NOF CORPORATION

Consolidated Financial Statements

For the years ended March 31, 2011 and 2010

ERNST & YOUNG

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Report of Independent Auditors

The Board of Directors
NOF CORPORATION

We have audited the accompanying consolidated balance sheets of NOF CORPORATION and consolidated subsidiaries as of March 31, 2011 and 2010, and the related consolidated statements of income, changes in net assets, and cash flows for the years then ended and consolidated statement of comprehensive income for the year ended March 31, 2011, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these 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 financial statements referred to above present fairly, in all material respects, the consolidated financial position of NOF CORPORATION and consolidated subsidiaries at March 31, 2011 and 2010, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

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 3.

Ernst & Young ShinNihon LLC

June 23, 2011

NOF CORPORATION and Subsidiaries

Consolidated Balance Sheets
As of March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	2010	2011
ASSETS			
Current assets:			
Cash and time deposits (Note 4)	¥ 6,714	¥ 5,549	$ 80,750
Notes and accounts receivable (Note 6)	30,089	29,803	361,871
Allowance for doubtful accounts	(192)	(229)	(2,312)
	29,897	29,574	359,559
Inventories	27,468	26,313	330,338
Deferred tax assets (Note 11)	2,347	2,060	28,227
Other current assets (Note 5)	2,306	1,848	27,725
Total current assets	68,732	65,344	826,599
Property, plant and equipment (Note 7 and 17):			
Land	19,606	19,305	235,794
Buildings and structures	57,681	57,516	693,703
Machinery, equipment and vehicles	89,371	90,020	1,074,823
Construction in progress	1,687	983	20,292
Leased assets	386	171	4,643
Others	13,867	14,029	166,771
Accumulated depreciation	(127,505)	(123,400)	(1,533,451)
Total property, plant and equipment	55,093	58,624	662,575
Investments and other assets:			
Investments in securities (Note 5 and 6)	22,584	25,133	271,608
Deferred tax assets (Note 11)	434	444	5,220
Intangible assets (Note 18)	1,132	1,872	13,609
Prepaid pension expenses (Note 12)	5,917	6,298	71,156
Other assets	1,429	1,696	17,198
Total investments and other assets	31,496	35,443	378,791
Total assets	¥ 155,321	¥ 159,411	$ 1,867,965

The accompanying notes are an integral part of the statements.

NOF CORPORATION and Subsidiaries

Consolidated Balance Sheets (Continued)
As of March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	2010	2011
LIABILITIES AND NET ASSETS			
Current liabilities:			
Short-term bank loans (Note 6 and 7)	¥ 5,953	¥ 6,422	$ 71,597
Current portion of long-term debt (Note 6 and 7)	4,743	1,440	57,047
Notes and accounts payable (Note 6)	20,808	20,072	250,246
Accrued expenses	4,335	4,408	52,132
Income taxes payable	2,966	2,370	35,667
Deposits received	3,622	3,470	43,565
Lease obligations	263	22	3,163
Other current liabilities (Note 11)	3,633	4,098	43,682
Total current liabilities	46,323	42,302	557,099
Long-term liabilities:			
Long-term debt (Note 6 and 7)	8,102	12,931	97,442
Deferred tax liabilities (Note 11)	6,886	8,250	82,816
Retirement benefit provisions (Note 12)	3,918	3,915	47,115
Retirement benefit provisions for directors	197	210	2,374
Retirement benefit provisions for officers	98	103	1,181
Lease obligations	132	135	1,589
Other long-term liabilities (Note 18)	493	754	5,919
Total long-term liabilities	19,826	26,298	238,436
Commitments and contingencies (Note 15)			
Net assets:			
Shareholders' equity			
Common stock:			
Authorised: 783,828,000 shares at March 31, 2011 and 2010			
Issued: 191,682,752 shares and 196,682,752 shares at March 31, 2011 and 2010	17,742	17,742	213,374
Capital surplus	15,113	15,113	181,760
Retained earnings	54,129	51,393	650,985
Treasury stock, at cost	(1,310)	(2,143)	(15,767)
Total shareholders' equity	85,674	82,105	1,030,352
Accumulated other comprehensive income			
Unrealized gain on other securities	4,588	5,805	55,180
Foreign currency translation adjustments	(1,678)	(1,035)	(20,180)
Total accumulated other comprehensive income	2,910	4,770	35,000
Minority interests	588	3,936	7,078
Total net assets	89,172	90,811	1,072,430
Total liabilities and net assets	¥ 155,321	¥ 159,411	$ 1,867,965

The accompanying notes are an integral part of the statements.

NOF CORPORATION and Subsidiaries

Consolidated Statements of Income
For the years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	2010	2011
Net sales	¥ 154,122	¥ 143,385	$ 1,853,539
Cost of sales (Notes 9 and 13)	114,757	109,725	1,380,120
Gross profit	39,365	33,660	473,419
Selling, general and administrative expenses (Notes 8, 9 and 13)	28,797	28,050	346,320
Operating income	10,568	5,610	127,099
Other income (expenses):			
Interest and dividend income	625	585	7,517
Interest expenses	(254)	(330)	(3,050)
Gain on sale of properties	0	56	0
Loss on disposal of properties	(98)	(101)	(1,181)
Earning (loss) on sale of investments in securities	0	(104)	1
Impairment loss on investment securities	(506)	(66)	(6,082)
Equity in earnings of affiliates	-	34	-
Foreign exchange loss, net	(148)	(102)	(1,786)
Impairment loss on fixed assets (Note 25)	(696)	-	(8,375)
Reversal of accrual on warranty expense	-	215	-
Environmental expenses	-	(105)	-
Compensation income	203	-	2,435
Gain on negative goodwill	948	-	11,400
Loss on disaster (Note 24)	(344)	-	(4,137)
Others, net	313	54	3,768
	43	136	510
Income before income taxes and minority interests in the earnings of consolidated subsidiaries	10,611	5,746	127,609
Income taxes (Note 11)			
Current	4,429	2,759	53,265
Deferred	(800)	(744)	(9,619)
	3,629	2,015	43,646
Net income before minority interests	6,982	3,731	83,963
Minority interests in the earnings of consolidated subsidiaries	(95)	(230)	(1,141)
Net income	¥ 6,887	¥ 3,501	$ 82,822

The accompanying notes are an integral part of the statements.

NOF CORPORATION and Subsidiaries

Consolidated Statement of Comprehensive Income
For the year ended March 31, 2011

	Millions of yen	Thousands of U.S. dollars (Note 3)
	2011	2011
Net income before minority interests	¥ 6,982	$ 83,963
Other comprehensive income		
Net unrealized holding gains (losses) on other securities	(1,216)	(14,621)
Foreign currency translation adjustments	(659)	(7,924)
Total other comprehensive income (Note 21)	5,107	61,418
Comprehensive income attributable to the minority interests (Note 21)	80	957
Comprehensive income attributable to NOF Corporation (Note 21)	5,027	60,461

The accompanying notes are an integral part of the statements.

NOF CORPORATION and Subsidiaries

Consolidated Statements of Changes in Net Assets
For the years ended March 31, 2011 and 2010

	Number of shares of common stock (thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized gain on other securities	Foreign currency translation adjustments	Total accumulated other comprehensive income	Minority interests	Total net assets
	Millions of yen										
Balance at March 31, 2009	196,683	¥ 17,742	¥ 15,113	¥ 49,809	¥ (2,127)	¥ 80,537	¥ 3,124	¥ (1,385)	¥ 1,739	¥ 3,781	¥ 86,057
Net income	-	-	-	3,501	-	3,501	-	-	-	-	3,501
Cash dividends	-	-	-	(1,917)	-	(1,917)	-	-	-	-	(1,917)
Purchase of treasury stock	-	-	-	-	(18)	(18)	-	-	-	-	(18)
Disposal of treasury stock	-	-	-	(0)	2	2	-	-	-	-	2
Net change in items other than shareholders' equity	-	-	-	-	-	-	2,681	350	3,031	155	3,186
Balance at March 31, 2010	196,683	¥ 17,742	¥ 15,113	¥ 51,393	¥ (2,143)	¥ 82,105	¥ 5,805	¥ (1,035)	¥ 4,770	¥ 3,936	¥ 90,811
Net income	-	-	-	6,887	-	6,887	-	-	-	-	6,887
Cash dividends	-	-	-	(1,732)	-	(1,732)	-	-	-	-	(1,732)
Purchase of treasury stock	-	-	-	-	(3,964)	(3,964)	-	-	-	-	(3,964)
Disposal of treasury stock	-	-	(365)	-	2,743	2,378	-	-	-	-	-
Retirement of treasury stock	(5,000)	-	-	(2,054)	2,054	-	-	-	-	-	2,378
Transfer of loss on disposal of treasury stock	-	-	365	(365)	-	-	-	-	-	-	-
Net change in items other than shareholders' equity	-	-	-	-	-	-	(1,217)	(643)	(1,860)	(3,348)	(5,208)
Balance at March 31, 2011	191,683	¥ 17,742	¥ 15,113	¥ 54,129	¥ (1,310)	¥ 85,674	¥ 4,588	¥ (1,678)	¥ 2,910	¥ 588	¥ 89,172

