

**ANNUAL REPORT  
2011**



# Company Profile

Nifco Inc. is the principal manufacturer of industrial plastic parts and components in Japan with a dominant 70% share of the market. Nifco produces more than 20,000 types of fasteners, plastic components, electrical and electronic parts which it largely supplies to the automobile industry, home electric appliance and white goods manufacturers.

The company was founded in 1967 and was first listed on the Tokyo Stock Exchange in 1979 where its shares are now traded on the First Section of the Exchange.

Nifco's domestic operations include five production facilities, eleven sales offices, and four subsidiaries, including Simmons Co. Ltd. and The Japan Times, Ltd. Overseas, Nifco has subsidiaries in China, Germany, Hong Kong, India, Malaysia, Mexico, Poland, Singapore, South Korea, Spain, Taiwan, Thailand, the United Kingdom, the United States, and Vietnam. Nifco also has affiliated companies in Japan.

## Company history

- |  |  |
|--|--|
| <b>1967</b> Nippon Industrial Fastener Corporation was formed as a joint venture between Nichiei Bussan Co. Ltd. and Illinois Tool Works Inc.                                  | <b>1995</b> Nifco established a sales office in Singapore.   |
| <b>1972</b> Technical licence agreements were entered into with General Motors, Chrysler, and Ford Motors of the USA.  | <b>1996</b> Nifco established a factory in Shanghai, China.<br>Simmons Co. Ltd. and The Japan Times, Co. Ltd. joined the Nifco Group.  |
| <b>1973</b> The building of Nifco's factory in Maioka, Totsuka, Yokohama was finished.   | <b>2001</b> Nifco acquired a factory in Spain.<br>Nifco's consolidated sales exceeded ¥100 billion for the first time.   |
| <b>1977</b> Nifco and Nichiei Bussan were merged and Nifco's company head office was moved to Maioka, Totsuka, Yokohama.<br>The company's name was changed to Nifco Inc.       | <b>2002</b> The Nifco Group established a factory in Guangdong Province, China.  |
| <b>1979</b> Nifco was listed on the Second Board of the Tokyo Stock Exchange.  | <b>2005</b> The Nifco Group established a factory in Vietnam.  |
| <b>1980</b> Nifco's revenues exceeded ¥10 billion for the first time.  | <b>2006</b> Nifco established a factory in Poland.   |
| <b>1983</b> Nifco's first overseas factory was established in Taiwan.  | <b>2007</b> Nifco established a sales office in Germany.<br>Nifco established a factory in Kentucky, in the USA.   |
| <b>1984</b> Nifco's shares were transferred to the First Board of the Tokyo Stock Exchange.  | <b>2008</b> The Nifco Group established Nifco Korea USA Inc.   |
| <b>1985</b> Nifco established a factory in South Korea.  | <b>2010</b> Nifco established an administrative company, Nifco Enterprise Management (Shanghai) Co. Ltd. in Shanghai, China.<br>Nifco established factories in Tianjin and Hubei, China.<br>Nifco established a factory in Gurgaon, India.<br>The Nifco Group established Nifco South India Manufacturing Private Ltd. |
| <b>1986</b> Nifco established a factory in the USA.  | <b>2011</b> Nifco established a factory in Jiangsu, China  |
| <b>1987</b> Nifco established a factory in Hong Kong.  |  |
| <b>1988</b> Nifco established a factory in Thailand.   |  |
| <b>1990</b> Nifco Kumamoto Inc. (former name: JT Nifco Co. Ltd.) was established as a joint venture with Japan Tobacco Inc.<br>Nifco acquired a factory in the United Kingdom. |  |
| <b>1991</b> Nifco established a factory in Malaysia.   |  |
| <b>1992</b> Nifco's consolidated sales exceeded ¥50 billion for the first time.  |  |

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## Disclaimer regarding forward-looking statements

This Annual Report contains forward-looking statements that are statements that do not relate to historical or current facts. These statements are based on the assumptions and beliefs of Nifco Inc. in the light of current information available to it and involve known and unknown risks and uncertainties. Such risks, uncertainties and other factors may cause Nifco Inc.'s actual results to differ from these forward-looking statements. Accordingly, investors are requested to bear this in mind when reading such forward-looking statements.

The actual results will depend on the economic conditions in which the Company finds itself, the changes in the market, the exchange rate movement, etc. And they may materially differ from the forward-looking statements contained in this Annual Report.



**Masaru Onodera**  
President & Representative Director

**Toshiaki Ogasawara**  
Chairman & Representative Director

## Chairman's Message

**Toshiaki Ogasawara**  
Chairman & Representative Director



During this past year, we have at last come to start to see several countries emerging from an economic downturn. Center stage has been the significant turnaround of the business markets in places like Korea, Thailand, and China. But sadly and recently, Japan suffered the terrible disaster of March 11th. This has continued to have a strongly negative impact on Japan's economic activities and the economy has been stuck in neutral since that event. Suffering the effects of decreased sales demand and a strong yen, automobile manufacturers cut production and then, following the March 11th earthquake, temporarily suspended production. This affected Nifco domestically. However, our central overseas Asian operations have been sailing smoothly and once again the U.S. operations have been able to report substantial revenues. As a result, Nifco's consolidated net sales for this financial year were 10% up on last year's. In turn, due to increased sales profits and improved cost efficiency net profits gained over 60% on the previous year.

The events of March 11th hindered our materials suppliers' ability to supply the necessary plastic resins etc... and we had to make preparations to secure alternative sourcing. This disruption to the supply chain coupled with the lack of electrical power meant that all car manufacturers suffered a temporary drop in their production output. We hope however that production will improve significantly from the Autumn period.

Turning again to Nifco's affiliated overseas subsidiaries, it is clear that economically things are improving as we have made substantial increases in incomes and profits compared with last year. Because of this, Nifco Group reinvested in new factories and injection molding equipment which had previously been on hold. New facilities were built for the still rapidly growing Chinese and Indian markets and Nifco continues to develop along global lines in other newly emerging markets.

Furthermore, our fine tech motion products for the housing market continue to contribute to a sense of luxury whilst offering safety and comfort and sales in this area have been taking off.

This year we will enlarge and add additional products to the "Nifco Idea House" and entertain comparative exhibitions of other companies' products alongside our own to help foster further innovation.

Concerning our products aimed at the electronics industry, in light of the continuing globalization of this user base, these Nifco products will continue to be developed and sold locally throughout Asia building on the expectations and confidence of our users. In addition, with cooperation from our overseas subsidiaries in the buckle fastening industry, we hope to increase sales through overseas exhibition of these products and further develop the global awareness of and business dealings with the Nifco brand name.

Last November we had the Nifco Skill Olympics event to harness and strengthen the Company's talents. Engineers from plants from all over the world assembled in Tokyo to compete, with the main focus being to improve the manufacturing processes in line with our global standards. Nifco has also acquired land for a research center in Yokosuka city in Kanagawa prefecture to develop and globalize our engineering technology and also to make new advances.

It goes without saying that I will continue to give my fullest efforts to Nifco Group and I ask for your unwavering support in the continued furthering of the business.



**Masaru Onodera**  
President & Representative Director

# President's Message

## To our investors and shareholders

During this financial term, we have at last come to see several countries emerging from their difficult business environments helped by economic stimulus packages implemented in each country. Playing a central part in particular has been the remarkable revitalization of the business markets in places like Korea, Thailand, and China. But at the same time, during our final business term, Japan suffered the terrible disaster of March 11th. This has continued to have a strongly negative impact on our economic activities.

Since the end of the eco-friendly car subsidy program in Japan in September and suffering the effects of decreased sales demand and a strong yen, automakers cut production and then suspended production following the March 11th earthquake and tsunami. This adjustment of production output has been unavoidable. Parts suppliers and all industries affiliated with the automobile business have also felt these effects.

But on the other hand, starting with Korea, Thailand, and China, our central overseas subsidiary operations in Asia have shown smooth results, and America has again displayed very large profits.

As a result, consolidated sales for this fiscal year were 120,574 million yen, up 12.2% on the previous year. Profits increased through greater sales and cost-cutting efforts, and the operating profit was 13,106 million yen, up 53.2% on the previous year. Recurring profit was 12,541 million yen, up 54.5% on the previous year, and net profit was 7,531 million yen, up 68.6% on the previous year.

Additionally, the mid-term dividend was fixed at 20 yen and the final dividend at 25 yen, giving a total dividend for the year of 45 yen.

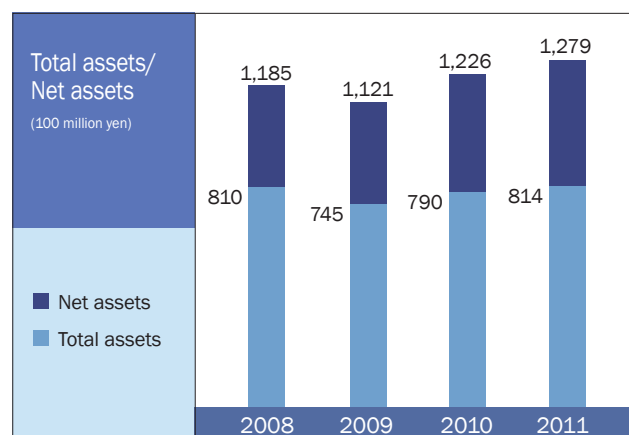
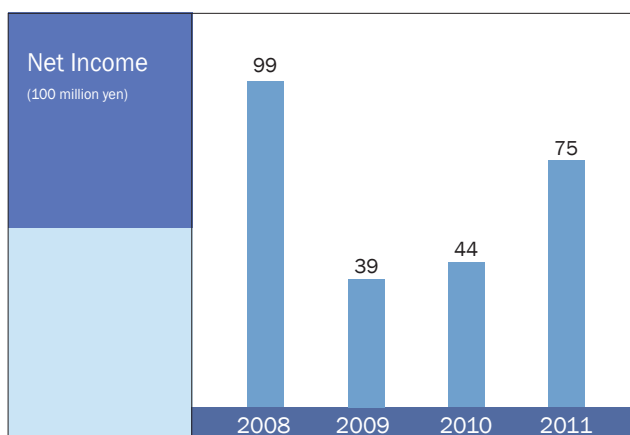
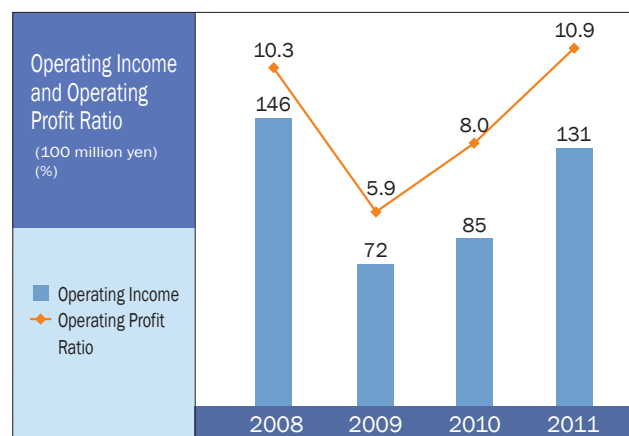
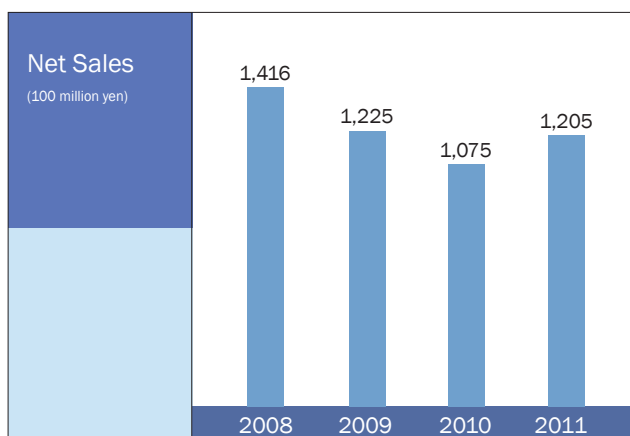
Your board of directors thanks you for your continued support of the Nifco Group.

# Financial Highlights

	Japanese Yen (millions)		% change	US Dollars (thousands)
	2011	2010		except net income per share, and dividend per share
<b>FOR THE YEAR</b>				
Net Sales	¥ 120,574	¥ 107,506	12.2	\$ 1,450,078
Operating income	13,107	8,553	53.2	157,631
Net income	7,532	4,468	68.6	90,583
Net income per share	141.1	83.8	68.4	1.7
Dividend per share	45.0	30.0	50.0	0.5
<b>AT YEAR-END</b>				
Number of outstanding shares (thousands)	53,435	53,302	0.1	53,435
Net Assets	81,438	79,068	3.0	979,411

US dollar amounts represent translation of Japanese yen, for convenience only, at the rate of 83.15 to US\$1.00.

In calculating net income per share, net income is adjusted by the interest expenses on the convertible bonds when such bonds are dilutive. The number of outstanding shares shown is adjusted for shares which the Company holds as treasury stock.



### Q1

Please tell us about the effects of the Great East Japan Earthquake.



No staff were injured following this terrible event. Also, our Utsunomiya plant in Tochigi prefecture was not damaged and neither were any other facilities in the group companies.

However, petrochemical facilities suffered catastrophic damage from the disaster. Along with this, there were problems for us to procure necessary plastic materials. For a time, alternative sources for supply had to be looked at. But the supply chain had been restored earlier than we initially expected, and we are hopeful that auto makers' operations will return to normal levels for the summer season.

So, we should see increased output by automakers following the fall to make up for the decreased production earlier in the year. This will bring with it a return to increased productivity and achievement for parts suppliers like us. Following the Lehman Brother's Shock, there was a corresponding drastic decrease in demand. In contrast, following March 11th there is still a demand, and if we just restore production levels again, I don't think there will be any problem.

In addition to with Japanese automakers, we will continue to work on developing and enlarging our business with non-Japanese automakers by identifying their respective needs, and we strives to achieve significant growth whilst minimizing the negative effects from March 11th.

### Q2

What is the highlight of this year's financial results?



First, for overseas operations, it becomes clear that we have started to recover from a backward position and achieved significant increases both in sales and profit compared with last year.

For domestic operations, the first half of the year has shown good results with the eco-car tax reduction and subsidy systems, and we exceeded our production expectations and had favorable sales. In the second half, things like the eco-car subsidy ended and we saw a decline in domestic sales, followed by our main clients being forced to limit their operations due to the events of March 11th, resulting in greatly reduced sales just before the end of the financial term.

But if we look at our business achievements both domestically and abroad as a whole, we can see that our sales and profits this year have exceeded those of the previous year.



### Q3

Please tell us about Nifco's involvement with electric cars.

