NISSIN ELECTRIC

ANNUAL REPORT 2010

Year Ended March 31, 2010

Profile

Nissin Electric Co., Ltd. is a leading manufacturer of power system equipment and charged particle beam-oriented equipment.
Power system equipment is necessary to ensure reliable power supplies.
Charged particle beam-oriented equipment includes high technology products such as ion implanters, electron processing systems, and thin-film coating equipment.
Nissin also provides a variety of engineering services ranging from installation and adjustment of high technology based products to advanced technical treatments.

Corporate Principles of Nissin Electric

Our Mission

Forge a bright future for both people and technology

With the aim of realizing a sustainable society, gentle to humans and the environment, Nissin Electric develops original technology to meet the fundamental needs of society and industry.

Company Code of Conduct

Integrity, Trust, and Long-term Relationships

We take the following Five Trusts as the point of origin for our activities. Through these Trusts, we strive to promote the growth of the company and foster the personal development of its employee.

(1) Customer Trust

We provide reliable, high-quality products and services that are useful to customers. This will facilitate our efforts to enhance our technologies, which are the source of value delivered to customers. In addition, the Company commits itself to providing constantly dependable services in order to foster long-term relationships with customers.

(2) Shareholder Trust

We exert efforts to provide appropriate dividends and to enhance the net share value for our shareholders, who are the financial supporters of Nissin Electric.

(3) Societal Trust

We comply with law and other social codes, seek to coexist with the natural environment, and strive to maintain a good relationship with the local community in order to fulfill our obligation as a responsible member of society.

(4) Partner Trust

We place a strong emphasis on our relationships with our business partners. In our pursuit of growth, we remain committed to dealing with our partners in an honest and fair manner.

(5) Employee mutual Trust

It is we, the employees, who are the source of Trust. In our business activities, we highly-motivated employees cooperate with each other in order to achieve a stable life, to find meaning in life, and to encourage personal development of all employees.

Contents

Forward-Looking Statements

Statements regarding earnings projections, market outlooks and similar items are forward-looking statements based on information available to the company at the present time and thus contain many uncertainties. Readers should understand that such forward-looking statements embody risks and that actual results, market conditions and other events may differ significantly from the estimates and projections contained in this publication.

Consolidated Financial Highlights

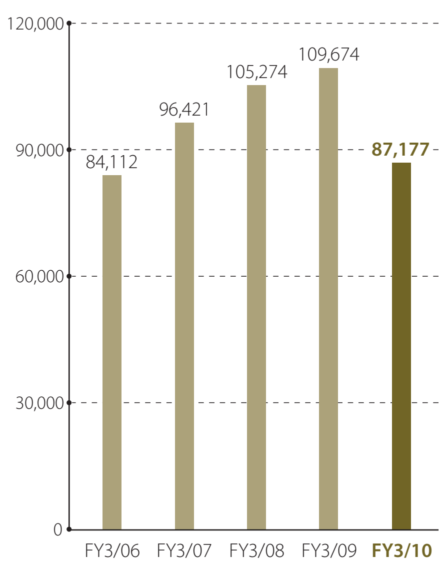
Nissin Electric Co., Ltd. and Consolidated Subsidiaries
Years ended March 31

	Millions of yen					Thousands of U.S. dollars
	2010	2009	2008	2007	2006	***2010***
Net sales	**¥ 87,177**	¥109,674	¥105,274	¥ 96,421	¥ 84,112	***$ 937,387***
Operating income	**4,722**	6,492	6,601	5,954	4,258	***50,774***
Net income	**2,792**	3,770	3,701	3,010	2,144	***30,021***
Total assets	**100,140**	105,902	116,910	108,032	98,160	***1,076,774***
Shareholders' equity	**52,900**	49,329	49,298	48,040	45,169	***568,817***
Capital expenditure	**2,729**	4,493	4,641	4,609	5,543	***29,344***
Depreciation and amortization	**3,870**	3,858	3,318	2,549	2,042	***41,613***
Research and development expenses	**4,476**	5,272	5,397	5,192	3,863	***48,129***
	Yen					*U.S. dollars*
Per share of common stock:						
Net income	**¥ 26.17**	¥ 35.35	¥ 34.75	¥ 28.26	¥ 19.61	***$ 0.28***
Diluted net income	**26.16**	35.33	34.69	28.20	19.55	***0.28***
Cash dividends	**5.50**	7.00	7.00	6.00	4.00	***0.06***
Shareholders' equity	**495.81**	462.54	462.37	451.58	422.47	***5.33***

Note: 1. For convenience only, Japanese yen amounts have been translated into U.S. dollar amounts at the rate of ¥93 = US$1.00, the approximate exchange rate prevailing on March 31, 2010.
2. Shareholders' equity = net assets excluding share subscription rights and minority interests.

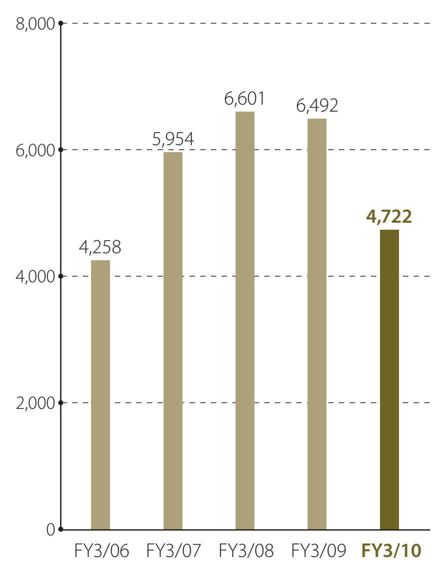
Net sales

(Millions of yen)



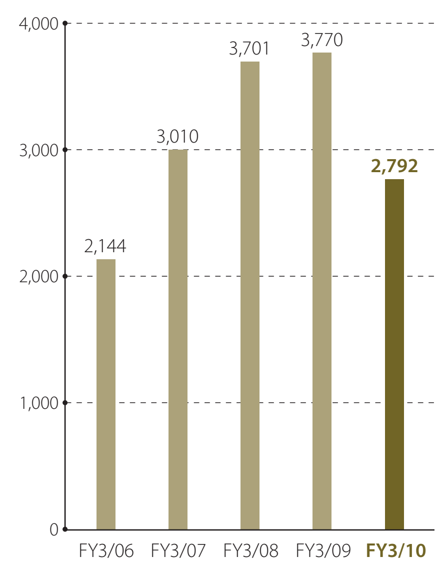
Operating income

(Millions of yen)



Net income

(Millions of yen)



Message from the President

Performance for the Latest Reporting Year

In the fiscal year under review (April 1, 2009 to March 31, 2010), sales of power system equipment, the primary business of the Nissin Electric Group, to the domestic private sector declined sharply, due mainly to freezes or delays of corporate capital expenditures. Sales of power system equipment to electric power companies and the public sector also decreased moderately. In the Chinese market, on the other hand, demand stayed firm as robust infrastructure spending continued uninterrupted from the previous year. But price competition intensified there as a result of an increase in companies entering the Chinese market. In the charged particle beam-oriented equipment business, including ion implanting systems and thin film coating services, order receipts dropped substantially due to the stagnant general private-sector demand in the domestic market, despite a gradual recovery in demand from the semiconductor and automotive industries.

