ -
Debt securities	670	1	1
Total	¥ 699	¥ 10	¥ 1
March 31, 2011			
Available-for-sale:			
Equity securities	¥ 164	¥ 52	¥ 6
Debt securities	1,003	13	19
Total	¥ 1,167	¥ 65	¥ 25

	Thousands of U.S. Dollars		
March 31, 2012	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	$ 353	$ 110	$ -
Debt securities	8,152	12	12
Total	$ 8,505	$ 122	$ 12

The impairment losses on available-for-sale equity securities for the years ended March 31, 2012 and 2011 were ¥1 million ($12 thousand) and ¥182 million, respectively are included in other expenses other - net in the consolidated statements of income.

4. INVENTORIES

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

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Finished products	¥ 4,128	¥ 4,372	$ 50,225
Work in process	393	222	4,781
Raw materials and supplies	5,467	5,839	66,517
Total	¥ 9,988	¥ 10,433	$ 121,523

5. LONG-LIVED ASSETS

The Group recognized an impairment loss of ¥14 million ($170 thousand), which is included in OTHER EXPENSE other - net in the consolidated statement of income, for the year ended March 31, 2012. The impairment loss is mainly recognized for the machinery and equipment in Kakogawa plant in Japan, due to recoverable amounts of the assets were lower than the carrying amounts of the assets.

The Group recognized an impairment loss of ¥54 million, which is included in OTHER EXPENSE other - net in the consolidated statement of income, for the year ended March 31, 2011. The impairment loss is mainly recognized for the buildings and structures and machinery and equipment of plant in China due to recoverable amount of the assets were lower than the carrying amounts of the assets. The recoverable amount of the assets was measured at its market value. Also the Group recognized the impairment loss for the machinery and equipment not in use in the plant in Czech Republic to the net selling price at disposition.

6. INVESTMENT PROPERTY

In November, 2008, the ASBJ issued ASBJ Statement No. 20 "Accounting Standard for Investment Property and Related Disclosures" and issued ASBJ Guidance No. 23 "Guidance on Accounting Standard for Investment Property and Related Disclosures."

The Group owns certain rental properties such as office buildings and land. The net of rental income and operating expenses for those rental properties for the fiscal years ended March 31, 2012 and 2011 were ¥132 million ($1,606 thousand) and ¥129 million, respectively.

In addition, the carrying amounts, changes in such balances and market prices of such properties are as follows.

Millions of Yen			
Carrying Amount			Fair Value
April 1, 2011	Decrease	March 31, 2012	March 31, 2012
¥3,466	¥16	¥3,450	¥4,380

Millions of Yen			
Carrying Amount			Fair Value
April 1, 2010	Increase	March 31, 2011	March 31, 2011
¥3,453	¥13	¥3,466	¥4,422

Thousands of U.S. Dollars			
Carrying Amount			Fair Value
April 1, 2011	Decrease	March 31, 2012	March 31, 2012
$42,171	$195	$41,976	$53,291

Notes:

1) Carrying amount recognized in the consolidated balance sheets is net of accumulated depreciation and accumulated impairment losses, if any.

2) Increase during the fiscal year ended March 31, 2012 primarily represents the acquisition of certain properties of ¥30 million ($365 thousand), and decrease primarily represents the depreciation and amortization of ¥46 million ($560 thousand). Increase during the fiscal year ended March 31, 2011 primarily represents the acquisition of certain properties of ¥65 million, and decrease primarily represents the depreciation and amortization of ¥52 million.

3) Fair value of properties is measured by the Group in accordance with its Real-Estate Appraisal Standard.

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

Short-term bank loans at March 31, 2012 and 2011 consisted of notes to banks and bank overdrafts. The average interest rates applicable to the short-term bank loans as of March 31, 2012 and 2011 were 2.4 % and 1.4%, respectively.

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

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Loans from banks and other financial institutions, due serially to 2016 with interest rates ranging from 1.7% to 6.7% (0.9% to 6.7% in 2011):			
Collateralized	¥ -	¥ 8	$ -
Unsecured	9,116	1,163	110,914
Obligations under finance leases	633	649	7,701
Total	9,749	1,820	118,615
Less current portion	(1,685)	(652)	(20,501)
Long-term debt, less current portion	¥ 8,064	¥ 1,168	$ 98,114

Annual maturities of long-term debt, at March 31, 2012, for the next five years and thereafter were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2013	¥ 1,685	$ 20,501
2014	1,744	21,219
2015	1,540	18,737
2016	1,500	18,250
2017	2,843	34,591
2018 and thereafter	437	5,317
Total	¥ 9,749	$ 118,615

Certain loans from banks are subject to the following financial covenants:

1) Total equity shall be more than ¥22,000 million ($267,672 thousand) for the first half of the fiscal year ending March 31, 2012 and for the fiscal year ended March 31, 2012, on a consolidated basis.