Recently, we have come to see a large number of electric cars on the streets and these cars are also fitted with parts by Nifco. Electric cars can travel longer distances depending on their lightweight design, so lightweight plastic parts play more important role than metal parts.

As Nifco has accumulated its know-how of the plastic components for long time, we continue to actively involve in research and development in this area as the needs for electric cars grows further towards the future.

# Q4

How is Nifco doing in terms of its global business development?

Ever since advancing into Taiwan in 1983, Nifco has expanded further overseas to other parts of Asia, North America and Europe. There are currently Nifco facilities in 15 countries. This is in accordance with our auto industry customer's overseas expansion to those areas. We continue to develop the ability to produce our parts locally and then supply them directly to our customers.

In this last year, we have established our 8th and 9th facilities in China and have also advanced into India. (Please refer to the topics section on page 8). We will continue to address the rising demand for parts from newly emerging markets and continue to globalize our business.



# Q5

Please tell us about the returns to shareholders.

Our policy is to provide all our shareholders with a return via dividends and not to give any particular shareholder preferential treatment. We set a target of one-third as the consolidated dividend ratio. With this basic policy, as of the end of March 2011, the dividend return was 25 yen per share as shown in the table. With the 20 yen from the middle of the financial term, a final dividend return for the year is 45 yen per share.

Following the March 11th disaster, we expect a harsh business environment to continue for some time. However, we will make our utmost efforts to be able to regain good results quickly and thus will be able to provide our shareholders with good returns.

## Dividends

	FY 2008 57th Period	FY 2009 58th Period	FY 2010 59th Period
Mid-term dividend	¥30	¥10	¥20
End of term dividend	¥24	¥20	¥25
Dividend for the period	¥54	¥30	¥45

## Establishment of subsidiaries in China



Beijing Nifco Co., Ltd.



Nifco (Hubei) Co., Ltd.

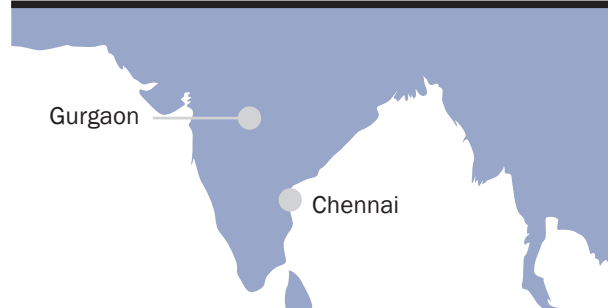


Nifco (Jiangsu) Co., Ltd.

In November, 2011, a new factory, Beijing Nifco Co., Ltd. was opened. In the same month, Nifco also opened a factory, Nifco (Hubei) Co., Ltd. in Ezhou city, Hubei Province. In January, 2011, we also opened another new Chinese factory, Nifco (Jiangsu) Co., Ltd. in Zhangjiagang city, Jiangsu Province.

In China, Nifco is increasing its businesses not only with Japanese automakers but also with European, Korean and Chinese makers. We will strengthen and expand our operations to meet the demands from them.

## Establishment of subsidiaries in India



Nifco India Private Ltd. was established in Gurgaon in Northern India in June 2010, and Nifco Korea-based plant, Nifco South India Manufacturing Private Ltd., (as pictured above) was established in Chennai in Southern India in July.

With the establishment of independent Nifco companies in north and south India, Nifco hopes to expand into the prominent Indian automobile market through the production and supply of parts.

## Japan: Site secured for innovation center

In June, 2010, we secured a development site to build new innovation center in the Yokosuka Research Park (YRP) in Yokosuka, Kanagawa Prefecture. This center is designed to be a hub to develop and strengthen our technology and products in order to correspond to our globalizing businesses.



Image of the building

# Five-Year Summary

For the years ended March 31

(Japanese yen in millions/U.S. Dollars in thousands, except per share amounts)

	2011		2010		2009		2008		2007
<b>REVENUES AND EXPENSES:</b>									
Net sales	¥ 120,574	\$ 1,450,078	¥ 107,506	¥ 122,519	¥ 141,647	¥ 131,637			
Cost of sales	81,501	980,168	74,927	88,420	99,367	92,330			
Selling, general and administrative expenses	25,966	312,279	24,026	26,861	27,631	25,611			
Operating income	13,107	157,631	8,553	7,238	14,649	13,696			
Other income (expenses), net	(1,404)	(16,885)	(1,164)	(1,734)	42	1,167			
Income before income taxes and minority interests	11,703	140,746	7,389	5,504	14,691	14,863			
Income taxes	3,692	44,402	2,595	1,495	4,310	5,171			
Minority interests	479	5,761	326	74	432	300			
Net income	7,532	90,583	4,468	3,935	9,949	9,392			
Comprehensive income	4,481	53,891	—	—	—	—			
Net income per share	141.1	1.7	83.8	74.6	193.2	192.0			
<b>FINANCIAL POSITION:</b>									
Working capital	57,030	685,869	55,892	46,029	39,501	39,941			
Property, plant and equipment, net	37,883	455,598	35,561	36,515	36,863	35,324			
Total assets	127,925	1,538,485	122,671	112,140	118,540	113,201			
Long-term indebtedness	20,256	243,608	18,296	15,832	79	4,799			
Net assets	81,438	979,411	79,068	74,559	81,078	75,860			
<b>OTHER DATA:</b>									
Cash dividends, applicable to the year	2,404	28,912	1,599	2,878	3,201	2,951			
Per share – Actual	45.00	0.5	30.00	54.00	62.00	59.0			
Net assets per share	1,473.85	17.73	1,438.56	1,355.98	1,531.01	1,437.40			
Shares outstanding as of each balance sheet date	53,435,351		53,302,340	53,304,116	51,727,042	51,163,402			
Capital expenditures	9,661	116,188	5,575	11,475	9,803	7,649			
Depreciation	5,739	69,020	6,624	7,979	7,595	6,500			
Number of employees as of each balance sheet date	5,886		5,427	5,443	4,976	4,783			

## (1) Nifco's basic policy towards corporate governance

The Company wishes to be beneficial for all our stakeholders including our shareholders, investors, customers, partners, employees and local societies in which we operate. To this end, it is necessary to correspond to the rapidly changing social and economic environment in an appropriate and flexible manner by thoroughly ensuring compliance as a responsible enterprise and by carrying out appropriate risk management measures. We believe that the notion of corporate governance is to fully practice this idea. With this as a basic premise, Nifco aims to strengthen its group management with the execution of its corporate policies being one of the management priorities.

## (2) Nifco's corporate governance and its execution Outline of Nifco's organization

The Company has adopted the statutory auditor system and established a board of auditors.

In fiscal 2010, there were 8 directors including 2 external members and 4 auditors including 2 external members. But after the annual shareholder's meeting held on June 28, 2011, the company's Listed Security Report shows that there are currently 7 directors including 2 external members and 4 auditors including 2 external members.

The board of directors is a decision-making body and strives to strengthen and develop our Group by means of formulating management strategies of the subsidiaries. We believe that the inclusion of 2 external directors who offer new and useful insights for the board meeting help to enhance and reinforce the Group's corporate governance.

The board of directors has one regular meeting each month and has special meetings when necessary. In fiscal 2010, 13 board of directors' meetings were convened and the board of auditors also convened 13 times.

There are also regular meetings of senior managers of the Company consisting of directors, auditors, executive officers and other senior managers held usually once a week at which relatively important issues and proposals that need not be put to the board of directors are deliberated and reported.

Furthermore, in order to ensure that the dealings and decisions of directors are in compliance with the laws and the Company's by-laws, and that the businesses of the group companies are run properly, the following committees have been established and organized under the board of directors since 2007; "Risk Management Committee", "Internal Controls Committee" in respect of financial reporting, "Compliance Committee" and "Information Security Committee".

These committees promote corporate governance through their careful deliberations. In fiscal 2010, they met the following number of times.

The Risk Management Committee	6 times
The Internal Controls Committee	4 times
The Compliance Committee	7 times
The Information Security Committee	7 times

The Company's executive directors bear responsibility for executing the Company's business, but the executive officer system has also been introduced in order to make sure of a speedy and efficient execution of the business by delegating part of their responsibilities to the executive officers. To this end, the board of directors is responsible for scrutinizing the execution of business of representative directors and executive directors, but also for scrutinizing the execution of business by the executive officers.

## (1) Analysis of Business Results

During the fiscal year under review, economic conditions in many countries finally started to show signs of picking up due to the economic stimulus measures implemented by their respective governments. The economic environment in Asian countries, notably in South Korea, Thailand and China, was on a remarkable recovery trend. On the other hand, the Japanese economy was significantly affected by the Great East Japan Earthquake, and business activities stagnated after March.

Under these circumstances, our operating performance was affected in Japan by the cut-back on production by automobile manufacturers against the backdrop of factors such as the decline in automobile sales in reaction to the termination of subsidies for purchasing eco-friendly vehicles after September and the appreciation of the yen. In addition, we were not immune to the impact of halted or adjusted production caused by the massive earthquake. Overseas, our operating performance grew steadily mainly in Asia centering on South Korea, Thailand and China, and earnings improved substantially in the U.S.

As a result, the consolidated net sales of the Group during the fiscal year under review increased by 12.2% y-o-y to 120,574 million yen. On the profit front, consolidated operating profit for the period under review soared 53.2% y-o-y to 13,106 million yen, due to the increased profit in step with the increased sales and attempts to reduce costs. Recurring profit also jumped 54.5% to 12,541 million yen, and net income advanced 68.6% y-o-y to 7,531 million yen.

## (2) Analysis of Financial Status

	(Unit: Millions of yen)		
	FY2010	FY2009	Change
Total assets	127,925	122,670	5,254
Shareholders' equity	78,755	76,678	2,077
Shareholders' equity ratio (%)	61.6	62.5	-0.9p

	(Unit: Millions of yen)		
	FY2010	FY2009	Change
Cash flow from operating activities	14,671	13,814	856
Cash flow from investing activities	(8,995)	(8,702)	-293
Cash flow from financing activities	776	(3)	780
Translation gains and losses	(1,558)	288	-1,847
Increase/decrease in cash and cash equivalents	4,893	5,397	-503
Balance of cash and cash equivalents at the beginning of term	34,108	28,711	5,397
Balance of cash and cash equivalents at the end of term	39,002	34,108	4,893

Balance of borrowings and bonds payable at the end of term	22,044	19,371	2,673
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Total assets increased by 5,254 million yen from the end of the previous term to 127,925 million yen. This is mainly attributed to the increase in cash and deposits of 2,261 million yen and the increase in tangible fixed assets of 2,322 million yen as the Company made capital expenditures mainly in Asia.

Total liabilities rose 2,882 million yen compared with the end of the previous consolidated fiscal year to 46,486 million yen. This is mainly due to the increase in long-term indebtedness of 1,960 million yen because the Company borrowed money from outside in order to increase liquidity on hand.

Shareholders' equity increased by 2,077 million yen from the end of the previous term to 78,755 million yen. This is caused mainly by the increase in retained earnings of 5,240 million yen resulting from the earnings recovery, although foreign currency translation adjustments declined 3,335 million yen due primarily to the appreciation of the yen against foreign local currencies.

As a result, the shareholders' equity ratio dropped 0.9 percentage points year-on-year to 61.6%.

### Cash flow from operating activities

Cash flow from operating activities increased by 856 million yen compared with the previous term to 14,671 million yen. This was mainly due to increased funds from income before income taxes of 11,702 million yen and depreciation of 5,738 million yen, although funds decreased chiefly due to the payment of corporate taxes of 3,582 million yen.

### Cash flow from investing activities

Cash flow used in investing activities increased by 293 million yen in comparison with the previous term to 8,995 million yen. This was primarily attributable to the expenditure to acquire fixed assets of 9,347 million yen.

### Cash flow from financing activities

Cash flow used in financing activities increased by 780 million yen in comparison with the previous term to 776 million yen on account of income from long-term loans payable of 3,263 million yen despite the expenditure of a dividend payment of 2,136 million yen.

As a result of the above, the balance of cash and cash equivalents at the end of this term increased by 4,893 million yen, compared to the end of the previous term, to 39,002 million yen.

## (3) Basic Policies for Profit Sharing and Dividends for this Term and the Following Terms

Nifco has set the payout ratio for the full year at a third (33%) of the consolidated net income. Based on this basic policy, the Company decided to pay 25 yen per share as the year-end ordinary dividend for the fiscal year ended March 31, 2011. As a result, the annual dividend per share including the interim dividend of 20 yen per share will be 45 yen per share.

For the dividend of the next fiscal year, we currently expect to pay 40 yen per share for the full year (20 yen for the interim dividend and 20 yen for the year-end dividend).

## Industrial Plastic Components Business

### Sales of automobile components in Japan

In the first half of fiscal 2010, the number of automobiles manufactured outnumbered the previous year, and Nifco's sales turned around largely due to the effects of tax reduction and government subsidy for the purchase of eco-friendly cars. In the second half, exports continued to be brisk. But with the end of the government grant, domestic sales started to fall. Nifco's sales dropped sharply at the end of fiscal 2010 in the wake of the massive March 11 earthquake and tsunami that affected the operations of our major clients. However, both sales and profits exceeded last year's figures for the whole fiscal year.

Damages to our production facilities from the disaster were minor. But since our material makers were affected, resulting in suspending the supply chain of some plastic materials, we have been preparing to procure alternative materials. The interrupted supply chain and shortage of electricity forced automakers to cut down their production output, but this is expected to increase substantially after this fall.

### Global sales of automobile components

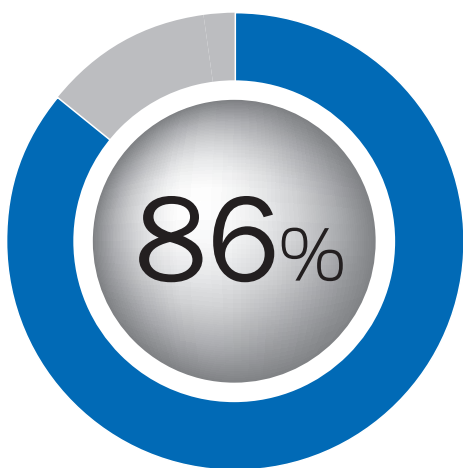
The Group's overseas subsidiaries and affiliates marked significant increases both in sales and profits compared with the previous year, showing a clearer sign of recovery from a sluggish economy. As a result, we resumed construction of a new plant which had been suspended and restarted investing in injection molding machines. In the first half, three new Nifco subsidiary plants were completed.

In terms of housing-related components, the sales of our "fine-tech motion" products have steadily increased. These parts are designed to improve safety and add a touch of class to the amenity.

