



ANNUAL REPORT
2010

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, ten 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

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

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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.

Chairman's Message



Toshiaki Ogasawara
Chairman & Representative Director

In the past year, the Japanese economy finally began to turn the corner as exports have improved because the economic measures that many governments introduced to deal with the global recession began to take effect. Also, the Chinese economy recovered quickly and has become the engine of growth in Asia taking other Asian economies with it. As a result, the production and sales of manufacturers have improved, including the automobile manufacturers. Despite this improvement, Nifco's sales fell by more than 10% compared with the last year because of the drastic cuts in production that had occurred in the first half of the year. On the other hand, our profit rose by more than 10% as we undertook strict efforts to reduce fixed costs and made strenuous efforts to improve our profitability in response to the difficult circumstances in which we found ourselves in the first half of the year.

Nifco's sales to the automobile industry also fell because of the large decrease in automobile production in the first half of the year due to the global recession. Nevertheless, in Japan, Nifco was able to maintain an increase in profits due to the efforts to cut costs. On the other hand, the consolidated results of the Nifco Group, which include our overseas activities, showed a drop in profit. As part of our efforts to cut costs in the first half of the year, we postponed some projects abroad, amalgamated some overseas operations, and took other rationalisation steps. The result of these actions was that our profitability began to improve in the second half of the year. In pursuing new and additional markets, Nifco has started to target the two-wheeled vehicle segment, and is aiming to expand our business in existing segments. The sales of Nifco's fuel-related components are rising quickly and so we are planning increases in their production.

The sales of Nifco's "fine-tech motion" products for the housing market are steadily increasing as they create a sense of luxury, and also contribute to safety and ease of use. Nifco's "Idea House" in which our products can be displayed in actual use in a showroom situation has been extremely well received by the housing industry and, in addition, has been visited by people from the automobile, home electrical goods, and other industrial sectors.

As the electronics industry has moved production out of Japan to a greater degree than the automobile makers, Nifco has been working to respond appropriately to their global requirements and these moves have been appreciated by these manufacturers. In another field, our Japanese and overseas operations have been increasing their co-ordination to meet the needs of the buckle and closure business. Also, our Group's active participation in overseas business expositions has helped to increase the name-value of "Nifco" and improve our business.

Our Group is aiming to increase our business with manufacturers with whom we have had little so far; that is with non-Japanese automakers, and other manufacturers. In these circumstances, I accepted the strong request for me to use my international experience and overseas connections in agreeing to allow myself to be proposed again as Chairman and a Representative Director of the Group and I thank the shareholders for their support and encouragement. I shall once again endeavor to use my strength and abilities to their fullest extent for the benefit and development of the Nifco Group.

President's message



Masaru Onodera
President & Representative Director

To investors and our shareholders:

This year, the Japanese economy has finally started to show signs of recovery after the economic shocks that all countries around the globe felt due to the financial crisis of the year before last. In particular, the trend towards recovery in Asia, which has been centered on domestic demand in China, has been remarkable.

Although there have been indications of recovery in manufacture and sales of automobiles, especially amongst the Japanese and Korean makers, the effects of inventory adjustments have also been felt. In these circumstances, the consolidated sales of the Nifco Group for the fiscal year were ¥107,505 million, a drop of 12.3% from the previous year. On the other hand, due to efforts to reduce fixed costs, and improvements in profitability due to an increase in manufacturing efficiency, the operating profit for the year was ¥8,553 million, an increase of 18.2% from the previous year; the recurring profit was ¥8,118 million, an increase of 17.5%; and the net profit was ¥4,468 million, an increase of 13.6%.

The mid-term dividend was fixed at ¥10 and, together with the final dividend of ¥20, made a total dividend for the year of ¥30.

The Group will continue with its efforts to reduce costs and expand its global network.

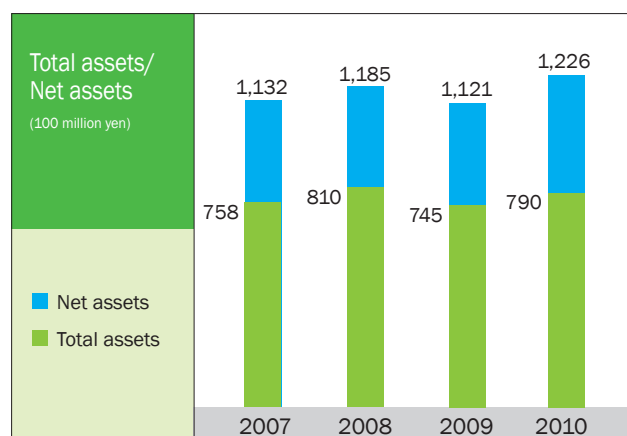
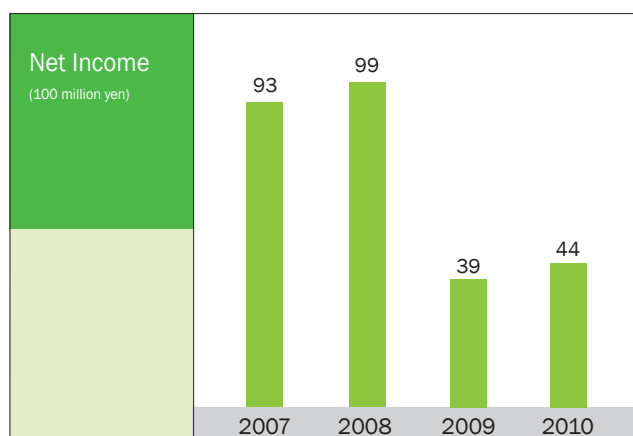
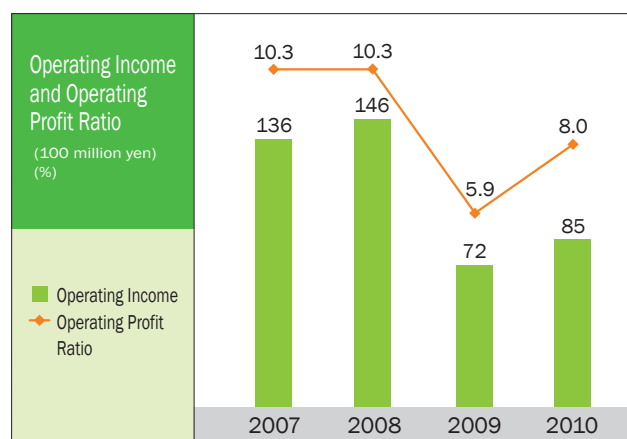
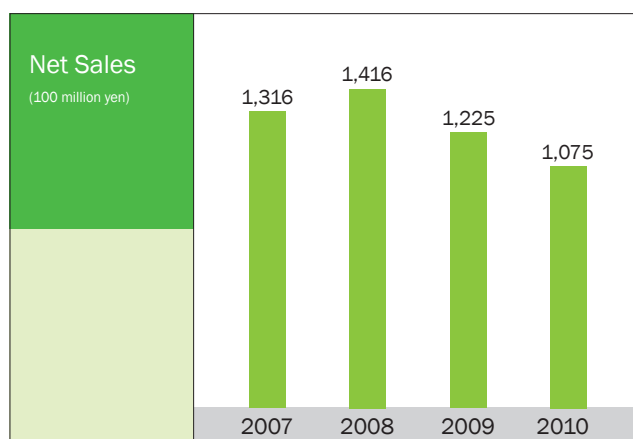
Your board of directors appreciates your continuing support for the Nifco Group.

Financial Highlights

	Japanese Yen (millions)		% change	US Dollars (thousands) except net income per share, and dividend per share
	2010	2009		2010
FOR THE YEAR				
Net Sales	¥ 107,506	¥ 122,519	-12.3	\$1,155,482
Operating income	8,553	7,238	18.2	91,929
Net income	4,468	3,935	13.5	48,022
Net income per share	—	73.9	—	—
Dividend per share	30.0	54.0	-44.4	0.3
AT YEAR-END				
Number of outstanding shares (thousands)	53,302	53,304	0.0	53,302
Net Assets	79,068	74,559	6.0	849,828

US dollar amounts represent translation of Japanese yen, for convenience only, at the rate of 93.04 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.





Masaru Onodera

President & Representative Director



What is the situation now after the global recession?

Due to the rapidly worsened business conditions on a global scale from the latter half of 2009, the automakers drastically reduced their production and Nifco, too, received a big impact. However, there are now signs of recovery appearing. In Asia, in particular, in China, there are areas in which the production of vehicles is exceeding our initial expectations, although there are differences in the extent of the recovery, dependant on the region involved.