	Number of shares of common stock (thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized gain on other securities	Foreign currency translation adjustments	Total accumulated other comprehensive income	Minority interest	Total net assets
	Thousands of U.S. dollars (Note 3)										
Balance at March 31, 2010	196,683	$ 213,374	$ 181,760	$ 618,070	$ (25,767)	$ 987,437	$ 69,816	$ (12,455)	$ 57,361	$ 47,335	$ 1,092,133
Net income	-	-	-	82,822	-	82,822	-	-	-	-	82,822
Cash dividends	-	-	-	(20,834)	-	(20,834)	-	-	-	-	(20,834)
Purchase of treasury stock	-	-	-	-	(47,670)	(47,670)	-	-	-	-	(47,670)
Disposal of treasury stock	-	-	(4,385)	-	32,982	28,597	-	-	-	-	28,597
Retirement of treasury stock	(5,000)	-	-	(24,688)	24,688	-	-	-	-	-	-
Transfer of loss on disposal of treasury stock	-	-	4,385	(4,385)	-	-	-	-	-	-	-
Net change in items other than shareholders' equity	-	-	-	-	-	-	(14,636)	(7,725)	(22,361)	(40,257)	(62,618)
Balance at March 31, 2011	191,683	$ 213,374	$ 181,760	$ 650,985	$ (15,767)	$ 1,030,352	$ 55,180	$ (20,180)	$ 35,000	$ 7,078	$ 1,072,430

The accompanying notes are an integral part of the statements.

NOF CORPORATION and Subsidiaries

Consolidated Statements of Cash Flows
For the years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	2010	2011
Cash flows from operating activities:			
Income before income taxes and minority interests in the earnings of consolidated subsidiaries	¥ 10,611	¥ 5,746	$ 127,609
Adjustments for:			
Depreciation	7,302	7,647	87,819
Impairment loss on fixed assets	696	-	8,375
Gain on negative goodwill	(948)	-	(11,400)
Net change in retirement benefit provisions	399	745	4,800
Interest and dividend income	(625)	(585)	(7,517)
Interest expenses	254	330	3,050
Equity in earnings of affiliates	-	(34)	-
Gain on sale of properties	5	(56)	60
Impairment loss on investments in securities	506	66	6,082
Gain (loss) on sale of investments in securities	(0)	104	(1)
Loss on disaster	344	-	4,137
Increase in notes and accounts receivable	(695)	(1,444)	(8,359)
(Increase) decrease in inventories	(1,394)	4,817	(16,760)
Increase in notes and accounts payable	996	2,253	11,983
Others, net	60	1,777	716
Sub total	17,511	21,366	210,594
Interest and dividends received	626	730	7,529
Interest paid	(259)	(331)	(3,109)
Payments for loss on disaster	(44)	-	(531)
Income taxes paid	(3,801)	(1,148)	(45,714)
Return of income taxes	-	1,289	-
Others, net	267	-	3,204
Net cash provided by operating activities	14,300	21,906	171,973
Cash flows from investing activities:			
Payments for additional acquisition of interest in subsidiary	-	(484)	-
Payments for purchase of investments in securities	(65)	(135)	(786)
Proceeds from sale of investments in securities	0	468	5
Payments for purchase of property, plant and equipment	(4,861)	(5,997)	(58,457)
Proceeds from sale of property, plant and equipment	5	173	56
Net decrease (increase) in short-term loans receivable	85	(18)	1,022
Payments for long-term loans receivable	(7)	(2)	(86)
Proceeds from long-term loans receivable	123	73	1,478
Others, net	4	(48)	52
Net cash used in investing activities	(4,716)	(5,970)	(56,716)

NOF CORPORATION and Subsidiaries

Consolidated Statements of Cash Flows (Continued)
For the years ended March 31, 2011 and 2010

Cash flows from financing activities:			
Net decrease in short-term bank loans	(419)	(13,409)	(5,034)
Borrowing of long-term debt	-	5,000	-
Repayments of long-term debt	(1,440)	(5,446)	(17,324)
Repayments of lease obligations	(63)	(28)	(756)
Payments for purchase of treasury stock	(3,965)	(18)	(47,682)
Proceeds from sale of treasury stock	4	3	49
Cash dividends paid	(1,720)	(1,908)	(20,687)
Cash dividends paid to minority shareholders	(53)	(63)	(646)
Net cash used in financing activities	(7,656)	(15,869)	(92,080)
Effect of exchange rate changes on cash and cash equivalents	(474)	211	5,693
Net increase in cash and cash equivalents	1,454	278	17,484
Cash and cash equivalents at beginning of year	5,368	5,090	64,562
Adjustments of new consolidated subsidiaries on cash and cash equivalents	-	-	-
Cash and cash equivalents at end of year (Note 4)	¥ 6,822	¥ 5,368	$ 82,046

The accompanying notes are an integral part of these statements.

NOF CORPORATION and Subsidiaries

Notes to Consolidated Financial Statements
For the years ended March 31, 2011 and 2010

1. Basis of presentation

NOF CORPORATION (the "Company") and its domestic subsidiaries maintain their accounting records and prepare their financial statements in accordance with accounting principles generally accepted in Japan, and its foreign subsidiaries maintain their accounting records in conformity with those of their countries of domicile. Effective April 1, 2008, the Company adopted the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (PITF No. 18). In accordance with PITF No. 18, the accompanying consolidated financial statements have been prepared by using, the accounts of foreign consolidated subsidiaries prepared in accordance with either International Financial Reporting Standards (IFRS) or accounting principles generally accepted in the United States as adjusted for certain items including those for goodwill, actuarial differences and capitalized development costs. The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year presentation.

2. Summary of significant accounting policies

(1) Scope of consolidation

The Company had 34 subsidiaries (majority-owned companies) as of March 31, 2011 (33 for 2010). The consolidated financial statements include the accounts of the Company and 23 of its subsidiaries for the year ended March 31, 2011 (23 for 2010).

The remaining 10 (10 for 2010) subsidiaries, whose combined assets, net sales and net income in the aggregate are not significant in relation to those of the consolidated financial statements of the Group, have been excluded from consolidation.

The accompanying consolidated financial statements include the accounts of the 23 majority owned subsidiaries listed below (the Company and these consolidated subsidiaries are together referred to as the "Group"):

NOF CORPORATION and Subsidiaries

Notes to Consolidated Financial Statements
For the years ended March 31, 2011 and 2010

Name of subsidiaries	Percentage of voting rights owned by the Company
(Domestic subsidiaries)	%
Nippon Koki Co., Ltd.	95.0
Nichiyu Giken Kogyo Co., Ltd.	100.0
NOF METAL COATINGS ASIA PACIFIC Co., Ltd.	100.0
HOKKAIDO NOF CORPORATION	100.0
Nichiyu Trading Co., Ltd.	100.0
JAPEX Corp.	70.0
Showa Kinzoku Kogyo Co., Ltd.	97.3
Nippo Kogyo Co., Ltd.	93.2
Nichiyu Logistics Co., Ltd.	100.0
CACTUS Co., Ltd.	100.0
Yuka Sangyo Co., Ltd.	100.0
Nichiyu Kogyo Co., Ltd.	100.0
NIKKA COATING Co., Ltd.	100.0
(Foreign subsidiaries)	
NOF METAL COATINGS KOREA Co., Ltd.	100.0
NOF METAL COATINGS NORTH AMERICA Inc.	100.0
MICHIGAN METAL COATINGS COMPANY	100.0
GEORGIA METAL COATINGS COMPANY	100.0
NOF METAL COATINGS EUROPE S.A.	100.0
NOF METAL COATINGS EUROPE N.V.	100.0
NOF METAL COATINGS SOUTH AMERICA Ind. E. Com. Ltda.	90.0
P.T. NOF MAS Chemical Industries	89.6
Changshu NOF Chemical Co., Ltd.	100.0
NOF EUROPE (BELGIUM) N.V.	100.0

The Company and all of its consolidated subsidiaries use a fiscal year ended March 31, except for NOF METAL COATINGS ASIA PACIFIC Co., Ltd., NIKKA COATING Co., Ltd. and foreign subsidiaries. Those subsidiaries use a fiscal year ended December 31. The accounts of those subsidiaries have been consolidated by using the results of operations and account balances for the fiscal year, and necessary adjustments have been made for any material transactions that occurred between the different fiscal year-ends.

Effective April 1, 2010, Nippon Dacro Shamrock Co., Ltd. was renamed to NOF METAL COATINGS ASIA PACIFIC Co., Ltd., Metal Coatings International Inc. was renamed to NOF METAL COATINGS NORTH AMERICA Inc., Dacral S.A. was renamed to NOF METAL COATINGS EUROPE S.A., Metal Coatings Brazil Ind. E. Com. Ltda. was renamed to NOF METAL COATINGS SOUTH AMERICA Ind. E. Com. Ltda., Dacral Manufacturing N.V. was renamed to NOF METAL COATINGS EUROPE N.V., Korea Shamrock Co., Ltd. was renamed to NOF METAL COATINGS KOREA Co., Ltd..

