Fuji Seal International, Inc. and Subsidiaries

Consolidated Financial Statements for the Year Ended March 31, 2013, and Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Fuji Seal International, Inc.:

We have audited the accompanying consolidated balance sheet of Fuji Seal International, Inc. and its subsidiaries as of March 31, 2013, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material 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 accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Fuji Seal International, Inc. and its subsidiaries as of March 31, 2013, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

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

Deloitte Touche Tohmatsu LLC

June 21, 2013

Fuji Seal International, Inc. and Subsidiaries

Consolidated Balance Sheet
March 31, 2013

ASSETS	Millions of Yen 2013	Millions of Yen 2012	Thousands of U.S. Dollars (Note 1) 2013
CURRENT ASSETS:			
Cash and bank deposits (Notes 14 and 19)	¥ 10,734	¥ 7,682	$ 114,131
Receivables (Note 14):			
Trade	26,945	23,670	286,497
Associated companies	130	136	1,382
Other	1,350	1,109	14,354
Allowance for doubtful receivables	(224)	(28)	(2,382)
Inventories (Note 4)	11,160	8,470	118,660
Deferred tax assets (Note 10)	819	760	8,708
Other current assets	738	264	7,847
Total current assets	51,652	42,063	549,197
PROPERTY, PLANT, AND EQUIPMENT:			
Land (Note 5)	5,421	4,784	57,640
Buildings and structures (Note 5)	24,004	15,518	255,226
Machinery and equipment	57,656	43,225	613,036
Furniture and fixtures	4,560	2,209	48,485
Lease assets (Note 13)	427	260	4,540
Construction in progress	3,172	1,630	33,726
Total	95,240	67,626	1,012,653
Accumulated depreciation	(54,215)	(37,198)	(576,449)
Net property, plant, and equipment	41,025	30,428	436,204
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 3 and 14)	1,795	1,379	19,086
Investment in associated companies	2,929	1,718	31,143
Goodwill	542	15	5,763
Software	404	346	4,296
Deferred tax assets (Note 10)	640	499	6,805
Other assets	1,449	828	15,406
Total investments and other assets	7,759	4,785	82,499
TOTAL	¥ 100,436	¥ 77,276	$ 1,067,900

LIABILITIES AND EQUITY	Millions of Yen 2013	Millions of Yen 2012	Thousands of U.S. Dollars (Note 1) 2013
CURRENT LIABILITIES:			
Short-term bank loans (Notes 6 and 14)	¥ 1,381	¥ 1,854	$ 14,684
Current portion of long-term debt (Notes 6 and 14)	2,080	397	22,116
Current portion of long-term lease obligations (Note 13)	57	58	606
Payables (Note 14):			
Trade	15,844	15,281	168,464
Associated companies	153	57	1,627
Other	3,543	2,842	37,671
Income taxes payable (Note 14)	1,698	1,324	18,054
Accrued expenses	2,372	1,531	25,221
Other current liabilities (Note 8)	1,172	923	12,461
Total current liabilities	28,300	24,267	300,904
LONG-TERM LIABILITIES:			
Long-term debt (Notes 6 and 14)	9,430	1,760	100,266
Long-term lease obligations (Note 13)	144	85	1,531
Liability for retirement benefits (Note 7)	1,930	1,525	20,521
Deferred tax liabilities (Note 10)	1,897	775	20,170
Other long-term liabilities (Note 8)	391	185	4,157
Total long-term liabilities	13,792	4,330	146,645
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 13 and 15)			
EQUITY (Notes 9 and 20):			
Common stock, authorized, 100,000,000 shares; issued, 30,080,978 shares in 2013 and 2012 (Notes 2.u. and v.)	5,990	5,990	63,690
Capital surplus	6,233	6,233	66,273
Retained earnings	53,357	49,175	567,326
Treasury stock - at cost: 1,781,601 shares in 2013 and 1,861,501 shares in 2012	(3,465)	(3,617)	(36,842)
Accumulated other comprehensive income (loss):			
Unrealized gain on available-for-sale securities	345	85	3,668
Deferred loss on derivatives under hedge accounting (Note 15)	(2)	-	(21)
Foreign currency translation adjustments	(3,318)	(8,355)	(35,279)
Minimum pension liability adjustment (Note 7)	(796)	(832)	(8,464)
Total	(3,771)	(9,102)	(40,096)
Total equity	58,344	48,679	620,351
TOTAL	¥ 100,436	¥ 77,276	$ 1,067,900

See notes to consolidated financial statements.

Fuji Seal International, Inc. and Subsidiaries

Consolidated Statement of Income
Year Ended March 31, 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2012	2013
NET SALES	¥ 98,947	¥ 88,374	$ 1,052,068
COST OF SALES (Note 12)	78,313	69,733	832,674
Gross profit	20,634	18,641	219,394
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES (Notes 12 and 18)	12,885	11,112	137,002
Operating income	7,749	7,529	82,392
OTHER INCOME (EXPENSES):			
Interest and dividend income	110	85	1,170
Interest expense	(66)	(70)	(702)
Foreign exchange gain (loss) - net	31	(45)	330
Equity in earning of associated companies	374	151	3,977
Gain on sales of property, plant, and equipment	7	8	74
Loss on sales and disposals of property, plant, and equipment	(270)	(303)	(2,871)
Other - net (Note 5)	(49)	(149)	(521)
Other expenses (income) - net	137	(323)	1,457
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	7,886	7,206	83,849
INCOME TAXES (Note 10):			
Current	(2,675)	(2,452)	(28,442)
Deferred	(32)	(389)	(341)
Total income taxes	(2,707)	(2,841)	(28,783)
NET INCOME BEFORE MINORITY INTERESTS	5,179	4,365	55,066
MINORITY INTERESTS IN NET INCOME	-	-	-
NET INCOME	¥ 5,179	¥ 4,365	$ 55,066
	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Notes 2.t. and 17):			
Basic net income	¥183.26	¥154.94	$1.95
Cash dividends applicable to the year	40.00	35.00	0.43

See notes to consolidated financial statements.

Fuji Seal International, Inc. and Subsidiaries

Consolidated Statement of Comprehensive Income
Year Ended March 31, 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2012	2013
NET INCOME BEFORE MINORITY INTERESTS	¥ 5,179	¥ 4,365	$ 55,066
OTHER COMPREHENSIVE INCOME (LOSS) (Note 16):			
Unrealized gain on available-for-sale securities	260	81	2,764
Deferred loss on derivatives under hedge accounting	(2)	(4)	(21)
Foreign currency translation adjustments	4,631	(1,622)	49,241
Share of other comprehensive income in associates	407	(43)	4,327
Minimum pension liability adjustment	35	(131)	372
Total other comprehensive income (loss)	5,331	(1,719)	56,683
COMPREHENSIVE INCOME (Note 16)	¥ 10,510	¥ 2,646	$ 111,749
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO (Note 16):			
Owners of the parent	¥10,510	¥2,646	$111,749
Minority interests	-	-	-

See notes to consolidated financial statements.