2) Total equity shall be more than ¥19,900 million ($242,122 thousand) for the first half of the fiscal year ending March 31, 2012 and for the fiscal year ended March 31, 2012, on a non-consolidated basis.

3) Ordinary income shall not be a loss for the fiscal years ended March 31, 2012 and 2011, both on a consolidated and non-consolidated basis.

The carrying amounts of assets pledged as collateral for short-term bank loans of ¥148 million ($1,801 thousand) at March 31, 2012 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Buildings and structures	¥ 78	$ 949
Other assets	33	402
Total	¥ 111	$ 1,351

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

General agreements with respective banks provide, as is customary in Japan, that additional collateral must be provided under certain circumstances if requested by such banks and that certain banks have the right to offset cash deposited with them against any long-term or short-term debt or obligation that becomes due and, in case of default and certain other specified events, against all other debt payable to the banks. The Company has never been requested to provide any additional collateral.

The outstanding balance of the commitment as of March 31, 2012 was as follows:

	Millions of Yen	Thousands of U.S. Dollars
Total committed line of credit	¥ 10,000	$ 121,669
Executed amount	3,207	39,019
Unexecuted amount	¥ 6,793	$ 82,650

The above agreements are subject to the following financial covenants:

1) Total equity shall be more than ¥22,000 million ($267,672 thousand) for the first half of the fiscal year ending March 31, 2012 and for the fiscal year ended March 31, 2012, on a consolidated basis.

2) Total equity shall be more than ¥19,900 million ($242,122 thousand) for the first half of the fiscal year ending March 31, 2012 and for the fiscal year ended March 31, 2012, on a non-consolidated basis.

3) Ordinary income shall not be a loss for the fiscal years ended March 31, 2012 and 2011, both on a consolidated and non-consolidated basis.

8. RETIREMENT AND PENSION PLANS

The Company has severance payment plans for employees, directors and corporate auditors.

Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service and certain other factors. Such retirement benefits are made in the form of a lump-sum severance payment or annuity payments from a trustee. Employees are entitled to larger payments if the termination is involuntary, by retirement at the mandatory retirement age, by death.

The liability for retirement benefits at March 31, 2012 and 2011 for directors and corporate auditors is ¥435 million ($5,293 thousand) and ¥418 million, respectively, and is included in liability for retirement benefits in the consolidated balance sheets. The retirement benefits for directors and corporate auditors are paid subject to the approval of the shareholders in accordance with the Companies Act of Japan (the "Companies Act").

The liability for employees' retirement benefits at March 31, 2012 and 2011 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Projected benefit obligation	¥ 2,495	¥ 2,465	$ 30,356
Fair value of plan assets	(1,255)	(1,276)	(15,269)
Unrecognized actuarial loss	(353)	(416)	(4,295)
Net liability	¥ 887	¥ 773	$ 10,792

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

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Service cost	¥ 234	¥ 229	$ 2,847
Interest cost	47	47	572
Recognized actuarial loss	63	72	767
Net periodic retirement benefit costs	344	348	4,186
Premium payments to defined contribution pension plan and other	107	87	1,302
Total	¥ 451	¥ 435	$ 5,488

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

	2012	2011
Discount rate	2.0%	2.0%
Expected rate of return on plan assets	0.0%	0.0%
Allocation method of the retirement benefits expected to be paid at the retirement date	Straight-line method based on years of service	Straight-line method based on years of service
Amortization period of prior service cost	1 year	1 year
Recognition period of actuarial gain or loss	14 years	14 years

9. ASSET RETIREMENT OBLIGATIONS

The changes in asset retirement obligations for the years ended March 31, 2012 and 2011 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Balance at beginning of year	¥ 45	¥ 44	$ 548
Reconciliation associated with passage of time	0	1	0
Balance at end of year	45	45	548

10. EQUITY

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

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria.

The Companies Act permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

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

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

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

c. Treasury Stock and Treasury Stock Acquisition Rights

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

11. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the years ended March 31, 2012 and 2011 principally consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Employees' salaries and bonuses	¥ 2,480	¥ 1,554	$ 30,174
Net periodic retirement benefit	175	164	2,129
Transport	2,217	1,361	26,974
Depreciation	437	363	5,317
Research and development	1,764	1,447	21,462
Amortization of goodwill	80	3	973

12. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 40.6% for the years ended March 31, 2012 and 2011.