(2) Consolidation and elimination

For the purposes of preparing the accompanying consolidated financial statements, any gains/losses in relation to inter-company transactions have been eliminated, and the portion thereof attributable to minority interests is charged to minority interests.

Applicable inter-company accounts have been eliminated. The cost of investments in the common stock of consolidated subsidiaries is offset by the underlying equity in the net assets of such subsidiaries. Assets and liabilities in the consolidated subsidiaries are revalued at fair market value when the majority interest in the subsidiaries is purchased.

The differences between the cost of an investment and the amount of underlying equity in the net assets of such subsidiaries except for negative goodwill occurred from the beginning of the fiscal year ended March 31, 2011 are amortized on a straight-line basis over their estimated useful lives or over a period of 5 years.

(3) Translation of financial statements of foreign subsidiaries

The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen using the current exchange rate at the balance sheet date except for shareholders' equity, which is translated using the historical rate. The income statements of the consolidated foreign subsidiaries are translated into Japanese yen using the average rate for the fiscal year. Related translation adjustments are recorded as "Foreign currency translation adjustments" in a separate component of net assets.

Effective the year ended March 31, 2010, the Company changed the method for translation of revenues and expenses of foreign subsidiaries to yen from one using the current exchange rate at the end of the fiscal year to one using the average rate for the fiscal year. This change was made to report revenues and expenses more appropriately by eliminating the effects of exchange rate fluctuations.
As a result, net sales increased by ¥17 million, operating income decreased by ¥52 million and income before income taxes and minority interests decreased by ¥48 million, compared to the amounts that would have been reported if the previous method had been applied for the year ended March 31, 2010.

(4) Cash and cash equivalents

Cash and cash equivalents in the consolidated statements of cash flows are composed of cash in hand, bank deposits able to be withdrawn on demand and short-term investments with an original maturity of three months or less and which represent a minor risk of fluctuations in value.

(5) Accounting for investments in unconsolidated subsidiaries and affiliates

Company management divested its whole shares in Autoliv Nichiyu Co., Ltd. which had been accounted for by the equity method. The investee has not been accounted for by the equity method as of March 31, 2010.

The unconsolidated subsidiaries and affiliates, whose combined assets, net sales and net income in the aggregate are not significant in relation to those of the consolidated financial statements of the Group, have been excluded from equity method.

(6) Financial instruments

(a) Securities

Available-for-sale securities for which market quotations are available are stated at an amount based on the average market price over a period of one month prior to the balance sheet date. Net unrealized gains or losses on those securities are reported as a separate component of net assets at a net-of-tax amount.

Held-to-maturity debt securities are stated at amortized cost.

Available-for-sale securities for which market quotations are unavailable are stated at cost, principally determined by the moving-average method.

(b) Hedge accounting

The Company has entered into forward foreign exchange contracts to reduce its exposure to the risk of fluctuation in foreign exchange rates related to its trade accounts receivables and payables, and the Company also has entered into interest rate swap contracts to reduce its exposure to the risk of fluctuation in interest rates related to long-term bank loans. It is the Company’s policy not to enter into any speculative derivatives transactions.

Gains or losses arising from changes in fair value of hedging instruments are deferred as assets or liabilities until the related gains or losses on the hedged items are recognized.

If forward foreign exchange contracts meet certain hedging criteria, however, the existing foreign currency receivables or payables are translated at their forward rates.

In addition, if interest rate swap contracts meet certain hedging criteria, the net amount to be paid or received under these swap contracts is added to or deducted from the interest on the liabilities for which the swap contracts were executed.

The Company evaluates the effectiveness of its hedging activities by reference to the accumulated gains or losses on the hedging instruments and the related hedged items from the commencement of the hedges.

(7) Allowance for doubtful accounts

The allowance for doubtful accounts is provided at amounts sufficient to cover probable losses on collection. It consists of the estimated uncollectible amounts with respect to identified doubtful accounts and an amount calculated by a formula based on actual collection losses incurred in the past with respect to the remaining receivables.

(8) Inventories

Inventories are principally stated at the lower of the cost on the total-average method.

(9) Property, plant and equipment (except for leased assets)

Depreciation of property, plant and equipment (excluding buildings) is principally computed using the declining-balance method, based on the estimated useful lives of the assets. Depreciation of buildings (excluding attachments to buildings) is principally computed using the straight-line method, based on the estimated useful lives of the assets. The principal range of useful lives is principally from 7 to 50 years for buildings and structures and from 5 to 10 years for machinery, equipment and vehicles.

(10) Intangible assets (except for leased assets)

Intangible assets are amortized using the straight-line method.

Software for internal use is amortized using the straight-line method over the useful life of the software, which is 5 years.

(11) Retirement benefit provisions

The employees of the Company and certain consolidated subsidiaries are covered by a funded retirement plan. Benefits under this retirement plan are generally based on employees' average basic salary during the period and length of service.

Unrecognized actuarial gains or losses are amortized by straight-line method over the period of 10 years from the next year in which they arise.
Prior service costs are amortized by straight-line method over the period of 10 years.

On July 31, 2008, ASBJ issued ASBJ Practical Issues Task Force (PITF) No.19 "Partial Amendments to Accounting Standards for Retirement Benefits(Part 3)".
The Company and its consolidated subsidiaries have adopted this accounting standard for the year ended March 31, 2010. The adaption of this accounting standard had no effect on projected benefit obligations, operating income and income before income taxes and minority interests for the year ended March 31, 2010.

(12) Retirement benefit provisions for directors

Certain subsidiaries calculate the amount that would be required, based on the pertinent rules of these companies, if all directors are to retire at the balance sheet dates, and accounts for it as retirement benefit provisions for directors, which was presented as retirement benefit provisions for directors and corporate auditors.

(13) Retirement benefit provisions for officers

The Company calculates the amount that would be required, based on the pertinent rules of the Company, if all officers are to retire at the balance sheet dates, and accounts for it as retirement benefit provisions for officers, which was presented as retirement benefit provisions for officers.

(14) Leases

Leased assets under finance lease transactions that do not transfer ownership to the lessee are depreciated to a residual value of zero by the straight-line method using the term of contract as the useful life.
Finance lease transactions that do not transfer ownership to the lessee, starting on or before March 31, 2008 are accounted for as operating lease transactions.

(15) Construction contracts

On December 27, 2007, ASBJ issued ASBJ Practical Issues Task Force (PITF) No.15 “Accounting Standard for Construction Contracts” and ASBJ Guidance No.18 “Guidance on Accounting Standard for Construction Contracts”.
PITF No.15 and ASBJ Guidance No.18 requires that the percentage of completion method shall be applied if the extent of progress toward the construction contract or contractor contract to build machineries is dependable, otherwise the completed contract method shall be applied.
The percentage of completion at the end of the reporting period shall be estimated based on a method that can rationally reflect the percentage of performance of the contractor’s obligation at the end of the reporting period in comparison with the whole obligation of the contractor as promised in the contract (for example, the percentage of the cost incurred to the estimated total cost).
Under previous Accounting Standard, the Company applied completed contract method.
The Company adopted this accounting standard from the year ended March 31, 2010. The adaption of this accounting standard had no effect on operating income and income before income taxes and minority interests in the year ended March 31, 2010, because there is no construction contract or contractor contract in the current fiscal year.

(16) Income taxes

The income taxes of the Company and its domestic subsidiaries consist of corporate income taxes, local inhabitant taxes and enterprise taxes.

Deferred income taxes were determined using the assets and liabilities approach, whereby deferred tax assets and liabilities were recognized in respect of temporary differences between the tax basis of assets and liabilities and those as reported in the financial statements.

(17) Consumption tax

Consumption tax is imposed at the flat rate of 5% on all domestic consumption of goods and services (with certain exemptions). The consumption tax paid is generally offset against the balance of consumption tax withheld, and the balance is shown in the accompanying consolidated balance sheets as "Other current liabilities".

(18) Adoption of Accounting Standard for Business Combinations

Effective the year ended March 31, 2011, the Company adopted the "Accounting Standard for Business Combinations" (ASBJ Statement No.21, December 26, 2008), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22, December 26, 2008) and "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No.10 Revised, 2008).

(19) Adoption of Accounting Standard for Presentation of Comprehensive Income

Effective the year ended March 31, 2011, the Company adopted the "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No.25, June 30, 2010).
Accordingly, "Valuation and Translation Adjustments" previously presented as of March 31, 2010 are new presented as "Accumulated Other Comprehensive Income" in the accompanying financial statements.
Additionally, in accordance with this new standard, the consolidated statement of comprehensive income for year ended March 31, 2010 is not presented. The comparative information for the year ended March 31, 2010 is disclosed in Note 21.

(20) Reclassification of accounts

Certain prior year amounts have been reclassified to conform to the current year's presentation.

3. United States dollar amounts

The Company maintains its accounting records in yen. The dollar amounts included in the consolidated financial statements and notes thereto represent the arithmetical results of translating yen to dollars on the basis of ¥83.15 = U.S.$1, the approximate rate of exchange prevailing on the latest balance sheet date of March 31, 2011. The inclusion of such dollar amounts is solely for convenience and is not intended to imply that yen amounts have been or could be converted, realized or settled in dollars at ¥83.15 = U.S.$1 or at any other rate.