Fuji Seal International, Inc. and Subsidiaries

Consolidated Statement of Changes in Equity
Year Ended March 31, 2013

	Number of Shares of Common Stock Outstanding	Millions of Yen								
						Accumulated Other Comprehensive Income				
		Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Minimum Pension Liability Adjustment	Total Equity
BALANCE, APRIL 1, 2011	28,134,157	¥ 5,990	¥ 6,233	¥ 45,921	¥ (3,839)	¥ 4	¥ 4	¥ (6,691)	¥ (701)	¥ 46,921
Net income	-	-	-	4,365	-	-	-	-	-	4,365
Cash dividends, ¥35 per share	-	-	-	(1,051)	-	-	-	-	-	(1,051)
Purchase of treasury stock	(180)	-	-	-	(0)	-	-	-	-	(0)
Sale of treasury stock	85,500	-	(60)	-	222	-	-	-	-	162
Other	-	-	60	(60)	-	-	-	-	-	-
Net change in the year	-	-	-	-	-	81	(4)	(1,664)	(131)	(1,718)
BALANCE, MARCH 31, 2012	28,219,477	5,990	6,233	49,175	(3,617)	85	-	(8,355)	(832)	48,679
Net income	-	-	-	5,179	-	-	-	-	-	5,179
Cash dividends, ¥40 per share	-	-	-	(997)	-	-	-	-	-	(997)
Purchase of treasury stock	(200)	-	-	-	(0)	-	-	-	-	(0)
Sale of treasury stock	80,100	-	-	-	152	-	-	-	-	152
Other	-	-	-	-	-	-	-	-	-	-
Net change in the year	-	-	-	-	-	260	(2)	5,037	36	5,331
BALANCE, MARCH 31, 2013	28,299,377	¥ 5,990	¥ 6,233	¥ 53,357	¥ (3,465)	¥ 345	¥(2)	¥ (3,318)	¥ (796)	¥ 58,344

	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	Deferred Loss on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Minimum Pension Liability Adjustment	Total Equity
BALANCE, MARCH 31, 2012	$ 63,690	$ 66,273	$ 522,860	$ (38,458)	$ 904	$ -	$ (88,836)	$ (8,846)	$ 517,587
Net income	-	-	55,066	-	-	-	-	-	55,066
Cash dividends, $0.43 per share	-	-	(10,600)	-	-	-	-	-	(10,600)
Purchase of treasury stock	-	-	-	(0)	-	-	-	-	(0)
Sale of treasury stock	-	-	-	1,616	-	-	-	-	1,616
Other	-	-	-	-	-	-	-	-	-
Net change in the year	-	-	-	-	2,764	(21)	53,557	382	56,682
BALANCE, MARCH 31, 2013	$ 63,690	$ 66,273	$ 567,326	$ (36,842)	$ 3,668	$ (21)	$ (35,279)	$ (8,464)	$ 620,351

See notes to consolidated financial statements.

Fuji Seal International, Inc. and Subsidiaries

Consolidated Statement of Cash Flows
Year Ended March 31, 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2012	2013
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 7,886	¥ 7,206	$ 83,849
Adjustments for:			
Income taxes - paid	(2,655)	(2,085)	(28,230)
Depreciation and amortization	4,734	4,502	50,335
Gain on sales of property, plant, and equipment	(7)	(8)	(74)
Loss on sales and disposals of property, plant, and equipment	270	303	2,871
Equity in earning of associated companies	(374)	(151)	(3,977)
Changes in assets and liabilities:			
Increase in receivables	(465)	(3,594)	(4,944)
Increase in inventories	(91)	(1,560)	(968)
(Decrease) increase in payables	(113)	1,031	(1,201)
Increase in liability for retirement benefits	293	142	3,115
Other - net	191	1,065	2,031
Total adjustments	1,783	(355)	18,958
Net cash provided by operating activities	9,669	6,851	102,807
INVESTING ACTIVITIES:			
Purchases of property, plant, and equipment	(5,934)	(4,471)	(63,094)
Purchases of software and other assets	(407)	(273)	(4,327)
Purchases of investment securities	(25)	(165)	(266)
Payment for purchase of PAGO Holding AG, net of cash acquired (Note 19)	(8,513)	-	(90,516)
Other - net	86	102	914
Net cash used in investing activities	(14,793)	(4,807)	(157,289)
FINANCING ACTIVITIES:			
Decrease in short-term bank loans - net	(35)	(1,122)	(372)
Proceeds from long-term debt	10,000	800	106,326
Repayments of long-term debt	(754)	(903)	(8,017)
Dividends paid	(997)	(1,050)	(10,600)
Other - net	73	98	776
Net cash provided by (used in) financing activities	8,287	(2,177)	88,113
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	690	(209)	7,337
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,853	(342)	40,968
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	6,751	7,093	71,781
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 19)	¥ 10,604	¥ 6,751	$ 112,749

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 accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2012 consolidated financial statements to conform to the classifications used in 2013.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Fuji Seal International, 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 ¥94.05 to $1, the approximate rate of exchange at March 31, 2013. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation - The consolidated financial statements as of March 31, 2013, include the accounts of the Company and its 26 (19 in 2012) subsidiaries (collectively, the "Group").

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in 2 (1 in 2012) 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 using the straight-line method over five 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 that the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should, in principle, be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, except for the following items which should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in equity; (c) expensing capitalized development costs of 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. ***Unification of Accounting Policies Applied to Foreign Associated Companies for the Equity Method* -** In March 2008, the ASBJ issued ASBJ Statement No. 16, "Accounting Standard for Equity Method of Accounting for Investments." The new standard requires adjustments to be made to conform the associate's accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate's financial statements are used in applying the equity method unless it is impracticable to determine such adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States of America tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in equity; (c) expensing capitalized development costs of 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.

d. ***Business Combinations* -** In October 2003, the Business Accounting Council issued a Statement of Opinion, "Accounting for Business Combinations," and in December 2005, the ASBJ issued ASBJ Statement No. 7, "Accounting Standard for Business Divestitures" and ASBJ Guidance No. 10, "Guidance for Accounting Standard for Business Combinations and Business Divestitures." The accounting standard for business combinations allowed companies to apply the pooling of interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests. For business combinations that do not meet the uniting-of-interests criteria, the business combination is considered to be an acquisition and the purchase method of accounting is required. This standard also prescribes the accounting for combinations of entities under common control and for joint ventures.