Under these circumstances, Nifco thoroughly reviewed its costs and reduced its fixed overheads and, as a result, was able to increase its profits for the last fiscal period (the 58th period).

From now on, we are aiming to increase our production in areas such as Asia, including China, in which we foresee growth. We shall strengthen our factories in these areas and improve the plant and equipment we have there as a means of strengthening our global position.

Also, we shall continue with our efforts to reduce costs and aim to strengthen our management structure.



What is Nifco's system of product control?

Recently, the demands for quality products have increased not only in Japan but also the world over.

The Nifco Group as a whole places great emphasis on product quality as one of our important management topics and we are carrying out our production based on strict manufacturing standards as in the past.

In our manufacturing processes, we are utilising our NNP (Nifco New Production System) in promoting drastic change and improvements in our product quality and product manufacturing on a continual basis. We are endeavouring to ensure that we never manufacture faulty products and never have to send products back for adjustments: that is "auto-process completion".

As it is important to ensure the early assurance of quality for new products and to further our quality control management to be on a global basis, we have changed the administration of our product quality control as from 1st April 2010.

We shall continue with our efforts to improve our customers' satisfaction with our products and will aim for quality control which is related to the safety and ease of use of our products.



What is Nifco's business like in developing countries?

In the midst of a rapidly worsening global business climate, the production of automobiles in the developing countries has been expanding steadily.

In particular, the number of automobiles manufactured in China during 2009 overtook that of the USA to become the premier manufacturing country in the world. It is expected that the production of vehicles in developing countries will continue to steadily increase. In addition, the market for two-wheeled vehicles is also increasing.

For these reasons, we decided to continue with the expansion of the factories in Thailand and China which we had delayed and have resumed our investment in plant and equipment. In addition to components for automobiles, we are also strengthening our production capability of components for two-wheeled vehicles.

Also, we are not only dealing with Japanese manufacturers but also we are strengthening our production for Korean automakers such as Hyundai and Kia, which is already in process, and the European makers such as Volkswagen; in short, we are improving yet more our global capabilities.



Q

What is Nifco's situation in respect of hybrid and electric cars, and two-wheeled vehicles?

The Nifco Group is also aiming to increase the number of parts and components that are used in hybrid and electric cars that are friendly to the environment. The figure for the average value of parts and components used in one vehicle ("gentan'i") is rising.

As with the gasoline automobiles hitherto, from the environmental standpoint and from the need to lighten vehicles, the hybrid and electric cars will need to change from metal to plastic parts and components.

In addition, the two-wheeled vehicle market also is steadily expanding in the developing countries and we think that there is great potential for increased use of Nifco products on these vehicles. As an environmental step, the use of Nifco's fuel-related parts, such as our suction filters, is already increasing.

We are progressing with the formation of a structure which will aim for continued increased sales of our parts and components in line with these trends.

Q

Please explain the aims and purpose behind the structural changes.

Nifco, which deals with all the Japanese automakers, has from its early days been quick to respond to the need for overseas production. Also, in recent years, our dealings with Korean, American and European automakers have increased.

From now on, in increasing still further the dealings with the non-Japanese automakers in America, Europe, Korea, China, etc., it will be necessary to have the ability to respond in local markets and therefore a further strengthening of Nifco's global capabilities is an absolute necessity.

Because of this, our Group structure was drastically changed as of 1st April, 2010 when the co-operative connections, such as the interplay and exchange of information, etc., among our domestic factories and overseas subsidiaries and affiliates was further improved, and our control of our customers' groups was changed to a global basis.



Please explain Nifco's environmental stance.

The demands for action on the environment are increasing all the more.

We believe that there will be still further demand for Nifco's products that are in line with the strict environmental standards for use on four and two-wheeled vehicles.

Nifco's suction filter for two-wheeled vehicles can be used with a new system, the introduction of which is being promoted as it improves fuel efficiency; this component has received a warm response from the industry. For this reason, the production of this filter is being increased and it will start being produced by our subsidiary in Thailand.

Our company will continue to develop more environmentally - friendly components in the future.



Can you tell us about the returns to shareholders?

Nifco's board of directors has been aware of the importance of returns to shareholders and has made it one of its important management topics. We have set a target of one-third (33%) as the consolidated dividend ratio.

As we consider that stability is also important, we determined on the dividends as shown in the table.

Although we anticipate increased growth in the developing nations of China and in Asia, we think that the markets will continue to be tough and cannot let our guard down. We look to our shareholders for their continued support and understanding.

Dividends

	FY 2007 56th Period	FY 2008 57th Period	FY 2009 58th Period	FY 2010 59th Period (forecast)
Mid-term dividend	¥28	¥30	¥10	¥20
End of term dividend	¥34	¥24	¥20	¥20
Dividend for the period	¥62	¥54	¥30	¥40

April
2009

Development of Nifco's Idea House



Nifco developed its "Idea House" as a showroom for its products for the housing industry in which Nifco's ideas could be exhibited in situ in practical use. Many manufacturers from the housing industry visited the "Idea House" and made requests for Nifco's products or development capabilities.

The Innovation Centre was established

Exhibited at Shanghai Motor Show



Nifco exhibited at the Shanghai Motor Show which took place in April 2009 in China, which in 2009 became the world's biggest market for automobiles. Nifco also exhibited its "Idea Car" and we were able to demonstrate our technology and products to the Chinese automakers and the other visitors to the exhibition.

May
2009

Exhibited at Interzum 2009 (an specialised international exhibition for furniture producers and timber processors in Germany)

July
2009

Exhibited buckles, and fashion and sports related products at the European Outdoor Trade Fair (Germany) and the Outdoor Retailer Summer Market (USA)

September
2009

Exhibited products at Ford UK's Development Centre

October
2009

Completion of the Mexican factory of Nifco Korea USA



In order to start full-scale supply to the American subsidiaries of Hyundai and Kia Motors, a new factory was established in Monterrey, Mexico. As the share American market for automobiles of the Korean related automakers is increasing, the production was begun in October 2009 and this strengthens the Group's response to this increase.

Exhibited products at Ford's German Development Centre

Exhibited Nifco's "Idea Motorbike" in Japan

Establishment of Beijing Nifco's own factory



In order to increase production for Beijing Hyundai, Beijing Nifco started to build its own factory. Manufacturing will start in August 2010 and it is expected that there will be increased production.

December
2009

Exhibitions at various Chinese automakers

January
2010

Establishment of Nifco Tianjin (China)

March
2010

Exhibition of the "Idea Motorbike" at Union Nifco (Thailand)

Five-Year Summary

For the years ended March 31

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

	2010		2009	2008	2007	2006
REVENUES AND EXPENSES:						
Net sales	¥ 107,506	\$ 1,155,482	¥ 122,519	¥ 141,647	¥ 131,637	¥ 123,351
Cost of sales	74,927	805,320	88,420	99,367	92,330	87,283
Selling, general and administrative expenses	24,026	258,233	26,861	27,631	25,611	24,308
Operating income	8,553	91,929	7,238	14,649	13,696	11,760
Other income (expenses), net	(1,164)	(12,512)	(1,734)	42	1,167	(1,213)
Income before income taxes and minority interests	7,389	79,417	5,504	14,691	14,863	10,547
Income taxes	2,595	27,891	1,495	4,310	5,171	4,456
Minority interests	326	3,504	74	432	300	334
Net income	4,468	48,022	3,935	9,949	9,392	5,757
Net income per share	83.8	0.9	74.6	193.2	192.0	110.0
FINANCIAL POSITION:						
Working capital	55,892	600,730	46,029	39,501	39,941	36,175
Property, plant and equipment, net	35,561	382,213	36,515	36,863	35,324	34,625
Total assets	122,671	1,318,476	112,140	118,540	113,201	110,562
Long-term indebtedness	18,296	196,647	15,832	79	4,799	10,088
Net assets	79,068	849,828	74,559	81,078	75,860	64,227
OTHER DATA:						
Cash dividends, applicable to the year	1,599	17,186	2,878	3,201	2,951	2,334
Per share – Actual	30.00	0.3	54.00	62.00	59.0	46.0
Net assets per share	1,438.56	15.46	1,355.98	1,531.01	1,437.40	1,289.72
Shares outstanding as of each balance sheet date	53,302,340		53,304,116	51,727,042	51,163,402	49,744,604
Capital expenditures	5,575	59,920	11,475	9,803	7,649	7,578
Depreciation	6,624	71,195	7,979	7,595	6,500	6,356
Number of employees as of each balance sheet date	5,427		5,443	4,976	4,783	4,640

(1) Nifco's basic policy towards corporate governance

The Company believes that all its stakeholders, its shareholders and investors, its customers, its employees and the local societies in which it operates, have a beneficial existence. To this end, as an enterprise, it is necessary to react appropriately and with flexibility in an environment that is rapidly changing. With this as a basic premise, Nifco aims to strengthen its group management with the execution of its corporate policies being the foremost concern.