The "Nifco Idea House" which Nifco established two years ago has gained popularity, visited by many from the housing-related industry as well as from automobile and home electronics businesses. This year, we will build a new annex to the "Idea House" where we will showcase upgraded products and other products to be compared with that of our competitors. With this, we continue to take a proposal-based approach for our clients.

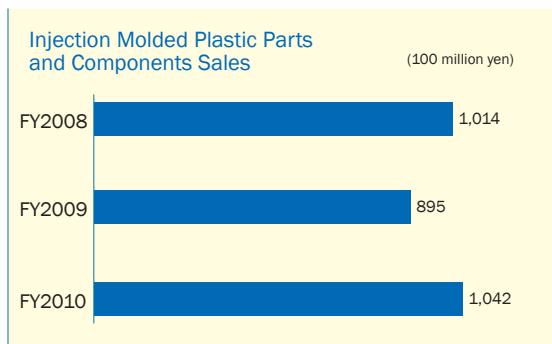
In respect of sales of components for the electronics market, we are working to respond to our customers' globalization by increasing our ability to develop highly functional parts such as fasteners, dampers, latches and hinges, and also by shifting our manufacturing and supply capacities in local markets mainly in Asia. These efforts have helped build a highly trusted relationship with our customers. With regards to the buckle business, the Group has endeavored to strengthen ties with our overseas affiliates to boost sales and to raise the recognition of our name by taking part in international business exhibitions. As a result of these actions, this business has been steadily growing being now recognized as a global brand.

Overall, our plastic parts business for this fiscal year resulted in the increase of both sales and profits, reaching 104,274 million yen for sales and 15,484 million yen for operating profit.



### Segment information on a consolidated basis

Fasteners, Cup-holders, Dampers, Latches, Fuel-related components, Housing-related components, Buckles etc.

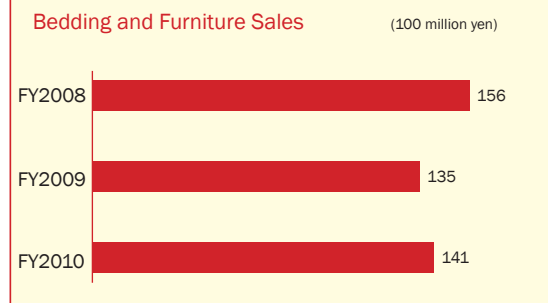


## Bedding and Furniture Business

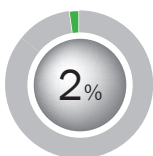


This business is carried out by the Group's subsidiary, Simmons Co., Ltd. and its subsidiaries throughout Asia. The sales strategy focusing on high quality beds in Japan and Asia turned successful, increasing in revenue to 14,105 million yen. The operating profit significantly improved to 1,533 million yen.

This business was not affected by the Great East Japan Earthquake that struck northern Japan on March 11, 2011.



## Other Business



The Japan Times Ltd., a subsidiary of the Group, runs the newspaper and publishing business. But it has suffered from a difficult market arising from the diversification of the media business and falling advertising revenue.

We had an electronic component business, but the management rights were sold in October, 2009, making Nifco Advanced Technology an equity-method affiliate.

As a result, the total revenue for other businesses marked 2,193 million yen while operating loss was 395 million yen. We continue our utmost efforts to cut costs in order to improve the revenues.

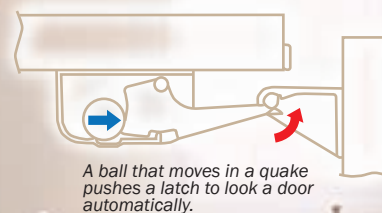
### Bits of information about one of Nifco's Products

## Quake-resistant latch

Among Nifco's diverse products, there is a product which is useful at the time of the earthquake, called "quake-resistant latch". Attached to the upper side of kitchen shelves or cabinets, it senses initial tremor of an earthquake and automatically locks cabinet doors. It is a simple device, consisting of only 4 parts.

The product was developed by one of Nifco's employees who experienced the Great Hanshin Earthquake in 1995. When the quake hit, this person found doors of a kitchen cabinet open and dishes and cups had fallen and been scattered about on the floor. This gave him an idea to develop a quake-proof item.

The latch was adopted and is now used by major kitchen maker. The maker received thank-you letters from the product users after the Great East Japan in 2011.



# Consolidated Balance Sheets

AS OF MARCH 31, 2011 AND 2010

ASSETS	Japanese Yen (millions)		U.S. Dollars (thousands)
	2011	2010	2011
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents (Note 6)	¥ 39,002	¥ 34,109	\$ 469,056
Time deposits (Note 6)	1,333	3,427	16,031
Marketable securities (Note 6, 7)	2,772	3,011	33,337
Trade receivables: (Note 6)			
Notes	3,115	3,575	37,462
Accounts	19,937	20,988	239,771
Less- Allowance for doubtful receivables	(66)	(75)	(794)
Inventories (Note 4)	10,973	10,027	131,966
Deferred income taxes and other (Note 14)	3,477	3,756	41,818
<b>Total current assets</b>	<b>80,543</b>	<b>78,818</b>	<b>968,647</b>
<b>PROPERTY, PLANT AND EQUIPMENT:</b>			
Land	12,727	11,904	153,061
Buildings and structures	24,168	23,454	290,655
Machinery and equipment (Note 5)	30,392	29,914	365,508
Molds and dies	49,705	48,056	597,775
Other	3,288	2,075	39,543
	120,280	115,403	1,446,542
Less - Accumulated depreciation	(82,397)	(79,842)	(990,944)
<b>Net property, plant and equipment</b>	<b>37,883</b>	<b>35,561</b>	<b>455,598</b>
<b>INVESTMENTS AND OTHER ASSETS:</b>			
Investment securities (Note 6, 7)	6,848	5,616	82,357
Goodwill	325	424	3,909
Deferred income taxes and other (Note 14)	2,326	2,252	27,974
<b>Total investments and other assets</b>	<b>9,499</b>	<b>8,292</b>	<b>114,240</b>
<b>Total assets</b>	<b>¥127,925</b>	<b>¥122,671</b>	<b>\$1,538,485</b>

AS OF MARCH 31, 2011 AND 2010

LIABILITIES AND NET ASSETS	Japanese Yen (millions)		U.S. Dollars (thousands)
	2011	2010	2011
<b>CURRENT LIABILITIES:</b>			
Short-term borrowings (Note 6, 12)	¥ 659	¥ 745	\$ 7,925
Current portion of long-term indebtedness (Note 6, 13)	1,130	331	13,590
Trade payables: (Note 6)			
Notes	1,838	2,000	22,105
Accounts	10,382	10,639	124,859
Other payables (Note 6)	2,005	2,267	24,113
Accrued bonuses	1,264	1,091	15,201
Accrued income taxes (Note 6, 14)	1,845	2,074	22,189
Other	4,390	3,779	52,796
<b>Total current liabilities</b>	<b>23,513</b>	<b>22,926</b>	<b>282,778</b>
<b>LONG-TERM LIABILITIES:</b>			
Long-term indebtedness (Note 6, 13)	20,256	18,296	243,608
Liability for severance and retirement benefits (Note 11)	1,756	1,450	21,118
Deferred income taxes and other (Note 14)	962	931	11,570
<b>Total long-term liabilities</b>	<b>22,974</b>	<b>20,677</b>	<b>276,296</b>
<b>NET ASSETS: (Note 16)</b>			
Shareholders' equity			
Common stock			
Authorized – 233,000,000 shares			
Issued – 53,754,477 shares	7,290	7,290	87,673
Capital surplus	11,651	11,651	140,120
Retained earnings	70,264	65,023	845,027
Treasury stock, at cost – 319,126 shares in 2011 and 452,137 shares in 2010	(749)	(1,064)	(9,008)
<b>Total shareholders' equity</b>	<b>88,456</b>	<b>82,900</b>	<b>1,063,812</b>
Accumulated other comprehensive income			
Net unrealized holding gains on securities, net of tax	214	364	2,574
Land revaluation difference, net of tax (Note 9)	(79)	(85)	(950)
Foreign currency translation adjustments	(9,836)	(6,500)	(118,292)
<b>Total accumulated other comprehensive income</b>	<b>(9,701)</b>	<b>(6,221)</b>	<b>(116,668)</b>
Minority interests	2,683	2,389	32,267
<b>Total net assets</b>	<b>81,438</b>	<b>79,068</b>	<b>979,411</b>
<b>Total liabilities and net assets</b>	<b>¥127,925</b>	<b>¥122,671</b>	<b>\$1,538,485</b>

The accompanying notes to consolidated financial statements are an integral part of these balance sheets.

# Consolidated Statement of Income and Comprehensive Income

FOR 2011 AND CONSOLIDATED STATEMENTS OF INCOME FOR 2010 AND 2009

	Japanese Yen (millions)			U.S. Dollars (thousands)
	2011	2010	2009	2011
<b>NET SALES</b>	¥120,574	¥107,506	¥122,519	\$1,450,078
<b>COST OF SALES</b>	81,501	74,927	88,420	980,168
GROSS PROFIT	39,073	32,579	34,099	469,910
<b>SELLING, GENERAL AND ADMINISTRATIVE EXPENSES</b>	25,966	24,026	26,861	312,279
OPERATING INCOME	13,107	8,553	7,238	157,631
<b>OTHER INCOME (EXPENSES):</b>				
Interest expense	(321)	(326)	(316)	(3,860)
Interest and dividend income	313	343	593	3,764
Gain on sale of marketable and investment securities and other investments, net	—	15	1,131	—
Gain on sale of property, plant and equipment	29	38	8	349
Loss on disposal of property, plant and equipment	(53)	(66)	(65)	(637)
Exchange loss on foreign currency transactions	(686)	(417)	(378)	(8,250)
Investment gain (loss) on equity method	(0)	(146)	126	(0)
Loss on revaluation of marketable securities	—	—	(457)	—
Impairment loss on investment securities and golf membership rights	—	—	(388)	—
Impairment loss on fixed assets: (Note 15)	(509)	(556)	(674)	(6,121)
Directors' retirement benefits	—	—	(1,272)	—
Other income (expense), net	(177)	(49)	(42)	(2,130)
<b>INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS</b>	11,703	7,389	5,504	140,746
<b>PROVISION FOR INCOME TAXES: (Note 14)</b>				
Current	3,537	2,910	1,245	42,538
Deferred	155	(315)	250	1,864
<b>NET INCOME BEFORE MINORITY INTERESTS</b>	8,011	4,794	4,009	96,344
<b>MINORITY INTERESTS</b>	(479)	(326)	(74)	(5,761)
<b>NET INCOME</b>	7,532	4,468	3,935	90,583
<b>MINORITY INTERESTS</b>	479	—	—	5,761
<b>NET INCOME BEFORE MINORITY INTERESTS</b>	8,011	—	—	96,344
<b>OTHER COMPREHENSIVE INCOME</b>				
Net unrealized gain (loss) on securities	(150)	—	—	(1,804)
Foreign currency translation adjustment	(3,386)	—	—	(40,721)
Share of other comprehensive income of associates accounted for using equity method	6	—	—	72
<b>COMPREHENSIVE INCOME</b>	¥ 4,481	¥ —	¥ —	\$ 53,891
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>				
Comprehensive income attribute to owners of the parent	¥ 4,052	¥ —	¥ —	\$ 48,732
Comprehensive income attribute to minority interests	429	—	—	5,159
		(In Yen)		(In Dollars)
<b>PER SHARE AMOUNTS: (Note 17)</b>				
Net income:				
Basic	¥141.1	¥83.8	¥74.6	\$1.70
Diluted	141.0	—	73.9	1.70
Cash dividends, applicable to the year	45.0	30.0	54.0	0.54

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

# Consolidated Statements of Changes in Net Assets

FOR THE YEARS ENDED MARCH 31, 2011, 2010 AND 2009

	Japanese Yen (millions)								
	Shareholders' equity				Accumulated other comprehensive income				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized holding gains (losses) on securities	Land revaluation difference, net of tax	Foreign currency translation adjustments	Minority interests	Total
<b>Balance as of March 31, 2008</b>	¥7,290	¥11,651	¥62,970	¥(4,803)	¥ 72	¥(85)	¥ 2,100	¥1,883	¥81,078
Adjustment of retained earnings due to an adoption of PITF No. 18 (Note 2. (1) (b))			36						36
Net income			3,935						3,935
Dividends paid			(3,358)						(3,358)
Acquisition of treasury stock				(11)					(11)
Disposal of treasury stock			(1,148)	3,753					2,605
Net changes during the year					(147)	—	(9,909)	397	(9,659)
Other			(67)						(67)
<b>Balance as of March 31, 2009</b>	7,290	11,651	62,368	(1,061)	(75)	(85)	(7,809)	2,280	74,559
Net income			4,468						4,468
Dividends paid			(1,812)						(1,812)
Acquisition of treasury stock				(5)					(5)
Disposal of treasury stock			(1)	2					1
Net changes during the year					439	—	1,309	109	1,857
<b>Balance as of March 31, 2010</b>	7,290	11,651	65,023	(1,064)	364	(85)	(6,500)	2,389	79,068
Net income			7,532						7,532
Dividends paid			(2,135)						(2,135)
Acquisition of treasury stock				(6)					(6)
Disposal of treasury stock			(71)	321					250
Net changes during the year					(150)	6	(3,336)	294	(3,186)
Other			(85)						(85)
<b>Balance as of March 31, 2011</b>	¥7,290	¥11,651	¥70,264	¥ (749)	¥ 214	¥(79)	¥(9,836)	¥2,683	¥81,438

	U.S. Dollars (thousands)								
	Shareholders' equity				Accumulated other comprehensive income				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized holding gains (losses) on securities	Land revaluation difference, net of tax	Foreign currency translation adjustments	Minority interests	Total
<b>Balance as of March 31, 2010</b>	\$87,673	\$140,120	\$781,996	\$(12,796)	\$ 4,378	\$(1,022)	\$( 78,171)	\$28,732	\$950,910
Net income			90,583						90,583
Dividends paid			(25,676)						(25,676)
Acquisition of treasury stock				(72)					(72)
Disposal of treasury stock			(854)	3,860					3,006
Net changes during the year					(1,804)	72	(40,121)	3,535	(38,318)
Other			(1,022)						(1,022)
<b>Balance as of March 31, 2011</b>	\$87,673	\$140,120	\$845,027	\$ (9,008)	\$ 2,574	\$( 950)	\$(118,292)	\$32,267	\$979,411