In December 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No. 21, "Accounting Standard for Business Combinations." Major accounting changes under the revised accounting standard are as follows: (1) The revised standard requires accounting for business combinations only by the purchase method. As a result, the pooling of interests method of accounting is no longer allowed; (2) The previous accounting standard required research and development costs to be charged to income as incurred. Under the revised standard, in-process research and development costs (IPR&D) acquired in the business combination are capitalized as an intangible asset; (3) The previous accounting standard provided for a bargain purchase gain (negative goodwill) to be systematically amortized over a period not exceeding 20 years. Under the revised standard, the acquirer recognizes the bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase price allocation. The revised standard was applicable to business combinations undertaken on or after April 1, 2010.

The Company acquired 100% of the net assets of PAGO Holding AG on July1, 2012, and accounted for it by the purchase method of accounting. The related goodwill is systematically amortized over 5 years.

e. ***Cash Equivalents* -** Cash equivalents presented in the consolidated statement of cash flows are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include deposits in banks and other short-term investments which mature or become due within 12 months of the date of acquisition.

f. ***Inventories* -** Inventories are stated at the lower of cost, determined by the average method principally for finished products and work in process and by the most recent purchase price principally for raw materials and supplies, or net selling value.

g. ***Investment Securities* -** Available-for-sale securities, which are not classified as either trading securities or held-to-maturity debt 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.

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

i. ***Property, Plant, and Equipment* -** Property, plant, and equipment are stated at cost. Depreciation of property, plant, and equipment of the Company and its domestic subsidiaries is computed by the declining-balance method, while the straight-line method is applied to buildings acquired after April 1, 1998. Depreciation of property, plant, and equipment of foreign subsidiaries is computed substantially by the straight-line method. The range of useful lives is from 2 to 50 years for buildings and structures, and from 2 to 15 years for machinery and equipment.

Equipment held under lease is depreciated by the straight-line method over the respective lease period.

j. ***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 is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

k. ***Software -*** Software for internal use is amortized by the straight-line method over the estimated usable years. The estimated usable years are principally five years.

l. ***Retirement and Pension Plans -*** The Company and certain domestic subsidiaries have defined contribution pension plan and defined benefit lump-sum payment plan for employees, and certain foreign subsidiaries also have defined benefit pension plans. The liability for employees' retirement benefits is accounted for based on projected benefit obligations at the balance sheet date.

m. ***Asset Retirement Obligations -*** In March 2008, the ASBJ published ASBJ Statement No. 18, "Accounting Standard for Asset Retirement Obligations," and ASBJ Guidance No. 21, "Guidance on Accounting Standard for Asset Retirement Obligations." Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development, and normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the 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 adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

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

o. ***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. 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 to be 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 notes to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions be capitalized to recognize lease assets and lease obligations in the consolidated balance sheet.

In addition, the revised accounting standard permits leases which existed at the transition date and do not transfer ownership of the leased property to the lessee to continue to be accounted for as operating lease transactions with certain "as if capitalized" information disclosed in the notes to the lessee's financial statements.

The Company applied the revised accounting standard effective April 1, 2008. In addition, the Company continues to account for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions.

All other leases are accounted for as operating leases.

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

q. ***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.

r. ***Foreign Currency Financial Statements -*** The balance sheet accounts of the 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 (loss) in a separate component of equity. Revenue and expense accounts of foreign subsidiaries are translated into yen at the average exchange rate.

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

For derivatives used for hedging purposes, if 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. Designation transactions are applied to debts and credits in foreign currency, which conform to the requirements of hedge accounting.

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

t. ***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 retroactively adjusted for stock splits.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full conversion of the outstanding convertible notes and bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants.

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.

u. ***Accounting for Trust-Type Employee Stock Ownership Incentive Plan -*** The Company introduced an employee incentive plan, "Employee Stock Ownership Plan Trust" for purposes of enhancing the medium- to long-term corporate value by promoting motivation and corporate management participation by employees. In addition, the plan aims to contribute to the enhancement of the Company's stock value. Under this plan, the money trust (the "Trust") was set up and the employees who participated in the Fuji Seal Group Employee Stock Ownership Group and who met certain criteria became beneficiaries of the Trust. In a related move, the Company transferred 315,600 shares of treasury stock to a dedicated account (the "Trust Account") on June 8, 2010. For the Trust Account at Mitsubishi UFJ Trust Banking Corporation, the Company guarantees the losses resulting from the purchase and sale of the Company's stock and accounts for the transactions involving the Trust Account as its own. Accordingly, shares of the Company held in the Trust Account, as well as the assets, liabilities, expenses, and income of the Trust Account were recorded in the accompanying consolidated financial statements. As of March 31, 2013, the shares of the Company held by the Trust were 87,900 (168,000 in 2012) shares.

v. ***Accounting Method of Stock Grant ESOP Trust -*** The Company resolved at its board of directors meeting held on February 7, 2012, to adopt the "Stock Grant ESOP Trust" as an incentive plan for employees for purposes of enhancing the medium- to long-term corporate value of the Company. Accordingly, Mitsubishi UFJ Trust Banking Corporation (Stock Grant ESOP Trust Account) acquired 100,000 shares of the Company's stock in March 2, 2012. The Company, in light of the economic substance of the plan, accounts for the Stock Grant ESOP Trust by considering the Company and the Stock Grant ESOP Trust Account as a single entity, and has thus included the Company's stock owned by the Stock Grant ESOP Trust Account, and the assets and liabilities, and expenses and income thereof in the consolidated balance sheet, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, and the consolidated statement of cash flows. Therefore, in terms of treasury stock, the Company's stock has been included in the number of treasury stock. As of March 31, 2013, the number of treasury stock held by the Stock Grant ESOP Trust Account was 100,000 (100,000 in 2012) shares.

w. ***Accounting Changes and Error Corrections -*** In December 2009, the ASBJ issued ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections," and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections." Accounting treatments under this standard and guidance are as follows: (1) Changes in Accounting Policies - When a new accounting policy is applied following revision of an accounting standard, the new policy is applied retrospectively unless the revised accounting standard includes specific transitional provisions, in which case the entity shall comply with the specific transitional provisions; (2) Changes in Presentation - 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; and (4) Corrections of Prior-Period Errors - When an error in prior period financial statements is discovered, those statements are restated.

x. ***New Accounting Pronouncements***

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

Major changes are as follows:

(*a*) *Treatment in the consolidated 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 consolidated balance sheet, and the difference between retirement benefit obligations and plan assets (hereinafter, "deficit or surplus"), adjusted by such unrecognized amounts, is recognized as a liability or asset.