(2) Nifco's policies in regard to corporate governance and their execution

A basic explanation of Nifco's organization

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

In the 2009 fiscal year, there were 6 directors (none was non-executive), 4 statutory auditors (two of whom were non-executive). However, at the annual general meeting of shareholders held on 24th June, 2010, two non-executive directors were elected. As a result of this, the company's Listed Security Report shows that there are presently 8 directors (two of whom are non-executive) and 4 statutory auditors (two of whom are non-executive).

The board of directors decides policies and has the task of aiming for growth and strengthening of the Group by means of establishing business strategies in respect of the Company's subsidiaries. The inclusion of 2 non-executive directors will reinforce and improve the corporate governance of the Group.

The board of directors has one regular meeting each month and has more meetings as and when necessary; in 2009, 14 meetings of board of directors were convened. In addition, from 2006, in accordance with Section 370 of the Company Law in Japan, the Company introduced the system of resolutions of the board of directors by written resolution; in 2009, this was utilized for one resolution only. The board of auditors of the Company convened 16 times during 2009.

On the hand, there are also regular meetings of senior managers of the Company (directors, auditors, executive officers, other senior managers, etc.) held usually once a week at which relatively important matters and proposals that need not be put to the board of directors are discussed and this meeting also receives reports.

Furthermore, in order to verify concretely that the dealings and decisions of the board of directors are in compliance with the law and with the Company's bye-laws, and that the business of the group companies is done properly (details follow), from 2007, the following have been established: a risk management committee under the board of directors; an internal controls committee in respect of financial reporting; a compliance committee; and a information security committee.

These committees promote corporate governance through their careful deliberations and in the 2009-10 fiscal year, they met the following number of times.

- The Risk Management Committee — 6 times
- The Internal Controls Committee — 7 times
- The Compliance Committee — 9 times
- The Information Security Committee — 10 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 aim for speedy and efficient execution of the Company's business by the delegation of part of the these responsibilities to the executive officers. As a result, the board of directors not only must scrutinize the execution of business of the representative directors and executive directors but must also scrutinize the execution of business by the executive officers.

(1) Analysis of Business Results

During the fiscal year under review, the Japanese economy finally started showing signs of recovery mainly due to stimulus measures taken by various countries to cope with the global economic recession as a result of the financial crisis that began in autumn 2008. The recovery was particularly noticeable in Asia, centering on increased domestic demand in China.

Under these circumstances, although there were signs of recovery in the manufacturing and sales of Japanese and South Korean automobile manufacturers, automobile manufacturers reduced inventories in the first half of the fiscal year, thus consolidated sales this fiscal year were 107,505 million yen (down 12.3% y-o-y). On the profit front, consolidated operating profit was 8,553 million yen (up 18.2% y-o-y) thanks to efforts for earnings recovery, including an attempt to reduce fixed costs and improving production efficiency. Recurring profit was 8,118 million yen (up 17.5% y-o-y) and net income for the fiscal year under review was 4,468 million yen (up 13.6% y-o-y).

(2) Analysis of Financial Status

	(Unit: Millions of yen)		
	FY2009	FY2008	Change
Total assets	122,670	112,140	10,530
Shareholders' equity	76,678	72,279	4,399
Shareholders' equity ratio (%)	62.5	64.5	-2.0

	(Unit: Millions of yen)		
	FY2009	FY2008	Change
Cash flow from operating activities	13,814	11,021	2,792
Cash flow from investing activities	(8,702)	(13,613)	4,910
Cash flow from financing activities	(3)	10,503	-10,507
Translation gains and losses	288	(2,951)	3,240
Increase/decrease in cash and cash equivalents	5,397	4,960	437
Balance of cash and cash equivalents at the beginning of term	28,711	23,750	4,960
Balance of cash and cash equivalents at the end of term	34,108	28,711	5,397

Balance of borrowings and bonds payable at the end of term	19,371	17,197	2,173
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Total assets increased by 10,530 million yen from the end of the previous term to 122,670 million yen. This is mainly attributed to the increase in notes and accounts receivable of 5,899 million yen resulting from the increased trade volume in the fourth quarter and the increase in cash and deposits of 6,096 million yen.

Total liabilities rose 6,022 million yen compared with the end of the previous consolidated fiscal year to 43,603 million yen. This is mainly due to the increase in notes and accounts payable of 2,543 million yen as a result of the increased trade volume in the fourth quarter and to the increase in long-term indebtedness of 2,464 million yen because the Company borrowed money from outside in order to increase liquidity on hand.

Equity capital increased by 4,399 million yen from the end of the previous term to 76,678 million yen. This is caused mainly by the increase in retained earnings of 2,655 million yen.

As a result, the shareholders' equity ratio dropped 2.0 percentage points year-on-year to 62.5%.

Cash flow from operating activities

Cash flow from operating activities increased by 2,792 million yen compared with the previous term to 13,814 million yen. This was mainly due to increased funds from net income before income taxes of 1,884 million yen and corporate tax refund.

Cash flow from investing activities

Cash flow used in investing activities decreased by 4,910 million yen in comparison with the previous term to 8,702 million yen. This was primarily attributable to the decrease in expenditure to acquire fixed assets of 3,781 million yen, since a new plant of Simmons was constructed in the previous fiscal year and capital expenditure was curbed in the current fiscal year.

Cash flow from financing activities

Cash flow used in financing activities was 3 million yen on account of the expenditure of a dividend payment of 1,813 million yen and repayments of short-term borrowings despite income from long-term loans payable of 2,951 million yen.

As a result of the above, the balance of cash and cash equivalents at the end of this term increased by 5,397 million yen, compared to the end of the previous term, to 34,108 million yen.

Further, Nifco has continued commitment line agreements worth 10,500 million yen to ensure means for stable financing in order to respond to the changing economic environment.

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

Nifco decided to pay 20 yen per share as the year-end ordinary dividend for the fiscal year ended March 31, 2010 as announced on March 1, 2010, since earnings of the Company during the current fiscal year were firm. As a result, the annual dividend per share including the interim dividend of 10 yen per share will be 30 yen per share.

Further, the Company has set the payout ratio for the full year at a third (33%) of the consolidated net income, but the annual dividend amount is set for 30 yen, which exceeds the payout ratio, to place value on returns to shareholders.

For the dividend of the next fiscal year, we currently expect to pay 40 yen per share for the full year, up 10 yen from the current fiscal year, (20 yen for the interim dividend and 20 yen for the year-end dividend) despite the severe management environment, by taking into consideration the achievement of projected profits in which the effects of continuous efforts for earnings recovery, reduction of fixed expenses and other measures are factored in.

Industrial Plastic Parts and Components Business

Sales of automobile components in Japan

In the first half of last year, the number of automobiles manufactured fell because of the global recession but it started to recover in the second half due to the effects of reduction in tax and grants in respect of the purchase of environmentally friendly “eco-cars”. Nifco’s sales also recovered. Whilst sales and profits did not exceed last year’s figures, the use of our components in small-sized automobiles, which have used relatively few Nifco parts, increased and our operating profit increased due to the effect of cutting costs.

All the automobile makers are endeavouring to develop new vehicles in compliance with safety, fuel economy, and environmental standards and are increasing the local manufacture of vehicles in markets of China, India, etc. Our Group is working to develop new fuel-related components that are friendly to the environment, and to increase the use of our components that contribute to a reduction in the weight of vehicles.

Sales of automobile components globally

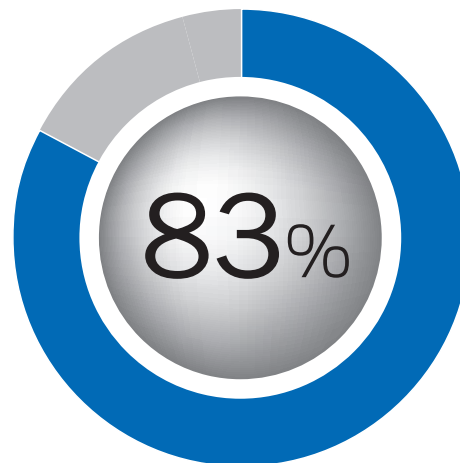
The Group’s overseas subsidiaries and affiliates had lower sales and profits than last year. Although the recovery in China was very brisk in the second half of the period, for the whole fiscal year, the overseas production by Japanese-related automakers was lower than the previous one.