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

# Consolidated Statements of Cash Flows

FOR THE YEARS ENDED MARCH 31, 2011, 2010 AND 2009

	Japanese Yen (millions)			U.S. Dollars (thousands)
	2011	2010	2009	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Income before income taxes and minority interests	¥11,703	¥ 7,389	¥ 5,504	\$140,746
<b>Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:</b>				
Depreciation	5,739	6,624	7,979	69,020
Impairment loss on fixed assets	509	556	674	6,121
Bond issuance cost	—	—	80	—
Amortization of goodwill	44	74	48	529
Increase (decrease) in allowance for doubtful receivables	186	(45)	22	2,237
Increase (decrease) in accrued bonuses	173	3	(66)	2,081
Increase (decrease) in retirement allowances	309	204	300	3,716
Impairment loss on investment securities	—	—	388	—
Interest and dividends income	(313)	(343)	(593)	(3,764)
Interest expense	321	326	316	3,860
Loss on revaluation of marketable securities	—	—	457	—
Foreign currency exchange loss	359	143	132	4,317
Investment gain (loss) on equity method	0	146	(126)	0
Gain on sale of property, plant and equipment	(29)	(38)	(8)	(349)
Loss on disposal of property, plant and equipment	53	66	65	637
Gain (loss) on sale of investment securities	9	(15)	(1,131)	108
<b>Changes in assets and liabilities, net</b>				
(Increase) decrease in trade receivables	571	(5,977)	8,513	6,867
(Increase) decrease in inventories	(1,699)	(237)	27	(20,433)
(Increase) decrease in other assets	(278)	110	465	(3,343)
Increase (decrease) in trade payables	60	3,410	(6,283)	722
Increase (decrease) in other liabilities	218	1,024	(931)	2,622
Decrease in accrued directors' retirement benefits	(6)	(5)	(881)	(72)
Other, net	330	278	158	3,969
<b>Subtotal</b>	<b>18,259</b>	<b>13,693</b>	<b>15,109</b>	<b>219,591</b>
Interest income and dividends received	311	341	780	3,740
Interest paid	(317)	(316)	(318)	(3,812)
Income taxes refund (paid)	(3,582)	97	(4,549)	(43,079)
<b>Net cash provided by operating activities</b>	<b>14,671</b>	<b>13,815</b>	<b>11,022</b>	<b>176,440</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Increase in time deposits	(3,605)	(4,044)	(3,329)	(43,355)
Decrease in time deposits	5,506	2,877	3,331	66,218
Purchase of marketable securities	(1,564)	(3,103)	(1,297)	(18,809)
Proceeds from sale of marketable securities	3,731	2,532	1,019	44,871
Additions to property, plant and equipment	(9,347)	(6,951)	(10,732)	(112,411)
Proceeds from sale of property, plant and equipment	97	56	181	1,167
Purchase of investment securities	(3,620)	(555)	(4,293)	(43,536)
Proceeds from sale of investment securities	103	627	1,130	1,239
Expenditure for sale of investments in subsidiaries	—	(148)	—	—
Purchase of investments in subsidiaries	(3)	(74)	(28)	(36)
Proceeds from purchase of investments in subsidiaries	—	—	338	—
Other, net	(294)	80	66	(3,538)
<b>Net cash used in investing activities</b>	<b>(8,996)</b>	<b>(8,703)</b>	<b>(13,614)</b>	<b>(108,190)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>				
Proceeds from short-term borrowings	5,183	1,983	10,957	62,333
Repayments of short-term borrowings	(5,181)	(2,539)	(12,764)	(62,309)
Proceeds from long-term indebtedness	3,263	2,951	1,023	39,242
Proceeds from issuance of bonds	—	—	14,920	—
Repayments of long-term indebtedness	(330)	(278)	(9)	(3,969)
Purchase of treasury stock	(7)	(5)	(5)	(84)
Proceeds from sale of treasury stock	250	1	14	3,007
Cash dividends	(2,136)	(1,814)	(3,357)	(25,689)
Cash dividends for minority interest	(250)	(256)	(178)	(3,007)
Other, net	(16)	(46)	(97)	(191)
<b>Net cash provided by (used in) financing activities</b>	<b>776</b>	<b>(3)</b>	<b>10,504</b>	<b>9,333</b>
<b>EXCHANGE RATE ADJUSTMENTS</b>	<b>(1,558)</b>	<b>289</b>	<b>(2,952)</b>	<b>(18,737)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>4,893</b>	<b>5,398</b>	<b>4,960</b>	<b>58,846</b>
<b>CASH AND CASH EQUIVALENTS, at beginning of year</b>	<b>34,109</b>	<b>28,711</b>	<b>23,751</b>	<b>410,210</b>
<b>CASH AND CASH EQUIVALENTS, at end of year</b>	<b>¥39,002</b>	<b>¥34,109</b>	<b>¥28,711</b>	<b>\$469,056</b>

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

# Notes to Consolidated Financial Statements

## 1. BASIS OF PRESENTATION OF THE 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 application and disclosure requirements of International Financial Reporting Standards. The accounts of consolidated foreign subsidiaries are prepared in accordance with either International Financial Reporting Standards or U.S. generally accepted accounting principles, with adjustments for the specified six items as applicable.

The accompanying consolidated financial statements have been restructured and translated into English from the consolidated financial statements of Nifco Inc. (the Company) prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Act.

Certain supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2011, which was ¥83.15 to US\$1.00.

The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

### (1) Accounting Changes

#### (a) Accounting Standard for Measurement of Inventories

Effective from the year ended March 31, 2009, the Company and consolidated domestic subsidiaries adopted the new accounting standard, "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, issued on July 5, 2006).

As a result of this change, operating income and income before income taxes and minority interests decreased by ¥13 million (\$140 thousand) compared with those calculated under the previous method for the year ended March 31, 2009.

The effects on segment information are described in Note 18.

#### (b) Application of "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements"

Effective from the year ended March 31, 2009, the Company and consolidated subsidiaries adopted the new accounting standard, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (Practical Issues Task Force No. 18 ("PITF No. 18"), issued on May 17, 2006) and implemented necessary revisions for the purpose of consolidated account settlement.

There were no material effects as a result of the adoption of PITF No. 18 on the consolidated financial statements for the year ended March 31, 2009.

#### (c) Accounting for Translation of Income and Expense Accounts of Foreign Subsidiaries

The method of translation for income statement accounts of the consolidated subsidiaries was changed in the year ended March 31, 2009. Through the year ended March 31, 2008, income statement accounts had been translated at the rates of exchange in effect at the balance sheet date. Commencing in the year ended March 31, 2009, income statement accounts are translated at the average rates of exchange for the year. Due to this change, net sales, operating income, income before income taxes and minority interests increased by ¥9,635 million, ¥920 million and ¥939 million, respectively, for the year ended March 31, 2009, compared to the previous method.

This change was made in order to recognize more accurate profit and loss by eliminating the effect of extraordinary influences such as sharp fluctuations in exchange rate occurring near the balance sheet date, by using annual average rates of exchange that reflect the exchange rates applied throughout the fiscal year in response to an increase in the materiality of these foreign subsidiaries. The effects on segment information are described in Note 18. Differences arising from translations are presented as "Foreign currency translation adjustments" and "Minority interests" in the accompanying consolidated financial statements.

#### (d) Accounting for Leases

In the year ended March 31, 2009, the Company and consolidated domestic subsidiaries adopted new accounting standard for lease transactions, the "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13, issued on June 17, 1993; revised on March 30, 2007) and the "Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No. 16, issued on January 18, 1994; revised on March 30, 2007).

Further, finance lease transactions not involving transfer of the ownership of leased properties to the lessees, in which the lease transaction start date was before the first application of this new standard, are continuously treated in the same manner as operating lease transactions.

As a result the above change had no impact on the consolidated financial statements for the year ended March 31, 2009.

#### (e) Accounting Standard for Retirement Benefits

Effective from the fiscal year ended March 31, 2010, the Company and consolidated domestic subsidiaries adopted the "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)" (Accounting Standards Board of Japan ("ASBJ") Statement No. 19 issued on July 31, 2008). The new accounting standard requires domestic companies to use the rate of return on long-term government or gilt-edged bonds as of the end of the fiscal year for calculating the projected benefit obligation of a defined-benefit plan. Previously, domestic companies were allowed to use a discount rate determined taking into consideration fluctuations in the yield of long-term government and gilt-edged bonds over a certain period. This change had no impact on the consolidated financial statements for the year ended March 31, 2010.

#### (f) Accounting Standard for Asset Retirement Obligations

Effective April 1, 2010, the Company and consolidated domestic subsidiaries adopted the "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 18, March 31, 2008) and "Implementation Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21, March 31, 2008).

As a result of this change, operating income decreased by ¥4 million (\$48 thousand), and net income before minority interests decreased by ¥22 million (\$265 thousand) for the year ended March 31, 2011 compared with those calculated under the previous method for the year ended March 31, 2011.

The amount of change in asset retirement obligations incurred due to the initial application of this accounting standard was ¥82 million (\$986 thousand) for the year ended March 31, 2011 and is included in "Deferred income taxes and other" under "Long-term liabilities" on the balance sheets.

#### (g) Accounting Standard for Equity Method of Accounting for Investments and Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method

Effective April 1, 2010, the Company and consolidated domestic subsidiaries adopted the "Accounting Standard for Equity Method of Accounting for Investment" (ASBJ Statement No. 16 of March 10, 2008) and "Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method" (ASBJ PITF No. 24, March 10, 2008).

As a result the above change had no impact on the consolidated financial statements for the year ended March 31, 2011.

#### (h) Accounting Standards for Business Combinations and related matters

Effective April 1, 2010, the Company and consolidated domestic subsidiaries adopted the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, December 26, 2008), the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, December 26, 2008), the "Partial amendments to Accounting Standard for Research and Development Costs" (ASBJ Statement No. 23, December 26, 2008), the "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, December 26, 2008), the "Accounting Standard for Equity Method of Accounting for Investment" (ASBJ Statement No. 16 of December 26, 2008) and the "Revised Guidance on Accounting Standard for Business Combinations and the Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, December 26, 2008).

With these changes, unrealized net gains (losses), which had been recorded using the partial fair value method, were booked using the full fair value method at the beginning of the fiscal year of initial application of these accounting standards.

As a result of this change, valuation differences for "Land" under "Tangible fixed assets", "Deferred income taxes and other" under

# Notes to Consolidated Financial Statements

"Long-term liabilities", and "Minority interests" under "Net assets" increased by ¥36 million (\$433 thousand), ¥7 million (\$84 thousand), and ¥29 million (\$349 thousand), respectively.

- (i) **Accounting Standard for Presentation of Comprehensive Income**  
Effective March 31, 2011, the Company adopted "Accounting Standard for Presentation of Comprehensive Income" (Accounting Standard Board of Japan ("ASBJ") Statement No. 25 on June 30, 2010) and "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, revised on June 20, 2010).

As a result of the adoption of these standards, the Company has presented the consolidated statement of comprehensive income in the consolidated financial statements for the fiscal year ended March 31, 2011.

The consolidated balance sheet and the consolidated statement of changes in net assets as of and for the fiscal year ended March 31, 2010 have been modified to conform with the new presentation rules of 2011.

In addition, The amounts of "Accumulated other comprehensive income" and "Total Accumulated other comprehensive Income" for the previous fiscal year are included in "Valuation, translation adjustments and other" and "Total valuation, and translation adjustments and other."

## (2) Significant Accounting and Reporting Policies

### (a) Principles of Consolidation

The consolidated financial statements include the accounts of the Company and those of its majority-owned subsidiary companies. All significant intercompany transactions and accounts are eliminated in consolidation.

In the elimination of investments in subsidiaries, the portion of assets and liabilities of a subsidiary attributable to the subsidiary's shares acquired by the Company is evaluated at the fair value as of the respective dates when such shares were acquired. The amounts of assets and liabilities attributable to minority shareholders of the subsidiary are determined using the financial statements of the subsidiary.

The excess of cost over the underlying net assets at acquisition dates of investments in subsidiaries and affiliates is recognized as goodwill and, is being amortized using the straight-line method over the period when investment effect appears.

### (b) Equity Method

Investments in affiliated companies are accounted for under the equity method. Affiliated companies are defined as the companies of which the Company owns 20% to 50% of the voting rights, and the companies of which the Company has at least 15% and less than 20% of the voting rights in the cases where the Company has the ability to exercise significant influence over operating and financial policies of the investees.

### (c) Cash and Cash equivalents

Cash and cash equivalents include cash on hand, readily available deposits and short-term highly liquid investments with original maturities of three months or less.

### (d) Allowance for doubtful accounts

The Company and consolidated subsidiaries provide an allowance for doubtful accounts in an amount sufficient to cover possible losses on collection by estimating individually uncollectible amounts and applying a percentage based on collection experience to the remaining accounts.

### (e) Foreign Currency Translation

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 statements of income in which they occur. The financial statement of the Company's consolidated foreign subsidiaries are translated into Japanese yen at the current rates for assets and liabilities and historical rates for shareholders' equity accounts. The resulting foreign currency translation adjustments are included in "Foreign currency translation adjustments" and "Minority interests" in the net assets of the accompanying consolidated balance sheets.

### (f) Securities

Marketable securities consist of debt securities intended to be held to maturity (hereafter, "held-to-maturity debt securities") and other securities. Held-to-maturity debt securities are stated at amortized cost. Other securities designated as available-for-sale, whose fair values are readily determinable, are carried at fair value with

unrealized gains or losses included as a component of net assets, net of tax.

Other securities with no available fair market value are stated at moving-average cost.

If the market value of held-to-maturity debt securities, equity securities issued by unconsolidated subsidiaries and affiliated companies, and available-for-sale securities declined significantly, such securities are stated at fair market value and the difference between the fair market value and the carrying amount is recognized as loss in the period of the decline. If the fair market value of equity securities issued by unconsolidated subsidiaries and affiliated companies not on the equity method is not readily available, such securities should be written down to net asset value with a corresponding charge in the income statement in the event net asset value declines significantly. In these cases, such fair market value or the net asset value will be the carrying amount of the securities at the beginning of the next year.

### (g) Derivatives

The Company employs derivative financial instruments and basically recognizes the derivative instruments as assets or liabilities in the consolidated balance sheets. Derivative financial instruments are initially recognized at cost and subsequently measured to fair value at the balance sheet date with movements recorded in the consolidated statements of income.

### (h) Hedge Accounting

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Company and its domestic subsidiaries defer recognition of the gain or loss resulting from a change in fair value of the derivative financial instrument until the related loss or gain on the hedged item is recognized.