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

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

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

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

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

This accounting standard and the guidance for (a) and (b) above are effective for the end of annual periods beginning on or after April 1, 2013, and for (c) above are effective for the beginning of annual periods beginning on or after April 1, 2014, or for the beginning of annual periods beginning on or after April 1, 2015, subject to certain disclosure in March 2015, both with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Company expects to apply the revised accounting standard for (a) and (b) above from the end of the annual period beginning on April 1, 2013, and for (c) above from the beginning of the annual period beginning on April 1, 2014, and is in the process of measuring the effects of applying the revised accounting standard in future applicable periods.

3. INVESTMENT SECURITIES

Investment securities as of March 31, 2013 and 2012, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Non-current:			
Marketable equity securities	¥ 1,591	¥ 1,175	$ 16,917
Unquoted equity securities	204	204	2,169
Total	¥ 1,795	¥ 1,379	$ 19,086

The costs and aggregate fair values of investment securities at March 31, 2013 and 2012, were as follows:

	Millions of Yen			
	2013			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	¥ 1,060	¥ 541	¥ (10)	¥ 1,591
Total	¥ 1,060	¥ 541	¥ (10)	¥ 1,591

	Millions of Yen			
	2012			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	¥ 1,035	¥ 233	¥ (93)	¥ 1,175
Total	¥ 1,035	¥ 233	¥ (93)	¥ 1,175

	Thousands of U.S. Dollars			
	2013			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	$ 11,271	$ 5,752	$(106)	$ 16,917
Total	$ 11,271	$ 5,752	$(106)	$ 16,917

There were no sales of the available-for-sale securities for the years ended March 31, 2013 and 2012.

4. INVENTORIES

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

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Merchandise and finished products	¥ 5,047	¥ 3,495	$ 53,663
Work in process	2,085	2,234	22,169
Raw materials and supplies	4,028	2,741	42,828
Total	¥ 11,160	¥ 8,470	$ 118,660

5. LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment as of March 31, 2013 and 2012. As a result, the Group recognized an impairment loss of ¥196 million ($2,084 thousand) and ¥66 million respectively as other expense and the carrying amount of the relevant assets was written down to the recoverable amount for the years ended March 31, 2013 and 2012.

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

Short-term bank loans at March 31, 2013 and 2012, mainly consisted of bank overdrafts. The weighted average annual interest rates applicable to the short-term bank loans at March 31, 2013 and 2012, were 0.6% and 1.0%, respectively.

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

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Loans from banks, due serially to 2018	¥ 6,510	¥ 2,157	$ 69,219
Unsecured bonds due 2018	5,000	-	53,163
Total	11,510	2,157	122,382
Less current portion, with weighted average per annum interest rate of 0.7% for 2013 (1.8% for 2012)	(2,080)	(397)	(22,116)
Long-term loans from banks, less current portion, with weighted average per annum interest rate of 0.5% for 2013 (0.9% for 2012)	4,430	1,760	47,103
Long-term unsecured bonds, less current portion, with weighted average per annum interest rate of 0.4% for 2013	5,000	-	53,163
Total	¥ 9,430	¥ 1,760	$ 100,266

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

Years Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2014	¥ 2,080	$ 22,116
2015	1,280	13,610
2016	1,320	14,035
2017	1,080	11,483
2018	5,750	61,138
Total	¥ 11,510	$ 122,382

7. RETIREMENT AND PENSION PLANS

The Company and certain of its subsidiaries have retirement benefit plans for employees. 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. Employees are entitled to larger payments if the termination is involuntary, by retirement at the mandatory retirement age, by death, or by voluntary retirement at certain specific ages prior to the mandatory retirement age. The Company and certain domestic subsidiaries have defined contribution pension plan.

The liability for employees' retirement benefits at March 31, 2013 and 2012, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Projected benefit obligation	¥ (14,745)	¥ (3,448)	$ (156,778)
Fair value of plan assets	12,645	1,560	134,450
Unrecognized actuarial loss	957	1,010	10,175
Unrecognized prior service cost	181	209	1,925
Minimum pension liability adjustment	(679)	(938)	(7,220)
Net liability	(1,641)	(1,607)	(17,448)
Prepaid pension costs	289	-	3,073
Liability for retirement benefits	¥ (1,930)	¥ (1,607)	$ (20,521)

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

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Service cost	¥ 197	¥ 109	$ 2,095
Interest cost	209	142	2,222
Expected return on plan assets	(237)	(104)	(2,520)
Recognized actuarial loss	108	64	1,148
Amortization of prior service cost	129	28	1,372
Defined contribution pension plan cost	113	110	1,201
Net periodic retirement benefit costs	¥ 519	¥ 349	$ 5,518

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

	2013	2012
Discount rate	Domestic: 1.2% Foreign: Mainly 4.0%	Domestic: 2.0% Foreign: Mainly 5.5%
Expected rate of return on plan assets	Foreign: Mainly 8.0%	Foreign: Mainly 8.0%
Amortization period of prior service cost	10 years	10 years
Recognition period of actuarial gain/loss	Mainly 10 years	Mainly 10 years

8. ASSET RETIREMENT OBLIGATIONS

The changes in asset retirement obligations for the years ended March 31, 2013 and 2012, were as follows.

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Balance at beginning of year	¥ 90	¥ 49	$ 957
Reconciliation associated with passage of time	1	1	11
Others (*1)	-	40	-
Balance at end of year	¥ 91	¥ 90	$ 968

Note:

(*1). An asset retirement obligation was recognized due to the commitment to demolish an existing building as part of the sale and purchase agreement for properties owned by a subsidiary.

9. EQUITY

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

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria, such as (1) having a board of directors, (2) having independent auditors, (3) having an audit & supervisory board, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by their articles of incorporation, the board of directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the companies have prescribed so in its articles of incorporation. The board of directors of companies with board committees (including appointment committee, compensation committee, and audit committee) can also do so because such companies with board committees already, by nature, meet the above criteria under the Companies Act, even though such companies have an audit committee instead of an audit & supervisory board. The Company is organized as a company with board committees.

The Companies Act permits companies to distribute dividends in kind (noncash 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 that was charged upon the payment of such dividends until the aggregate amount of legal reserve and additional paid-in capital equals 25% of the amount of common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus, and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the board of directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by specific formula.

Under the Companies Act, stock acquisition rights are 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.

10. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 38% for the year ended March 31, 2013, and 41% for the year ended March 31, 2012. Foreign subsidiaries are subject to income taxes of the countries in which they operate.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2013 and 2012, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Deferred tax assets:			
Accrued enterprise taxes	¥ 105	¥ 108	$ 1,116
Accrued bonuses	297	287	3,158
Allowance for doubtful receivables	20	20	213
Liability for retirement benefits	626	558	6,656
Tax loss carryforwards	1,075	716	11,430
Depreciation	90	120	957
Unrealized intercompany profits	413	394	4,391
Preferential taxation for investments	1,329	978	14,131
Other	447	397	4,753
Less valuation allowance	(1,850)	(1,028)	(19,670)
Total	¥ 2,552	¥ 2,550	$ 27,135
Deferred tax liabilities:			
Reserve for special depreciation	¥ (102)	¥ (124)	$ (1,085)
Reserve for advanced depreciation of property, plant, and equipment	(126)	(127)	(1,340)
Net unrealized gain on available-for-sale securities	(186)	(55)	(1,978)
Depreciation	(2,442)	(1,770)	(25,965)
Other	(134)	10	(1,424)
Total	¥ (2,990)	¥ (2,066)	$ (31,792)
Net deferred tax assets (liabilities)	¥ (438)	¥ 484	$ (4,657)

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 years ended March 31, 2013 and 2012, is not presented because the difference between the actual effective tax rate and the normal effective statutory tax rate was less than 5% of the statutory tax rate.

11. BUSINESS COMBINATIONS

Business combination through acquisition

(1) Overview of the business combination

(i) Corporate name and its main business

Corporate name: PAGO Holding AG

Main business: Manufacture, sales, and development of self-adhesive (tack) labels and its labeling systems

(ii) Purpose of the acquisition

PAGO Group (the "PAGO"), headquartered in Switzerland, is engaged in the sale and manufacturing of self-adhesive (tack) labels and labeling systems with its main markets in Switzerland, Germany, and other European countries, where they are based and have strong business basis and reputation for the PAGO brand. PAGO Group enjoys very high confidence from customers for its technology, quality, and services. As the Group is expanding the global operations and deployment in the packaging business, the acquisition of PAGO will contribute to the achievement of the Group's mid-term business plan by the use and fusion of brand values, technology quality, and services of the Group and PAGO.

(iii) Date of completion of business combination

July 1, 2012 (European time).

(iv) Legal form of business combination

Share purchase in exchange for cash payment.

(v) Name of the company after business combination

PAGO Holding AG.

(vi) Percentage of total shares

100%.

(vii) Main reason to decide the acquiring company

The Company acquires 100% of the voting rights of PAGO Holding AG and becomes the acquiring company by itself.

(2) Period when operating results of the acquired company are included in the Company's consolidated financial statements

From July 1, 2012 to December 31, 2012.

(3) The acquisition cost for the acquired company

The acquisition cost was ¥9,957 million ($105,870 thousand) was paid in cash.

(4) Goodwill recognized, method of amortization, and period of amortization

(i) Goodwill recognized at the date of the business combination

¥602 million ($6,401 thousand).

(ii) Reason for recognition of goodwill

The acquisition cost of the acquired company exceeded the net amount of assets acquired and liabilities assumed.

(iii) Method and period of amortization

Straight-line method over 5 years.

(5) Assets acquired and liabilities assumed as of the acquisition date

	Millions of Yen 2013	Thousands of U.S. Dollars 2013
Current assets	¥ 6,102	$ 64,880
Non-current assets	7,111	75,609
Total assets	¥ 13,213	$ 140,489
Current liabilities	¥ 2,811	$ 29,888
Non-current liabilities	1,047	11,132
Total liabilities	¥ 3,858	$ 41,020

12. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥1,969 million ($20,936 thousand) and ¥2,119 million for the years ended March 31, 2013 and 2012, respectively.

13. LEASES

The Group leases certain machinery, computer equipment, office space, and other assets.

Total rental expenses, including lease payments under finance leases for the years ended March 31, 2013 and 2012, were ¥139 million ($1,478 thousand) and ¥103 million, respectively.

Obligations under finance leases and future minimum payments under noncancelable operating leases were as follows:

	Millions of Yen				Thousands of U.S. Dollars	
	2013		2012		2013	
	Finance Leases	Operating Leases	Finance Leases	Operating Leases	Finance Leases	Operating Leases
Due within one year	¥ 57	¥ 59	¥ 58	¥ 43	$ 606	$ 627
Due after one year	144	78	85	110	1,531	829
Total	¥ 201	¥ 137	¥ 143	¥ 153	$ 2,137	$ 1,456

Pro forma information of leased property whose lease inception was before March 31, 2008

ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," requires that all finance lease transactions should be capitalized to recognize lease assets and lease obligations in the consolidated balance sheet. However, ASBJ Statement No. 13 permits leases that do not transfer ownership of the leased property to the lessee and whose lease inception was before March 31, 2008, to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the financial statements. The Company applied ASBJ Statement No. 13 effective April 1, 2008, and continued to account for such leases as operating lease transactions.

Pro forma information of leased property whose lease inception was before March 31, 2008, on an "as if capitalized" basis was as follows:

	Millions of Yen					
	2013			2012		
	Machinery and Equipment	Furniture and Fixtures	Total	Machinery and Equipment	Furniture and Fixtures	Total
Acquisition cost	¥ -	¥ -	¥ -	¥ 3	¥ 3	¥ 6
Accumulated depreciation	-	-	-	3	3	6
Net leased property	¥ -	¥ -	¥ -	¥ 0	¥ 0	¥ 0

	Thousands of U.S. Dollars		
	2013		
	Machinery and Equipment	Furniture and Fixtures	Total
Acquisition cost	$ -	$ -	$ -
Accumulated depreciation	-	-	-
Net leased property	$ -	$ -	$ -

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Due within one year	¥ -	¥ 1	$ -
Due after one year	-	-	-
Total	¥ -	¥ 1	$ -

Depreciation expense, interest expense, and other information under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Depreciation expense	¥ 1	¥ 2	$ 11
Lease payments	1	2	11

Depreciation expense, which is not reflected in the accompanying consolidated statement of income, is computed by the straight-line method.

14. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group Policy for Financial Instruments

The Group invests cash surpluses in low-risk financial assets, mainly short-term deposits, and uses financial instruments, mainly short-term bank loans and bond, for funding. 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 for trade are exposed to customer credit risk. Receivables and payables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates. Marketable and investment securities, mainly listed shares, are exposed to the risk of market price fluctuations.

Payment terms of payables for trade are mostly less than six months.