In spite of this situation, the operating profit ratio was kept in double digits (id est more than 10%) due to thorough efforts to cut costs which resulted in a recovery of profitability in the second half of the period.

The sales of housing-related components increased steadily. These “fine-tech motion” products contribute to a sense of luxury through their safety and ease of use. In particular, we have increased the variety of our components for use with doors and cupboards, etc in kitchens and these are being well received by our customers.

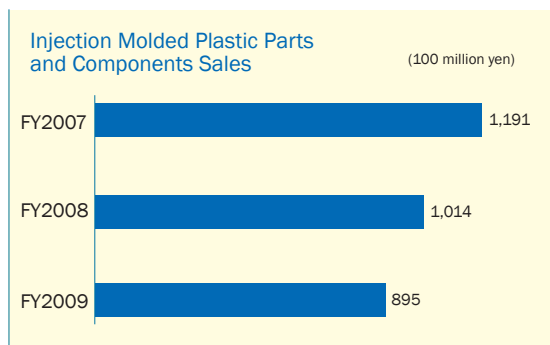
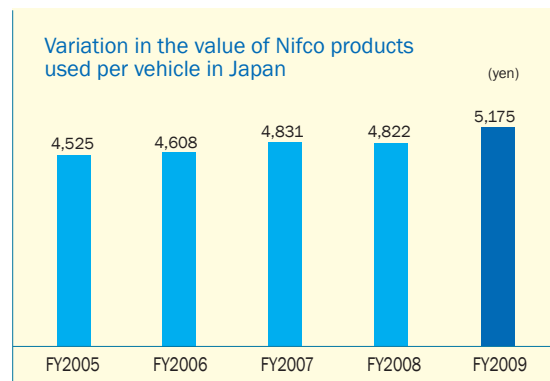
In respect of sales of components for the electronics market, we are working to respond to our customers’ globalisation by increasing our ability to develop, manufacture and supply high-value added components such as dampers, clutches, hinges, etc. in local markets, centred on Asia; these efforts are producing expectations and a highly trusted relationship with our customers. In respect of the buckle business, the Group is endeavouring to increase the recognition of our name though participation in overseas business exhibitions and is working to increase our sales through interplay among our overseas subsidiaries and affiliates.

The results of the above activities have been that the sales of plastic parts and components reached ¥89,512 million (a drop of 11.8% from last year); operating profit was ¥10,848 million (a 14.4% increase); hence, we had decreased sales but increased.

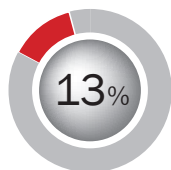


Segment information on a consolidated basis

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



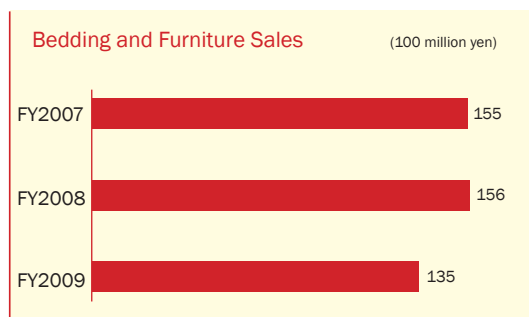
Bedding and Furniture Business



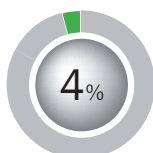
This business consists of the sale and manufacture of high quality beds and mattresses in Japan and Asia and is carried out by Simmons Co. Ltd. and its subsidiaries throughout Asia.

The revenues from this business were ¥13,522 million (a reduction of 13.7% from the previous period). They suffered the results of the poor economy which meant that the openings of new hotels based on foreign investment were greatly reduced.

The functions of the Zama Factory and the distribution centre in Atsugi were combined by their removal to a new factory in Fujiyama which opened in May last year. The start-up costs for this are reflected in the reduced operating profit of ¥1,011 million (a reduction of 31.0% from the previous period).



Other Business



The newspaper and publishing business continues to suffer from the difficult market arising from the diversification of the media business and we continue to our efforts to reduce costs thoroughly.

Insofar as the electronic component business is concerned, as the management rights for Nifco Advanced Technology were sold in November, 2009, the company is now treated under the law for minority holdings in companies.

The total revenues for other businesses were ¥4,470 million and the operating loss was ¥288 million.

A little information about one of Nifco's Products

cup-holder

A cup-holder to hold PET bottles or cans of drink has now become a standard feature in automobiles. Nifco was the first maker in Japan to develop this standard product.

Nifco was able to use its unique development skills to come up with ideas to invent cup-holders that could be put away yet were easy to use by responding to the various requests from our customers for cup-holders that could even be fixed in a small space and yet placed between the seats of the driver and passenger.

Also, the value-added function of "push open", and the smooth functioning of our small-sized dampers have allowed Nifco to develop a more convenient and pleasant cup-holder.



A cup-holder which opens smoothly due to Nifco's damper and push-open function.



Consolidated Balance Sheets

AS OF MARCH 31, 2010 AND 2009

ASSETS	Japanese Yen (millions)		U.S. Dollars (thousands)
	2010	2009	2010
CURRENT ASSETS:			
Cash and cash equivalents (Note 6)	¥ 34,109	¥ 28,711	\$ 366,606
Time deposits (Note 6)	3,427	2,159	36,834
Marketable securities (Note 6, 7)	3,011	804	32,362
Trade receivables: (Note 6)			
Notes	3,575	2,689	38,424
Accounts	20,988	15,974	225,580
Less- Allowance for doubtful receivables	(75)	(83)	(806)
Inventories (Note 4)	10,027	10,209	107,770
Deferred income taxes and other (Note 14)	3,756	5,235	40,370
Total current assets	78,818	65,698	847,140
PROPERTY, PLANT AND EQUIPMENT:			
Land	11,904	11,230	127,945
Buildings and structures	23,454	22,689	252,085
Machinery and equipment (Note 5)	29,914	28,761	321,518
Molds and dies	48,056	45,910	516,509
Other	2,075	2,626	22,303
	115,403	111,216	1,240,360
Less - Accumulated depreciation	(79,842)	(74,701)	(858,147)
Net property, plant and equipment	35,561	36,515	382,213
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 6, 7)	5,616	6,409	60,361
Goodwill	424	886	4,557
Deferred income taxes and other (Note 14)	2,252	2,632	24,205
Total investments and other assets	8,292	9,927	89,123
Total assets	¥122,671	¥112,140	\$1,318,476

AS OF MARCH 31, 2010 AND 2009

LIABILITIES AND NET ASSETS	Japanese Yen (millions)		U.S. Dollars (thousands)
	2010	2009	2010
CURRENT LIABILITIES:			
Short-term borrowings (Note 6, 12)	¥ 745	¥ 1,254	\$ 8,007
Current portion of long-term indebtedness (Note 6, 13)	331	113	3,558
Trade payables: (Note 6)			
Notes	2,000	2,432	21,496
Accounts	10,639	7,665	114,349
Other payables (Note 6)	2,267	1,443	24,366
Accrued bonuses	1,091	1,119	11,726
Accrued income taxes (Note 6, 14)	2,074	509	22,291
Other	3,779	5,134	40,617
Total current liabilities	22,926	19,669	246,410
LONG-TERM LIABILITIES:			
Long-term indebtedness (Note 6, 13)	18,296	15,832	196,647
Liability for severance and retirement benefits (Note 11)	1,450	1,293	15,585
Deferred income taxes and other (Note 14)	931	787	10,006
Total long-term liabilities	20,677	17,912	222,238
NET ASSETS: (Note 16)			
Shareholders' equity			
Common stock			
Authorized – 233,000,000 shares			
Issued – 53,754,477 shares	7,290	7,290	78,353
Capital surplus	11,651	11,651	125,226
Retained earnings	65,023	62,368	698,871
Treasury stock, at cost – 452,137 shares in 2010 and 450,361 shares in 2009	(1,064)	(1,061)	(11,436)
Total shareholders' equity	82,900	80,248	891,014
Valuation, translation adjustments and other			
Net unrealized holding gains (losses) on securities, net of tax	364	(75)	3,912
Land revaluation difference, net of tax (Note 9)	(85)	(85)	(914)
Foreign currency translation adjustments	(6,500)	(7,809)	(69,862)
Total valuation, translation adjustments and other	(6,221)	(7,969)	(66,864)
Minority interests	2,389	2,280	25,678
Total net assets	79,068	74,559	849,828
Total liabilities and net assets	¥122,671	¥112,140	\$1,318,476