However, in cases where forward foreign exchange contracts are used as hedges and meet certain hedging criteria, forward foreign exchange contracts and hedged items are accounted for in the following manner:

- (1) If a forward foreign exchange contract is executed to hedge an existing foreign currency receivable or payable, (a) the difference, if any, between the Japanese yen amount of the hedged foreign currency receivable or payable translated using the spot rate at the inception date of the contract and the book value of the receivable or payable is recognized in the consolidated statements of operations in the period which includes the inception date, and (b) the discount or premium on the contract (that is, the difference between the Japanese yen amount of the contract translated using the contracted forward rate and that translated using the spot rate at the inception date of the contract) is recognized over the term of the contract.
- (2) If a forward foreign exchange contract is executed to hedge a future transaction denominated in a foreign currency, the future transaction will be recorded using the contracted forward rate, and no gain or loss on the forward foreign exchange contract will be recognized.

Also, if interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

### (i) Inventories

Inventories, except for molds and dies, are stated at cost (balance sheet amount is calculated by writing down to reflect decrease in profitability) mainly by the periodic average method. Molds and dies, included in finished goods and work-in-process, are stated at cost (balance sheet amount is calculated by writing down to reflect decrease in profitability) by specific identification method.

### (j) Property, Plant and Equipment (except for leased properties)

Depreciation of property, plant and equipment except for leased properties is computed primarily by using the declining-balance method over their estimated useful lives. However, buildings acquired on or after April 1, 1998 are depreciated by using the straight-line method.

The useful lives for the years ended March 31, 2011 and 2010 are as follows:

	2011	2010
Buildings and structures	3-50 years	5-50 years
Machinery and equipment	2-20 years	5-12 years
Molds and dies	2-11 years	2-4 years

Ordinary maintenance and repairs are charged to the consolidated statements of income as incurred. Major replacements and improvements are capitalized. When properties are retired or otherwise disposed of, the property and related accumulated depreciation accounts are relieved of the applicable amounts and any differences are included in other income (expenses).

**(k) Software Costs (except for leased properties)**

The Company and consolidated domestic subsidiaries amortize software except for leased properties for internal use using the straight-line method over its estimated useful life (5 years).

**(l) Leased properties**

The Company and consolidated domestic subsidiaries account for finance leases commenced prior to April 1, 2008 which do not transfer the ownership of the leased property to the lessee as operating leases with disclosures of certain "as if capitalized" information. As discussed in Note 2. (1), the Company and consolidated domestic subsidiaries adopted a new accounting standard and capitalized finance leases which commenced after March 31, 2008, except for certain immaterial or short-term finance leases, which are accounted for as operating leases.

**(m) Severance and retirement benefits**

Under the Company and consolidated subsidiaries' non-contributory funded pension plan, all employees terminating their employment at the age of 50 and over with at least 20 years' service are entitled to pension payments over 15 years or lump-sum payments at the time of termination of their employment. Employees not qualified for pension payments are entitled to lump sum payments under the funded plan. The non-contributory funded pension plan is a pension plan qualified by the tax authority.

Under Japanese accounting standard, the liabilities and expenses for employees' severance and retirement benefits are determined based on the amounts actuarially calculated using certain assumptions.

The Company and consolidated subsidiaries provided allowance for employees' severance and retirement benefits at March 31, 2011 and 2010 based on the estimated amounts of projected benefit obligation and the fair value of the plan assets at that date.

Actuarial gains and losses are amortized from the year or following the year they were incurred by the straight-line method over a period of 5-18 years, which is less than the estimated remaining service period of employees.

Unrecognized prior service cost is amortized by the straight-line method over a period of 5-10 years, which is less than estimated average remaining service period of employees.

**(n) Research and Development**

In accordance with the Accounting Committee Report No. 12 of the JICPA "Practical Guidance for Accounting for Research and Development Costs, etc.", expenses relating to research and development activities have been charged to consolidated statements of income as incurred and amounted to ¥1,665 million (\$20,024 thousand), ¥1,360 million and ¥1,710 million for the years ended March 31, 2011, 2010 and 2009, respectively.

**(o) Income Taxes**

Deferred tax assets or liabilities are computed based on the differences between the financial statement and income tax basis of assets and liabilities using the enacted marginal tax rate. The provision for income taxes is computed based on the pretax income for financial reporting purposes and included in the consolidated statements of income.

**(p) Reclassification**

Certain prior year amounts have been reclassified to conform to the current year presentation. These changes had no impact on previously reported results of operations or retained earnings.

### 3. CONSOLIDATED STATEMENTS OF CASH FLOWS

Details of non-cash transactions resulting from using treasury stocks when convertible bonds were converted for the year ended March 31, 2011, 2010 and 2009 are as follows:

	Japanese Yen (millions)			U.S. Dollars (thousands)
	2011	2010	2009	2011
Decrease in treasury stock	¥ —	¥ —	¥ 3,734	\$ —
Loss on sale of treasury stock	—	—	(1,146)	—
Decrease in convertible bonds due to conversion	¥ —	¥ —	¥ 2,588	\$ —

### 4. INVENTORIES

Inventories as of March 31, 2011 and 2010, consist of the following:

	Japanese Yen (millions)		U.S. Dollars (thousands)
	2011	2010	2011
Finished goods	¥ 6,780	¥ 6,365	\$ 81,539
Work-in-process and raw materials	4,193	3,662	50,427
Total	¥10,973	¥10,027	\$131,966

### 5. LEASES

**Information as lessee**

As discussed in Note 2. (2), finance lease commenced prior to April 1, 2008 which do not transfer ownership of leased assets to lessees are accounted for as operating leases.

Assumed amounts of acquisition cost and accumulated depreciation at March 31, 2011 and 2010 are as follows:

Details of the leased assets:

	Japanese Yen (millions)		U.S. Dollars (thousands)
	2011	2010	2011
Machinery and equipment	¥ 97	¥ 503	\$ 1,167
Accumulated depreciation	(77)	(414)	(926)
Net	¥ 20	¥ 89	\$ 241

Information related to finance leases for the years ended March 31, 2011 and 2010 was as follows:

	Japanese Yen (millions)		U.S. Dollars (thousands)
	2011	2010	2011
Lease expenses	¥ 69	¥ 117	\$ 830
Depreciation expense	69	117	830

Future minimum lease payments, including the portion of interest thereon, as of March 31, 2011 and 2010 are as follows:

	Japanese Yen (millions)		U.S. Dollars (thousands)
	2011	2010	2011
Finance leases:			
Due within one year or less	¥ 17	¥ 69	\$ 204
Due after one year	2	20	24
	¥ 19	¥ 89	\$ 228

Future non-cancelable operating leases payments for the year ended March 31, 2011 was as follows

	Japanese Yen (millions)		U.S. Dollars (thousands)
	2011	2010	2011
Non-cancelable operating leases:			
Due within one year or less	¥ 227	¥ 329	\$ 2,730
Due after one year	334	121	4,017
	¥ 561	¥ 450	\$ 6,747

# Notes to Consolidated Financial Statements

## 6. FINANCIAL INSTRUMENTS

< Additional Information >

Effective from the fiscal year ended March 31, 2010, the Company adopted the revised Accounting Standard, "Accounting Standard for Financial Instruments" (Accounting Standards Board of Japan ("ASBJ") Statement No. 10 revised on March 10, 2008) and the "Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No.19 revised on March 10, 2008). Information on financial instruments for the year ended March 31, 2011 pursuant to the revised accounting standards is as follows:

### A. Qualitative information on financial instruments

#### (1) Policies for using financial instruments

The Company and consolidated subsidiaries use the bank borrowings and the bond issuances mainly for the purpose of capital expenditures. Saving accounts are mainly used for the purpose of short-term working capitals. Bonds and time deposits are mainly used for the long-term working capitals. The derivative transactions have the purpose of mitigating future risk shown in the following, and the speculative purposes are prohibited.

#### (2) Details of financial instruments used and the exposures to risk and how they arise

Trade receivables are exposed to credit risk in relation to customers. In addition, foreign currency trade receivables are exposed to the risk of fluctuation in foreign currency exchange rate.

Securities, which mainly consist of held-to-maturity securities, bonds, certificate of deposits, shares relating to the business relationship and investments for partnership, are exposed to the risk of fluctuation of market value.

Most of trade and other payables have maturity for payment within one year. In addition, foreign currency payables are exposed to the risk of fluctuation in foreign currency exchange rate.

Borrowings and long-term indebtedness are mainly for the purpose of capital expenditures. The longest maturity contract is 24 years for the year ended of March 31, 2011. In addition, the Company and consolidated subsidiaries use derivative transaction (interest rate swap) for the purpose of mitigating the risk of floating interest rate. Derivative transactions are forward foreign exchange contracts for the purpose of mitigating future risk of fluctuation in foreign currency exchange rate related to foreign currency receivables or payables, and interest rate swap contracts for the purpose of mitigating the risk of floating interest rate related to borrowings. The details of hedging transactions are as shown in Note 8.

#### (3) Policies and processes for managing the risk

##### Credit risk

The Company and consolidated subsidiaries control the trade receivables periodically by monitoring the condition for main customers, and managing the term and balance sorted by customer for the purpose of controlling and mitigating the credit risk related to deterioration of the financial condition.

The investments in held-to-maturity securities are exposed to insignificant credit risks because the Company only invests in the high rating securities.

The contracts of derivative transactions are limited to the contracts with high rating financial institutions for the purpose of mitigating credit risk.

##### Market risk

The Company and consolidated subsidiaries use forward foreign currency contracts, as derivative financial instruments only for the purpose of mitigating future risks of fluctuation of foreign currency exchange rates with respect to existing foreign currency trade receivable or payable. The Company and consolidated subsidiaries also use interest rate swap contracts, only for the purpose of mitigating the risk of floating interest rate related to borrowings.

Securities are periodically monitored considering the fair value or the financial condition of the issuers. In addition, securities except held-to-maturity securities are continually managed considering the market circumstance or relationship with counterparty.

The derivative transactions are executed and managed by the person in charge authorized by the Company's Finance Department.

##### Liquidity risk

The Company and consolidated subsidiaries manage liquidity risks by creating and updating the financing plans on a timely basis.

#### (4) Supplemental information on fair values

The fair values of financial instruments include market prices or reasonably estimated values if there are no market values. Because

estimation of fair values incorporates variable factors, adopting different assumptions can change the values. In addition, the amounts of the contract for derivatives transaction in Note 8 do not indicate their market risks related to the derivatives transactions.

### B. Fair values of financial instruments

Book values and fair values of the financial instruments on the consolidated balance sheet at March 31, 2011 and 2010 are the following.

	Japanese Yen (millions)					
	2011			2010		
	Book value	Fair value	Difference	Book value	Fair value	Difference
Cash and cash equivalents	¥39,002	¥39,002	¥ —	¥34,109	¥34,109	¥ —
Time deposits	1,333	1,333	—	3,427	3,427	—
Securities (Note 7)						
Held-to-maturity securities	2,028	2,030	2	2,030	2,034	4
Available-for-sale securities	6,714	6,714	—	6,257	6,257	—
Trade receivables	23,052	23,052	—	24,563	24,563	—
<b>Total assets</b>	<b>72,129</b>	<b>72,131</b>	<b>2</b>	<b>70,386</b>	<b>70,390</b>	<b>4</b>
Short-term borrowings	659	659	—	745	745	—
Current portion of long-term indebtedness	1,130	1,130	—	331	331	—
Trade payables	12,220	12,220	—	12,639	12,639	—
Other payables	2,005	2,005	—	2,267	2,267	—
Accrued income taxes	1,845	1,845	—	2,074	2,074	—
Long-term indebtedness	20,256	20,416	160	18,296	18,375	79
<b>Total liabilities</b>	<b>38,115</b>	<b>38,275</b>	<b>160</b>	<b>36,352</b>	<b>36,431</b>	<b>79</b>
Derivative transactions (Note 8) (*)	¥ (19)	¥ (19)	¥ —	¥ (17)	¥ (17)	¥ —

	U.S. Dollars (thousands)		
	2011		
	Book value	Fair value	Difference
Cash and cash equivalents	\$469,056	\$469,056	\$ —
Time deposits	16,031	16,031	—
Securities (Note 7)			
Held-to-maturity securities	24,389	24,413	24
Available-for-sale securities	80,746	80,746	—
Trade receivables	277,233	277,233	—
<b>Total assets</b>	<b>867,455</b>	<b>867,479</b>	<b>24</b>
Short-term borrowings	7,925	7,925	—
Current portion of long-term indebtedness	13,590	13,590	—
Trade payables	146,964	146,964	—
Other payables	24,113	24,113	—
Accrued income taxes	22,189	22,189	—
Long-term indebtedness	243,608	245,532	1,924
<b>Total liabilities</b>	<b>458,389</b>	<b>460,313</b>	<b>1,924</b>
Derivative transactions (Note 8) (*)	\$ (229)	\$ (229)	\$ —

(\*) Net credits and debts generated from derivatives trading are shown. Items generating net debts are enclosed in parentheses.

Methods of calculating the fair value of financial instruments, items relating to securities and derivatives transactions

#### Assets

Cash and Cash equivalents, Time deposits and Trade receivables

Because these items are settled in short term, fair values and book values are nearly equivalent.

As a result, those fair values are equal to the book values.

#### Securities

For the fair values of securities, the equity securities are measured at the prices on the relevant exchanges and the bonds are measured at the prices shown by the relevant financial facilities. The details are as shown in Note 7.

#### Liabilities

Short-term borrowings, Current portion of long-term indebtedness,



# Notes to Consolidated Financial Statements

	U.S. Dollars (thousands)			
	2011			
	Within 1 to 5 1 year	Over 5 years	Over 5 years	Total
Held-to-maturity securities Bonds	\$24,065	\$ 324	—	\$24,389
Available-for-sale securities Bonds	7,733	31,112	12,232	51,077
<b>Total</b>	<b>\$31,798</b>	<b>\$31,436</b>	<b>\$12,232</b>	<b>\$75,466</b>

D. There was no sales transaction of available-for-sale securities for the year ended March 31, 2011.

The total sales of available-for-sale securities for the year ended March 31, 2010 amounted to ¥889 million, and the related gains amounted to ¥36 million, and the related losses amounted to ¥20 million, respectively.

## 8. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING TRANSACTIONS

The Company and consolidated subsidiaries use forward foreign currency contracts, as derivative financial instruments only for the purpose of mitigating future risks of fluctuation of foreign currency exchange rates with respect to existing foreign currency trade receivable or payable, and interest rate swap contracts, only for the purpose of mitigating the risk of floating interest rate related to borrowings. Forward foreign currency contracts are subject to risks of foreign exchange rate changes.

Interest rate swap contracts are subject to risk of interest rate fluctuation. The derivative transactions are executed and managed by the Company's Finance Department in accordance with the established policies and within the specified limits on the amounts of derivative transactions allowed. The Manager of the Finance Department reports information on derivative transactions to the Board of Directors on a monthly basis.