Maturities of bank loans and bond are less than five years after balance sheet date. 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.

Derivatives mainly include forward foreign currency contracts, which are used to manage exposure to fluctuations in foreign currency exchange and interest rate. Please see Notes 2.s. and 15 for more details about hedging instruments, hedged items, and policy for hedge accounting and assessment procedures for hedge effectiveness.

(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 terms and balances of major customers by each business administration department to identify the default risk of customers at early stages. The credit risk regarding subsidiaries is also managed in the same manner.

Market risk management (foreign exchange risk)

Foreign currency trade receivables are exposed to market risk resulting from fluctuations in foreign currency exchange rates. Such foreign exchange risk, which is recognized with respect to each currency and each month, is hedged principally by forward foreign currency contracts. Forward foreign currency contracts are used when foreign currency trade receivables are expected with certainty from forecasted transactions and subject to exchange fluctuations.

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

Liquidity risk management

Liquidity risk comprises the risk that the Group cannot meet its contractual obligations in full on its maturity dates. The Group manages its liquidity risk by holding adequate volumes of liquid assets in view of business income and expenditure and equipment investment spending plan, along with adequate financial planning by the Corporate Treasury Department. Subsidiaries also report their financial plans to the Group. The Finance Department manages liquidity risk by obtaining information on cash flows of the whole group.

(4) Fair Values of Financial Instruments

Fair values of financial instruments are based on quoted prices in active markets. If a quoted price is not available, another rational valuation technique is used instead. The techniques include some changing factors and the fair values may be changed by adopting different assumptions. In addition, the contract amounts of derivatives in Note 15 "DERIVATIVES" do not directly indicate the market risk of derivatives.

(a) Fair value of financial instruments

The carrying amounts, fair values, and unrealized gain/loss as of March 31, 2013 and 2012, are as follows. Note that financial instruments whose fair value cannot be reliably determined are not included (See (b)).

	Millions of Yen		
March 31, 2013	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and bank deposits	¥ 10,734	¥ 10,734	¥ -
Receivables:			
Trade	26,945	26,945	-
Associated companies	130	130	-
Investment securities:			
Available-for-sale securities	1,591	1,591	-
Total	¥ 39,400	¥ 39,400	¥ -
Short-term bank loans	¥ 1,381	¥ 1,381	¥ -
Payables:			
Trade	15,844	15,844	-
Associated companies	153	153	-
Other	3,543	3,543	-
Income taxes payable	1,698	1,698	-
Long-term debt	11,510	11,535	(25)
Total	¥ 34,129	¥ 34,154	¥ (25)
Derivatives (*1)	¥ 1	¥ 1	¥ -

	Millions of Yen		
March 31, 2012	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and bank deposits	¥ 7,682	¥ 7,682	¥ -
Receivables:			
Trade	23,670	23,670	-
Associated company	136	136	-
Investment securities:			
Available-for-sale securities	1,175	1,175	-
Total	¥ 32,663	¥ 32,663	¥ -
Short-term bank loans	¥ 1,854	¥ 1,854	¥ -
Payables:			
Trade	15,281	15,281	-
Associated company	57	57	-
Other	2,842	2,842	-
Income taxes payable	1,324	1,324	-
Long-term debt	2,157	2,157	-
Total	¥ 23,515	¥ 23,515	¥ -
Derivatives (*1)	¥ (18)	¥ (18)	¥ -

March 31, 2013	Thousands of U.S. Dollars Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and bank deposits	$ 114,131	$ 114,131	$ -
Receivables:			
Trade	286,497	286,497	-
Associated companies	1,382	1,382	-
Investment securities:			
Available-for-sale securities	16,917	16,917	-
Total	$ 418,927	$ 418,927	$ -
Short-term bank loans	$ 14,684	$ 14,684	$ -
Payables:			
Trade	168,464	168,464	-
Associated companies	1,627	1,627	-
Other	37,671	37,671	-
Income taxes payable	18,054	18,054	-
Long-term debt	122,382	122,648	(266)
Total	$ 362,882	$ 363,148	$ (266)
Derivatives (*1)	$ 11	$ 11	$ -

Note:

(*1). Derivative assets and liabilities are presented on a net basis. Negative balances indicate the derivative liabilities.

Assets

Cash and bank deposits

The carrying values are adopted for cash and bank deposits as they approximate fair value because of their short maturities.

Investment securities

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

Receivables and payables

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

Short-term bank loans

The carrying values of short-term bank loans approximate fair value because of their short maturities.

Income taxes payable

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

Long-term debt

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

Derivatives

Fair value information for derivatives is included in Note 15.

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

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Investments in equity instruments that do not have a quoted market price in an active market	¥204	¥204	$2,169

(5) Maturity analysis for financial assets and securities with contractual maturities

	Millions of Yen			
March 31, 2013	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 bank deposits	¥ 10,734	¥ -	¥ -	¥ -
Receivables:				
Trade	26,945	-	-	-
Associated companies	130	-	-	-
Total	¥ 37,809	¥ -	¥ -	¥ -

	Millions of Yen			
March 31, 2012	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 bank deposits	¥ 7,682	¥ -	¥ -	¥ -
Receivables:				
Trade	23,670	-	-	-
Associated company	136	-	-	-
Total	¥ 31,488	¥ -	¥ -	¥ -

March 31, 2013	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 bank deposits	$ 114,131	$ -	$ -	$ -
Receivables:				
Trade	286,497	-	-	-
Associated companies	1,382	-	-	-
Total	$ 402,010	$ -	$ -	$ -

Please see Note 6 for annual maturities of long-term debt and Note 13 for obligation under finance leases.

15. DERIVATIVES

The Group enters into foreign currency forward contracts and foreign currency option contracts to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies.

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 and foreign currency exposures incorporated within the Group's business. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged assets or liabilities. The Group does not hold or issue derivatives for trading purposes.