4. Supplementary cash flow information

Cash and cash equivalents as of March 31, 2011 and 2010 are reconciled to accounts reported in the consolidated balance sheet as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	2010	2011
Cash and time deposits	¥ 6,714	¥ 5,549	$ 80,750
Time deposits with maturity of more than three months	(143)	(180)	(1,716)
Money Market Fund	251	-	3,012
Cash and cash equivalents	¥ 6,822	¥ 5,369	$ 82,046

5. Investments in securities

(1) The book value and aggregate fair market value of the securities classified as held-to-maturity debt securities for which market quotations at March 31, 2010 were as follows:

	Millions of yen		
	2010		
Description	Book value	Fair market value	Unrealized gain or loss
Fair market value does not exceed book value			
Government and municipal bonds	¥ 0	¥ 0	¥ 0
Total	¥ 0	¥ 0	¥ 0

(2) The cost, book value and unrealized gains or losses on available-for-sale securities with fair value as of March 31, 2011 and 2010 were as follows:

	Millions of yen		
	2011		
Description	Acquisition cost	Book value (fair market value)	Unrealized gain or loss
Fair market value exceeds acquisition cost			
Stocks	¥ 10,120	¥ 18,532	¥ 8,412
Bonds	10	10	0
Sub total	¥ 10,130	¥ 18,542	¥ 8,412
Fair market value does not exceed acquisition cost			
Stocks	¥ 3,231	¥ 2,597	¥ (634)
Others	292	288	(4)
Sub total	¥ 3,523	¥ 2,885	¥ (638)
Total	¥ 13,653	¥ 21,427	¥ 7,774

	Millions of yen		
	2010		
Description	Acquisition cost	Book value (fair market value)	Unrealized gain or loss
Fair market value exceeds acquisition cost			
Stocks	¥ 10,628	¥ 21,366	¥ 10,738
Bonds	10	10	0
Sub total	¥ 10,638	¥ 21,376	¥ 10,738
Fair market value does not exceed acquisition cost			
Stocks	¥ 3,200	¥ 2,302	¥ (898)
Others	46	44	(2)
Sub total	¥ 3,246	¥ 2,346	¥ (900)
Total	¥ 13,884	¥ 23,722	¥ 9,838

Description	Acquisition cost	Book value (fair market value)	Unrealized gain or loss
	Thousands of U.S. dollars (Note 3)		
	2011		
Fair market value exceeds acquisition cost			
Stocks	$ 121,705	$ 222,876	$ 101,171
Bonds	118	119	1
Sub total	$ 121,823	$ 222,995	$ 101,172
Fair market value does not exceed acquisition cost			
Stocks	$ 38,859	$ 31,234	$ (7,625)
Others	3,519	3,467	(52)
Sub total	$ 42,378	$ 34,701	$ (7,677)
Total	$ 164,201	$ 257,696	$ 93,495

The Company recorded impairment loss on the investment in securities in the amount of ¥506 million (US$6,082 thousand) at March 31, 2011, and ¥66 million at March 31, 2010 respectively.
Impairment losses are recorded for securities whose fair values have declined by 50% or more over or for those that have declined in range of 30% to 50% if the decline is deemed to be irrecoverable.

(3) Available-for-sale securities sold during the years ended March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	2010	2011
Proceeds from sale of available-for-sale securities	¥ 0	¥ 8	$ 4
Realized gain	0	3	1
Realized loss	-	-	-

(4) The book value of major securities without fair value as of March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	2010	2011
Unlisted stocks	¥ 754	¥ 759	$ 9,069
Fund certificates	5	5	64

6. Financial instruments

On March 10, 2008, the ASBJ issued revised ASBJ Statement No.10 "Accounting Standard for Financial Instruments" and ASBJ Guidance No.19 "Guidance on Disclosures about Fair Value of Financial Instruments". The revised accounting standard and new guidance shall be applied to financial instruments and related disclosures after the end of fiscal years ending on or after March 31, 2010. The Company has adopted the revised accounting standard and new guidance from the year ended March 31, 2010.

(1) Policy for financial instruments

In consideration of plans for capital investment, the Company and its consolidated subsidiaries (collectively, the "Group") raise funds through bank borrowings. The Group manages temporary cash surpluses through low-risk financial assets. Further, the Group raises short-term capital through bank borrowings. The Group uses derivatives for the purpose of reducing risk and does not enter into derivatives for speculative or trading purposes.

(2) Types of financial instruments and related risk and risk management system

Trade receivables—Trade notes and accounts receivable—are exposed to credit risk in relation to customers.

In accordance with the internal policies of the Group for managing credit risk arising from receivables, each related division monitors credit worthiness of their main customers periodically, and monitors due dates and outstanding balances by individual customer.

Marketable securities and investment securities are exposed to market risk. Those securities are composed of mainly held-to-maturity debt securities and the shares of common stock of other companies with which the Group has business relationships, or affiliated companies.

Regarding the shares of common stock of other listed companies, the Group evaluates market value quarterly to reduce fluctuation risk.

The Group has also loans receivable from other companies with which it has business relationships.

Short-term borrowings are raised mainly in connection with business activities, and long-term debt is taken out principally for the purpose of making capital investments. Long-term debt with variable interest rates is exposed to interest rate fluctuation risk. However, to reduce such risk and fix interest expense for long-term debt bearing interest at variable rates, the Group utilizes interest rate swap transactions as hedging instruments. The group policy for derivative and hedge accounting is indicated in Note 14 "Derivative financial instruments".

(3) Supplemental information on the fair value of financial instruments

The Group calculates the fair value of financial instruments based on market prices, or by using reasonable estimates when market prices are not available. These estimates include variable factors and are subject to fluctuation due to changes in underlying assumptions. The contract amounts of the derivatives indicated in Note 14 "Derivative financial instruments" are not an indicator of the market risk associated with derivatives transactions.

(4) Fair value of financial instruments

The carrying value, the estimated fair value and the difference of the financial instruments on the balance sheet as of March 31, 2010 and 2011 are as follows. Fair values that are not readily determinable are not included in the following table.

	Millions of yen					
	2011					
	Carrying value		Estimated fair value		Difference	
Assets						
Trade notes and accounts receivable (less allowance for doubtful accounts)	¥	29,897	¥	29,897	¥	-
Available-for-sale securities	¥	21,427	¥	21,427	¥	-
Liabilities						
Notes and accounts payable	¥	20,808	¥	20,808	¥	-
Short-term bank borrowings	¥	5,953	¥	5,953	¥	-
Long-term borrowings from banks and other financial institutions	¥	12,846	¥	12,868	¥	22
Derivative transactions	¥	-	¥	-	¥	-

	Millions of yen					
	2010					
	Carrying value		Estimated fair value		Difference	
Assets						
Trade notes and accounts receivable (less allowance for doubtful accounts)	¥	29,574	¥	29,574	¥	-
Available-for-sale securities	¥	23,721	¥	23,721	¥	0
Liabilities						
Notes and accounts payable	¥	20,072	¥	20,072	¥	-
Short-term bank borrowings	¥	6,422	¥	6,422	¥	-
Long-term borrowings from banks and other financial institutions	¥	14,372	¥	14,418	¥	46
Derivative transactions	¥	-	¥	-	¥	-

	Thousands of U.S. dollars (Note 3)		
	2011		
	Carrying value	Estimated fair value	Difference
Assets			
Trade notes and accounts receivable (less allowance for doubtful accounts)	$ 359,559	$ 359,559	$ -
Available-for-sale securities	$ 257,696	$ 257,696	$ -
Liabilities			
Notes and accounts payable	$ 250,246	$ 250,246	$ -
Short-term bank borrowings	$ 71,597	$ 71,597	$ -
Long-term Borrowings from banks and other financial institutions	$ 154,489	$ 154,754	$ 265
Derivative transactions	$ -	$ -	$ -

Fair value measurement of financial instruments and information relating to short-term investment securities and derivative transactions.

Assets

(1) Trade notes and accounts receivable

The carrying value, less allowance for doubtful accounts, is used as the amount approximates fair value due to the short maturity of these instruments.

(2) Short-term investment securities and investment securities

The fair value of equity securities equals quoted market price, if available. The fair value of debt securities equals quoted market price or the price provided by financial institutions. The fair value of MMF equals the carrying amount as it approximates fair value due to the short maturity of these instruments.

Moreover, investment securities classified by holding purpose are described in "Note 5. Investments in securities."

Liabilities

(1) Notes and accounts payable, and (2) Short-term bank borrowings

The carrying amount is used as the amount approximates fair value due to the short maturity of these instruments.

(3) Long-term borrowings from banks

The fair value of long-term borrowings from banks is calculated based on each payment period by applying a discount rate to the total of future net cash flows. The discount rate is based on the interest rate considering the payment periods or credit risk.

Long-term borrowings with variable interest rates from banks are hedged by interest rate swap contracts and accounted for as debt with a fixed interest rate. The fair value of long-term borrowings from banks with variable interest is calculated by the present value of the total of principal, interest and net cash flows of the interest rate swap contracts discounted by the same interest rate.

(4) Derivative transactions
The contract amount, fair value, unrealized gain or loss, and others are described in "Note 14. Derivative financial instruments."