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

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Deferred tax assets:			
Tax loss carryforwards	¥ 1,211	¥ 1,222	$ 14,734
Impairment loss on long-lived assets	248	1,570	3,017
Loss on revaluation of investment securities	1,359	293	16,535
Retirement benefits to directors and corporate auditors	158	170	1,922
Property, plant and equipment	97	97	1,180
Unrealized loss on available-for-sale securities	89	112	1,083
Other	392	538	4,769
Less valuation allowance	(2,965)	(3,274)	(36,075)
Total	¥ 589	¥ 728	$ 7,165
Deferred tax liabilities:			
Reserve for deferred gains on sales of property, plant and equipment	¥ 82	¥ 98	$ 998
Unrealized gain on available-for-sale securities	108	108	1,314
Other	97	87	1,180
Total	¥ 287	¥ 293	$ 3,492
Net deferred tax assets	¥ 302	¥ 435	$ 3,673

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income for the year ended March 31, 2012 was as follows:

Normal effective statutory tax rate	40.6%
Expenses not deductible for income tax purposes	10.6
Inhabitants' per capita levy	1.4
Difference of income tax rates applicable to income in certain foreign countries	(1.1)
Adjustment of deferred tax assets and liabilities at end of period due to change in tax rates	3.0
Other - net	0.5
Actual effective tax rate	55.0%

As the difference between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income for the year ended March 31, 2011 was not more than 5% of the normal effective statutory tax rate, a reconciliation has not been disclosed as permitted under Japanese GAAP.

On December 2, 2011, new tax reform laws were enacted in Japan, which changed the normal effective statutory tax rate from approximately 40.6% to 38.0% effective for the fiscal years beginning on or after April 1, 2012 through March 31, 2015, and to 35.6% afterwards. The effect of this change was to decrease deferred taxes in the consolidated balance sheet as of March 31, 2012 by ¥60 million ($730 thousand) and to increase income taxes - deferred in the consolidated statement of income for the year then ended by ¥75 million ($913 thousand) and to increase unrealized gain on available-for-sale securities in the consolidated balance sheet then by ¥15 million ($183 thousand).

13. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥1,764 million ($21,462 thousand) and ¥1,447 million for the years ended March 31, 2012 and 2011, respectively.

14. LEASES

The Group leases certain structures, machinery and equipment and other assets.

Total rental expenses including lease payments for the years ended March 31, 2012 and 2011 were ¥128 million ($1,557 thousand) and ¥146 million, respectively.

15. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group Policy for Financial Instruments

The Group uses financial instruments, mainly bank loans based on its capital financing plan. Short-term bank loans are used to fund its ongoing operations. Derivatives are used, not for speculative purposes, but to manage exposure to financial risks as described in (2) below.

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

Receivables such as trade notes and trade accounts are exposed to customer credit risk. Payment terms of payables, such as trade notes and trade accounts, are primarily less than one year. Payment in foreign currencies is exposed to the market risk of fluctuation in foreign currency exchange rates. Investment securities are exposed to the risk of market price fluctuations. Short-term bank loans and long-term debt are related to ongoing operations and working capital. Although a part of such bank loans are exposed to market risks from changes in variable interest rates, those risks are mitigated by using derivatives of interest rate swaps. Long-term deposits received are mainly related to entry deposits of golf course and are exposed to liquidity risk.

(3) Risk Management for Financial Instruments

Credit risk management

Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt according to the contractual terms. The Group manages its credit risk from receivables on the basis of internal guidelines, which include monitoring of payment term and balances of major customers by each business administration department to identify the default risk of customers at an early stage.

The counterparties to the Group's derivative contracts are limited to major international financial institution to reduce credit risk.

The maximum credit risk exposure of financial assets is limited to their carrying amounts as of March 31, 2012.

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

Foreign currency trade payables are exposed to market risk resulting from fluctuations in foreign currency exchange rates. Such foreign exchange risk is hedged principally by forward foreign currency contracts. In addition, when foreign currency trade payables are expected to arise from forecasted transaction, forward foreign currency contract may be used with a contract term not exceeding one year.

Interest rate swaps are used to manage exposure to market risks from changes in interest rates of loans payable.

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

Derivative transactions entered into by the group have been made in accordance with internal policies that regulate the authorization and credit limit amount.

Liquidity risk management

Liquidity risk comprises the risk that the Group cannot meet its contractual obligations in full on their maturity dates. The Group manages its liquidity risk by holding adequate volumes of liquid assets at the level of one month's sales volume, along with adequate financial planning by the corporate treasury department.

(4) Fair Value of Financial Instruments

Fair values of financial instruments are based on quoted price in active markets. If quoted price is not available, another rational valuation technique is used instead.