Amid this severe business climate, consolidated net sales of the Nissin Electric Group decreased 20.5% from the previous fiscal year to ¥87,177 million, reflecting lower net sales in both the power system equipment and charged particle beam-oriented equipment businesses.

Consolidated operating income also fell 27.3% year on year to ¥4,722 million. Although we promoted the reform and reinforcement of the corporate structure and made company-wide efforts to improve profitability by taking cost-cutting and other measures, the large drops in net sales led to a drop in income.

Consolidated net income fell 26.0% from the previous fiscal year to ¥2,792 million after the inclusion of deferred income taxes.

Power System Equipment Business

Net sales in the power system equipment business dropped 14.5% from the previous fiscal year to ¥75,515 million. Sales of substation equipment decreased in both the domestic general private-sector and the Asian region (China). While sales of reactive power compensation equipment increased in the Asian region (China), demand from domestic electric power utilities decreased. For supervisory telecontrol equipment currently sold only on the domestic market, sales for public-sector water treatment facilities grew, but sales to private companies declined.

Despite cost-reduction efforts, operating income fell 25.4% year on year to ¥7,609 million, due mainly to lower net sales.

Orders received decreased 20.9% from the previous fiscal year to ¥69,801 million.

Charged Particle Beam-Oriented Equipment Business

Net sales in the charged particle beam-oriented equipment business dropped 45.3% from the previous fiscal year to ¥11,662 million, reflecting the decline in demand for semiconductor manufacturing equipment both at home and in Asia.

The business incurred an operating loss of ¥345 million, an improvement by ¥731 million from the previous fiscal year's loss, with cost-reduction efforts more than offsetting the impact of falling demand.

Orders received amounted to ¥15,455 million, up 15.1% over a year before.

Forecast for the Year Ending March 2011

As for the forecast of consolidated performance in the new fiscal year (April 1, 2010 to March 31, 2011), we expect to report higher net sales in the power system equipment business on increased demand from domestic electric power utilities and Asia (China), though domestic demand from the private sector is likely to drop. We expect a large increase in net sales in the charged particle beam-oriented equipment business, due to a recovery of demand from semiconductor and automotive industries. In both businesses, price competition is expected to intensify further, however.

Given the expected developments described above, we forecast consolidated net sales of ¥97,000 million, an increase of 11.3% over the previous fiscal year, consolidated operating income of ¥5,200 million, up 10.1% year on year, consolidated ordinary income of ¥4,800 million, up 10.0% year on year, and consolidated net income of ¥3,000 million, up 7.5% from a year before.

Medium-to-Long-Term Business Plan for 2006-2010: *Vision 2010*

Our Group aims to help realize a sustainable society friendly to both people and the environment, based on our principle to "forge a bright future for both people and technology." We believe it is the mission of the Nissin Electric Group to meet the fundamental needs of society and industry through the development of original technology. The point of origin for our Group's activities to carry out this mission is the realization of the Five Trusts, which are Customer Trust, Shareholder Trust, Societal Trust, Partner Trust, and Employee Mutual Trust.

Based on the above concept, we have formulated *Vision 2010*, our medium-to-long-term business plan for fiscal 2006-2010. Based on this plan, our Group has undertaken a variety of activities in order to realize our aim of becoming "a sustainably growing company" and making us the "Nissin Electric Group with strong presence at home and globally."

However, as private-sector capital expenditure, which has a major impact on our Group's performance, still remains stagnant due to the global recession since the autumn of 2008, we find it difficult to achieve the numerical targets set out under *Vision 2010*.

Currently, we are proceeding with measures to enhance profitability, including activities to bring down the break-even point, as well as reform and reinforcement of our corporate structure. At the same time, we are in the process of making an overall assessment of *Vision 2010* and formulating a new growth strategy for fiscal 2011-2015, the next medium-to-long-term business plan, *Vision 2015*.

Strengthening of Our Corporate Structure

We are making efforts to develop and utilize human resources and to continuously improve our manufacturing technology driven by the keywords Challenge, Speed and Responsibility. Further, as a corporate citizen, we emphasize CSR (Corporate Social Responsibility) and position it as one of the pillars of our corporate management. Specific measures are described below.

In the areas of human resources development and deployment, we have adopted the job-rotation system for the appropriate assignment of personnel, and are proceeding with educational programs for the succession of technology and responses to globalization.

With regard to CSR, we believe that the pursuit of the Group's corporate philosophy leads to supporting the foundations of society and industry, and thus place the realization of that philosophy as the greatest goal for our CSR activities. In that process, in addition to pursuing corporate growth, we will steadily strive to enhance internal control activities in order to strengthen corporate governance and to improve the credibility of our financial reporting.

Reinforcement of the Power System Equipment Business

We will move forward to enhance the earning power of our core business of power system equipment. First of all, we will strengthen this business's profitability by fundamentally reviewing our existing products from the customers' points of view and undertaking activities to bring down the break-even point, including thorough pursuit of cost cuts, reductions in expenses and elimination of waste in business operations. In China and other overseas markets, we are locally manufacturing and selling capacitors, gas insulated switchgear, instrument transformers, shunt reactors and other products that meet local market needs. As Nissin Electric Wuxi Co., Ltd., one of our manufacturing bases in China, has succeeded in the development of gas voltage transformer for gas insulated switchgear (gas VT) fit for the world's highest 1,000kV power transmission, we are building up a production structure for this equipment going forward. We have also established a joint venture with Arteche Lantegi Elkartea, S.A of Spain for production and sales of gas VT, and will expand business operations to cover the entire European market in the future.