Financial instruments for which it is extremely difficult to determine the fair value.

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	2010	2011
Unlisted stock	¥ 1,402	¥ 1,407	$ 16,859
Fund certificate	¥ 5	¥ 5	$ 64

These items are not included in short-term investments in securities and investments in securities because the fair values are not readily determinable as market prices do not exist.

The carrying value of monetary assets as of March 31, 2011 and 2010 is as follows:

	Millions of yen			
	2011			
	Within a year	1 to 5 years	5 to 10 years	Over 10 years
Notes and Account receivable	¥ 30,090	¥ -	¥ -	¥ -
Held-to-maturity securities				
Governmental and Municipal bond	¥ -	¥ -	¥ -	¥ -
Available for sale securities				
Governmental and Municipal bond	¥ -	¥ 10	¥ -	¥ -

	Millions of yen							
	2010							
	Within a year		1 to 5 years		5 to 10 years		Over 10 years	
Notes and Account receivable	¥	29,803	¥	-	¥	-	¥	-
Held-to-maturity securities								
Governmental and Municipal bond	¥	0	¥	-	¥	-	¥	-
Available for sale securities								
Governmental and Municipal bond	¥	-	¥	10	¥	-	¥	-

	Thousands of U.S. dollars (Note 3)							
	2011							
	Within a year		1 to 5 years		5 to 10 years		Over 10 years	
Notes and Account receivable	$	361,871	$	-	$	-	$	-
Held-to-maturity securities								
Governmental and Municipal bond	$	-	$	-	$	-	$	-
Other securities which has maturity								
Governmental and Municipal bond	$	-	$	120	$	-	$	-

7. Short-term bank loans and long-term debt

Short-term bank loans outstanding are generally represented by notes payable issued by the Company to banks with a weighted average interest rate of 0. 88% at March 31, 2011, and 0.95% at March 31, 2010.

Long-term debt as of March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	2010	2011
Loans, principally from banks and insurance companies, due fiscal 2010 to 2023 with average interest rates of 1.29% at March 31, 2011, and 1.43% at March 31, 2010	¥ 12,845	¥ 14,371	$ 154,489
Less: Current maturities of:			
Long-term loans	4,743	1,440	57,047
	¥ 8,102	¥ 12,931	$ 97,442

Aggregate annual maturities of long-term debt subsequent to March 31, 2011 are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars (Note 3)
2013	¥ 7,482	$ 89,978
2014	463	5,565
2015	156	1,881
2016	0	2
2017 and thereafter	1	16
	¥ 8,102	$ 97,442

The Company's assets pledged as collateral for long-term loans and to obtain credit from banks, other financial institutions (including current maturity), and suppliers of ¥1,102 million (US$13,251 thousand) at March 31, 2011, and ¥1,471 million at March 31, 2010 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	2010	2011
Marketable securities	¥ 22	¥ 21	$ 267
Property, plant and equipment at book value	13,561	17,375	163,084
	¥ 13,583	¥ 17,396	$ 163,351

8. Selling, general and administrative expenses

Major elements of selling, general and administrative expenses for the years ended March 31, 2011 and 2010 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	2010	2011
Delivery and storage charges	¥ 4,310	¥ 4,054	$ 51,837
Salaries and bonuses	7,106	7,218	85,465
Retirement benefit costs	730	784	8,778
Retirement benefit costs for directors	77	88	926
Retirement benefit costs for officers	41	39	493
Research and development costs	5,537	5,497	66,596
Amortization of goodwill	82	41	985
Accrued bonuses	968	905	11,640
Allowance for doubtful accounts	152	12	1,825

9. Research and development costs

Research and development costs for the years ended March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. dollars (Note 3)
	2011	2010	2011
Research and development costs	¥ 6,378	¥ 6,270	$ 76,703

10. Net Assets

Information regarding changes in net assets for the years ended March 31, 2011 and 2010 is as follows:

(1) Shares issued and outstanding / Treasury stock

	Thousands of shares			
	Number of shares at March 31, 2010	Increase	Decrease	Number of shares at March 31, 2011
Common stock	196,682	-	5,000	191,682
Treasury stock	5,028	10,037	11,872	3,193

The increase in treasury stock during the year ended March 31, 2011 was due to the purchase of odd-lot shares (37 thousand shares) and the market purchases (10,000 thousand shares).

The decrease in treasury stock during the year ended March 31, 2011 was due to the disposal of odd-lot shares (2 thousand shares), retirement of treasury stock (5,000 thousand shares) and the share exchange which converted Nichiyu Giken Kogyo Co., Ltd. into a wholly owned subsidiary (6,869 thousand shares).

(2) Cash dividends

Appropriations are not accrued in the consolidated financial statements for the period to which they relate, but are recorded in the subsequent accounting period when the shareholders' approval has been obtained.

Dividends paid for the year ended March 31, 2011

		Millions of yen	Thousands of U.S. dollars (Note 3)	Yen	U.S. dollars (Note 3)
	Type of shares	Total dividends	Total dividends	Dividends per share	Dividends per share
The General Meeting of Stockholders on June 29, 2010	Common stock	¥ 958	$ 11,525	¥ 5	$ 0.06
Meeting of the Board of Directors on November 4, 2010	Common stock	¥ 774	$ 9,309	¥ 4	$ 0.05

Dividends with the cut-off date in the year ended March 31, 2011 and the effective date in the year ending March 31, 2012

		Millions of yen	Thousands of U.S. dollars (Note 3)	Yen	U.S. dollars (Note 3)
	Type of shares	Total dividends	Total dividends	Dividends per share	Dividends per share
The General Meeting of Stockholders on June 29, 2011	Common stock	¥ 942	$ 11,334	¥ 5	$ 0.06

11. Income taxes

The statutory tax rate used for calculating deferred tax assets and deferred tax liabilities as of March 31, 2011 and 2010 was 41.0%. At March 31, 2011 and 2010, significant components of deferred tax assets and liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	2010	2011
Deferred tax assets:			
Accrued bonus	¥ 1,138	¥ 1,078	$ 13,684
Retirement benefit provisions	1,429	1,377	17,185
Elimination of intercompany profits	337	330	4,057
Accrued enterprise tax	256	230	3,084
Retirement benefit provisions for			

directors and officers	119	121	1,431
Impairment loss on fixed assets	286	-	3,434
Impairment loss on investment securities	440	234	5,287
Valuation difference	183	321	2,206
Valuation loss on inventories	343	298	4,129
Others	1,550	1,647	18,641
	6,081	5,636	73,138
Valuation allowance	(1,333)	(1,305)	(16,036)
Total deferred tax assets	4,748	4,331	57,102
Deferred tax liabilities:			
Unrealized gain on investments in securities	(3,190)	(4,036)	(38,363)
Reserve for advanced depreciation of property plant and equipment	(2,549)	(2,648)	(30,655)
Prepaid pension expenses	(87)	(266)	(1,046)
Valuation differences	(2,010)	(2,102)	(24,174)
Gain on revaluation of assets trusted for retirement benefit	(838)	(838)	(10,081)
Others	(179)	(187)	(2,152)
Total deferred tax liabilities	(8,853)	(10,077)	(106,471)
Net deferred tax liabilities	¥ (4,105)	¥ (5,746)	$ (49,369)

A reconciliation of the tax rate to the Company's effective tax rate for years ended March 31, 2011 and 2010 are summarized as follows:

	2011	2010
Statutory tax rate	41.0%	41.0%
Non-deductible expenses	0.7	1.3
Tax credits	(4.3)	(6.6)
Gain on negative goodwill	(3.7)	-
Valuation allowance	0.3	(1.9)
Inhabitants' per capita taxes	0.4	0.7
Equity method	-	1.5
Effects of Tax loss companies	0.6	4.1
Dividends received deduction	(1.2)	(3.0)
Other	(0.4)	(2.0)
Effective tax rate	34.2%	35.1%

12. Retirement benefit provisions

The Company has a pension plan (funded and non-contributory) to cover the employees (excluding directors and corporate auditors) of the Company. The benefits under this plan are determined generally by reference to the employees' average rate of pay, length of service and the conditions under which retirement occurs.

The following tables show the funded and accrued status of the employees' retirement benefits, and the amounts recognized in the consolidated balance sheets as of March 31, 2011 and 2010.

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	2010	2011
Projected benefit obligations	¥ (20,143)	¥ (20,098)	$ (242,244)
Plan assets	16,484	16,257	198,242
Unfunded projected benefit obligations	(3,659)	(3,841)	(44,002)
Unrecognized actuarial differences	5,772	6,375	69,413
Unrecognized prior service costs	(114)	(150)	(1,370)
Book value – net	1,999	2,384	24,041
Prepaid pension expenses	(5,917)	(6,298)	(71,156)
Retirement benefit provisions	¥ (3,918)	¥ (3,914)	$ (47,115)

Net pension expenses related to retirement benefits for the years ended March 31, 2011 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	2010	2011
Service costs *1	¥ 1,195	¥ 1,216	$ 14,375
Interest costs	397	399	4,769
Expected return on plan assets	(338)	(431)	(4,073)
Amortization of actual differences	1,198	1,318	14,412
Amortization of prior service costs	(16)	(16)	(192)
Net pension expenses	¥ 2,436	¥ 2,486	$ 28,291

Notes:

*1 The pension expenses of consolidated subsidiaries which applied the expediency method are included in "Service costs".