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

Consolidated Statements of Income

FOR THE YEARS ENDED MARCH 31, 2010, 2009 AND 2008

	Japanese Yen (millions)			U.S. Dollars (thousands)
	2010	2009	2008	2010
NET SALES	¥107,506	¥122,519	¥141,647	\$1,155,482
COST OF SALES	74,927	88,420	99,367	805,320
GROSS PROFIT	32,579	34,099	42,280	350,162
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	24,026	26,861	27,631	258,233
OPERATING INCOME	8,553	7,238	14,649	91,929
OTHER INCOME (EXPENSES):				
Interest expense	(326)	(316)	(244)	(3,504)
Interest and dividend income	343	593	523	3,687
Gain on sale of marketable and investment securities and other investments, net	15	1,131	0	161
Gain on sale of property, plant and equipment	38	8	56	408
Loss on disposal of property, plant and equipment	(66)	(65)	(422)	(709)
Exchange loss on foreign currency transactions	(417)	(378)	(263)	(4,482)
Investment gain (loss) on equity method	(146)	126	278	(1,570)
Loss on revaluation of marketable securities	—	(457)	—	—
Impairment loss on investment securities and golf membership rights	—	(388)	(1)	—
Impairment loss on fixed assets: (Note 15)	(556)	(674)	(31)	(5,976)
Directors' retirement benefits	—	(1,272)	—	—
Other income (expense), net	(49)	(42)	146	(527)
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	7,389	5,504	14,691	79,417
PROVISION FOR INCOME TAXES: (Note 14)				
Current	2,910	1,245	4,695	31,277
Deferred	(315)	250	(385)	(3,386)
NET INCOME BEFORE MINORITY INTERESTS	4,794	4,009	10,381	51,526
MINORITY INTERESTS	(326)	(74)	(432)	(3,504)
NET INCOME	¥ 4,468	¥ 3,935	¥ 9,949	\$ 48,022
PER SHARE AMOUNTS: (Note 17)				
Net income:	(In Yen)		(In Dollars)	
Basic	¥83.8	¥74.6	¥193.2	\$0.90
Diluted	—	73.9	186.7	—
Cash dividends, applicable to the year	30.0	54.0	62.0	0.32

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, 2010, 2009 AND 2008

	Japanese Yen (millions)								
	Shareholders' equity				Valuation, translation adjustments and other				
	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
BALANCE AS OF MARCH 31, 2007	¥7,290	¥11,651	¥56,999	¥(5,585)	¥659	¥(85)	¥ 2,613	¥2,318	¥75,860
Net income			9,949						9,949
Dividends paid			(3,233)						(3,233)
Acquisition of treasury stock				(2,202)					(2,202)
Disposal of treasury stock			(745)	2,984					2,239
Net changes during the year					(587)	—	(513)	(435)	(1,535)
BALANCE AS OF MARCH 31, 2008	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) (c))			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)
BALANCE AS OF MARCH 31, 2009	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
BALANCE AS OF MARCH 31, 2010	¥7,290	¥11,651	¥65,023	¥(1,064)	¥364	¥(85)	¥(6,500)	¥2,389	¥79,068

	U.S. Dollars (thousands)								
	Shareholders' equity				Valuation, translation adjustments and other				
	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
Balance as of March 31, 2009	\$78,353	\$125,226	\$670,336	\$(11,404)	\$ (806)	\$(914)	\$(83,932)	\$24,506	\$801,365
Net income			48,022						48,022
Dividends paid			(19,475)						(19,475)
Acquisition of treasury stock				(54)					(54)
Disposal of treasury stock			(12)	22					10
Net changes during the year					4,718	—	14,070	1,172	19,960
BALANCE AS OF MARCH 31, 2010	\$78,353	\$125,226	\$698,871	\$(11,436)	\$3,912	\$(914)	\$(69,862)	\$25,678	\$849,828

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, 2010, 2009 AND 2008

	Japanese Yen (millions)			U.S. Dollars (thousands)
	2010	2009	2008	2010
CASH FLOWS FROM OPERATING ACTIVITIES:				
Income before income taxes and minority interests	¥ 7,389	¥ 5,504	¥14,691	\$ 79,417
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:				
Depreciation	6,624	7,979	7,595	71,195
Impairment loss on fixed assets	556	674	31	5,976
Bond issuance cost	—	80	—	—
Amortization of goodwill	74	48	85	795
Increase (decrease) in allowance for doubtful receivables	(45)	22	7	(484)
Increase (decrease) in accrued bonuses	3	(66)	83	32
Increase (decrease) in retirement allowances	204	300	(162)	2,193
Impairment loss on investment securities	—	388	1	—
Interest and dividends income	(343)	(593)	(523)	(3,687)
Interest expense	326	316	244	3,504
Loss on revaluation of marketable securities	—	457	—	—
Foreign currency exchange loss	143	132	118	1,537
Investment gain (loss) on equity method	146	(126)	(278)	1,570
Gain on sale of property, plant and equipment	(38)	(8)	(56)	(408)
Loss on disposal of property, plant and equipment	66	65	422	709
Gain on sale of investment securities	(15)	(1,131)	(0)	(161)
Changes in assets and liabilities, net				
(Increase) decrease in trade receivables	(5,977)	8,513	(455)	(64,241)
(Increase) decrease in inventories	(237)	27	(695)	(2,547)
(Increase) decrease in other assets	110	465	(430)	1,182
Increase (decrease) in trade payables	3,410	(6,283)	2,729	36,651
Increase (decrease) in other liabilities	1,024	(931)	426	11,006
Decrease in accrued directors' retirement benefits	(5)	(881)	—	(54)
Other, net	278	158	221	2,988
Subtotal	13,693	15,109	24,054	147,173
Interest income and dividends received	341	780	749	3,665
Interest paid	(316)	(318)	(250)	(3,396)
Income taxes refund (paid)	97	(4,549)	(4,455)	1,043
Net cash provided by operating activities	13,815	11,022	20,098	148,485
CASH FLOWS FROM INVESTING ACTIVITIES:				
Increase in time deposits	(4,044)	(3,329)	(3,428)	(43,465)
Decrease in time deposits	2,877	3,331	2,417	30,922
Purchase of marketable securities	(3,103)	(1,297)	(5,236)	(33,351)
Proceeds from sale of marketable securities	2,532	1,019	6,775	27,214
Additions to property, plant and equipment	(6,951)	(10,732)	(9,369)	(74,710)
Proceeds from sale of property, plant and equipment	56	181	129	602
Purchase of investment securities	(555)	(4,293)	(170)	(5,965)
Proceeds from sale of investment securities	627	1,130	70	6,739
Expenditure for sale of investments in subsidiaries	(148)	—	—	(1,591)
Purchase of investments in subsidiaries	(74)	(28)	(594)	(795)
Proceeds from purchase of investments in subsidiaries	—	338	—	—
Other, net	80	66	(376)	860
Net cash used in investing activities	(8,703)	(13,614)	(9,782)	(93,540)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Proceeds from short-term borrowings	1,983	10,957	14,683	21,313
Repayments of short-term borrowings	(2,539)	(12,764)	(15,078)	(27,289)
Proceeds from long-term indebtedness	2,951	1,023	—	31,718
Proceeds from issuance of bonds	—	14,920	—	—
Repayments of long-term indebtedness	(278)	(9)	(9)	(2,988)
Purchase of treasury stock	(5)	(5)	(2,202)	(54)
Proceeds from sale of treasury stock	1	14	200	11
Cash dividends	(1,814)	(3,357)	(3,233)	(19,497)
Cash dividends for minority interest	(256)	(178)	(114)	(2,752)
Other, net	(46)	(97)	(106)	(494)
Net cash provided by (used in) financing activities	(3)	10,504	(5,859)	(32)
EXCHANGE RATE ADJUSTMENTS	289	(2,952)	(154)	3,106
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,398	4,960	4,303	58,019
CASH AND CASH EQUIVALENTS, at beginning of year	28,711	23,751	19,448	308,587
CASH AND CASH EQUIVALENTS, at end of year	¥34,109	¥28,711	¥23,751	\$366,606

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

Prior to the years ended March 31, 2010 and 2009, the accounts of consolidated foreign subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. As discussed in Note 2, the accounts of consolidated foreign subsidiaries for the years ended March 31, 2010 and 2009 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, 2010, which was ¥93.04 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) Depreciation of tangible fixed assets

Effective from the year ended March 31, 2008, the Company and its domestic subsidiaries changed the depreciation method for tangible fixed assets acquired on or after April 1, 2007 to comply with the revised Corporate Tax Law. The effect of this change was to decrease income before income taxes and minority interests by ¥599 million compared with the amount calculated under the previous depreciation method. The effects on segment information from the above change are described in the relevant section. In addition, in the year ended March 31, 2008, for certain tangible fixed assets acquired prior to April 1, 2007, the 5% residual book values remaining under the previous tax depreciation schedule are being depreciated on a straight-line basis over 5-year period commencing in the year following a year in which those assets have reached the depreciation limit. The effect of this change was to decrease income before income taxes and minority interests by ¥389 million compared with those under the previous depreciation method. The effects on segment information from the above change are described in Note 18.