We are expecting our businesses in the environment and energy fields to show remarkable growth in the future. Therefore, we have commercialized 100kW and 250kW power conditioners for photovoltaic power generation with the top-class conversion efficiency in the industry, and are proceeding with sales promotion activities to sell these power conditioners not only in Japan but also in overseas markets. We are also exerting efforts to expand sales of photovoltaic systems.

We currently have manufacturing bases in China, Taiwan, Thailand, Vietnam and Spain. We will further step up our aggressive efforts to expand business operations in China, Southeast Asia, the Middle East, Europe and other markets as well as in Japan by positioning these production bases as our Group's core production strongholds and promoting optimal location production while strengthening their coordination with our domestic businesses, including new product development.

Reinforcement of the Charged Particle Beam-oriented Equipment Business, and Identification and Development of New Businesses

We are striving to reinforce the charged particle beam-oriented equipment business. While the semiconductor manufacturing equipment market is currently on the road to demand recovery, but competition is intensifying. In order to maintain our solid position in this market under such circumstances, we will continue to focus on the development and stronger sales of the semiconductor process equipment for the next generation. For the electron beam processing systems, on the strength of the world's top share in the intermediate energy region, we will aim to expand operations in this field by expanding electron beam processing services, developing application products for electron beams, and expanding operations overseas.

In the thin-film coating business, we will continue to provide new thin films, improve our services and expand our production capacity in order to meet the business needs of our customers.

Further, we are developing promising new businesses, including the silicon carbide (SiC) business, water treatment business and next-generation energy projects centering on smart grids. We will strengthen our cooperation with Sumitomo Electric Industries, Ltd., our parent company, particularly on businesses in the environmental and energy fields. We will also promote the commercialization of new products and new businesses through the selection and concentration of research and development investment.

Though the management environment remains challenging, we will vigorously push forward to enhance the performance of the entire Nissin Electric Group, our corporate value and our brand value, by promoting the above efforts.

I thank you for your continued understanding and support.

Consolidated Balance Sheets

Nissin Electric Co., Ltd. and Consolidated Subsidiaries
March 31, 2010 and 2009

ASSETS	Millions of yen 2010	Millions of yen 2009	Thousands of U.S. dollars (Note 1) 2010
Current Assets:			
Cash and cash equivalents	¥ 6,267	¥ 6,214	$ 67,387
Time deposits	253	295	2,720
Receivables:			
Trade notes and accounts	36,483	42,265	392,290
Other	300	371	3,226
	36,783	42,636	395,516
Allowance for doubtful receivables	(448)	(764)	(4,817)
	36,335	41,872	390,699
Inventories (Note 4)	21,126	21,310	227,161
Deferred tax assets (Note 17)	3,508	3,472	37,720
Other current assets	1,483	1,217	15,947
Total current assets	68,972	74,380	741,634
Property, plant and equipment:			
Land	2,076	1,991	22,323
Buildings and structures (Note 6)	24,916	24,201	267,914
Machinery and equipment	34,181	32,632	367,538
Construction in progress	447	1,492	4,806
Total property, plant and equipment	61,620	60,316	662,581
Accumulated depreciation	(42,470)	(39,556)	(456,667)
Net property, plant and equipment	19,150	20,760	205,914
Investments and other assets:			
Investment securities (Note 3, 7 and 8)	5,548	3,831	59,656
Deferred tax assets (Note 17)	361	1,243	3,882
Prepaid pension cost (Note 18)	2,655	2,520	28,548
Other assets (Note 7)	1,675	1,582	18,011
Allowance for doubtful receivables	(498)	(441)	(5,355)
Total investments and other assets	9,741	8,735	104,742
Intangible assets	2,277	2,027	24,484
	¥ 100,140	¥ 105,902	$ 1,076,774

See accompanying notes.

LIABILITIES AND NET ASSETS	Millions of yen 2010	Millions of yen 2009	Thousands of U.S. dollars (Note 1) 2010
Current liabilities:			
Short-term bank loans (Note 5)	**¥ 5,571**	¥ 12,142	***$ 59,903***
Payables:			
Trade notes and accounts	**17,217**	19,619	***185,129***
Other	**2,527**	2,823	***27,172***
	19,744	22,442	***212,301***
Advances from customers	**5,412**	3,533	***58,194***
Accrued income taxes (Note 17)	**410**	897	***4,409***
Accrued expenses	**5,070**	5,407	***54,516***
Allowance for losses on contracts	**873**	684	***9,387***
Other provision	**935**	776	***10,054***
Other current liabilities	**218**	232	***2,343***
Total current liabilities	**38,233**	46,113	***411,107***
Long-term liabilities:			
Long-term debt due after one year (Note 5)	**633**	902	***6,806***
Employees' severance and retirement benefits (Note 18)	**3,410**	3,221	***36,667***
Allowance for environmental protection measures	**2,208**	2,485	***23,742***
Other provision	**115**	163	***1,237***
Other long-term liabilities	**848**	1,237	***9,118***
Total long-term liabilities	**7,214**	8,008	***77,570***
Contingent liabilities (Note 14)			
NET ASSETS (Note 9):			
Shareholders' equity:			
Common stock:			
Authorized - 431,329,000 shares			
Issued and outstanding - 107,832,445 shares	**10,253**	10,253	***110,247***
Capital surplus	**6,647**	6,646	***71,473***
Retained earnings	**36,169**	33,750	***388,914***
Treasury stock, at cost:			
1,184,104 shares in 2009 and 1,138,513 shares in 2010	**(354)**	(368)	***(3,806)***
Total shareholders' equity	**52,715**	50,281	***566,828***
Valuation and translation adjustments:			
Unrealized gains (losses) on securities, net of taxes	**1,458**	449	***15,677***
Unrealized gains (losses) on hedging derivatives, net of taxes	**(4)**	3	***(43)***
Foreign currency translation adjustments	**(1,269)**	(1,404)	***(13,645)***
Total valuation and translation adjustments	**185**	(952)	***1,989***
Share subscription rights	**22**	37	***237***
Minority interests	**1,771**	2,415	***19,043***
Total net assets	**54,693**	51,781	***588,097***
	¥ 100,140	¥ 105,902	***$ 1,076,774***

See accompanying notes.