Assumptions used in the calculation of the above information were as follows:

	2011	2010
Discount rate	2.0%	2.0%
Expected rate of return on plan assets	2.3%	3.5%
Amortization of unrecognized prior service costs	10 years	10 years
Amortization of unrecognized actuarial gains or losses	10 years	10 years

13. Leases

The Group leases certain machinery and equipment, and other assets. The following is information of the leases in existence at the transition date of new accounting standard adaption and accounted for as operating lease.

Total lease payments under these leases were ¥66 million (US$788 thousand) and ¥110 million for the years ended March 31, 2011 and 2010, respectively.

Information relating to acquisition costs, accumulated depreciation and future minimum payments for assets held under finance leases which do not transfer ownership of the leased assets to the lessee on an "as if capitalized" basis for the years ended March 31, 2011 and 2010, is as follows:

	Millions of yen		
	2011		
	Machinery, equipment and vehicles	Others	Total
Acquisition costs	¥ 241	¥ 80	¥ 321
Accumulated depreciation	144	67	211
Net leased assets	¥ 97	¥ 13	¥ 110

	Millions of yen		
	2010		
	Machinery, equipment and vehicles	Others	Total
Acquisition costs	¥ 340	¥ 165	¥ 505
Accumulated depreciation	141	130	271
Net leased assets	¥ 199	¥ 35	¥ 234

	Thousands of U.S. dollars (Note 3)		
	2011		
	Machinery, equipment and vehicles	Others	Total
Acquisition costs	$ 2,897	$ 958	$ 3,855
Accumulated depreciation	1,729	805	2,534
Net leased assets	$ 1,168	$ 153	$ 1,321

Future minimum lease payments under finance leases as of March 31, 2011 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	2010	2011
Due within one year	¥ 47	¥ 82	$ 567
Due over one year	63	152	754
Total	¥ 110	¥ 234	$ 1,321

The acquisition costs and future minimum lease payments under finance leases include the interest expense portion because the amount of accrued lease payments was immaterial to the balance of property, plant and equipment as of March 31, 2011 and 2010.

The depreciation expense, which is not reflected in the accompanying consolidated statements of income, computed using the straight-line method, would have been ¥66 million (US$788 thousand) and ¥110 million for the years ended March 31, 2011 and 2010, respectively.

Obligations under non-cancelable operating leases as of March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	2010	2011
Due within one year	¥ 39	¥ 42	$ 469
Due after one year	128	179	1,543
Total	¥ 167	¥ 221	$ 2,012

14. Derivative financial instruments

The Group uses derivative financial instruments, which comprise principally forward exchange contracts and interest rate swap agreements, to reduce its exposure to market risks from fluctuations in foreign currency exchange and interest rates. The Group has established a control environment, which includes policies and procedures for the approval and monitoring of transactions involving derivative financial instruments. The Group does not hold or issue financial instruments for trading purposes.

The Group is exposed to certain market risks arising from its forward exchange contracts and interest rate swap agreements. The Group is also exposed to the risk of credit loss in the event of non-performance by the counterparties to the currency and interest. However, the Group does not anticipate non-performance by any of these counterparties all of whom are domestic financial institutions with high credit ratings.

The Company does not enter derivative contract which does not meet hedge accounting criteria.
Summarized below are derivative transactions which meet hedge accounting criteria.

	Millions of yen 2011 Contract amounts Total	Settled over one year	Estimated fair value
Interest swap contracts: To receive variable/to pay fixed	¥ 6,300	¥ 5,300	¥ -

	Millions of yen 2010 Contract amounts Total	Settled over one year	Estimated fair value
Interest swap contracts: To receive variable/to pay fixed	¥ 6,300	¥ 6,300	¥ -

	Thousands of U.S. dollars (Note 3) 2011 Contract amounts Total	Settled over one year	Estimated fair value
Interest swap contracts: To receive variable/to pay fixed	$ 75,767	$ 63,740	$ -

Difference between fair market value of interest rate swap and book value of interest rate swap is included in the fair market value of long-term loans payable.

15. Commitments and contingencies

(1) As of March 31, 2011 and 2010, the Group was contingently liable for guarantees of loans as follows:

	Millions of yen 2011	2010	Thousands of U.S. dollars (Note 3) 2011
As a guarantor of indebtedness of:			
Amagasaki Utility Services	¥ 107	¥ 169	$ 1,287
NOF METAL COATINGS SHANGHAI Co., Ltd.	55	55	661
Others	-	0	-
	¥ 162	¥ 224	$ 1,948

(2) As of March 31, 2011 and 2010, the Company was contingently liable for the conditional assignment of ¥2,780 million (US$33,439 thousand) at 2011 and ¥2,536 million at 2010

of trade notes and accounts receivable with recourse obligation.

(3) As of March 31, 2011 and 2010, the Company had contingent liabilities for notes receivable endorsed in the aggregate amount of ¥76 million (US$909 thousand) at 2011 and ¥157 million at 2010.

(4) As of March 31, 2011 and 2010, the Company has unused commitment agreements amounting to ¥7,500 million (US$90,198 thousand) at 2011 and ¥10,000 million at 2010 with banks and other financial institutions.

16. Per share information

Net income per share of common stock is based upon the weighted average number of shares outstanding during each fiscal year.

	Yen		U.S. dollars (Note 3)
	2011	2010	2011
Per share:			
Net income - basic	¥ 36.2	¥ 18.3	$ 0.44
Net income - diluted	36.2	18.3	0.44
Cash dividends applicable to the year	9.0	10.0	0.11
Net assets	469.97	453.29	5.65

Basis for calculating net income per share:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	2010	2011
Net income per share			
Net income	¥ 6,887	¥ 3,501	$ 82,822
Amount not available to shareholders			
Earnings appropriated for directors' bonuses	-	-	-
Net income related to common stock	¥ 6,887	¥ 3,501	$ 82,822
Average number of shares outstanding (1,000 shares)	190,139	191,674	190,139
Net income per share (diluted)			
Net income adjustment	-	-	-
Stock options (1,000 shares)	-	-	-
Increase in number of shares (1,000 shares)	-	-	-
Shares not included in diluted net income per share calculation due to lack of dilution effect (1,000 shares)	-	277	-

17. Deferred income tax on property, plant and equipment

Deferred income tax on property, plant and equipment for the years ended March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	2010	2011
Buildings and structures	¥ 519	¥ 511	$ 6,241
Machinery, equipment and vehicles	386	387	4,641
Other	23	16	276
Total	¥ 928	¥ 914	$ 11,158

18. Goodwill

As of March 31, 2011 and 2010, goodwill included in “Intangible assets” amounted to ¥286 million (US $3,440 thousand) and ¥368 million, respectively.
As of March 31, 2011 and 2010, negative goodwill included in other “Other long-term liabilities” amounted to ¥0 million (US$3 thousand) and ¥0 million, respectively.

19. Investments in unconsolidated subsidiaries and affiliates

Investments in unconsolidated subsidiaries and affiliates for the years ended March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	2010	2011
Investments in securities	¥ 648	¥ 648	$ 7,789
Capital contribution	101	61	1,220
Total	¥ 749	¥ 709	$ 9,009

20. Asset retirement obligations

Information on the asset retirement obligations recorded on the consolidated balance sheets at March 31, 2011 is as follows:

A. Outline the asset retirement obligations
Expenses allocated for obligations to remove harmful materials such as fluorocarbon and PCB (polychlorinated biphenyl) from fixed assets.

B. Calculation method of asset retirement obligations
An estimated period of use of 2-38 years and a discount rate of 0.21%-2.27% are used to calculate the amount of the asset retirement obligations.

C. Changes in the total amount of the asset retirement obligations for the fiscal year ended March 31, 2011.

2011				
		Millions of yen		Thousands of U.S. dollars (Note 3)
Balance at beginning of year (note):	¥	243	$	2,920
Increase due to acquisition of property, plant and equipment		0		4
Accretion expenses		1		6
Decrease due to fulfillment of asset retirement obligations		(8)		(90)
Balance at end of year	¥	236	$	2,840

(Note) Balance at beginning of year is the estimated amount due to the application of "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 18, March 31, 2008) and "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21, March 31, 2008) from the year ended March 31, 2011.

21. Comprehensive income

Other comprehensive income for the year ended March 31, 2010 is as follows:

	(Millions of yen)
	2010
Net unrealized holding gains (losses) on other securities	2,684
Foreign currency translation adjustments	353
Total other comprehensive income	3,037

Comprehensive income for the year ended March 31, 2010 is as follows:

	(Millions of yen)
	2010
Comprehensive income attributable to NOF Corporation	6,531
Comprehensive income attributable to the minority interests	238
Comprehensive income	6,769

22. Segment information

(1) For the years ended March 31, 2011 and 2010

On March 21, 2008, the ASBJ issued the revised ASBJ Statement No.17 "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" and ASBJ Guidance No.20 "Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information". The revised accounting standard and new guidance shall be applied to segment information effective fiscal years ending on or after March 31, 2011.
Accordingly, the Company has adopted the revised accounting standard and new guidance from the year ended March 31, 2011.