(b) 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 profit 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.

(c) 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.

(d) 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.

(e) 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 has had no impact on the consolidated financial statements for the year ended March 31, 2009.

(f) 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.

(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.

Notes to Consolidated Financial Statements

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 equity 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, 2010 and 2009 are as follows:

	2010	2009
Buildings and structures	5-50 years	5-50 years
Machinery and equipment	5-12 years	5-12 years
Molds and dies	2-4 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)

Under Japanese GAAP, 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, 2010 and 2009 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 5-10 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 ¥1,360 million (\$14,617 thousand), ¥1,710 million and ¥2,019 million for the years ended March 31, 2010, 2009 and 2008, 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, 2010 and 2009 are as follows:

	Japanese Yen (millions)		U.S. Dollars (thousands)	
	2010	2009	2010	
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, 2010 and 2009, consist of the following:

	Japanese Yen (millions)		U.S. Dollars (thousands)
	2010	2009	2010
Finished goods	¥ 6,365	¥ 6,312	\$ 68,411
Work-in-process and raw materials	3,662	3,897	39,359
Total	¥10,027	¥10,209	\$107,770

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, 2010 and 2009 are as follows:

Details of the leased assets:

	Japanese Yen (millions)		U.S. Dollars (thousands)
	2010	2009	2010
Machinery and equipment	¥ 503	¥ 587	\$5,407
Accumulated depreciation	(414)	(373)	(4,450)
Net	¥ 89	¥ 214	\$ 957

Information related to finance leases for the years ended March 31, 2010 and 2009 was as follows:

	Japanese Yen (millions)		U.S. Dollars (thousands)
	2010	2009	2010
Lease expenses	¥ 117	¥ 139	\$1,258
Depreciation expense	117	139	1,258

Future minimum lease payments, including the portion of interest thereon, as of March 31, 2010 and 2009 are as follows:

	Japanese Yen (millions)		U.S. Dollars (thousands)
	2010	2009	2010
Finance leases:			
Due within one year or less	¥ 69	¥122	\$742
Due after one year	20	92	215
	¥ 89	¥214	\$957

Future non-cancelable operating leases payments for the year ended March 31, 2010 was as follows

	Japanese Yen (millions)		U.S. Dollars (thousands)
	2010		
Non-cancelable operating leases:			
Due within one year or less	¥ 329		\$3,536
Due after one year	121		1,301
	¥ 450		\$4,837

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, 2010 pursuant to the revised accounting standards is as follows:

Notes to Consolidated Financial Statements

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 25 years from the year ended of March 31, 2010. 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, 2010 are the following.

	Japanese Yen (millions)			U.S. Dollars (thousands)		
	Book value	Fair value	Difference	Book value	Fair value	Difference
	2010					
Cash and cash equivalents	34,109	34,109	—	366,606	366,606	—
Time deposits	3,427	3,427	—	36,834	36,834	—
Securities (Note 7)						
Held-to-maturity securities	2,030	2,034	4	21,818	21,861	43
Available-for-sale securities	6,257	6,257	—	67,251	67,251	—
Trade receivables	24,563	24,563	—	264,004	264,004	—
Total assets	70,386	70,390	4	756,513	756,556	43
Short-term borrowings	745	745	—	8,007	8,007	—
Current portion of long-term indebtedness	331	331	—	3,558	3,558	—
Trade payables	12,639	12,639	—	135,845	135,845	—
Other payables	2,267	2,267	—	24,366	24,366	—
Accrued income taxes	2,074	2,074	—	22,291	22,291	—
Long-term indebtedness	18,296	18,375	79	196,647	197,496	849
Total liabilities	36,352	36,431	79	390,714	391,563	849
Derivative transactions (Note 8) (*)	(17)	(17)	—	(183)	(183)	—

(*) 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 bond 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, Trade payables, Other payables and Accrued income taxes

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.

Long-term indebtedness

The fair value of the bond payable is based on the present value of principal and interest payments discounted using the interest rate which takes into account the Company's own credit risk.

The fair value of the floating rate loan payable subject to the special treatment for an interest rate swap is based on the present value of future cash flows associated with the loan payable and the interest rate swap discounted using the current borrowing rate for similar indebtedness of comparable maturity.

The carrying amount of the other floating rate loans payable approximates fair value because their interest rates reflect market interest rates in short term and no significant change has occurred in the creditworthiness of the Company and consolidated subsidiaries after receiving borrowings.

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

Derivative transactions

The details are as shown in Note 8.

7. SECURITIES

A. The following tables summarize fair value, acquisition cost and book value of securities with available fair value as of March 31, 2010 and 2009:

Held-to-maturity securities

Securities with fair value exceeding book value

	Japanese Yen (millions)					
	2010			2009		
	Book value	Fair value	Difference	Book value	Fair value	Difference
Equity securities	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —
Bonds	—	—	—	—	—	—
Other	2,000	2,004	4	—	—	—
Total	¥2,000	¥2,004	¥ 4	¥ —	¥ —	¥ —

Securities with fair value not exceeding book value

	Japanese Yen (millions)					
	2010			2009		
	Book value	Fair value	Difference	Book value	Fair value	Difference
Equity securities	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —
Bonds	30	30	—	—	—	—
Other	—	—	—	2,000	1,575	(425)
Total	¥ 30	¥ 30	¥ —	¥2,000	¥1,575	¥ (425)

Securities with fair value exceeding book value

	U.S. Dollars (thousands)		
	2010		
	Book value	Fair value	Difference
Equity securities	\$ —	\$ —	\$ —
Bonds	—	—	—
Other	21,496	21,539	43
Total	\$21,496	\$21,539	\$ 43

Securities with fair value not exceeding book value

	U.S. Dollars (thousands)		
	2010		
	Book value	Fair value	Difference
Equity securities	\$ —	\$ —	\$ —
Bonds	322	322	—
Other	—	—	—
Total	\$ 322	\$ 322	\$ —

Available-for-sale securities

Securities with book value exceeding acquisition cost

	Japanese Yen (millions)					
	2010			2009		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Equity securities	¥ 610	¥ 957	¥ 347	¥ 56	¥ 105	¥ 49
Bonds	2,000	2,008	8	1,001	1,008	7
Other	543	848	305	543	628	85
Total	¥3,153	¥3,813	¥ 660	¥1,600	¥1,741	¥ 141

Securities with book value not exceeding acquisition cost

	Japanese Yen (millions)					
	2010			2009		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Equity securities	¥ 803	¥ 751	¥ (52)	¥1,724	¥1,128	¥ (596)
Bonds	628	627	(1)	1,696	1,638	(58)
Other	1,066	1,066	—	73	72	(1)
Total	¥2,497	¥2,444	¥ (53)	¥3,493	¥2,838	¥ (655)

Securities with book value exceeding acquisition cost

	U.S. Dollars (thousands)		
	2010		
	Acquisition cost	Book value	Difference
Equity securities	\$ 6,556	\$10,286	\$ 3,730
Bonds	21,496	21,582	86
Other	5,837	9,115	3,278
Total	\$33,889	\$40,983	\$ 7,094

Securities with book value not exceeding acquisition cost

	U.S. Dollars (thousands)		
	2010		
	Acquisition cost	Book value	Difference
Equity securities	\$ 8,631	\$ 8,072	\$ (559)
Bonds	6,750	6,739	(11)
Other	11,457	11,457	—
Total	\$26,838	\$26,268	\$ (570)

B. The following tables summarize book value of securities with no available fair value as of March 31, 2010 and 2009:

	Japanese Yen (millions)		U.S. Dollars (thousands)
	2010	2009	2010
Available-for-sale securities:			
Non-listed securities	¥ 76	¥ 345	\$ 817
Investment Partnership	83	108	892
Investment in affiliated companies	181	180	1,945
Total	¥ 340	¥ 633	\$ 3,654

C. Redemption schedule of securities with maturities is as follows:

	Japanese Yen (millions)					
	2010			2009		
	Within 1 to 5 1 year	Over 5 years	Total	Within 1 to 5 1 year	Over 5 years	Total
Held-to-maturity securities	¥ 1	¥ 2,030	¥ —	¥ 2,000	¥ —	¥ 2,000
Bonds	—	—	—	—	—	—
Available-for-sale securities	3,184	200	506	501	2,205	—
Bonds	—	—	—	—	—	2,706
Total	¥ 3,185	¥ 2,230	¥ 506	¥ 5,921	¥ 501	¥ 4,706