The following summarizes hedging derivative financial instruments used by the Company and consolidated subsidiaries and the hedged items:

Hedging instruments:	Hedged items:
Forward foreign exchange contracts	Foreign currency receivables and payables
Interest rate swap contracts	Borrowings

The summarized derivative financial instruments outstanding as of March 31, 2011 and 2010 are as follows:

A. Derivative transactions on which the hedge accounting is not applied

Interest rate related

	Japanese Yen (millions)							
	2011				2010			
	Notional value	Notional value due over 1 year	Fair value	Unrealized gain (loss)	Notional value	Notional value due over 1 year	Fair value	Unrealized gain (loss)
Interest rate swap transactions								
Variable receivable and fixed payment	¥374	¥374	¥(19)	¥(19)	¥419	¥419	¥(17)	¥(17)
<b>Total</b>	<b>¥374</b>	<b>¥374</b>	<b>¥(19)</b>	<b>¥(19)</b>	<b>¥419</b>	<b>¥419</b>	<b>¥(17)</b>	<b>¥(17)</b>

	U.S. Dollars (thousands)			
	2011			
	Notional value	Notional value due over 1 year	Fair value	Unrealized gain (loss)
Interest rate swap transactions				
Variable receivable and fixed payment	\$4,498	\$4,498	\$(229)	\$(229)
<b>Total</b>	<b>\$4,498</b>	<b>\$4,498</b>	<b>\$(229)</b>	<b>\$(229)</b>

B. Derivative transactions subject to hedge accounting

Interest rate related

	Hedged items	Japanese Yen (millions)					
		2011			2010		
		Notional value	Notional value due over 1 year	Fair value	Notional value	Notional value due over 1 year	Fair value
Special treatment for interest rate swap	Interest rate swap transactions						
	Variable receivable and fixed payment	¥480	¥200	(*)	¥560	¥480	(*)
	Long-term loans payable						

	Hedged items	U.S. Dollars (thousands)		
		2011		
		Notional value	Notional value due over 1 year	Fair value
Special treatment for interest rate swap	Interest rate swap transactions			
	Variable receivable and fixed payment	\$5,773	\$2,405	(*)
	Long-term loans payable			

(\*) As interest rate swaps subject to the special treatment for interest rate swap are accounted to be combined with long-term loans payable as hedged items, their fair values are included in those of long-term loans.

## 9. LAND REVALUATION DIFFERENCE

In accordance with the Partial Revision to the Land Revaluation Law (Law No.34, enacted on March 31, 1998, the "Law"), land owned by a certain consolidated subsidiary for business use was revaluated in the year-end March 31, 2002. Unrealized losses on the revaluation of the land are included in net assets as "Land revaluation difference, net of tax". Deferred taxes of unrealized losses are included in "Deferred income taxes and other" under investments and other assets in the consolidated financial statements as of March 31, 2011 and 2010. According to the Law, the Company and consolidated subsidiaries are not permitted to revalue the land after April 1, 2002.

## 10. COMMITMENT LINES

The Company entered into the contracts with eleven financial institutions regarding lines of credit in order to ensure the stable source of borrowings. Unused lines of credit as of March 31, 2011 and 2010 are as follows:

	Japanese Yen (millions)		U.S. Dollars (thousands)
	2011	2010	2011
	Total amount of committed credit lines	¥ —	¥10,500
Less amount borrowed against credit lines	—	—	—
<b>Credit lines unused</b>	<b>¥ —</b>	<b>¥10,500</b>	<b>\$ —</b>

## 11. LIABILITY FOR SEVERANCE AND RETIREMENT BENEFITS

Under the Company and consolidated subsidiaries' non-contributory funded pension plan, all employees terminating their employment at the age of 50 and over with at least 20 years' service are entitled to pension payments over 15 years or lump-sum payments at the time of termination of their employment.

Employees not qualified for pension payments are entitled to lump sum payments under the funded plan.

The liabilities for employees' severance and retirement benefits included in the liability section of the consolidated balance sheets as of March 31, 2011 and 2010 consist of the following:

	Japanese Yen (millions)		U.S. Dollars (thousands)
	2011	2010	2011
Projected benefit obligation	¥(8,695)	¥(8,135)	\$(104,570)
Pension assets at fair value	6,604	6,390	79,423
Unfunded projected benefit obligation	(2,091)	(1,745)	(25,147)
Unrecognized net transition obligation	—	—	—
Unrecognized net actuarial loss	651	700	7,829
Unrecognized prior service costs	(316)	(405)	(3,800)
Liability for severance and retirement benefits	¥(1,756)	¥(1,450)	\$( 21,118)

Severance and retirement benefit expenses included in the consolidated statements of income for the years ended March 31, 2011, 2010 and 2009 consist of the following:

	Japanese Yen (millions)			U.S. Dollars (thousands)
	2011	2010	2009	2011
Service costs – benefits earned during the year	¥617	¥539	¥609	\$ 7,420
Interest cost on projected benefit obligation	98	97	120	1,179
Expected return on plan assets	(24)	(26)	(82)	(289)
Amortization of unrecognized prior service costs	(101)	(100)	(101)	(1,215)
Amortization of unrecognized net actuarial loss	203	216	212	2,441
Severance and retirement benefit expenses	¥793	¥726	¥758	\$ 9,536
Payment to defined contribution pension plan	202	145	120	2,429
Total	¥995	¥871	¥878	\$11,965

Accounting assumptions and amortization schedule are as follows:

	2011	2010
Pension cost allocation	Based on employees' service period	Based on employees' service period
Discount rate	1.8-5.6%	2.0-5.6%
Expected return on assets	1.0-5.5%	1.0-5.7%
Amortization of unrecognized prior service costs	5-10 years	5-10 years
Amortization of unrecognized net actuarial loss	5-18 years	5-10 years

Unrecognized prior service costs and unrecognized net actuarial loss are amortized by using the straight-line method.

## 12. SHORT-TERM BORROWINGS

Short-term borrowings represent principally notes payable to banks due generally in 116 days, bank overdrafts and current portion of long-term indebtedness. Weighted average interest rates on the short-term borrowings excluding current portion of long-term indebtedness as of March 31, 2011 and 2010 were 4.0% and 4.2%, respectively.

## 13. LONG-TERM INDEBTEDNESS

Long-term indebtedness as of March 31, 2011 and 2010 consists of the following:

	Japanese Yen (millions)		U.S. Dollars (thousands)
	2011	2010	2011
<b>Bonds payable-</b>			
1.38% bond payable due May 2013	¥15,000	¥15,000	\$180,397
<b>Loans payable-</b>			
Unsecured loans due 2010 through 2035 with average rate of 1.10%	6,386	3,627	76,801
	21,386	18,627	257,198
<b>Less-</b>			
Current portion of long-term indebtedness	(1,130)	(331)	(13,590)
	¥20,256	¥18,296	\$243,608

Annual maturities of long-term indebtedness as of March 31, 2011 are as follows:

	Japanese Yen (millions)	U.S. Dollars (thousands)
2012	¥ 1,130	\$ 13,590
2013	451	5,424
2014	15,492	186,314
2015	3,494	42,020
2016	4	48
2017 and thereafter	815	9,802
Total	¥21,386	\$257,198

## 14. INCOME TAXES

The Company is subject to corporation, enterprise and inhabitants' taxes, which resulted in an aggregate normal effective tax rate of approximately 40.6% for the years ended March 31, 2011, 2010 and 2009.

The following table summarizes the significant differences between the statutory tax rate and the effective tax rate for the years ended March 31, 2011, 2010 and 2009:

	2011	2010	2009
Statutory tax rate	40.6%	40.6%	40.6%
Non-deductible expenses	1.1	2.5	1.3
Non-taxable dividend income	(3.8)	(4.5)	(2.2)
Per capita inhabitant tax	0.4	0.5	1.3
Tax rate differences between those applied in Japan and foreign subsidiaries' countries	(10.8)	(10.6)	(16.1)
Changes in valuation allowance	—	2.5	7.7
Undistributed profits of overseas subsidiaries	3.3	—	—
Cash dividends from foreign subsidiaries	4.8	5.5	10.0
Tax reduction for research and development expense	(2.6)	(4.5)	(13.1)
Other	(1.5)	3.1	(2.3)
Effective tax rate	31.5%	35.1%	27.2%

# Notes to Consolidated Financial Statements

Significant components of deferred tax assets and liabilities as of March 31, 2011, 2010 and 2009 are as follows:

	Japanese Yen (millions)			U.S. Dollars (thousands)	
	2011	2010	2009	2011	
<b>Deferred tax assets:</b>					
Employees' retirement allowances	¥ 692	¥ 579	¥ 485	\$ 8,322	
Enterprise taxes	123	169	21	1,479	
Accrued bonuses	477	421	435	5,737	
Impairment losses on fixed assets	276	119	265	3,319	
Allowance for doubtful receivables	71	20	297	854	
Net loss carry forwards of subsidiaries	1,542	1,801	1,739	18,545	
Depreciation	75	89	96	902	
Impairment losses of investment securities	50	46	94	601	
Inventories	22	22	58	265	
Valuation loss on molds and dies	283	309	402	3,403	
Other	827	881	546	9,947	
<b>Total</b>	<b>4,438</b>	<b>4,456</b>	<b>4,438</b>	<b>53,374</b>	
Offset with deferred tax liabilities within each entity	(1,312)	(1,106)	(1,101)	(15,779)	
<b>Sub-total deferred tax assets</b>	<b>3,126</b>	<b>3,350</b>	<b>3,337</b>	<b>37,595</b>	
Valuation allowance	(1,647)	(1,834)	(1,916)	(19,808)	
<b>Total deferred tax assets</b>	<b>1,479</b>	<b>1,516</b>	<b>1,421</b>	<b>17,787</b>	
<b>Deferred tax liabilities:</b>					
Net unrealized holding gains on securities	(150)	(245)	(1)	(1,804)	
Difference on revaluation of assets of subsidiaries	(37)	(34)	(39)	(445)	
Reserves under Special Taxation Measures Law	(602)	(621)	(617)	(7,240)	
Undistributed profit of overseas subsidiaries	(416)	(12)	(15)	(5,003)	
Other	(809)	(875)	(943)	(9,730)	
<b>Total</b>	<b>(2,014)</b>	<b>(1,787)</b>	<b>(1,615)</b>	<b>(24,222)</b>	
Offset with deferred tax assets within each entity	1,312	1,106	1,101	15,779	
<b>Total deferred tax liabilities</b>	<b>(702)</b>	<b>(681)</b>	<b>(514)</b>	<b>(8,443)</b>	
<b>Net deferred tax assets</b>	<b>¥ 777</b>	<b>¥ 835</b>	<b>¥ 907</b>	<b>\$ 9,344</b>	

## 15. IMPAIRMENT LOSS ON FIXED ASSETS

In the fiscal year ended March 31, 2011, the Company recorded impairment loss on the following asset.

Location	Use	Type of asset
Nifco Inc. (Kanagawa Prefecture, Japan)	Idle assets	Buildings and structures; Land

The Company and consolidated subsidiaries' business assets for internal use are grouped by the unit of office or consolidated subsidiary, and lease properties and assets to be disposed (idle assets) are grouped by individual property.

The impairment loss by each category of property, plant and equipment is as follows:

	Japanese Yen (millions)		U.S. Dollars (thousands)	
	2011			
Buildings and structures	¥ 40		\$ 481	
Land	469		5,640	
<b>Total</b>	<b>¥509</b>		<b>\$6,121</b>	

In the fiscal year ended March 31, 2010, the Company recorded impairment loss on the following asset.

Location	Use	Type of asset
The Japan Times, Limited (Minato-ku, Tokyo)	Other businesses	Goodwill; Buildings and structures; Machinery, equipment and vehicles; and Tools, furniture and fixtures
Nifco Products Espana, S. L. U. (Barcelona, Spain)	Industrial plastic parts and components business	Goodwill

The Company and consolidated subsidiaries' business assets for internal use are grouped by the unit of office or consolidated subsidiary, and lease properties and assets to be disposed (idle assets) are grouped by individual property.

The impairment loss by each category of property, plant and equipment is as follows:

Japanese Yen (millions)	
2010	
Goodwill	¥456
Buildings and structures	6
Machinery, equipment and vehicles	6
Tools, furniture and fixtures	5
Other	83
<b>Total</b>	<b>¥556</b>

In the fiscal year ended March 31, 2009, the Company recorded impairment loss on the following asset.

Location	Use	Type of asset
Zama plant (Zama, Kanagawa)	Bed manufacturing plant	Buildings and Land
Nifco UK Ltd. (Cleveland, U.K.)	Manufacturing facility for industrial plastic parts and components	Machinery and equipment

The Company and consolidated subsidiaries' business assets for internal use are grouped by the unit of office or consolidated subsidiary, and lease properties and assets to be disposed (idle assets) are grouped by individual property.

The impairment loss by each category of property, plant and equipment is as follows:

Japanese Yen (millions)	
2009	
Land	¥501
Buildings and structures	151
Machinery and equipment	22
<b>Total</b>	<b>¥674</b>

## 16. NET ASSETS

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

The Japanese Corporate Law ("the Law") provides that an amount equal to 10% of cash dividends be appropriated as an additional paid-in capital or legal reserve. No further appropriation is required when the total amount of the additional paid-in capital and legal reserve equals to 25% of common stock. Legal reserves included in retained earnings as of March 31, 2011 and 2010 were ¥70,264 million (\$845,027 thousand) and ¥65,023 million, respectively, and are restricted from being used as dividends. The Law requires a company to obtain the approval of shareholders for transferring amount between common stock and additional paid-in capital. The Law also permits a company to transfer an amount of common stock or additional paid-in capital to retained earnings in principle upon approval of shareholders. Under the Law, all additional paid-in-capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with Japanese laws and regulations.

At the annual shareholders' meeting held on June 28, 2011, the shareholders approve cash dividends amounting to ¥1,335 million (\$16,055 thousand). Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2011. Such appropriations are recognized in the period in which they are approved by the shareholders.

## 17. PER SHARE DATA

Dividends per share shown in the consolidated statements of income have been presented on the accrual basis and include, in each fiscal period, dividends approved after each balance sheet date, but applicable to the fiscal period then ended.

Net income per share is based on the weighted average number of shares of common stock outstanding and common stock equivalents.

In the fiscal year ended March 31, 2009, the 2.3% convertible bond and stock options were considered as common stock equivalents that have a dilutive effect. With computing net income per share, net income is adjusted by the interest expense on the convertible bonds when such bonds are dilutive.

In the fiscal year ended March 31, 2010, there were no common stock equivalents that have a dilutive effect.

In the fiscal year ended March 31, 2011, the numbers of stock options are considered as common stock equivalents that have a dilutive effect.