The Company's reportable segments are components for which separate financial information is available, and whose operating results are reviewed regularly by the Board of Directors in order to determine the allocation of resources and assess segment performance.

The Company's reportable segments are as follows.

1. Functional chemicals --- fatty acids, fatty acid derivatives, surfactants, ethylene oxide and propylene oxide derivatives, organic peroxides, functional polymers, functional films, electronic materials, materials for anti corrosion

2. Life Science ---MPC-related products, raw materials for DDS drug formulation, edible oils, functional foods

3. Explosive & propulsion --- industrial explosives, defense-related explosives, rocket propellant, automotive safety devices, Metal manufactured products

The amount of segment income corresponds to that of operating income.

Intersegment Sales and transfer prices are calculated mainly based on market value or manufacturing cost.

(Millions of yen)

2011	Functional chemicals	Life Science	Explosive & propulsion	Subtotal	Others	Total	Elimination/ Corporate	Consolidated
Sales								
Sales to customers	¥ 94,477	¥ 24,119	¥ 33,695	¥ 152,291	¥ 1,831	¥ 154,122	¥ -	¥ 154,122
Inter-segment	71	1,728	22	1,821	7,439	9,260	(9,260)	-
Total	94,548	25,847	33,717	154,112	9,270	163,382	(9,260)	154,122
Segment income	¥ 6,276	¥ 3,551	¥ 1,437	¥ 11,264	¥ 169	¥ 11,433	¥ (865)	¥ 10,568
Assets	¥ 60,521	¥ 18,692	¥ 37,503	¥ 116,716	¥ 2,741	¥ 119,457	¥ 35,864	¥ 155,321
Depreciation	3,601	1,058	1,775	6,434	87	6,521	781	7,302
Capital expenditures	2,414	345	1,886	4,645	60	4,705	139	4,844

(Millions of yen)

2010	Functional chemicals	Life Science	Explosive & propulsion	Subtotal	Others	Total	Elimination/ Corporate	Consolidated
Sales								
Sales to customers	¥ 84,633	¥ 23,188	¥ 33,309	¥ 141,130	¥ 2,255	¥ 143,385	¥ -	¥ 143,385
Inter-segment	109	2,317	29	2,455	6,987	9,442	(9,442)	-
Total	84,742	25,505	33,338	143,585	9,242	152,827	(9,442)	143,385
Segment income	¥ 1,779	¥ 3,059	¥ 1,458	¥ 6,296	¥ 43	¥ 6,339	¥ (729)	¥ 5,610
Assets	¥ 61,095	¥ 18,499	¥ 37,451	¥ 117,045	¥ 2,918	¥ 119,963	¥ 39,448	¥ 159,411
Depreciation	3,613	1,314	1,706	6,633	107	6,740	907	7,647
Capital expenditures	2,778	255	1,640	4,673	28	4,701	79	4,780

(Thousands of U.S. dollars (Note 3))

2011	Functional chemicals	Life Science	Explosive & propulsion	Subtotal	Others	Total	Elimination/ Corporate	Consolidated
Sales								
Sales to customers	$ 1,136,220	$ 290,069	$ 405,227	$ 1,831,516	$ 22,023	$ 1,853,539	$ -	$ 1,853,539
Inter-segment	851	20,780	272	21,903	89,461	111,364	(111,364)	-
Total	1,137,071	310,849	405,499	1,853,419	111,484	1,964,903	(111,364)	1,853,539
Segment income	$ 75,473	$ 42,713	$ 17,278	$ 135,464	$ 2,041	$ 137,505	$ (10,406)	$ 127,099
Assets	$ 727,845	$ 224,802	$ 451,031	$ 1,403,678	$ 32,971	$ 1,436,649	$ 431,316	$ 1,867,965
Depreciation	43,313	12,728	21,341	77,382	1,044	78,426	9,393	87,819
Capital expenditures	29,031	4,151	22,680	55,862	727	56,589	1,668	58,257

(2) Information related to reportable segments

1) Sales by geographic area

(Millions of yen)

2011			
Japan	Asia	Others	Total
¥ 128,085	¥ 12,711	¥ 13,326	¥ 154,122

(Thousands of U.S. dollars (Note 3))

2011			
Japan	Asia	Others	Total
$ 1,540,402	$ 152,872	$ 160,265	$ 1,853,539

2) Property, plant and equipment by geographic area

(Millions of yen)

2011		
Japan	Others	Total
¥ 52,017	¥ 3,076	¥ 55,093

(Thousands of U.S. dollars (Note 3))

2011		
Japan	Others	Total
$ 625,576	$ 36,999	$ 662,575

(3) Impairment losses on fixed assets by reportable segments

(Millions of yen)

	2011					
	Functional chemicals	Life Science	Explosive & propulsion	Subtotal	Elimination/ Corporate	Total
Impairment loss	¥ 330	¥ 87	¥ 279	¥ 696	¥ -	¥ 696

(Thousands of U.S. dollars (Note 3))

	2011					
	Functional chemicals	Life Science	Explosive & propulsion	Subtotal	Elimination/ Corporate	Total
Impairment loss	$ 3,970	$ 1,049	$ 3,356	$ 8,375	$ -	$ 8,375

(4) Amortization and balance of goodwill by reportable segment

(Millions of yen)

	2011					
	Functional chemicals	Life Science	Explosive & propulsion	Subtotal	Elimination/ Corporate	Total
Amortization	¥ 82	¥ -	¥ 0	¥ 82	¥ -	¥ 82
Ending balance	¥ 285	¥ -	¥ 1	¥ 286	¥ -	¥ 286

(Thousands of U.S. dollars (Note 3))

	2011					
	Functional chemicals	Life Science	Explosive & propulsion	Subtotal	Elimination/ Corporate	Total
Amortization	$ 980	$ -	$ 5	$ 985	$ -	$ 985
Ending balance	$ 3,431	$ -	$ 9	$ 3,440	$ -	$ 3,440

Amortization and balance of negative goodwill recognized before April 1, 2011 is as follows:

(Millions of yen)

	2011					
	Functional chemicals	Life Science	Explosive & propulsion	Subtotal	Elimination/ Corporate	Total
Amortization	¥ -	¥ -	¥ 0	¥ 0	¥ -	¥ 0
Ending balance	¥ -	¥ -	¥ 0	¥ 0	¥ -	¥ 0

(Thousands of U.S. dollars (Note 3))

	2011					
	Functional chemicals	Life Science	Explosive & propulsion	Subtotal	Elimination/ Corporate	Total
Amortization	$ -	$ -	$ 2	$ 2	$ -	$ 2
Ending balance	$ -	$ -	$ 3	$ 3	$ -	$ 3

(5) Gain on negative goodwill by segments

The Company recorded a gain on negative goodwill due to the conversion of Nichiyu Giken Kogyo Co., Ltd. to a wholly owned subsidiary through a share exchange in the amount of ¥948 million (US$11,400 thousand) for the year ended March 31, 2011. The amount was allocated to the Explosive & propulsion segment.

(6) For the year ended March 31, 2010 under the former accounting standard for segment information

1) Business segments

As of March 31, 2010, the Group operates principally in the following business segments categorized based on similarity of products and markets.

(Millions of yen)

	2010						
	Oleo chemicals & foods	Chemicals	Explosive & propulsion	Others	Total	Elimination/ Corporate	Consolidated
Sales							
Sales to customers	¥ 61,017	¥ 48,165	¥ 33,309	¥ 894	¥ 143,385	¥ -	¥ 143,385
Inter-segment	264	2,412	28	6,918	9,622	(9,622)	-
Total	61,281	50,577	33,337	7,812	153,007	(9,622)	143,385
Operating expenses	59,790	47,882	31,936	7,793	147,401	(9,626)	137,775
Operating income	¥ 1,491	¥ 2,695	¥ 1,401	¥ 19	¥ 5,606	¥ 4	¥ 5,610
Assets	¥ 43,150	¥ 43,967	¥ 45,563	¥ 2,629	¥ 135,309	¥ 24,103	¥ 159,412
Depreciation	2,129	3,536	1,875	105	7,645	-	7,645
Capital expenditures	966	2,133	1,655	26	4,780	-	4,780

The Company's business are segmented into "Oleo chemicals & foods", "Chemicals", "Explosive & propulsion" and "Others" based on their similarity of the type of products and sales markets.
The main products or services of each segment are as follows.

1. Oleo chemicals & foods --- fatty acids, fatty acid derivatives, surfactants, edible oils, health-related products
2. Chemicals --- organic peroxides, polybutene, ethylene oxide and propylene oxide derivatives, functional polymers, materials for anti corrosion
3. Explosive & propulsion --- industrial explosives, rocket propellant, automotive safety devices, defense-related explosives
4. Others --- logistics, real estate services

The amounts of assets included in the column "Elimination/Corporate" is ¥26,049 million for the year ended March 31, 2010, which includes surplus working funds (cash and securities), long-term investment funds (investments in securities), and deferred tax assets.

As described in Note 2(3), effective the year ended March 31, 2010, the Company changed the translation method of foreign subsidiaries.