Fair Value of Financial Instruments

Carrying amounts, fair values and the differences between carrying mounts and fair values as of March 31, 2012 and 2011 are as follows. The accounts deemed to be extremely difficult to calculate the fair values are not included in the following:

	Millions of Yen		
March 31, 2012	Carrying Amount	Fair Value	Unrealized Gain/(Loss)
Cash and cash equivalents	¥ 5,218	¥ 5,218	¥ -
Notes and accounts receivable	18,650	18,650	-
Investment securities	2,713	2,713	-
Total	¥ 26,581	¥ 26,581	¥ -
Notes and accounts payable	¥ 9,265	¥ 9,265	¥ -
Short-term bank loans	9,083	9,083	-
Current portion of long-term debt (excluding obligations under finance leases)	1,634	1,634	-
Long-term debt (excluding obligations under finance leases)	7,482	7,489	(7)
Long-term deposits received	1,065	864	201
Total	¥ 28,529	¥ 28,335	¥ 194

	Millions of Yen		
March 31, 2011	Carrying Amount	Fair Value	Unrealized Gain/(Loss)
Cash and cash equivalents	¥ 5,958	¥ 5,958	¥ -
Notes and accounts receivable	17,114	17,114	-
Investment securities	3,280	3,280	-
Total	¥ 26,352	¥ 26,352	¥ -
Notes and accounts payable	¥ 10,742	¥ 10,742	¥ -
Short-term bank loans	17,255	17,255	-
Current portion of long-term debt (excluding obligations under finance leases)	615	615	-
Long-term debt (excluding obligations under finance leases)	555	567	(12)
Long-term deposits received	1,129	927	202
Total	¥ 30,296	¥ 30,106	¥ 190

March 31, 2012	Thousands of U.S. Dollars Carrying Amount	Fair Value	Unrealized Gain/(Loss)
Cash and cash equivalents	$ 63,487	$ 63,487	$ -
Notes and accounts receivable	226,914	226,914	-
Investment securities	33,009	33,009	-
Total	$ 323,410	$ 323,410	$ -
Notes and accounts payable	$ 112,727	$ 112,727	$ -
Short-term bank loans	110,512	110,512	-
Current portion of long-term debt (excluding obligations under finance leases)	19,881	19,881	-
Long-term debt (excluding obligations under finance leases)	91,033	91,118	(85)
Long-term deposits received	12,958	10,512	2,446
Total	$ 347,111	$ 334,750	$ 2,361

Cash and Cash Equivalents and Notes and Accounts Receivable

The carrying values of cash and cash equivalents and notes and accounts receivable approximate fair value because of their short maturities.

Investment Securities

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

Notes and Accounts Payable, Short-Term Bank Loans and Current Portion of Long-Term Debt

The carrying values of notes and accounts payable, short-term bank loans and current portion of long-term debt approximate fair value because of their short maturities.

Long-Term Debt

The fair values of long-term debt are determined by discounting the cash flows related to the debt at the Group's assumed corporate borrowing rate for the fiscal year ended March 31, 2012.

The fair values of floating rate debt that apply interest rate swaps which qualify for hedge accounting and meet specific matching criteria as means for hedging are determined by discounting the cash flows related to the debt that include interest rate swaps as a unit at the Group's assumed corporate borrowing rate for the fiscal year ended March 31, 2011.

Long-Term Deposits Received

The fair values of long-term deposits received are determined by discounting the future cash flows estimable from the past refund experience and by the estimated interest rate reflecting assumed refund period and credit risk.

Derivatives

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

(5) Maturity Analysis for Financial Assets with Contractual Maturities

March 31, 2012	Millions of Yen Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Cash and cash equivalents	¥ 5,218	¥ -	¥ -	¥ -
Notes and accounts receivable	18,650	-	-	-
Investment securities				
Available-for-sale securities with contractual maturities	-	-	106	578
Total	¥ 23,868	¥ -	¥ 106	¥ 578

March 31, 2011	Millions of Yen Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Cash and cash equivalents	¥ 5,958	¥ -	¥ -	¥ -
Notes and accounts receivable	17,114	-	-	-
Investment securities				
Available-for-sale securities with contractual maturities	-	-	287	945
Total	¥ 23,072	¥ -	¥ 287	¥ 945

March 31, 2012	Thousands of U.S. Dollars Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Cash and cash equivalents	$ 63,487	$ -	$ -	$ -
Notes and accounts receivable	226,914	-	-	-
Investment securities				
Available-for-sale securities with contractual maturities	-	-	1,290	7,032
Total	$ 290,401	$ -	$ 1,290	$ 7,032

16. DERIVATIVES

The Group also enters into interest rate swap contracts to manage its interest rate exposures on certain liabilities.

All derivative transactions are entered into to hedge interest exposures incorporated within the Group's business. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged liabilities.