## 18. SEGMENT INFORMATION

< Additional Information >

Effective April 1, 2010, the Company adopted "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (Accounting Standards Board of Japan ("ASBJ") Statement No. 17 on March 27, 2009) and "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance

No. 20, issued on March 21, 2008). Information on Segment for the year ended March 31, 2011 pursuant to the revised accounting standards is as follows:

### A. General information about reportable segments

The reportable segments of the Company are its constituent units on which separate financial information can be obtained, and the Board of Directors regularly examines them to determine the allocation of management resources and to evaluate earnings.

The Company has two reportable segments: the "Industrial plastic parts and components business" and the "Bedding and furniture business."

The main products and services of each reportable segment are as follows:

- (1) Industrial plastic parts and components: Industrial plastic fasteners, precision plastic injection molded components, etc.
- (2) Bedding and furniture: Various types of beds, reclining chairs, etc.

### B. Basis of measurement about reported segment profit or loss, segment assets, segment liabilities and other material items

The accounting method for reportable segments is the same, for the most part, with descriptions in the "Significant Accounting Policies for Preparing Consolidated Financial Statements."

Profit or loss in the reportable segments corresponds to operating income or operating loss.

Inter-segment revenue is based on the current market price.

### C. Information about reported segment profit or loss, segment assets, segment liabilities and other material items

Segment information as of and for the fiscal year ended March 31, 2011 is as follows:

	Japanese Yen (millions)					Consolidated
	Reporting segments			Other	Adjustments	
	Industrial Plastic Parts and Components	Bedding and Furniture	Total			
<b>2011 Net sales:</b>						
Sales to customers	¥104,275	¥14,106	¥118,381	¥2,193	¥ —	¥120,574
Inter-segment sales	1	2	3	78	(81)	—
Total	104,276	14,108	118,384	2,271	(81)	120,574
Segment income (loss)	15,484	1,534	17,018	(396)	(3,515)	13,107
Segment assets	71,413	13,510	84,923	8,436	34,566	127,925
Other items						
Depreciation	5,092	412	5,504	2	233	5,739
Impairment loss of fixed assets	—	—	—	—	509	509
Investments in equity method-applied affiliates	6	—	6	—	—	6
Increase in tangible and intangible fixed assets	9,387	155	9,542	26	93	9,661

	U.S. Dollars (thousands)					Consolidated
	Reporting segments			Other	Adjustments	
	Industrial Plastic Parts and Components	Bedding and Furniture	Total			
<b>2011 Net sales:</b>						
Sales to customers	\$1,254,059	\$169,645	\$1,423,704	\$26,374	\$ —	\$1,450,078
Inter-segment sales	12	24	36	938	(974)	—
Total	1,254,071	169,669	1,423,740	27,312	(974)	1,450,078
Segment income (loss)	186,218	18,449	204,667	(4,762)	(42,274)	157,631
Segment assets	858,845	162,477	1,021,322	101,455	415,708	1,538,485
Other items						
Depreciation	61,239	4,955	66,194	24	2,802	69,020
Impairment loss of fixed assets	—	—	—	—	6,121	6,121
Investments in equity method-applied affiliates	72	—	72	—	—	72
Increase in tangible and intangible fixed assets	112,892	1,864	114,756	313	1,119	116,188

Notes 1. "Other" includes newspapers and publishing business, etc.

2. Adjustments to the segment loss of ¥3,515 million (\$42,274 thousand) reflect company costs of ¥3,644 million (\$43,824 thousand) and transactions eliminated between segments totaling ¥129 million (\$1,550 thousand). Company costs mainly refer to general and administrative expenses that do not belong to reportable segments.

3. Segment income (loss) is adjusted by taking into account operating income of consolidated financial statements.

4. Adjustment to segment assets of ¥34,566 million (\$415,708 thousand) reflect company assets that are not allocated to each reportable segment of ¥48,153 million (\$579,110 thousand) and transactions eliminated between segments totaling ¥13,587 million (\$163,402 thousand).

Amortization of goodwill and remaining amounts by reportable segment for the year ended March 31, 2011, is as follows:

Goodwill

	Japanese Yen (millions)			
	Industrial Plastic Parts and Components	Bedding and Furniture	Other	Total
Amortization	¥ 43	¥—	¥ 1	¥ 44
Remaining amounts	379	—	—	379

# Notes to Consolidated Financial Statements

	U.S. Dollars (thousands)			
	Industrial Plastic Parts and Components	Bedding and Furniture	Other	Total
Amortization	\$ 517	\$—	\$12	\$ 529
Remaining amounts	4,558	—	—	4,558

Negative goodwill

	Japanese Yen (millions)			
	Industrial Plastic Parts and Components	Bedding and Furniture	Other	Total
Amortization	¥ 8	¥22	¥—	¥30
Remaining amounts	12	42	—	54

	U.S. Dollars (thousands)			
	Industrial Plastic Parts and Components	Bedding and Furniture	Other	Total
Amortization	\$ 96	\$265	\$—	\$361
Remaining amounts	144	505	—	649

Segment information as of and for the fiscal years ended March 31, 2010 and 2009, which is restated in conformity with the requirements of the Standard, is as follows:

	Japanese Yen (millions)						Consolidated
	Industrial Plastic Parts and Components	Bedding and Furniture	Newspaper and Publishing	Other	Total	Eliminations and Corporate	
<b>2010 Net sales:</b>							
Sales to customers	¥ 89,512	¥13,523	¥ —	¥4,471	¥107,506	¥ —	¥107,506
Inter-segment sales	—	1	—	31	32	(32)	—
Total	89,512	13,524	—	4,502	107,538	(32)	107,506
Operating expenses	78,664	12,512	—	4,791	95,967	2,986	98,953
Operating income (loss)	10,848	1,012	—	(289)	11,571	(3,018)	8,553
Total assets	69,996	12,982	—	8,757	91,735	30,936	122,671
Depreciation	6,085	422	—	16	6,523	101	6,624
Impairment loss of fixed assets	260	—	—	296	556	—	556
Capital expenditures	5,304	177	—	24	5,505	70	5,575
<b>2009 Net sales:</b>							
Sales to customers	¥101,470	¥15,662	¥2,863	¥2,524	¥122,519	¥ —	¥122,519
Inter-segment sales	—	1	21	1	23	(23)	—
Total	101,470	15,663	2,884	2,525	122,542	(23)	122,519
Operating expenses	91,991	14,198	3,220	2,643	112,052	3,229	115,281
Operating income (loss)	9,479	1,465	(336)	(118)	10,490	(3,252)	7,238
Total assets	63,162	14,035	1,225	8,983	87,405	24,735	112,140
Depreciation	7,361	306	5	16	7,688	291	7,979
Impairment loss of fixed assets	22	652	—	—	674	—	674
Capital expenditures	7,901	3,051	30	20	11,002	473	11,475

- Notes
- The businesses are classified according to types of products and their markets.
  - The main products for each business segment are as follows.
    - Industrial plastic parts and components: .....Industrial plastic fasteners, precision plastic injection molded, components, etc.
    - Bedding and furniture:.....Various types of beds, reclining chairs, etc.
    - Other:.....English-language newspaper and other printed media, liquid crystal displays and other electronic components, etc.
  - The operating expenses for the year ended March 31, 2010 and 2009 include operating expenses of ¥3,161 million and ¥3,463 million, respectively, which cannot be appropriated to any one segment and are included in Eliminations and Corporate; these mainly consist of expenses incurred by the administrative operations of the Company's Head Office including its Administration and Accounting Departments.
  - The total assets as of March 31, 2010 and 2009 include corporate assets of ¥45,235 million and ¥36,220 million, respectively, which cannot be appropriated to any one segment and are included in Eliminations and Corporate. These are mainly assets related to the Administration Division including operating capital (cash), long-term deposits (investment securities), etc.
  - The increase in long-term prepaid expenses is included in capital expenditures.
  - Changes in accounting policies
    - Accounting standards regarding measurement of inventories  
As stated in "Summary of Significant Accounting and Reporting policies," the Company has adopted "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, issued on July 5, 2006) from the year ended March 31, 2009. As a result, operating income of "Industrial Plastic Parts and Components" in the year ended March 31, 2009 is smaller than the amount under the previous method by ¥7 million; that of "Bedding and Furniture" is smaller by ¥7 million.
    - Changes in the method of converting profits and expenses of foreign subsidiaries into yen  
As stated in "Summary of Significant Accounting and Reporting policies," although the Company previously converted profits and expenses of foreign subsidiaries into yen based on the rates of exchange in effect at the balance sheet date, the Company have adopted a new method of converting profits and expenses of foreign subsidiaries into yen based on the average exchange rates during the period effective from the year ended March 31, 2009. As a result, operating income of "Industrial Plastic Parts and Components" in the year ended March 31, 2009 is larger than the amount under the previous method by ¥777 million; that of "Bedding and Furniture" is larger by ¥143 million.
  - "Newspapers and publishing business," which was separately presented in the fiscal years ended March 31, 2009 is included in "Other businesses" from the fiscal year ended March 31, 2010, since the significance of the above business declined. Net sales of the "News papers and publishing business" to outside customers were ¥2,370 million and its operating loss was ¥402 million in the fiscal year ended March 31, 2010.

Operations by geographic areas for the year ended March 31, 2011 is summarized as follows:

	Japanese Yen (millions)						Eliminations and Corporate	Consolidated
	Japan	Asia	North America	Europe	Total			
<b>2011 Net sales:</b>								
Sales to customers	¥65,840	¥36,041	¥12,697	¥5,996	¥120,574	¥ —	¥120,574	
Inter-segment sales	4,546	2,853	5	4	7,408	(7,408)	—	
Total	70,386	38,894	12,702	6,000	127,982	(7,408)	120,574	
Operating income (loss)	8,445	6,300	790	485	16,020	(2,913)	13,107	

	U.S. Dollars (thousands)						Eliminations and Corporate	Consolidated
	Japan	Asia	North America	Europe	Total			
<b>2011 Net sales:</b>								
Sales to customers	\$791,822	\$433,446	\$152,700	\$72,110	\$1,450,078	\$ —	\$1,450,078	
Inter-segment sales	54,672	34,311	60	49	89,092	(89,092)	—	
Total	846,494	467,757	152,760	72,159	1,539,170	(89,092)	1,450,078	
Operating income (loss)	101,563	75,767	9,501	5,833	192,664	(35,033)	157,631	

Operations by geographic areas for the years ended March 31, 2010 and 2009, are summarized as follows:

	Japanese Yen (millions)						Eliminations and Corporate	Consolidated
	Japan	Asia	North America	Europe	Total			
<b>2010 Net sales:</b>								
Sales to customers	¥65,341	¥28,295	¥8,655	¥5,215	¥107,506	¥ —	¥107,506	
Inter-segment sales	4,296	1,201	2	0	5,499	(5,499)	—	
Total	69,637	29,496	8,657	5,215	113,005	(5,499)	107,506	
Operating expenses	62,553	25,390	9,007	4,935	101,885	(2,932)	98,953	
Operating income (loss)	7,084	4,106	(350)	280	11,120	(2,567)	8,553	
Total assets	45,366	30,083	8,384	6,074	89,907	32,764	122,671	
<b>2009 Net sales:</b>								
Sales to customers	¥71,253	¥32,881	¥11,640	¥6,745	¥122,519	¥ —	¥122,519	
Inter-segment sales	3,761	1,229	21	0	5,011	(5,011)	—	
Total	75,014	34,110	11,661	6,745	127,530	(5,011)	122,519	
Operating expenses	70,079	29,184	11,858	6,473	117,594	(2,313)	115,281	
Operating income (loss)	4,935	4,926	(197)	272	9,936	(2,698)	7,238	
Total assets	46,075	25,414	7,459	5,142	84,090	28,050	112,140	

- Notes
- Countries or regions are defined by geographical proximity.
  - The details of the regions other than Japan are as follows:
    - Asia: .....South Korea, Hong Kong, China, Taiwan, Malaysia, Singapore, Thailand and Vietnam
    - North America: .....U.S.A.
    - Europe: .....U.K., Spain, Poland and Germany
  - The operating expenses for the year ended March 31, 2010 and 2009 include operating expenses of ¥3,161 million and ¥3,463 million, respectively, which cannot be appropriated to any one segment and are included in Eliminations and Corporate; these mainly consist of expenses incurred by the administrative operations of the Company's Head Office including its Administration and Accounting Departments.
  - The total assets as of March 31, 2010 and 2009 include corporate assets of ¥45,235 million and ¥36,220 million, respectively, which cannot be appropriated to any one segment and are included in Eliminations and Corporate. These are mainly assets related to the Administration Division including operating capital (cash), long-term deposits (investment securities), etc.
  - Changes in accounting policies
    - Accounting standards regarding measurement of inventories  
As stated in "Summary of Significant Accounting and Reporting policies," the Company has adopted "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, issued on July 5, 2006) from the year ended March 31, 2009. As a result, operating income of "Japan" in the year ended March 31, 2009 is smaller than the amount under the previous method by ¥13 million.
    - Changes in the method of converting profits and expenses of foreign subsidiaries into yen  
As stated in "Summary of Significant Accounting and Reporting policies," although the Company previously converted profits and expenses of foreign subsidiaries into yen based on the rates of exchange in effect at the balance sheet date, the Company have adopted a new method of converting profits and expenses of foreign subsidiaries into yen based on the average exchange rates during the period effective from the year ended March 31, 2009. As a result, operating income of "Asia" in the year ended March 31, 2009 is larger than the amount under the previous method by ¥843 million; that of "Europe" is larger by ¥112 million; that of "North America" is smaller by ¥30 million.

# Notes to Consolidated Financial Statements

Information about geographic areas

The amount of revenues by geographic areas for the year ended March 31, 2011 is summarized as follows:

Japanese Yen (millions)						
Japan	Asia	Korea	North America	Europe	Other	Total
¥65,211	¥23,025	¥13,256	¥13,267	¥5,714	¥101	¥120,574

U.S. Dollars (thousands)						
Japan	Asia	Korea	North America	Europe	Other	Total
\$784,257	\$276,909	\$159,423	\$159,555	\$68,719	\$1,215	\$1,450,078

The amount of tangible fixed assets by geographic areas for the year ended March 31, 2011 is summarized as follows:

Japanese Yen (millions)				
Japan	Asia	North America	Europe	Total
¥23,982	¥8,900	¥2,952	¥2,049	¥37,883

U.S. Dollars (thousands)				
Japan	Asia	North America	Europe	Total
\$288,419	\$107,035	\$35,502	\$24,642	\$455,598

The amount of overseas sales and the ratios thereof to consolidated net sales for the years ended March 31, 2010 and 2009, are summarized as follows:

	Japanese Yen (millions)				
	North America	Asia	Europe	Other	Total
2010					
Overseas sales	¥ 9,088	¥28,532	¥4,975	¥ 84	¥ 42,679
Consolidated net sales	—	—	—	—	¥107,506
The ratio of overseas sales to consolidated net sales	8.5%	26.5%	4.6%	0.1%	39.7%
2009					
Overseas sales	¥11,847	¥32,949	¥6,402	¥210	¥ 51,408
Consolidated net sales	—	—	—	—	¥122,519
The ratio of overseas sales to consolidated net sales	9.7%	26.9%	5.2%	0.2%	42.0%

Notes 1. Countries or regions are defined by geographical proximity.