	U.S. Dollars (thousands)		
	2010		
	Within 1 to 5 1 year	Over 5 years	Total
Held-to-maturity securities	\$ 11	\$ 21,818	\$ —
Bonds	—	—	\$ 21,829
Available-for-sale securities	34,222	2,150	5,438
Bonds	—	—	41,810
Total	\$ 34,233	\$ 23,968	\$ 5,438

D. Total sales of available-for-sale securities for the years ended March 31, 2010 and 2009 amounted to ¥889 million (\$9,555 thousand) and ¥1,219 million, and the related gains amounted to ¥36 million (\$387 thousand) and ¥1,131 million, and the related losses amounted to ¥20 million (\$215 thousand) and ¥0 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

Notes to Consolidated Financial Statements

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, 2010 and 2009 are as follows:

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

Interest rate related

	Japanese Yen (millions)							
	2010				2009			
	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	419	419	(17)	(17)	—	—	—	—
Total	419	419	(17)	(17)	—	—	—	—

	U.S. Dollars (thousands)			
	2010			
	Notional value	Notional value due over 1 year	Fair value	Unrealized gain (loss)
Interest rate swap transactions				
Variable receivable and fixed payment	4,503	4,503	(183)	(183)
Total	4,503	4,503	(183)	(183)

B. Derivative transactions subject to hedge accounting

Interest rate related

	Hedged items	Japanese Yen (millions)					
		2010			2009		
		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	560	480	(*)	—	—	—
	Long-term loans payable						

	Hedged items	U.S. Dollars (thousands)		
		2010		
		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	6,019	5,159	(*)
	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 revalued 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, 2010 and 2009. 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, 2010 and 2009 are as follows:

	Japanese Yen (millions)		U.S. Dollars (thousands)
	2010	2009	2010
	Total amount of committed credit lines	¥10,500	¥10,500
Less amount borrowed against credit lines	—	—	—
Credit lines unused	¥10,500	¥10,500	\$112,855

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, 2010 and 2009 consist of the following:

	Japanese Yen (millions)		U.S. Dollars (thousands)
	2010	2009	2010
	Projected benefit obligation	¥(8,135)	¥(7,607)
Pension assets at fair value	6,390	5,993	68,680
Unfunded projected benefit obligation	(1,745)	(1,614)	(18,756)
Unrecognized net transition obligation	—	(43)	—
Unrecognized net actuarial loss	700	870	7,524
Unrecognized prior service costs	(405)	(506)	(4,353)
Liability for severance and retirement benefits	¥(1,450)	¥(1,293)	\$(15,585)

Severance and retirement benefit expenses included in the consolidated statements of income for the years ended March 31, 2010, 2009 and 2008 consist of the following:

	Japanese Yen (millions)			U.S. Dollars (thousands)
	2010	2009	2008	2010
Service costs – benefits earned during the year	¥539	¥609	¥606	\$5,793
Interest cost on projected benefit obligation	97	120	112	1,043
Expected return on plan assets	(26)	(82)	(184)	(279)
Amortization of unrecognized prior service costs	(100)	(101)	(101)	(1,075)
Amortization of unrecognized net actuarial loss	216	212	161	2,322
Severance and retirement benefit expenses	¥726	¥758	¥594	\$7,804
Payment to defined contribution pension plan	145	120	115	1,558
Total	¥871	¥878	¥709	\$9,362

Accounting assumptions and amortization schedule are as follows:

	2010	2009
Pension cost allocation	Based on employees' service period	Based on employees' service period
Discount rate	2.0-5.6%	2.0-6.4%
Expected return on assets	1.0-5.7%	1.5-5.1%
Amortization of unrecognized prior service costs	5-10 years	5-10 years
Amortization of unrecognized net actuarial loss	5-10 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 286 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 were 4.2% as of March 31, 2010 and 2009.

13. LONG-TERM INDEBTEDNESS

Long-term indebtedness as of March 31, 2010 and 2009 consists of the following:

	Japanese Yen (millions)		U.S. Dollars (thousands)
	2010	2009	2010
Bonds payable-			
1.38% bond payable due May 2013	¥ 15,000	¥ 15,000	\$161,221
Loans payable-			
Unsecured loans due 2010 through 2035 with average rate of 1.72%	3,627	945	38,984
	18,627	15,945	200,205
Less-			
Current portion of long-term indebtedness	(331)	(113)	(3,558)
	¥ 18,296	¥ 15,832	\$196,647

Annual maturities of long-term indebtedness as of March 31, 2010 are as follows:

	Japanese Yen (millions)	U.S. Dollars (thousands)
2011	331	3,558
2012	1,132	12,167
2013	466	5,009
2014	15,513	166,735
2015	260	2,794
2016 and thereafter	925	9,942
Total	18,627	200,205

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, 2010, 2009 and 2008.

The following table summarizes the significant differences between the statutory tax rate and the effective tax rate for the years ended March 31, 2010, 2009 and 2008:

	2010	2009	2008
Statutory tax rate	40.6%	40.6%	40.6%
Non-deductible expenses	2.5	1.3	1.2
Non-taxable dividend income	(4.5)	(2.2)	(1.0)
Per capita inhabitant tax	0.5	1.3	0.6
Tax rate differences between those applied in Japan and foreign subsidiaries' countries	(10.6)	(16.1)	(7.2)
Changes in valuation allowance	2.5	7.7	(1.7)
Equity income	0.8	(1.0)	(0.8)
Cash dividends from foreign subsidiaries	5.5	10.0	4.5
Tax reduction for research and development expense	(4.5)	(13.1)	(6.0)
Other	2.3	(1.3)	(0.9)
Effective tax rate	35.1%	27.2%	29.3%

Significant components of deferred tax assets and liabilities as of March 31, 2010, 2009 and 2008 are as follows:

	Japanese Yen (millions)			U.S. Dollars (thousands)
	2010	2009	2008	2010
Deferred tax assets:				
Employees' retirement allowances	¥ 579	¥ 485	¥ 384	\$ 6,223
Enterprise taxes	169	21	174	1,816
Accrued bonuses	421	435	440	4,525
Allowance for doubtful receivables	20	297	33	215
Net loss carry forwards of subsidiaries	1,801	1,739	1,764	19,357
Depreciation	89	96	46	957
Impairment losses of investment securities	46	94	344	494
Inventories	22	58	229	236
Valuation loss on molds and dies	309	402	391	3,321
Other	1,000	811	1,016	10,749
Total	4,456	4,438	4,821	47,893
Offset with deferred tax liabilities within each entity	(1,106)	(1,101)	(1,790)	(11,887)
Sub-total deferred tax assets	3,350	3,337	3,031	36,006
Valuation allowance	(1,834)	(1,916)	(1,561)	(19,712)
Total deferred tax assets	1,516	1,421	1,470	16,294
Deferred tax liabilities:				
Net unrealized holding gains on securities	(245)	(1)	(157)	(2,633)
Difference on revaluation of assets of subsidiaries	(34)	(39)	(807)	(365)
Reserves under Special Taxation Measures Law	(621)	(617)	(241)	(6,675)
Other	(887)	(958)	(1,148)	(9,533)
Total	(1,787)	(1,615)	(2,353)	(19,206)
Offset with deferred tax assets within each entity	1,106	1,101	1,790	11,887
Total deferred tax liabilities	(681)	(514)	(563)	(7,319)
Net deferred tax assets	¥ 835	¥ 907	¥ 907	\$ 8,975

15. IMPAIRMENT LOSS ON FIXED ASSETS

In the fiscal years 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)	U.S. Dollars (thousands)
	2010	2010
Goodwill	456	4,901
Buildings and structures	6	64
Machinery, equipment and vehicles	6	64
Tools, furniture and fixtures	5	54
Other	83	893
Total	556	5,976

In the fiscal years 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
Total		674

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, 2010 and 2009 were ¥65,023 million (\$698,871 thousand) and ¥62,368 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 24, 2010, the shareholders approve cash dividends amounting to ¥1,066 million (\$11,457 thousand). Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2010. 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. The 2.3% convertible bond was considered as common stock equivalents. In computing net income per share, net income is adjusted, by the interest expense on the convertible bonds when such bonds are dilutive. The diluted net income per share is not presented as of March 31, 2010, since there are no common stock equivalents that have a dilutive effect.

18. SEGMENT INFORMATION

The industrial plastic parts and components segment includes sales and manufacturing of products for the automobile industry and the electrical appliance industry. The bedding and furniture segment includes sales and manufacturing of products of bedding and furniture.