Because the counterparties to these derivatives are limited to major international financial institutions, the Group does not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Group have been made in accordance with internal policies which regulate the authorization and credit limit amount.

Derivative Transactions to Which Hedge Accounting Is Not Applied

At March 31, 2012	Hedged Item	Millions of Yen Contract Amount	 Contract Amount due after One Year	 Fair Value
Interest rate swaps: (fixed rate payment, floating rate receipt)	Current portion of long-term debt	¥ -	¥ -	¥ -
	Short-term bank loans	400	-	-

At March 31, 2011	Hedged Item	Millions of Yen Contract Amount	 Contract Amount due after One Year	 Fair Value
Interest rate swaps: (fixed rate payment, floating rate receipt)	Current portion of long-term debt	¥ 2,100	¥ -	¥ -
	Short-term bank loans	400	-	-

At March 31, 2012	Hedged Item	Thousands of U.S. Dollars Contract Amount	 Contract Amount due after One Year	 Fair Value
Interest rate swaps: (fixed rate payment, floating rate receipt)	Current portion of long-term debt	$ -	$ -	$ -
	Short-term bank loans	4,867	-	-

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

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

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

17. COMPREHENSIVE INCOME

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

	Millions of Yen	Thousands of U.S. Dollars
Unrealized gain on available-for-sale securities:		
Gains arising during the year	¥ 46	$ 560
Reclassification adjustments to profit or loss	(8)	(98)
Amount before income tax effect	38	462
Income tax effect	0	0
Total	¥ 38	$ 462
Foreign currency translation adjustments:		
Adjustments arising during the year	¥ (384)	$ (4,672)
Reclassification adjustments to profit or loss	-	-
Amount before income tax effect	(384)	(4,672)
Income tax effect	-	-
Total	¥ (384)	$ (4,672)
Share of other comprehensive income in associates -		
Gains arising during the year	¥ 0	$ 0
Total	¥ 0	$ 0
Total other comprehensive income	¥ (346)	$ (4,210)

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

18. NET INCOME PER SHARE

Details of the basic net income per share ("EPS") for the years ended March 31, 2012 and 2011 were as follows:

	Millions of Yen	Thousands of Shares	Yen	Dollars
	Net Income	Weighted-Average Shares	EPS	
For the year ended March 31, 2012:				
Basic EPS				
Net income available to common shareholders	¥ 1,012	25,949	¥ 38.99	$ 0.47
For the year ended March 31, 2011:				
Basic EPS				
Net income available to common shareholders	¥ 1,337	25,950	¥ 51.53	

Diluted net income per share is not disclosed because there are no outstanding potentially dilutive securities.

19. RELATED PARTY DISCLOSURES

The transactions between the Company and related parties

Transactions of the Company and related parties for the years ended March 31, 2012 and 2011 were as follows:

Fiscal year ended March 31, 2012

Type of Related Parties	Name	Address	Capital Amount (Millions of Yen)	Description of Business	Percentage of Equity Ownership in the Company	Nature of Transactions	Amount (Millions of Yen)	Amount (Thousands of U.S. Dollars)
Owned by certain directors of the Company and their relatives.	Hasegawa Kosan Co., Ltd.	Kakogawa-shi, Hyogo, Japan	¥40	Insurance agent	(Owned) Direct 17.64	Payment of insurance	¥ 13	$ 158
						Other current assets, end of year	25	304
						Other assets, end of year	25	304
	Harima Food, Inc.	Kakogawa-shi, Hyogo, Japan	30	Food manufacturing	-	Sales of food	11	134

Note: Hasegawa Kosan Co., Ltd. is wholly held by Yoshihiro Hasegawa, who is the representative director of the Company, and his close relatives.
Harima Food, Inc. is wholly owned subsidiary of Hasegawa Kosan Co., Ltd.

Fiscal year ended March 31, 2011

Type of Related Parties	Name	Address	Capital Amount (Millions of Yen)	Description of Business	Percentage of Equity Ownership in the Company	Nature of Transactions	Amount (Millions of Yen)
Owned by certain directors of the Company and their relatives.	Hasegawa Kosan Co., Ltd.	Kakogawa-shi, Hyogo, Japan	¥40	Insurance agent	(Owned) Direct 17.64	Payment of insurance	¥ 85
						Other current assets, end of year	26
						Other assets, end of year	48

Note: Hasegawa Kosan Co., Ltd. is wholly held by Yoshihiro Hasegawa, who is the representative director of the Company, and his close relatives.