2. The details of the regions other than Japan are as follows:

(1) North America: ..... U.S.A., Canada and Mexico

(2) Asia: ..... South Korea, Taiwan, China, Hong Kong, Thailand, Malaysia, Singapore, etc.

(3) Europe: ..... U.K., Spain, France, Germany, Poland, Czech, Hungary, etc.

(4) Other: ..... Turkey, Australia, etc.

3. Overseas sales include all sales made outside Japan and exports from Japan.

4. Changes in accounting policies

Changes in the method of converting profits and expenses of foreign subsidiaries into yen

As stated in "Summary of Significant Accounting and Reporting policies," although the Company previously converted profits and expenses of foreign subsidiaries into yen based on the rates of exchange in effect at the balance sheet date, the Company have adopted a new method of converting profits and expenses of foreign subsidiaries into yen based on the average exchange rates from the year ended March 31, 2009. As a result, operating income of "North America" in the year ended March 31, 2009 is larger than the amount under the previous method by ¥1,435 million; that of "Asia" is larger than the amount under the previous method by ¥6,349 million; that of "Europe" is larger by ¥1,769 million; that of "Other" is smaller by ¥82 million.

Consolidated net sales in the year ended March 31, 2009 increased by ¥9,635 million compared with those calculated under the previous method.

## 19. STOCK OPTION PLANS

The Company granted stock options to directors and certain employees as follows:

Exercisable Period	Maximum number of shares in aggregate to be purchased
From July 1, 2007 to June 30, 2011	37 thousand

Class of shares to be transferred is common stock, and an exercise price is equal to 1.05 times the average closing price of the Company's common stock for the month previous to the grant unless the average closing price was less than the closing price of the day before the grant, in which case the closing price of the day before the grant become the exercise price. Options to purchase common stock are exercisable from one year after the date of grant and expire after 5 years from the date of grant. Conditions for the exercise of rights are subject to agreements entered into between the Company and the transferees pursuant to resolutions adopted at the shareholders' meeting and subsequent board of directors' meeting.

## 20. RELATED PARTY TRANSACTIONS

Transactions between the Company and certain companies owned by the Company directors for the fiscal year ended March 31, 2011 were no significance to be reported.

As for the year ended March 31, 2010 was reported as follows:

Company name	Common stock (million yen)	Type of business	Nature of transaction	Japanese Yen (millions)
Kabushiki Kaisha Mirai Sangyo	¥10	Real estate management	Purchase of securities	¥21
Nichiei Kaihatsu Kabushiki Kaisha	¥20	Real estate management	Purchase of securities	¥48

Those purchase prices were decided based on the recent dealing price or the purchase price in the same period between the Company and the third party.

## To the Board of Directors and Shareholders of Nifco Inc.:

We have audited the accompanying consolidated balance sheets of Nifco Inc. (the "Company") and consolidated subsidiaries as of March 31, 2011 and 2010, the related consolidated statement of income and comprehensive income for the year ended March 31, 2011, consolidated statements of income for the years ended March 31, 2010 and 2009, and consolidated statements of changes in net assets and cash flows for each of three years in the period ended March 31, 2011 expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

We conducted our audits 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Nifco Inc. and subsidiaries as of March 31, 2011 and 2010, and the results of their operations and their cash flows for each of three years in the period ended March 31, 2011, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to Note 2 to the consolidated financial statements, the Company changed its accounting policy for foreign currency translation of income and expenses from the year ended March 31, 2009.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2011 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion; such translation has been made on the basis described in Note 1 to the consolidated financial statements.

**KPMG AZSA LLC**

Tokyo, Japan  
June 28, 2011

## Members of the Board

Chairman & Representative Director Chief Executive Officer	Toshiaki Ogasawara
President & Representative Director Chief Operating Officer	Masaru Onodera
Senior Managing Director	Kiyohiko Fukawa
Senior Managing Director	Yoshiaki Notoya
Managing Director	Mitsutaka Ogasawara
Non-Executive Director	Toyoo Gyoten
Non-Executive Director	Shunji Yanai

## Members of the Board of Auditors

Standing Auditors	Kenji Matsukawa Hiroshi Takikawa
Auditors	Mikio Yokokawa Kagetoshi Uchida

## Executive Officers

### Executive Managing Officers

Nobuaki Omata  
Yukiko Ogasawara  
Eiji Suzuishi

### Senior Executive Officers

Toshiyuki Yamamoto  
Junji Honda  
Kazumasa Kurihara  
Akinobu Suzuki  
Masatoshi Fukawa  
Shinsuke Oki  
Takashi Morinaga  
Tomoyasu Kato  
Hiroshi Kimura  
Fukuo Iwasaki  
Takashi Ukai  
Yukiko Yoshimaru

## Corporate Outline (as of 31st March, 2011)

Registered name	Nifco Inc.
Date of Establishment	13th February, 1967
Shareholders' capital	¥7,290 million
Head Office	184-1 Maioka-cho, Totsuka-ku, Yokohama, Kanagawa Prefecture, 244-8522 Japan
Number of employees	1,264 (non-consolidated) 5,886 (consolidated)

## Corporate Directory

### Tokyo Headquarters

Japan Times-Nifco Building,  
4-5-4 Shibaura, Minato-ku, Tokyo 108-8522 Japan  
Tel 03-5476-4850  
Fax 03-5476-4859

### Head Office

184-1 Maioka-cho, Totsuka-ku,  
Yokohama, Kanagawa Prefecture, 244-8522 Japan  
Tel 045-825-7900  
Fax 045-824-4781

### Other Domestic Offices and Plants (in alphabetical order)

Hamamatsu Sales Office  
Hiroshima Sales Office  
Kyushu Sales Office  
Nagoya Plant and Sales Office  
Osaka Sales Office  
Ota Sales Office  
Sagamihara Plant and Sales Office  
Sayama Sales Office  
Utsunomiya Plant and Sales Office  
Yamagata Sales Office

### Transfer Agent and Registrar

Stocks & Shares Department,  
Mizuho Trust & Banking Co., Ltd.,  
1-2-1 Yaesu, Chuo-ku, Tokyo

## Domestic Subsidiary Companies

Nifco Yamagata Inc.  
Nifco Kumamoto Inc.  
Simmons Co. Ltd.  
The Japan Times, Limited

## Domestic Affiliated Companies

Nichiei Seiki Co., Ltd.,  
Nifco Kasei Co., Ltd.,

## Overseas Subsidiary Companies

### North America

**Nifco America Corporation Head Quarter**  
8015 Dove Parkway Canal Winchester, OH  
43110, U.S.A.  
Tel +1-614-920-6800  
Fax +1-614-836-3846

### Kentucky Division

380 Hudson Boulevard Shelbyville, KY  
40065, U.S.A.  
Tel +1-866-752-0790  
Fax +1-502-844-2139

### Tennessee Factory

130 Wheeler Street Lavergne, TN  
37086, U.S.A.  
Tel +1-615-793-5977  
Fax +1-615-793-5980

### Nifco Korea USA Inc.

4300 Alatex Road Montgomery, AL  
36108, U.S.A.  
Tel +1-334-481-1647  
Fax +1-334-481-1670

### Europe

**Nifco Poland Sp. z o.**  
ul. Przemyslowa, 41-43, 58-100 Swidnica, Poland  
Tel +48-74-649-5500  
Fax +48-74-649-5503

### Nifco Products España, S. L. U.

Bosch i Gimpera,  
2-4 Pol.Ind. Santa Margarita II 08223,  
Terrassa Barcelona, Spain  
Tel +34-93-736-1800  
Fax +34-93-731-6265

#### Nifco U.K. Ltd.

Yarm Road, Stockton-on-Tees,  
Cleveland TS18 3RX, U.K.  
Tel +44-(0)1642-672299  
Fax +44-(0)1642-611004

#### Nifco Deutschland GmbH

Mergenthaler Allee 79-81 TOPASII 65760  
Eschborn, Germany  
Tel +49-(0)6196-7762-078  
Fax +49-(0)6196-7614-999

#### Asia

##### Shanghai Nifco Plastic Manufacturer Co., Ltd.

305 Shen Xia Lu, Ma Lu Zhen Jiading District,  
Shanghai, 201818 People's Republic of China  
Tel +86-(0)21-5990-3030  
Fax +86-(0)21-5990-3966

##### Nifco Enterprise Management (Shanghai) Co., Ltd.

Room 1603A, No.666, Gubei Road,  
Changning District, Shanghai, 200336  
Peoples' Republic of China  
Tel +86-21-6275-5566  
Fax +86-21-6295-0183

##### Dongguan Nifco Co., Ltd.

East Fang Zheng Road, New City Center,  
Shilong Town, Dongguan,  
Guangdong Province, 523326  
People's Republic of China  
Tel +86-(0)769-8618-5767  
Fax +86-(0)769-8618-5697

##### Tifco (Dongguan) Co., Ltd.

Sihuan Road, Xianxi New Ind. District,  
Changan Town, Dongguan City, Guangdong  
Province, 523846 People's Republic of China  
Tel +86-(0)769-8539-1205  
Fax +86-(0)769-8539-1203

##### Beijing Nifco Co., Ltd.

The junction of Bo Xing First Street and Tai He Avenue,  
He Xi District, Beijing Economic-Technological  
Development Area, 100176 People's Republic of China  
Tel +86-(0)10-8712-6000  
Fax +86-(0)10-8712-6050

##### Nifco (Tianjin) Co., Ltd.

No.5, the 5th Haitaihuake Road,  
HuaYuan Industry Park (Outer Ring), Binhai  
Hi-Tech Industry Development Zone, Tianjin,  
300384 People's Republic of China  
Tel +86-22-5828-8288

##### Nifco (Hubei) Co., Ltd.

Baoye Industrial Park, ChuangYe Avenue,  
Gedian Economic and Technical Development Zone  
of Hubei Province, 436070 People's Republic of China  
Tel +86-711-370-0122

##### Nifco (Jiangsu) Co., Ltd.

No.9, Chen Xin Road, North District, Zhang Jia Gang  
Economic Development Zone, Jiang Su Province,  
215600 People's Republic of China  
Tel +86-512-5879-9588

##### Nifco (HK) Limited

No.5 Dai Wang Street, Tai Po Industrial Estate,  
New Territories, Hong Kong  
Tel +852-2665-8088  
Fax +852-2664-9330

##### Nifco Taiwan Corporation

7F, No.3, Sec.1, Tun Hwa S. Road, Songshan District,  
Taipei 105, Taiwan, Republic of China  
Tel +886-(0)2-2578-2952  
Fax +886-(0)2-2577-8431

##### Nifco Korea Inc.

#14-4, Chaam-Dong, Chonan-Shi Chungnam,  
330-200 Korea  
Tel +82-(0)41-620-4771  
Fax +82-(0)41-621-8786

##### Nifco (Thailand) Co., Ltd.

Amata Nakorn Industrial Estate 700/420 Moo 7,  
Bangna-Trad Road (KM.57), Tambol Don-Hua-Roh,  
Amphur Muang, Chonburi, Chonburi 20000 Thailand  
Tel +66-(0)38-45-4165  
Fax +66-(0)38-45-4173

##### Union Nifco Co., Ltd.

99 Moo 5, Bangna-Trad Road (KM.38),  
Tambol Bangsamak, Amphur Bangpakong,  
Chachoengsao 24130 Thailand  
Tel +66-(0)38-84-2130~5  
Fax +66-(0)38-84-2129

##### Nifco Manufacturing (Malaysia) Sdn. Bhd.

No.46, Jalan Keluli 2, Taman  
Perindustrian Utama Bukit Raja, 41720 Klang,  
Selangor Darul Ehsan, Malaysia  
Tel +60-(0)3-33412103  
Fax +60-(0)3-33412107

##### Nifco (Singapore) Pte. Ltd.

48 Toh Guan Road East, Enterprise Hub,  
#05-98, Singapore 608586  
Tel +65-6273-9123  
Fax +65-6273-9150

##### Nifco Vietnam Ltd.

Lot #90, Linh Trung Export Processing  
Zone&Industrial Park III,  
Trang Bang Dist, Tay Ninh Province, Vietnam  
Tel +84-(0)66-389-7451  
Fax +84-(0)66-389-7455

##### Nifco India Private Ltd.

Plot No.122, Sector 8, Industrial Estate, Imt-Manesar,  
Gurgaon-122050, Haryana, India  
Tel +91-124-4998225 & 226  
Fax +91-124-4998249

##### Nifco South India Manufacturing Private Ltd.

Chennai Regus Citi Center, Level 6, Dr.Radhakrishna  
Salai Chennai-600004, Tamil Nadu, India  
Tel +91-44-4221-8183

## Simmons Group

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##### Simmons Bedding & Furniture (HK)

Room 1402, 14/F, Caroline Centre, 28 Yun Ping Road,  
Causeway Bay, Hong Kong  
Tel +852-2378-4848  
Fax +852-2378-4800

##### Simmons (Southeast Asia) Pte.Ltd.

100 Beach Road, #14-07 Shaw Tower,  
Singapore 189702  
Tel +65-6294-2278  
Fax +65-6293-0002

##### Simmons Taiwan Ltd.

11F-7 #81, Sec. 1, Hsin-Tai Wu Road,  
Hsi-Chi, Taipei Hsien 221, Taiwan, Republic of China  
Tel +886-2-2698-3391  
Fax +886-2-8698-2112

##### Shanghai Simmons Bedding & Furniture Sales Ltd.

Room 505, Lippo Plaza, No.222 Huaihai Rd.(M),  
Shanghai, 200021 People's Republic of China  
Tel +8621-6248-2233  
Fax +8621-6248-0322

##### Simmons Bedding & Furniture (Shanghai) Ltd.

No4. Warehouse, 415 Shunfu Road,  
Fengxian District, Shanghai, 201406  
People's Republic of China

# NIFCO Inc.

Japan Times-Nifco Building  
4-5-4 Shibaura, Minato-ku, Tokyo 108-8522 Japan

Telephone 03-5476-4850

Facsimile 03-5476-4859

<http://www.nifco.co.jp> (Japanese)

<http://www.nifco.com> (English)