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, 2013	Millions of Yen Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts:				
Selling Euro	¥311	¥ -	¥1	¥1

At March 31, 2012	Millions of Yen Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts:				
Selling Euro	¥314	¥ -	¥(18)	¥(18)

At March 31, 2013	Thousands of U.S. Dollars Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts:				
Selling Euro	$3,307	$ -	$11	$11

Derivative Transactions to which Hedge Accounting Is Applied

At March 31, 2013	Hedged Item	Millions of Yen Contract Amount	Contract Amount Due after One Year	Fair Value
Conventional method:				
Foreign currency forward contracts:				
Selling Euro	Receivables	¥2	¥ -	¥ 0
Selling USD	Receivables	7	-	0
Interest rate swaps:				
(fixed rate payment, floating rate receipt)	Long-term debt	¥4,750	¥3,750	*1

At March 31, 2012	Hedged Item	Millions of Yen Contract Amount	Contract Amount Due after One Year	Fair Value
Conventional method:				
Foreign currency forward contracts:				
Selling Euro	Receivables	¥ 97	¥ -	¥(2)
Selling USD	Receivables	15	-	(1)

At March 31, 2013	Hedged Item	Thousands of U.S. Dollars Contract Amount	Contract Amount Due after One Year	Fair Value
Conventional method				
Foreign currency forward contracts:				
Selling Euro	Receivables	$21	$ -	$ 0
Selling USD	Receivables	74	-	0
Interest rate swaps:				
(fixed rate payment, floating rate receipt)	Long-term debt	$50,505	$39,872	*1

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

*1 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 in Note 14 is included in that of hedged items.

16. COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 31, 2013 and 2012, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Unrealized gain on available-for-sale securities:			
Gain arising during the year	¥ 392	¥ 122	$ 4,168
Reclassification adjustments to profit or loss	-	-	-
Amount before income tax effect	392	122	4,168
Income tax effect	(132)	(41)	(1,404)
Total	¥ 260	¥ 81	$ 2,764
Deferred loss on derivatives under hedge accounting:			
Loss arising during the year	¥ (3)	¥ (2)	$ (32)
Reclassification adjustments to profit or loss	-	(4)	-
Amount before income tax effect	(3)	(6)	(32)
Income tax effect	1	2	11
Total	¥ (2)	¥ (4)	$ (21)
Foreign currency translation adjustments:			
Gain (loss) arising during the year	¥ 4,577	¥ (1,622)	$ 48,666
Reclassification adjustments to profit or loss	54	-	575
Amount before income tax effect	4,631	(1,622)	49,241
Income tax effect	-	-	-
Total	¥ 4,631	¥ (1,622)	$ 49,241
Share of other comprehensive income in associates:			
Gain (loss) arising during the year	¥ 407	¥ (43)	$ 4,327
Total	¥ 407	¥ (43)	$ 4,327
Minimum pension liability adjustments:			
Loss arising during the year	¥ (130)	¥ (314)	$ (1,382)
Reclassification adjustments to profit or loss	193	53	2,052
Amount before income tax effect	63	(261)	670
Income tax effect	(28)	130	(298)
Total	¥ 35	¥ (131)	$ 372
Total other comprehensive income (loss)	¥ 5,331	¥ (1,719)	$ 56,683

17. NET INCOME PER SHARE

Basic net income per share ("EPS") for the years ended March 31, 2013 and 2012, is calculated as follows:

	Millions of Yen	Thousands of Shares	Yen	Dollars
	Net Income	Weighted Average Shares	EPS	
For the year ended March 31, 2013:				
Basic EPS				
Net income available to common shareholders	¥5,179	28,260	¥183.26	$1.95

Diluted net income per share is not disclosed because there is no dilution of stock.

	Millions of Yen	Thousands of Shares	Yen
	Net Income	Weighted Average Shares	EPS
For the year ended March 31, 2012:			
Basic EPS			
Net income available to common shareholders	¥4,365	28,173	¥154.94

Diluted net income per share is not disclosed because there is no dilution of stock.

18. SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES

The main components of selling, general, and administrative expenses for the years ended March 31, 2013 and 2012, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Employees' salary	¥ 4,751	¥ 3,996	$ 50,516
Freight charges	1,652	1,413	17,565

19. SUPPLEMENTARY INFORMATION TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

1. Reconciliations between cash and cash equivalents on the consolidated statement of cash flows and cash and bank deposits on the consolidated balance sheet at March 31, 2013 and 2012, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Cash and bank deposits	¥ 10,734	¥ 7,682	$ 114,131
Bank overdraft	(130)	(931)	(1,382)
Cash and cash equivalents	¥ 10,604	¥ 6,751	$ 112,749

2. Assets and liabilities of a newly consolidated subsidiary through the acquisition of shares.

The following shows the main components of assets and liabilities at the start of consolidation along with the new consolidation of PAGO Holding AG as a result of the acquisition of shares as well as the relationship between the acquisition cost of PAGO Holding AG shares and cash paid to obtain control, net of cash acquired.

	Millions of Yen	Thousands of U.S. Dollars
	2013	2013
Current assets	¥ 6,102	$ 64,880
Non-current assets	7,111	75,609
Goodwill	602	6,401
Current liabilities	(2,811)	(29,888)
Non-current liabilities	(1,047)	(11,132)
Cost for the acquired company	9,957	105,870
Cash and cash equivalents of PAGO Holding AG	(1,444)	(15,354)
Cash paid to obtain control, net of cash acquired	¥ 8,513	$ 90,516

20. SUBSEQUENT EVENT

Appropriations of Retained Earnings

The following appropriation of retained earnings at March 31, 2013, was approved at the meeting of the board of directors of the Company held on May 21, 2013:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥23 ($0.24) per share	¥655	$6,964

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" 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 separate 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. The Group conducts packaging business, which consists of mainly shrink label and self-adhesive (tack) label in Japan, Americas, Europe, Asean and PAGO. Each of the regions is an independently managed unit that can conduct production and sales in their respective region. The Company acquired 100% of shares of PAGO Holding AG on July 1, 2012, for the purposes of acceleration of overseas business development and the expansion of self-adhesive (tack) label business. From the fiscal year ended March 31, 2013, the Company includes the accounts of PAGO Holding AG and its associated companies in its consolidated financial statements and adds "PAGO" as a new reportable segment. PAGO Holding AG and its associated companies conduct their business mainly in Switzerland, Germany, and Italy. The Company defines the business area of PAGO Holding AG and its associated companies as "PAGO".