20. SUBSEQUENT EVENTS

Appropriations of Retained Earnings

The following appropriation of retained earnings at March 31, 2012 was approved at the Company's Board of Directors' meeting held on May 21, 2012:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥7 ($0.09) per share	¥182	$2,214

Company split for the transition to a holding company structure

At the Company's Board of Directors' meeting held on May 21, 2012, the Company decided the plan to spin off all of the Company's businesses into a new wholly owned subsidiary and to effect a transition to a holding company structure at October 1, 2012. The Company will change its name to "HARIMA CHEMICALS GROUP, INC.", and maintain the listing as holding company. The plan was approved at the Company's shareholders meeting held on June 27, 2012.

21. SEGMENT INFORMATION

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

(1) Description of Reportable Segments

The Group's reportable segments are those for which separately financial information is available and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Group. Therefore, the Group's reportable segments consist of "Resin & Tall Oil Products", "Paper Chemicals" and "Electronics Materials". "Resin & Tall Oil Products" manufactures and sells paint resin, resins for print inks, tall oil products and synthetic rubber emulsifiers. "Paper Chemicals" manufactures and sells paper strengthening agents, sizing agents and surface coating agents. "Electronics Materials" manufactures and sells electronics materials.

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

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

(3) Information about Sales, Profit and Other Items is as follows.

	Millions of Yen							
	2012							
	Reportable Segment							
	Resin & Tall Oil Products	Paper Chemicals	Electronics Materials	Total	Other	Total	Reconciliations	Consolidated
Sales:								
Sales to external customers	¥ 49,929	¥ 13,234	¥ 4,739	¥ 67,902	¥ 3,646	¥ 71,548	¥ (12)	¥ 71,536
Intersegment sales or transfers	278	555	-	833	54	887	(887)	-
Total	50,207	13,789	4,739	68,735	3,700	72,435	(899)	71,536
Segment profit (loss)	1,622	949	288	2,859	(482)	2,377	(218)	2,159
Other:								
Depreciation	952	594	205	1,751	186	1,937	(4)	1,933
Net result of interest income and interest expense	¥ (76)	¥ (27)	¥ (14)	¥ (117)	¥ (295)	¥ (412)	¥ -	¥ (412)

Notes: "Other" division is business segment not attributable to reportable segment and includes mainly real estate management, etc.

Reconciliations of segment profit include reconciliations of inventories of ¥55 million ($669 thousand), company-wide income and expenses of ¥384 million ($4,672 thousand) and foreign exchange loss of ¥194 million ($2,360 thousand) which are not attributable to reportable segment, etc.

Segment profits are adjusted to certain other income and expenses from operating income in consolidated statement of income.

Assets are not allocated into reportable segments as they are not used for determination of the allocation of management resources and how to assess performance of the Company.

	Millions of Yen							
	2011							
	Reportable Segment							
	Resin & Tall Oil Products	Paper Chemicals	Electronics Materials	Total	Other	Total	Reconciliations	Consolidated
Sales:								
Sales to external customers	¥ 19,673	¥ 12,972	¥ 4,855	¥ 37,500	¥ 4,021	¥ 41,521	¥ (26)	¥ 41,495
Intersegment sales or transfers	207	-	-	207	38	245	(245)	-
Total	19,880	12,972	4,855	37,707	4,059	41,766	(271)	41,495
Segment profit	2,040	727	308	3,075	5	3,080	(314)	2,766
Other:								
Depreciation	663	565	246	1,474	156	1,630	(13)	1,617
Net result of interest income and interest expense	¥ (71)	¥ (15)	¥ (15)	¥ (101)	¥ (84)	¥ (185)	¥ -	¥ (185)

Notes: "Other" division is business segment not attributable to reportable segment and includes mainly real estate management, etc.

Reconciliations of segment profit include reconciliations of inventories of ¥36 million and company-wide income and expenses that are not attributable to reportable segment of ¥309 million, etc.

Segment profits are adjusted to certain other income and expenses from operating income in consolidated statement of income.

Assets are not allocated into reportable segments as they are not used for determination of the allocation of management resources and how to assess performance of the Company.

	Thousands of U.S. Dollars							
	2012							
	Reportable Segment							
	Resin & Tall Oil Products	Paper Chemicals	Electronics Materials	Total	Other	Total	Reconciliations	Consolidated
Sales:								
Sales to external customers	$ 607,483	$ 161,017	$ 57,659	$ 826,159	$ 44,361	$ 870,520	$ (146)	$ 870,374
Intersegment sales or transfers	3,382	6,753	-	10,135	657	10,792	(10,792)	-
Total	610,865	167,770	57,659	836,294	45,018	881,312	(10,938)	870,374
Segment profit (loss)	19,735	11,546	3,504	34,785	(5,864)	28,921	(2,652)	26,269
Other:								
Depreciation	11,583	7,227	2,494	21,304	2,263	23,567	(49)	23,518
Net result of interest income and interest expense	$ (925)	$ (329)	$ (171)	$ (1,425)	$ (3,589)	$ (5,014)	$ -	$ (5,014)