Consolidated Statements of Income

Nissin Electric Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2010 and 2009

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
	2010	2009	***2010***
Net sales	**¥ 87,177**	¥ 109,674	***$ 937,387***
Cost and expenses:			
Cost of sales (Note 11 and 12)	**63,217**	81,573	***679,753***
Selling, general and administrative expenses (Note 12 and 13)	**19,238**	21,609	***206,860***
Operating income	**4,722**	6,492	***50,774***
Other income (expenses):			
Interest and dividend income	**122**	188	***1,312***
Interest expense	**(311)**	(447)	***(3,344)***
Reversal of allowance for doubtful receivables	**402**	—	***4,323***
Gain on sales of fixed assets (Note 19)	**124**	—	***1,333***
Impairment loss on fixed assets (Note 20)	**(586)**	(304)	***(6,301)***
Other, net	**(171)**	(392)	***(1,839)***
Income before income taxes and minority interests	**4,302**	5,537	***46,258***
Income taxes (Note 17):			
Current	**1,444**	1,908	***15,527***
Deferred	**174**	26	***1,871***
Total income taxes	**1,618**	1,934	***17,398***
Minority interests	**(108)**	(167)	***(1,161)***
Net income	**¥ 2,792**	¥ 3,770	***$ 30,021***
	Yen		*U.S. dollars (Note 1)*
Amounts per share:			
Net income	**¥ 26.17**	¥ 35.35	***$ 0.28***
Diluted net income	**26.16**	35.33	***0.28***
Cash dividends applicable to the period	**5.50**	7.00	***0.06***

See accompanying notes.

Consolidated Statements of Changes in Net Assets

Nissin Electric Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2010 and 2009

	Millions of yen				
	Shareholders' equity				
	Common Stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at April 1, 2008	¥ 10,253	¥ 6,649	¥ 30,710	¥ (376)	¥ 47,236
Effect of changes in accounting policies applied to foreign subsidiaries	—	—	70	—	70
Cash dividends	—	—	(800)	—	(800)
Net income	—	—	3,770	—	3,770
Purchase of treasury stock	—	—	—	(2)	(2)
Sale of treasury stock	—	(3)	—	10	7
Balance at March 31, 2009	¥ 10,253	¥ 6,646	¥ 33,750	¥ (368)	¥ 50,281

	Millions of yen						
	Valuation and translation adjustments						
	Unrealized gains (losses) on securities, net of taxes	Unrealized gains (losses) on hedging derivatives, net of taxes	Foreign currency translation adjustments	Total valuation and translation adjustments	Share subscription rights	Minority interests	Total net assets
Balance at April 1, 2008	¥ 1,523	¥ (1)	¥ 540	¥ 2,062	¥ 31	¥ 2,918	¥ 52,247
Effect of changes in accounting policies applied to foreign subsidiaries	—	—	—	—	—	—	70
Cash dividends	—	—	—	—	—	—	(800)
Net income	—	—	—	—	—	—	3,770
Purchase of treasury stock	—	—	—	—	—	—	(2)
Sale of treasury stock	—	—	—	—	—	—	8
Net changes for the year	(1,074)	4	(1,944)	(3,014)	6	(503)	(3,512)
Balance at March 31, 2009	¥ 449	¥ 3	¥ (1,404)	¥ (952)	¥ 37	¥ 2,415	¥ 51,781

	Millions of yen				
	Shareholders' equity				
	Common Stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at April 1, 2009	**¥ 10,253**	**¥ 6,646**	**¥ 33,750**	**¥ (368)**	**¥ 50,281**
Cash dividends	—	—	**(373)**	—	**(373)**
Net income	—	—	**2,792**	—	**2,792**
Purchase of treasury stock	—	—	—	**(2)**	**(2)**
Sale of treasury stock	—	**1**	—	**16**	**17**
Balance at March 31, 2010	**¥ 10,253**	**¥ 6,647**	**¥ 36,169**	**¥ (354)**	**¥ 52,715**

	Valuation and translation adjustments (Millions of yen)						
	Unrealized gains (losses) on securities, net of taxes	Unrealized gains (losses) on hedging derivatives, net of taxes	Foreign currency translation adjustments	Total valuation and translation adjustments	Share subscription rights	Minority interests	Total net assets
Balance at April 1, 2009	¥ 449	¥ 3	¥ (1,404)	¥ (952)	¥ 37	¥ 2,415	¥ 51,781
Cash dividends	—	—	—	—	—	—	(373)
Net income	—	—	—	—	—	—	2,792
Purchase of treasury stock	—	—	—	—	—	—	(2)
Sale of treasury stock	—	—	—	—	—	—	17
Net changes for the year	1,009	(7)	135	1,137	(15)	(644)	478
Balance at March 31, 2010	¥ 1,458	¥ (4)	¥ (1,269)	¥ 185	¥ 22	¥ 1,771	¥ 54,693

	Shareholders' equity (Thousands of U.S. dollars (Note 1))				
	Common Stock	*Capital surplus*	*Retained earnings*	*Treasury stock, at cost*	*Total shareholders' equity*
Balance at April 1, 2009	*$ 110,247*	*$ 71,462*	*$ 362,903*	*$ (3,957)*	*$ 540,667*
Cash dividends	—	—	*(4,011)*	—	*(4,011)*
Net income	—	—	*30,022*	—	*30,022*
Purchase of treasury stock	—	—	—	*(22)*	*(22)*
Sale of treasury stock	—	*11*	—	*172*	*183*
Balance at March 31, 2010	*$ 110,247*	*$ 71,473*	*$ 388,914*	*$ (3,806)*	*$ 566,828*

	Valuation and translation adjustments (Thousands of U.S. dollars (Note 1))						
	Unrealized gains (losses) on securities, net of taxes	*Unrealized gains (losses) on hedging derivatives, net of taxes*	*Foreign currency translation adjustments*	*Total valuation and translation adjustments*	*Share subscription rights*	*Minority interests*	*Total net assets*
Balance at April 1, 2009	*$ 4,828*	*$ 32*	*$ (15,097)*	*$ (10,237)*	*$ 398*	*$ 25,968*	*$ 556,785*
Cash dividends	—	—	—	—	—	—	*(4,011)*
Net income	—	—	—	—	—	—	*30,022*
Purchase of treasury stock	—	—	—	—	—	—	*(22)*
Sale of treasury stock	—	—	—	—	—	—	*183*
Net changes for the year	*10,849*	*(75)*	*1,452*	*12,226*	*(161)*	*(6,925)*	*5,140*
Balance at March 31, 2010	*$ 15,677*	*$ (43)*	*$ (13,645)*	*$ 1,989*	*$ 237*	*$ 19,043*	*$ 588,097*

See accompanying notes.