The business segment information for the years ended March 31, 2010, 2009 and 2008, is as follows:

	Japanese Yen (millions)						
	Industrial Plastic Parts and Components	Bedding and Furniture	Newspaper and Publishing	Other	Total	Eliminations and Corporate	Consolidated
2010 Net sales:							
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
2009 Net sales:							
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
2008 Net sales:							
Sales to customers	¥ 119,117	¥ 15,519	¥ 2,939	¥ 4,072	¥ 141,647	¥ —	¥ 141,647
Inter-segment sales	0	0	22	1	23	(23)	—
Total	119,117	15,519	2,961	4,073	141,670	(23)	141,647
Operating expenses	102,614	13,723	3,293	4,127	123,757	3,241	126,998
Operating income (loss)	16,503	1,796	(332)	(54)	17,913	(3,264)	14,649
Total assets	80,204	12,551	768	13,181	106,704	11,836	118,540
Depreciation	7,039	262	30	18	7,349	246	7,595
Impairment loss of fixed assets	31	—	—	—	31	—	31
Capital expenditures	8,487	1,213	18	4	9,722	81	9,803

	U.S. Dollars (thousands)					
	Industrial Plastic Parts and Components	Bedding and Furniture	Other	Total	Eliminations and Corporate	Consolidated
2010 Net sales:						
Sales to customers	\$962,081	\$145,346	\$48,055	\$1,155,482	\$ —	\$1,155,482
Inter-segment sales	—	11	333	344	(344)	—
Total	962,081	145,357	48,388	1,155,826	(344)	1,155,482
Operating expenses	845,486	134,480	51,493	1,031,459	32,094	1,063,553
Operating income (loss)	116,595	10,877	(3,105)	124,367	(32,438)	91,929
Total assets	752,322	139,531	94,121	985,974	332,502	1,318,476
Depreciation	65,402	4,536	172	70,110	1,085	71,195
Impairment loss of fixed assets	2,794	—	3,182	5,976	—	5,976
Capital expenditures	57,008	1,902	258	59,168	752	59,920

- 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, 2009 and 2008 include operating expenses of ¥3,161 million (\$33,975 thousand), ¥3,463 million and ¥3,480 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, 2009 and 2008 include corporate assets of ¥45,235 million (\$486,189 thousand), ¥36,220 million and ¥29,616 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
 - Changes in depreciation methods following the revision of the Corporate Tax Law
The Company changed its depreciation methods based on the revision of the Corporate Tax Law effective from the year ended March 31, 2008. As a result, operating expenses of "Industrial plastic parts and components" in the year ended March 31, 2008 are larger than the amount under the previous method by ¥599 million; and operating profit is smaller by the same amount. In the meantime, those assets that were acquired before March 31, 2007 are amortized in equal amounts over the five-year period to the memorandum value from the consolidated accounting period following the year when amortization of those assets to depreciable amounts are completed. As a result, operating expenses of "Industrial Plastic Parts and Components" are larger than the amount under the previous method by ¥387 million; and those of "Bedding and Furniture" are larger by ¥2 million. At the same time, the operating profit of these businesses is smaller than under the previous method by the respective amounts given above.
 - 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 and 2008, 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 "Newspapers 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.

Notes to Consolidated Financial Statements

Operations by geographic areas for the years ended March 31, 2010, 2009 and 2008, are summarized as follows:

	Japanese Yen (millions)						Consolidated
	Japan	Asia	North America	Europe	Total	Eliminations and Corporate	
2010 Net sales:							
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
2009 Net sales:							
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
2008 Net sales:							
Sales to customers	¥82,617	¥36,092	¥14,698	¥8,240	¥141,647	¥ —	¥141,647
Inter-segment sales	4,660	1,077	26	3	5,766	(5,766)	—
Total	87,277	37,169	14,724	8,243	147,413	(5,766)	141,647
Operating expenses	76,863	31,598	13,960	7,930	130,351	(3,353)	126,998
Operating income	10,414	5,571	764	313	17,062	(2,413)	14,649
Total assets	49,365	29,317	8,190	6,829	93,701	24,839	118,540

	U.S. Dollars (thousands)						Consolidated
	Japan	Asia	North America	Europe	Total	Eliminations and Corporate	
2010 Net sales:							
Sales to customers	\$702,289	\$304,117	\$93,025	\$56,051	\$1,155,482	\$ —	\$1,155,482
Inter-segment sales	46,174	12,908	21	0	59,103	(59,103)	—
Total	748,463	317,025	93,046	56,051	1,214,585	(59,103)	1,155,482
Operating expenses	672,324	272,893	96,808	53,042	1,095,067	(31,514)	1,063,553
Operating income (loss)	76,139	44,132	(3,762)	3,009	119,518	(27,589)	91,929
Total assets	487,597	323,334	90,112	65,284	966,327	352,149	1,318,476

- 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, 2009 and 2008 include operating expenses of ¥3,161 million (\$33,975 thousand), ¥3,463 million and ¥3,480 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, 2009 and 2008 include corporate assets of ¥45,235 million (\$486,189 thousand), ¥36,220 million and ¥29,616 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
 - Changes in depreciation methods following the revision of the Corporate Tax Law
The Company changed its depreciation methods based on the revision of the Corporate Tax Law effective from the year ended March 31, 2008. As a result, operating expenses of "Japan" in the year ended March 31, 2008 are larger than the amount under the previous method by ¥599 million; and operating profit is smaller by the same amount. In the meantime, those assets that were acquired before March 31, 2007 are amortized in equal amounts over the five-year period to the memorandum value from the consolidated accounting period following the year when amortization of those assets to depreciable amounts are completed. As a result, operating expenses of "Japan" are larger than the amount under the previous method by ¥389 million and the operating profit is smaller than under the previous method by the amount given above.
 - 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.

The amount of overseas sales and the ratios thereof to consolidated net sales for the years ended March 31, 2010, 2009 and 2008, 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%
2008					
Overseas sales	¥14,899	¥36,333	¥7,789	¥316	¥59,337
Consolidated net sales	—	—	—	—	¥141,647
The ratio of overseas sales to consolidated net sales	10.5%	25.7%	5.5%	0.2%	41.9%

	U.S. Dollars (thousands)				
	North America	Asia	Europe	Other	Total
2010					
Overseas sales	\$97,678	\$306,664	\$53,472	\$903	\$458,717
Consolidated net sales	—	—	—	—	\$1,155,482
The ratio of overseas sales to consolidated net sales	8.5%	26.5%	4.6%	0.1%	39.7%

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.

Sales to a certain automotive manufacturer group for the years ended March 31, 2010, 2009 and 2008 account for 22.1%, 20.0% and 20.6%, respectively, of the consolidated net sales.

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, 2006 to June 30, 2010	349 thousand
From July 1, 2007 to June 30, 2011	54 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 year ended March 31, 2010 are as follows:

Company name	Common stock (million yen)	Type of business	Nature of transaction	Japanese Yen (millions)	U.S. Dollars (thousands)
Kabushiki Kaisha Mirai Sangyo	¥ 10	Real estate management	Purchase of securities	¥ 21	\$ 226
Nichiei Kaihatsu Kabushiki Kaisha	¥ 20	Real estate management	Purchase of securities	¥ 48	\$ 516

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, 2010 and 2009, and the related consolidated statements of income, changes in net assets and cash flows for each of three years in the period ended March 31, 2010 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, 2010 and 2009, and the results of their operations and their cash flows for each of three years in the period ended March 31, 2010, 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, 2010 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 & Co.

Tokyo, Japan
June 23, 2010

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
Managing Director	Nobuaki Omata
Non-Executive Director	Toyoo Gyoten
Non-Executive Director	Shunji Yanai

Members of the Board of Auditors

Standing Auditors	Masato Ozu Kenji Matsukawa
Auditors	Masaaki Oka Mikio Yokokawa

Executive Officers

Executive Managing Officers	Yukiko Ogasawara Hiroshi Takikawa Hidetoshi Mochizuki Eiji Suzuishi
Senior Executive Officers	Toshiyuki Yamamoto Junji Honda Kazumasa Kurihara Fumiharu Machidori Akinobu Suzuki Masatoshi Fukawa Shinsuke Oki Takashi Morinaga Tomoyasu Kato Hiroshi Kimura Fukuo Iwasaki

Corporate Outline (as of 31st March, 2010)

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	1,259 (non-consolidated) 5,427 (consolidated)

Corporate Directory

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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 045-825-3665

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

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 Advanced Technology Inc.
Nifco Kasei Co., Ltd.,

Overseas Subsidiary Companies

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People's Republic of China
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