[Related information]

1. Information about geographical areas

Net sales to customers and property, plant and equipment by regions for the years ended March 31, 2012 and 2011 were as follows:

(1) Net sales

Millions of Yen					
2012					
Japan	South and North America	Asia	Europe	Other	Total
¥32,791	¥14,528	¥8,011	¥13,593	¥2,613	¥71,536

Millions of Yen				
2011				
Japan	South and North America	Asia	Other	Total
¥32,079	¥4,797	¥4,346	¥273	¥41,495

Thousands of U.S. Dollars					
2012					
Japan	South and North America	Asia	Europe	Other	Total
$398,966	$176,761	$97,470	$165,385	$31,792	$870,374

Note: Sales are classified into countries or regions based on customer's locations.

(2) Net property, plant and equipment

Millions of Yen					
2012					
Japan	South and North America	Asia	Europe	Other	Total
¥15,031	¥1,911	¥1,768	¥2,120	¥718	¥21,548

Millions of Yen					
2011					
Japan	South and North America	Asia	Europe	Other	Total
¥14,883	¥1,697	¥1,780	¥2,158	¥714	¥21,232

Thousands of U.S. Dollars					
Japan	South and North America	Asia	Europe	Other	Total
$182,881	$23,251	$21,511	$25,794	$8,735	$262,172

2. Information by principle customers

There are no indication because within the net sales from external customers, there are no customers who cover more than 10% of whole consolidated net sales.

[Loss on impairment of long-lived assets by reportable segment]

Loss on impairment of long-lived assets by reportable segment for the years ended March 31, 2012 and 2011 was as follows:

	Millions of Yen						
	2012						
	Reportable Segment						
	Resin & Tall Oil Products	Paper Chemicals	Electronics Materials	Total	Other	Eliminations/ Corporate	Consolidated
Long-lived assets	¥ -	¥ -	¥14	¥14	¥ -	¥ -	¥14

	Millions of Yen						
	2011						
	Reportable Segment						
	Resin & Tall Oil Products	Paper Chemicals	Electronics Materials	Total	Other	Eliminations/ Corporate	Consolidated
Long-lived assets	¥ -	¥ -	¥54	¥54	¥ -	¥ -	¥54

	Thousands of U.S. Dollars						
	2012						
	Reportable Segment						
	Resin & Tall Oil Products	Paper Chemicals	Electronics Materials	Total	Other	Eliminations/ Corporate	Consolidated
Long-lived assets	$ -	$ -	$170	$170	$ -	$ -	$170

[Amortization of goodwill and amount of goodwill by reportable segment]

The amortization of goodwill and amount of goodwill by reportable segment for the years ended March 31, 2012 and 2011 were as follows:

	Millions of Yen						
	2012						
	Reportable Segment						
	Resin & Tall Oil Products	Paper Chemicals	Electronics Materials	Total	Other	Eliminations/ Corporate	Consolidated
Amortization of goodwill	¥ 81	¥ -	¥ -	¥ 81	¥ -	¥ -	¥ 81
Amount of goodwill	178	-	-	178	-	-	178

	Millions of Yen						
	2011						
	Reportable Segment						
	Resin & Tall Oil Products	Paper Chemicals	Electronics Materials	Total	Other	Eliminations/ Corporate	Consolidated
Amortization of goodwill	¥ -	¥ -	¥ -	¥ -	¥ -	¥4	¥ 4
Amount of goodwill	126	-	-	126	-	-	126

	Thousands of U.S. Dollars						
	Reportable Segment						
	Resin & Tall Oil Products	Paper Chemicals	Electronics Materials	Total	Other	Eliminations/ Corporate	Consolidated
Amortization of goodwill	$ 986	$ -	$ -	$ 986	$ -	$ -	$ 986
Amount of goodwill	2,166	-	-	2,166	-	-	2,166

* * * * * *

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Harima Chemicals, Inc.:

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in conformity with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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

Convenience Translation

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

Deloitte Touche Tohmatsu LLC

June 27, 2012

Member of
Deloitte Touche Tohmatsu Limited

Corporate Overview (as of March 31, 2012)