Consolidated Statements of Cash Flows

Nissin Electric Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	***2010***
Cash flows from operating activities:			
Income before income taxes and minority interests	**¥ 4,302**	¥ 5,537	***$ 46,258***
Adjustments for:			
Depreciation and amortization	**3,870**	3,858	***41,613***
Amortization of goodwill	**197**	107	***2,118***
Increase (decrease) in allowance for doubtful receivables	**(259)**	932	***(2,785)***
Increase (decrease) in allowance for employees' severance and retirement benefits	**38**	(287)	***409***
Increase (decrease) in long-term accounts payable	**(326)**	(415)	***(3,505)***
Impairment loss on fixed assets	**586**	304	***6,301***
Increase (decrease) in allowance for loss on contracts	**189**	139	***2,032***
Increase (decrease) in allowance for environmental protection measures	**(278)**	(0)	***(2,989)***
Increase (decrease) in other provision	**133**	615	***1,430***
Interest and dividend income	**(122)**	(188)	***(1,312)***
Interest expense	**311**	447	***3,344***
Decrease (increase) in trade receivables	**5,931**	(1,591)	***63,774***
Decrease (increase) in inventories	**525**	4,542	***5,645***
Increase (decrease) in trade payables	**(2,483)**	(3,475)	***(26,699)***
Increase (decrease) in accrued expenses	**(304)**	(487)	***(3,269)***
Increase (decrease) in advances from customers	**1,844**	(1,977)	***19,828***
Increase (decrease) in consumption tax payable	**395**	(417)	***4,247***
Other, net	**66**	1,461	***710***
Subtotal	**14,615**	9,105	***157,150***
Interest and dividends received	**122**	188	***1,312***
Interest paid	**(306)**	(436)	***(3,290)***
Income taxes paid	**(1,972)**	(2,269)	***(21,204)***
Net cash provided by operating activities	**12,459**	6,588	***133,968***
Cash flows from investing activities:			
Payments for purchase of time deposits	**(223)**	(173)	***(2,398)***
Proceeds from refund of time deposits	**194**	86	***2,086***
Payments for purchase of investment securities	**(132)**	(84)	***(1,419)***
Payments for purchase of property, plant and equipment	**(3,484)**	(3,475)	***(37,462)***
Payments for purchase of intangible assets	**(323)**	(632)	***(3,473)***
Proceeds from sale of property, plant and equipment	**228**	148	***2,452***
Proceeds from acquisition of shares of a newly consolidated subsidiary	**42**	—	***452***
Additional acquisition of shares in consolidated subsidiaries from minority interests	**(1,059)**	—	***(11,387)***
Other, net	**38**	(24)	***409***
Net cash used in investing activities	**(4,719)**	(4,154)	***(50,740)***
Cash flows from financing activities:			
Increase (decrease) in short-term loans	**(6,928)**	(2,739)	***(74,495)***
Payments for long-term debt	**(373)**	(92)	***(4,011)***
Cash dividends paid to minority shareholders	**(87)**	(235)	***(935)***
Cash dividends paid	**(373)**	(799)	***(4,011)***
Other, net	**6**	994	***65***
Net cash provided by financing activities	**(7,755)**	(2,871)	***(83,387)***
Effect of exchange rate changes on cash and cash equivalents	**68**	(900)	***731***
Net (decrease) increase in cash and cash equivalents	**53**	(1,337)	***570***
Cash and cash equivalents at beginning of year	**6,214**	7,551	***66,817***
Cash and cash equivalents at end of year	**¥ 6,267**	¥ 6,214	***$ 67,387***

See accompanying notes.

Notes to Consolidated Financial Statements

Nissin Electric Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2010 and 2009

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Law 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 from International Financial Reporting Standards.

Prior to the year ended March 31, 2009, the accounts of consolidated overseas subsidiaries were based on accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. As discussed in Note 2 (Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements), the accounts of the consolidated overseas subsidiaries for the year ended March 31, 2009 were 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, with some expanded disclosure from the consolidated financial statements of Nissin Electric Co., Ltd. (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 Law. 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. Certain reclassifications to the prior year amounts have been made to conform to the current year presentation.

The translation of the Japanese yen amounts into U.S. dollar amounts has been included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2010, which was ¥93 to U.S.$1.00. These 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 POLICIES

Principles of consolidation

The consolidated financial statements include the accounts of the Company and its eleven (ten in 2009) domestic subsidiaries and nineteen (nineteen in 2009) overseas subsidiaries. One subsidiary was consolidated after being newly acquired. One company was accounted for by the equity method in 2010 (zero in 2009). Material intercompany balances, transactions and unrealized profits have been eliminated in consolidation.

The balance sheets of the consolidated overseas subsidiaries are consolidated using a fiscal period ending December 31, which differs from that of the Company. Any material transactions occurring from January 1 to March 31, the fiscal year-end of the Company, are adjusted in the consolidated financial statements.

Translation of foreign currencies

Foreign currency monetary assets and liabilities are translated into Japanese yen at the fiscal year-end rates, and resulting translation gains or losses are included in net income. The balance sheets of the consolidated overseas subsidiaries are translated into Japanese yen at fiscal year-end rates, except for shareholders' equity accounts, which are translated at historical rates. Income statements of the consolidated overseas subsidiaries are translated at average rates. The resulting foreign currency translation adjustments are shown as a separate component of net assets, net of minority interests.

Cash equivalents

In preparing the consolidated statements of cash flows, cash on hand, readily-available deposits and short-term highly liquid investments with maturities not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

Securities and investment securities

Investment securities are classified and accounted for, depending on management's intent, as follows:

Equity securities issued by subsidiaries and affiliated companies which are not consolidated or accounted for using the equity method are stated at moving-average cost.

Available-for-sale securities with available fair market values are stated at fair market value at the fiscal year-end and unrealized gains and losses are reported, net of applicable income taxes and minority interests, as a separate component of net assets. Realized gains and losses on the sale of such securities are computed using moving average cost. Other available-for-sale securities with no available fair market value are stated at moving average cost.