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

	Millions of Yen							
	2013							
	Reportable Segment							
	Japan	Americas	Europe	PAGO	Asean	Total	Reconciliations	Consolidated
Sales:								
Sales to external customers	¥ 64,830	¥ 16,618	¥ 9,984	¥ 6,421	¥ 1,094	¥ 98,947	¥ -	¥ 98,947
Intersegment sales or transfers	1,621	16	1,160	-	333	3,130	(3,130)	-
Total	66,451	16,634	11,144	6,421	1,427	102,077	(3,130)	98,947
Segment profit (loss)	5,861	1,555	713	(85)	(259)	7,785	(36)	7,749
Segment assets	90,421	16,289	13,658	15,033	1,596	136,997	(36,561)	100,436
Segment liabilities	32,280	3,708	2,896	3,546	633	43,063	(971)	42,092
Other:								
Depreciation	2,452	1,049	755	377	46	4,679	(9)	4,670
Amortization of goodwill	15	-	-	60	-	75	-	75
Investments in equity method associated companies	2,491	-	-	438	-	2,929	-	2,929
Increase in property, plant, and equipment and intangible assets	2,266	2,778	1,181	525	539	7,289	-	7,289

	Millions of Yen						
	2012						
	Reportable Segment						
	Japan	Americas	Europe	Asean	Total	Reconciliations	Consolidated
Sales:							
Sales to external customers	¥ 62,195	¥ 15,007	¥ 10,123	¥ 1,049	¥ 88,374	¥ -	¥ 88,374
Intersegment sales or transfers	1,552	24	1,063	158	2,797	(2,797)	-
Total	63,747	15,031	11,186	1,207	91,171	(2,797)	88,374
Segment profit (loss)	5,507	1,518	537	(81)	7,481	48	7,529
Segment assets	77,896	13,508	11,367	1,967	104,738	(27,462)	77,276
Segment liabilities	22,624	3,096	3,179	793	29,692	(1,095)	28,597
Other:							
Depreciation	2,640	1,055	753	1	4,449	(10)	4,439
Amortization of goodwill	59	-	-	-	59	-	59
Investment in equity method associated company	1,718	-	-	-	1,718	-	1,718
Increase in property, plant, and equipment and intangible assets	2,303	922	903	435	4,563	-	4,563

	Thousands of U.S. Dollars							
	2013							
	Reportable Segment							
	Japan	Americas	Europe	PAGO	Asean	Total	Reconciliations	Consolidated
Sales:								
Sales to external customers	$ 689,314	$ 176,693	$ 106,156	$ 68,272	$ 11,633	$ 1,052,068	$ -	$ 1,052,068
Intersegment sales or transfers	17,236	170	12,334	-	3,540	33,280	(33,280)	-
Total	706,550	176,863	118,490	68,272	15,173	1,085,348	(33,280)	1,052,068
Segment profit (loss)	62,318	16,534	7,581	(904)	(2,754)	82,775	(383)	82,392
Segment assets	961,414	173,195	145,221	159,841	16,969	1,456,640	(388,740)	1,067,900
Segment liabilities	343,222	39,426	30,792	37,703	6,730	457,873	(10,324)	447,549
Other:								
Depreciation	26,071	11,154	8,028	4,009	488	49,750	(96)	49,654
Amortization of goodwill	159	-	-	638	-	797	-	797
Investments in equity method associated companies	26,486	-	-	4,657	-	31,143	-	31,143
Increase in property, plant, and equipment and intangible assets	24,094	29,537	12,557	5,582	5,731	77,501	-	77,501

Note: Reconciliation amount of segment assets of ¥36,561 million ($388,740 thousand) and ¥27,462 million was mainly composed of intersegment receivable of ¥36,598 million ($389,133 thousand) and ¥27,487 million for the years ended March 31, 2013 and 2012, respectively.

1. Information about products and services

	Millions of Yen						
	2013						
	Shrink Label	Other Label	Self-adhesive (Tack) Label	Soft Pouch	Machinery	Others	Total
Sales to external customers	¥60,651	¥1,467	¥15,921	¥4,479	¥8,649	¥7,780	¥98,947

	Millions of Yen						
	2012						
	Shrink Label	Other Label	Self-adhesive (Tack) Label	Soft Pouch	Machinery	Others	Total
Sales to external customers	¥57,517	¥1,889	¥9,696	¥4,392	¥7,409	¥7,471	¥88,374

	Thousands of U.S. Dollars						
	2013						
	Shrink Label	Other Label	Self-adhesive (Tack) Label	Soft Pouch	Machinery	Others	Total
Sales to external customers	$644,880	$15,598	$169,282	$47,624	$91,962	$82,722	$1,052,068

2. Information about geographical areas

a. Sales

Millions of Yen				
2013				
Japan	Americas	Europe	Other	Total
¥65,137	¥16,627	¥15,630	¥1,553	¥98,947

Millions of Yen				
2012				
Japan	Americas	Europe	Other	Total
¥62,209	¥15,027	¥9,723	¥1,415	¥88,374

Thousands of U.S. Dollars				
2013				
Japan	Americas	Europe	Other	Total
$692,578	$176,789	$166,188	$16,513	$1,052,068

Note: Sales are classified in countries or regions based on location of customers.

b. Property, plant, and equipment

Millions of Yen						
2013						
	Americas		Europe			
Japan		United States		Switzerland	Other	Total
¥15,984	¥10,163	¥7,491	¥13,963	¥5,191	¥915	¥41,025

Millions of Yen					
2012					
	Americas				
Japan		United States	Europe	Other	Total
¥16,355	¥8,058	¥6,332	¥5,245	¥770	¥30,428

Thousands of U.S. Dollars						
2013						
	Americas		Europe			
Japan		United States		Switzerland	Other	Total
$169,951	$108,060	$79,649	$148,464	$55,194	$9,729	$436,204

3. Information about impairment losses of assets

	Millions of Yen						
	2013						
	Japan	Americas	Europe	PAGO	Asean	Other	Total
Impairment losses of assets	¥196	¥ -	¥ -	¥ -	¥ -	¥ -	¥196

	Millions of Yen					
	2012					
	Japan	Americas	Europe	Asean	Other	Total
Impairment losses of assets	¥66	¥ -	¥ -	¥ -	¥ -	¥66

	Thousands of U.S. Dollars						
	2013						
	Japan	Americas	Europe	PAGO	Asean	Other	Total
Impairment losses of assets	$2,084	$ -	$ -	$ -	$ -	$ -	$2,084

4. Information about major customers

Information is not disclosed because there is no customer who accounts for 10% or more of total sales to external customers in the consolidated statement of income.

5. Information about goodwill

	Millions of Yen						
	2013						
	Japan	Americas	Europe	PAGO	Asean	Other	Total
Amortization of goodwill	¥ 15	¥ -	¥ -	¥ 60	¥ -	¥ -	¥ 75
Goodwill at March 31, 2013	-	-	-	542	-	-	542

	Millions of Yen					
	2012					
	Japan	Americas	Europe	Asean	Other	Total
Amortization of goodwill	¥ 59	¥ -	¥ -	¥ -	¥ -	¥ 59
Goodwill at March 31, 2012	15	-	-	-	-	15

	Thousands of U.S. Dollars						
	2013						
	Japan	Americas	Europe	PAGO	Asean	Other	Total
Amortization of goodwill	$ 159	$ -	$ -	$ 638	$ -	$ -	$ 797
Goodwill at March 31, 2013	-	-	-	5,763	-	-	5,763

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