Founded	November 18, 1947
Capital Stock	10,012.95 million yen
Head Office	671-4, Mizuashi, Noguchi-cho, Kakogawa-shi, Hyogo, Japan
Osaka Head Office	4-4-7 Imabashi, Chuo-ku, Osaka
Tokyo Head Office	3-8-4 Nihonbashi, Chuo-ku, Tokyo
Laboratories	Central Research Laboratory, Tsukuba Research Laboratory
Plants	Kakogawa Plant, Tokyo Plant, Fuji Plant, Ibaraki Plant, Hokkaido Plant, Sendai Plant, and Shikoku Plant
Sales Offices	Tokyo Sales Office, Osaka Sales Office, Nagoya Sales Office, Kyushu Sales Office, Fuji Sales Office, Hokkaido Sales Office, Sendai Sales Office, and Shikoku Sales Office
Number of Employees	419 (Consolidated: 1,637)
Number of Group Companies	37
Business Activities	Manufacture and sale of Resin & Tall Oil Products, Paper Chemicals , Electronics Materials, etc.
Website	http://www.harima.co.jp/en/index.html

Principal Subsidiaries

Company name	Capital stock	Percentage of equity participation (%)	Main business
Harima Trading, Inc.	48,000 thousand yen	100	Real estate management, etc.
Seven Rivers, Inc.	14,000 thousand yen	100	Manufacture and sale of industrial detergents, etc.
Harima M.I.D., Inc.	300,000 thousand yen	75	Manufacture and sale of tall oil products
Harima Kasei Polymer Co., Ltd.	10,000 thousand yen	100	Manufacture and sale of resins for printing inks, etc.
Nippon Filler Metals, Ltd.	45,000 thousand yen	100	Manufacture and sale of electronic materials
HARIMA USA, Inc.	3,350 thousand U.S. dollars	100	Control of U.S. operations
Harima do Brasil Industria Quimica Ltda.	8,356 thousand Brasil real	99.39	Manufacture and sale of rosin and its derivatives
Harimatec Hangzhou Co., Ltd.	8,690 thousand Chinese yuan	85	Manufacture and sale of electronic materials
Harimatec Malaysia Sdn. Bhd.	1,356 thousand Malaysian ringgit	85	Manufacture and sale of electronic materials
Hangzhou Hanghua-Harima Paper Chemicals Co., Ltd.	52,296 thousand Chinese yuan	56.07	Manufacture and sale of papermaking chemicals
Nanning Harima Chemicals Co., Ltd.	48,234 thousand Chinese yuan	95	Manufacture and sale of rosin and its derivatives
Harimatec Czech, s.r.o.	7,000 Czech koruna	100	Manufacture and sale of electronic materials
Xinyi Rihong Plastic Chemical Co., Ltd.	27,390 thousand Chinese yuan	80	Manufacture and sale of rosin and its derivatives
Xinyi Zhonglin Rosin Co., Ltd.	12,000 thousand yuan	81	Manufacture and sale of rosin and its derivatives
Lawter B.V.	17,600 thousand euro	90	Control of Lawter Group's operations

Directors and Corporate Auditors (as of June 28, 2012)

President	Yoshihiro Hasegawa
Senior Executive Director	Nobuo Makino
Executive Director	Masanao Kono
Executive Director	Teruo Kaneshiro
Executive Director	Masashi Inaba
Director	Satoru Iwasa
Director	Yorishige Matsuba
Director	Yasuhiro Mizutani
Director	Yoshinobu Matsuda
Director	Mitsunori Kiyono
Director	Fumiaki Tsuchida
Director	Ichiro Taninaka
Standing Corporate Auditor	Jyoichiro Tanaka
Corporate Auditor*	Tatsuya Michigami
Corporate Auditor*	Hidenori Hiramatsu

* denotes Outside Corporate Auditors.

Status of Shares (as of March 31, 2012)

(1) Total number of shares authorised to be issued 59,500,000

(2) Total number of shares outstanding 26,080,396
(including 131,120 shares of treasury stocks)

(3) Number of shareholders 3,035

(4) Major shareholders

	Status of shareholding	
	Number of shares held (Thousands of shares)	Ratio of number of shares held against total number of shares outstanding (%)
Hasegawakosan Co., Ltd.	4,558	17.56
Yoshihiro Hasegawa	1,334	5.14
Sumitomo Mitsui Banking Corporation	1,094	4.21
Japan Trustee Services Bank, Ltd. (Account in trust)	1,064	4.10
Harima Chemicals Mutual Prosperity Association	842	3.24
Shorai Foundation for Science and Technology	805	3.10
THE MINATO BANK, LTD.	692	2.66
Shorai, Ltd.	687	2.64
Keihansin Kougyou Corporation	672	2.58
Hyogo Prefectual Credit Federation of Agricultural Cooperatives	521	2.01

(Notes) 1. In “Number of shares held,” figures less than one thousand are rounded down.
2. Ratio of number of shares held against total number of shares outstanding is determined based on the total number of shares outstanding minus the number of treasury stocks (131,120 shares), which amounts to 25,949,276 shares. The numbers shown are rounded down to two decimal places.