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

Inventories

Prior to April 1, 2008, inventories of the Company and its consolidated domestic subsidiaries were stated at cost. As discussed below, effective April 1, 2008, the Company and its consolidated domestic subsidiaries adopted a new accounting standard for measurement of inventories and stated the inventories at the lower of cost or net realizable value at March 31, 2009. Cost is determined by the specific identification method for finished goods and work in process and by the average cost method for raw materials and supplies. Inventories of consolidated foreign subsidiaries are stated at the lower of weighted average cost or market.

(Changes in Accounting Policies)

On July 5, 2006, the Accounting Standards Board of Japan issued ASBJ Statement No. 9, "Accounting Standard for Measurement of Inventories." As permitted under the superseded accounting standard, the Company and its consolidated domestic subsidiaries previously stated inventories at cost. The new accounting standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net realizable value. Replacement cost may be used in lieu of the net realizable value if appropriate. As a result of the adoption of ASBJ Statement No. 9, operating income and income before income taxes and minority interests were ¥343 million less for the year ended March 31, 2009 than the amounts that would have been reported without the new standard. The effects on segment information are described in Note 21.

Property, plant and equipment (excluding leased assets)

Property, plant and equipment are carried at cost. As for the Company and its domestic subsidiaries (the "Domestic Companies"), depreciation is primarily computed by the straight-line method for buildings and the declining balance method for other depreciable assets over the estimated useful life of the asset.

(Additional Information)

Effective from the year ended March 31, 2009, the Company and its consolidated domestic subsidiaries changed the useful lives of property, plants and equipment after a reassessment of the useful lives in light changes in the Corporation Tax Code of Japan. As a result, operating income was ¥127 million less and income before income taxes and minority interests ¥114 million less for the year ended March 31, 2009. The effects on segment information are described in Note 21 than the amounts that would have been reported without the change.

Intangible assets (excluding leased assets)

Intangible assets are carried at cost. Amortization is computed by the straight-line method over the estimated useful life of the asset. Costs of software for in-house use are included in intangible assets and amortized using the straight-line method over the estimated useful life of five years. Amortization of intangible assets of the foreign subsidiaries is computed mainly by the straight-line method over the estimated useful life of the asset.

Leases

Finance leases, except for certain immaterial leases, are capitalized and depreciated over the estimated useful life or term of the lease, as applicable.

(Changes in Accounting Policies)

On March 31, 2007, the Accounting Standards Board of Japan issued Statement No. 13, "Accounting Standard for Lease Transactions" and Guidance No. 16, "Guidance on Accounting Standard for Lease Transactions." The new accounting standards require that all finance lease transactions be treated as capital leases.

Effective April 1, 2008, the Company and consolidated domestic subsidiaries adopted the new accounting standards for finance leases commencing after March 31, 2008 and have capitalized assets used under such leases, except for certain immaterial or short-term finance leases, which are accounted for as operating leases. The new standards have had no material effects on the Company's consolidated financial statements.

Allowance for doubtful receivables

The allowance for doubtful receivables is provided to cover possible losses on collection. With respect to normal trade accounts receivable, it is stated at an amount based on the actual rate of historical bad debts. For certain doubtful receivables, the uncollectible amount has been individually estimated.

Allowance for losses on contracts

The allowance for losses on contracts is provided when the estimated costs of a completed contract exceeds the respective contract revenues at the end of year.

Employees' severance and retirement benefits

The Domestic Companies provide three types of post-employment benefit plans: defined contribution plans, unfunded lump-sum payment plans and funded defined benefit pension plans. Also, the Company has set up an employees' retirement benefit trust. In calculating the payment amount for an involuntary retiring employee, including employees retiring due to reaching the mandatory retirement age, the Domestic Companies may grant additional benefits.

The liability and expenses for severance and retirement benefits are determined based on amounts actuarially calculated using certain assumptions.

The Domestic Companies provide the allowance for employees' severance and retirement benefits at the end of the fiscal year based on the estimated amounts of projected benefit obligation and the fair value of the plan assets. Prior service costs are recognized in expenses in equal amounts over three years, and actuarial gains and losses are recognized in expenses in equal amounts mainly over 15 years, which is within the average of the estimated remaining service years, commencing with the following period.

(Changes in Accounting Policies)

Effective from the fiscal year ended March 31, 2010, the Companies have adopted ASBJ Statement No.19, "Partial Amendments to Accounting Standard for Retirement Benefits (Part3)," 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 by taking into consideration fluctuations in the yield of long-term government or gilt-edged bonds over a certain period. The adoption of the new standard has had no material impact on consolidated operating income or net income before income taxes and minority interests.

Allowance for environmental protection measures

To provide for disposal expenses for PCB waste, the Company accrues the amount estimated at the balance sheet dates.

Accounting Standard for Construction Contracts

The Company and its consolidated domestic subsidiaries apply the percentage-of-completion method (the cost comparison method is used to estimate the progress in construction) to construction contracts for which the portion of the contract completed by the end of the year can be estimated reliably and the completed contract method to other construction contracts.

(Changes in Accounting Policies)

The Company had previously applied the percentage-of-completion method to construction contracts with construction periods of over one year and contract amounts of ¥300 million or more the completed contract method was applied to other construction contracts. Effective from the fiscal year ended March 31, 2010, the Company and its consolidated domestic subsidiaries have adopted ASBJ Statement No.15, “Accounting Standard for Construction Contracts,” issued on December 27, 2007, and ASBJ Guidance No.18, “Guidance on Accounting Standard for Construction Contracts,” issued on December 27, 2007, and have applied the percentage-of-completion method (the cost comparison method is used to estimate progress in construction) to construction contracts for which the portion of the contract completed by the end of the year ended March 31, 2010 could be estimated reliably and the completed contract method to other construction contracts. As a result of this change, net sales for the year ended March 31, 2010, were ¥222 million *($2,387 thousand)* less, and operating income and net income before income taxes and minority interests each were ¥104 million *($1,183 thousand)* less than the amounts that would have been reported with the previous method. The effects on segment information are described in Note 21.

Income taxes

The Company and its consolidated subsidiaries (the “Companies”) recognize the tax effects of loss carryforwards and the temporary differences between the carrying amounts of assets and liabilities for tax and financial reporting purposes. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

The Company files a tax return under the consolidated tax system, which allows companies to base tax payments on the combined profits and losses of the parent company and its wholly owned domestic subsidiaries.