As a result, net sales decreased by ¥34 million in Oleo chemicals & foods, and increased in ¥50 million in Chemicals, operating profit decreased by ¥30 million in Oleo chemicals & foods, and decreased in ¥22 million in Chemicals compared to the amounts that would have been reported if the previous methods has been applied consistently for the year ended March 31, 2010.

2) Geographical segments

Segment information classified by geographic area (inside and outside Japan) for the years ended March 31, 2010 is as follows:

(Millions of yen)

	2010				
	Japan	Others (Note 1)	Total	Elimination/ Corporate	Consolidated
Sales					
Sales to customers	¥ 132,518	¥ 10,867	¥ 143,385	¥ -	¥ 143,385
Inter-segment	2,797	211	3,008	(3,008)	-
Total	135,315	11,078	146,393	(3,008)	143,385
Operating expenses	129,421	11,447	140,868	(3,094)	137,774
Operating income	¥ 5,894	¥ (369)	¥ 5,525	¥ 86	¥ 5,611
Assets	¥ 130,677	¥ 9,814	¥ 140,491	¥ 18,920	¥ 159,411

Others represent --- North America, Europe, and Asia

As described in Note 2(3), effective the year ended March 31, 2010, the Company changed the translation method of foreign subsidiaries.
As a result, net sales increased by ¥17 million in Others, operating profit decreased by ¥52 million in Others compared to the amounts that would have been reported if the previous methods has been applied consistently for the year ended march 31, 2010.

3) Sales to foreign customers

	Millions of yen
	2010
Overseas sales	¥ 21,881
Consolidated sales	143,385
Ratio	15.26%

Overseas sales represents … North America, Europe and Asia

As described in Note 2(3), effective the year ended March 31, 2010, the Company changed the translation method of foreign subsidiaries.
As a result, net sales increased by ¥17 million compared to the amounts that would have been reported if the previous methods has been applied consistently for the year ended march 31, 2010.

23. Business combinations

Transactions under common control during the year ended March 31, 2011.

(1) Conversion of consolidated subsidiary to a wholly owned subsidiary through a share exchange

The Company concluded an agreement to convert Nichiyu Giken Kogyo Co., Ltd. into a wholly owned subsidiary of the Company through a share exchange. The agreement was approved at the Company's Board of Directors' meeting held on May 25, 2010. The Company plans to carry out a simple share exchange without obtaining approval at a shareholders' meeting, in accordance with Article 796-3 of the Japanese Corporate Law. As a result of the share exchange, the Company became the sole parent company and the common stock of Nichiyu Giken Kogyo Co., Ltd. was delisted from the JASDAQ Stock Exchange on August 27, 2010.

1) Name and business description of the companies under taking the business combination

NOF Corporation
(Distribution and manufacturing of functional chemical products, oleo and specialty chemicals, explosives and propulsion products)
Nichiyu Giken Kogyo Co., Ltd.
(Distribution and manufacturing of explosives and propulsion products)

2) Legal form of the combination

Share exchange

3) Date of share exchange

Date of the share exchange (Effective date): September 1, 2010

4) The name of company after reorganization

Nichiyu Giken Kogyo Co., Ltd.

5) Overview of transaction including its objectives

The Company and Nichiyu Giken Kogyo had been exploiting synergies for a long time. However, the economic environment had changed significantly, and in order to further expand the business, it was essential to sharpen the effective use of management resources and enhance the flexibility and responsiveness of management decision making. The Company allotted common stock held in treasury to shareholders of Nichiyu Giken Kogyo Co., Ltd. in exchange for their shares of Nichiyu Giken Kogyo Co., Ltd.. As a result of the share exchange, the Company became the parent company and the common stock of Nichiyu Giken Kogyo Co., Ltd. was delisted from the JASDAQ Stock Exchange on August 27, 2010.

6) Summary of accounting procedures

The Company adopted the accounting procedures for a business combinations under common control based on the accounting standard, "Accounting Standard for Business Combination" (ASBJ Statement No.21).

7) Information concerning the additional acquisition of shares in the subsidiaries

1) Amount for remaining shares

	(Millions of yen)
Common stock	2,377
Direct expenses for calculating the exchange ratio	40
Total	2,417

2) Exchange ratio, type of shares and the exchange ratio

Exchange ratio for each type of shares and method for calculating the exchange ratio

Type of shares and the exchange ratio

Under the agreement, 4.3 shares of the Company's common stock were allotted for each share of Nichiyu Giken Kogyo Co., Ltd.

3) Method for calculating the exchange ratio

The Company and Nichiyu Giken Kogyo Co., Ltd. decided on the exchange ratio after considerable study based on analysis and advice from independent advisors on calculating the share exchange ratio.

4) Number of shares to be exchanged

6,869,357

5) Amount of negative goodwill

¥948 million (US$11,400 thousand)

6) Cause of negative goodwill

The negative goodwill was calculated as the difference between the amount of the additional acquisition and the decreased amount of minority interest.

Transactions under common control during the year ended March 31, 2010.

(1) Merger of Yuka Sangyo Co,. Ltd. and Nichiyu Solution Inc.

On April 1, 2009, Yuka Sangyo Co., Ltd. a wholly owned subsidiary of the Company merged with Nichiyu Solution Inc.

1) Name and business of combined entity

Yuka Sangyo Co., Ltd.
(Distribution of functional chemical products, oleo and specialty chemicals)
Nichiyu Solution Inc.
(Distribution of oleo and specialty chemicals)

2) Legal form of the combination

Yuka Sangyo Co., Ltd. is the surviving company and Nichiyu Solution Inc. is the dissolved company.

3) The name of company after reorganization

Yuka Sangyo Co., Ltd.

4) Outline and purpose of the transaction
The company entered this merger to strengthen management efficiency and exploit the corporate synergy to improve profitability.

5) Overview of accounting procedure
This combination was accounted for as under common control transaction in accordance with "Accounting Standard for Business Combinations" and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures".

(2) Conversion of Korea Shamrock Co., Ltd. into wholly owned subsidiary by Nippon Dacro Shamrock Co., Ltd.
On September 30, 2009, Nippon Dacro Shamrock Co., LTD which is wholly owned subsidiary of the Company converted Korea Shamrock Co., Ltd. into wholly owned subsidiary.

1) Name and business of combined entity
Korea Shamrock Co., Ltd.
(Distribution and manufacturing of functional chemical products)

2) Legal form of the combination
Through the additional acquisition in interest in Korea Shamrock Co., Ltd. by Nippon Dacro Shamrock Co., Ltd. (a wholly owned subsidiary of the Company) Nippon Dacro Shamrock Co., Ltd. became the parent company and Korea Shamrock Co., Ltd. became a wholly owned subsidiary.

3) The name of company after reorganization
Korea Shamrock Co., Ltd.

4) Outline and purpose of the transaction
The company entered this merger to strengthen management under a single parent company a wholly owned subsidiary, Nippon Dacro Shamrock acquired the remaining interest owned by a minority shareholder.

5) Overview of accounting procedure
This combination was accounted for as under common control transaction in accordance with "Accounting Standard for Business Combinations" and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures."

Information concerning the additional acquisition of shares in the subsidiary.

1) Amounts of cash to be paid for the remaining shares
¥484 million (US$5,202 thousand)

2) Information concerning goodwill
   1) Amount of goodwill
   ¥407 million (US$4,381 thousand)

2) Cause of the goodwill
The goodwill was calculated by the difference between the amount of the additional acquisition and the decreased amount of minority interest.

3) Amortization method
Straight line method for 5 years

24. Loss on disaster

Loss on disaster consists of expenses for the restoration of facilities in the amount of ¥143 million (US$1,724 thousand) and disposal of inventories in the amount of ¥78 million (US$938 thousand) resulting from the Great East Japan Earthquake on March 11, 2011.

25. Impairment loss on fixed assets

The Company and its consolidated subsidiaries have recognized impairment loss on the following classes of assets for the year ended March 31, 2011.

		2011				
Location	Major use	Asset		Millions of yen		Thousands of U.S. dollars (Note 3)
Oita City, Oita	Facilities	Buildings machinery, and others	¥	330	$	3,970
Amagasaki City, Hyogo	Facilities	Buildings machinery, and others		87		1,049
Taketoyo City, Aichi	Facilities	Buildings machinery, and others		279		3,356
			¥	696	$	8,375

The Company and its consolidated subsidiaries have grouped business-use assets according to the operating division and have grouped idle assets on an individual basis.
When there is a decrease in profitability of a business operation and no expectation of recovery in operating earnings, the book value of the assets is written down to the recoverable amount. The assets listed in the above table were written down to their respective recoverable amounts and ¥696 million (US$8,375 thousand) of impairment losses was recognized in the consolidated statements of income for the year ended March 31, 2011.
The recoverable amounts of these groups of assets are measured at value in use. The discount rate for calculation of the discounted cash flow is zero since the estimated future cash flows are negative. The impairment loss on fixed assets consisted of ¥383 million (US$4,613 thousand) for buildings and structures, ¥289 million (US$3,477 thousand) for machinery, equipment and vehicles and ¥24 million (US$285 thousand) for others.