Derivatives and hedge accounting

The Companies state derivative financial instruments at fair value and recognize a change in the fair value as gain or loss unless the derivative financial instrument is used for hedging purposes. If derivative financial instruments are used as hedges and meet certain hedging criteria, the Companies defer recognition of gain or loss resulting from a change in the fair value of the derivative financial instrument until the related loss or gain on the hedged item is recognized.

When forward foreign exchange contracts meet certain conditions, the hedged items are stated at the forward exchange contract rate. 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.

The Companies use forward foreign currency contracts and interest rate swap contracts as derivative financial instruments only for the purpose of mitigating future risks of fluctuations in foreign currency exchange rates with respect to foreign currency receivables from the sale of the Companies’ products and payables from the purchasing of parts and materials and interest rate increases with respect to debt.

The following summarizes the hedging derivative financial instruments used by the Companies and the items hedged:

Hedging instruments:	Hedged items:
Forward foreign exchange contracts	Foreign currency trade receivables and payables
Non-deliverable forward contracts	Foreign currency trade receivables and payables
Interest rate swap contracts	Interest on short-term and long-term debt

Goodwill

Goodwill and negative goodwill are amortized on a straight-line basis over a period of five years. However, when the amount is immaterial, it is written off in the current year.

Amounts per share

The computations of net income per share of common stock are based on the weighted average number of shares outstanding during each period. Diluted net income per share of common stock assumes that all stock options were exercised at the beginning of the year.

In accordance with the Japanese Corporate Law, the declaration of dividends and the appropriations of retained earnings are approved at the general meeting of shareholders held after the end of the fiscal year. However, cash dividends per share shown in the consolidated statements of income reflect the final dividends approved after the end of the relevant fiscal year.

Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements

On March 17, 2006, the Accounting Standards Board of Japan issued Practical Issues Task Force No.18 “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (“PITF No. 18”). PITF No. 18 requires that accounting policies and procedures applied by a parent company and its subsidiaries to similar transactions and events under similar circumstances should, in principle, be unified for the preparation of the consolidated financial statements. PITF No. 18, however, as a tentative measure, allows a parent company to prepare consolidated financial statements using a foreign subsidiary’s financial statements prepared in accordance with either

International Financial Reporting Standards or U.S. generally accepted accounting principles. In this case, adjustments for the following six items are required in the consolidation process so that the impact on net income are accounted for in accordance with Japanese GAAP unless the impact is not material:

(a) Goodwill not subject to amortization
(b) Actuarial gains and losses of defined-benefit retirement plans recognized outside profit or loss
(c) Capitalized expenditures for research and development activities
(d) Fair value measurement of investment properties, and revaluation of property, plant and equipment and intangible assets
(e) Retrospective treatment of a change in accounting policies
(f) Accounting for net income attributable to minority interests

As a result of adopting PITF No.18, operating income and income before income taxes and minority interests were ¥41 million less for the year ended March 31, 2009 than the amounts that would have been reported without the adoption. The effects on segment information are described in Note 21.

3. SECURITIES AND INVESTMENT SECURITIES

The carrying amounts of investment securities at March 31, 2010 and 2009 consisted of the following:

	Millions of yen		*Thousands of U.S. dollars*
	2010	2009	***2010***
Available-for-sale securities with available fair values:			
Equity securities	**¥ 5,269**	¥ 3,559	***$ 56,656***

The following is a summary of available-for-sale securities included in investment securities that have a quoted market value at March 31, 2010 and 2009.

	Millions of yen			
2010	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Book (fair) value
Available-for-sale securities:				
Equity securities	**¥ 2,908**	**¥ 2,400**	**¥ 39**	**¥ 5,269**

	Millions of yen			
2009	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Book (fair) value
Available-for-sale securities:				
Equity securities	¥ 2,907	¥ 1,047	¥ 395	¥ 3,559

	Thousands of U.S. dollars			
2010	*Acquisition cost*	*Gross unrealized gains*	*Gross unrealized losses*	*Book (fair) value*
Available-for-sale securities:				
Equity securities	***$ 31,269***	***$ 25,806***	***$ 419***	***$ 56,656***

The gross realized gains and losses on the sale of available-for-sale securities for the year ended March 31, 2010 and 2009 were not material.

The following is the book value and fair value of held-to-maturity debt securities at March 31, 2010 and 2009.

	Millions of yen		*Thousands of U.S. dollars*
	2010	2009	***2010***
Book value	**¥ 10**	¥ 10	***$ 108***
Fair value	**10**	10	***108***
Difference	**¥ 0**	¥ 0	***$ 0***

Held-to-maturity debt securities of ¥10 million *($107 thousand)* consisted of government bonds maturing in four to five years.

4. INVENTORIES

Inventories at March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	***2010***
Finished goods	**¥ 4,156**	¥ 4,207	***$ 44,688***
Work-in-process	**12,951**	12,635	***139,258***
Raw materials and supplies	**4,019**	4,468	***43,215***
	¥ 21,126	¥ 21,310	***$ 227,161***

Inventories related to construction contracts for which losses were expected have been presented after being offset by the allowance for loss on contracts of ¥249 million ($2,677 thousand) for the year ended March 31, 2010.

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

Short-term loans at March 31, 2010 and 2009 were represented by short-term notes consisting of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	***2010***
Short-term loans bearing average interest rates of 4.16% (2010) and 2.71% (2009)	**¥ 5,277**	¥ 11,936	***$ 56,742***

A summary of long-term debt at March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	***2010***
Long-term debt	**¥ 927**	¥ 1,108	***$ 9,968***
Current portion of long-term debt	**(294)**	(206)	***(3,161)***
Loans maturing serially through 2014 bearing average interest rates of 2.24% (2010) and 2.69% (2009)	**¥ 633**	¥ 902	***$ 6,806***

The annual maturities of long-term debt outstanding at March 31, 2010 were as follows:

Year ended March 31,	Millions of yen	Thousands of U.S. dollars
2011	¥ 294	*$ 3,161*
2012	249	*2,677*
2013	194	*2,086*
2014	98	*1,054*
2015 and thereafter	92	*989*
Total	¥ 927	*$ 9,968*

6. FIXED ASSETS

Temporarily idle buildings included in fixed assets for the years ended March 31, 2010 and 2009 were ¥124 million *($1,333 thousand)* and ¥72 million, respectively, and machinery and equipment included in fixed assets for the year ended March 31, 2009 were ¥306 million, net of accumulated depreciation.

7. INVESTMENT IN SUBSIDIARIES AND AFFILIATED COMPANIES WHICH ARE NOT CONSOLIDATED

Investment in subsidiaries and affiliated companies which are not consolidated at March 31, 2010 and 2009 consisted of the following:

	Millions of yen		*Thousands of U.S. dollars*
	2010	2009	***2010***
Investment securities	**¥ 24**	¥ 17	***$ 258***
Other assets	**138**	17	***1,484***

8. PLEDGED ASSETS

At March 31, 2010 and 2009, as required by the Building Lots and Buildings Transaction Business Law in Japan, investment securities in the amount of ¥10 million *($107 thousand)* were put in escrow to secure dealings.

For cash and deposits (restricted deposits), a total of ¥93 million was submitted, with ¥66 million as bid bonds, ¥16 million as fulfillment guarantees, and ¥11 million as bill guarantees at March 31, 2009.

Buildings and structures in the amount of ¥24 million *($258 thousand)*, and land in the amount of ¥16 million *($172 thousand)* had been pledged as guarantees for borrowings from financial institutions at March 31, 2010.

9. NET ASSETS

Net assets comprises four subsections, which are shareholders' equity, accumulated gains (losses) from valuation and translation adjustments, and share subscription rights and minority interests.

Under Japanese laws and regulations, the entire amount paid for new shares is 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.

Under the Japanese Corporate Law ("the Law"), in cases where a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Law, all additional paid-in capital and all legal earnings reserve may, by resolution of the shareholders, be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

10. CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

A. Stock information

Changes in the number of shares of stock issued and the outstanding stock for the year ended March 31, 2010 and 2009 were as follows:

Common stock outstanding in fiscal year 2010

	Number of shares
	2010
Balance at April 1, 2009	**107,832,445**
Increase	—
Decrease	—
Balance at March 31, 2010	**107,832,445**

Treasury stock outstanding in fiscal year 2010

	Number of shares
	2010
Balance at April 1, 2009	**1,184,104**
Increase due to the purchase of 4,409 less-than-one-unit shares	**4,409**
Decrease due to the exercise of stock options for 50,000 share	**(50,000)**
Balance at March 31, 2010	**1,138,513**

Common stock outstanding in fiscal year 2009

	Number of shares
	2009
Balance at April 1, 2008	107,832,445
Increase	—
Decrease	—
Balance at March 31, 2009	107,832,445

Treasury stock outstanding in fiscal year 2009

	Number of shares
	2009
Balance at April 1, 2008	1,211,084
Increase due to the purchase of 6,354 less-than-one-unit shares	6,354
Decrease due to the exercise of stock options for 32,000 shares and the sale of 1,334 less-than-one-unit shares	(33,334)
Balance at March 31, 2009	1,184,104

B. Dividend information

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

Dividends paid in fiscal year 2010 and after March 31, 2010 were as follows:

Dividends paid in fiscal year 2010

			Total amount	
Approved by	Record date	Effective date	Millions of yen	*Thousands of U.S. dollars*
Shareholders' meeting on June 24, 2009	March 31, 2009	June 25, 2009	**¥ 373**	***$ 4,011***

Dividends paid after March 31, 2010 and for which the record date is in fiscal 2010

			Total amount	
Approved by	Record date	Effective date	Millions of yen	*Thousands of U.S. dollars*
Shareholders' meeting on June 24, 2010	March 31, 2010	June 25, 2010	**¥ 586**	***$ 6,301***

Dividends paid in fiscal year 2009 and after March 31, 2009 were as follows:

Dividends paid in fiscal year 2009

			Total amount
Approved by	Record date	Effective date	Millions of yen
Shareholders' meeting on June 25, 2008	March 31, 2008	June 26, 2008	¥ 426
Board of directors on October 31, 2008	September 30, 2008	December 9, 2008	¥ 373

Dividends paid after March 31, 2008 and for which the record date is in fiscal 2008

			Total amount
Approved by	Record date	Effective date	Millions of yen
Shareholders' meeting on June 24, 2009	March 31, 2009	June 25, 2009	¥ 373

11. COST OF SALES

	Millions of yen		*Thousands of U.S. dollars*
	2010	2009	***2010***
Write-down of inventory assets	**¥ 134**	¥ 487	***$ 1,441***
Transfer to allowance for losses on contracts	**475**	—	***5,108***

12. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses included in cost of sales and selling, general and administrative expenses for the years ended March 31, 2010 and 2009 were ¥4,476 million *($48,129 thousand)* and ¥5,272 million, respectively.

13. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Major components of selling, general and administrative expenses were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	***2010***
Salaries and bonuses for employees	**¥ 6,211**	¥ 6,690	***$ 66,785***
Research and development expenses	**3,120**	3,480	***33,548***
Cost of transportation of goods	**1,333**	1,778	***14,333***
Selling commissions	**1,150**	1,244	***12,366***
Retirement benefits	**603**	501	***6,484***
Allowance for bonuses to directors	**84**	80	***903***
Transfer to allowance for bad debt	**144**	806	***1,548***

14. CONTINGENT LIABILITIES

Contingent liabilities at March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	***2010***
Loans guaranteed jointly and severally with other companies	**¥ —**	¥ 364	***$ —***
Trade notes discounted	**48**	235	***516***
Trade notes endorsed	**349**	292	***3,753***

15. FINANCIAL INSTRUMENTS

(Additional Information)

Effective from with the year ended March 31, 2010, the Companies adopted ASBJ Statement No.10, "Accounting Standard for Financial Instruments," issued on March 10, 2008, and ASBJ Guidance No.19, "Guidance on Disclosures about Fair Value of Financial Instruments," issued on March 10, 2008.

A. Qualitative information on financial instruments

(a) Policy for using financial instruments

The Companies raise funds for equipment and working capital necessary for business operations (mostly borrowings from banks) in accordance with their cash flow planning. The Companies invest temporary excess cash in safe and secure financial assets.

(b) Description of financial instruments used and the exposures to risks

Trade notes and accounts receivable are exposed to the credit risk of customers. While foreign currency denominated operating receivables arising from global business operations are exposed to the risk of foreign exchange rate fluctuations, such risk is hedged by using forward exchange rate contracts concluded, in principle, for each business transaction. Investment securities, which mainly consist of bonds held to maturity and stocks held to help strengthen long-term business relationships with customers, are exposed to market value fluctuation risks.

Trade notes and accounts payable are due within one year. Some of them are foreign currency denominated and thus exposed to the risk of foreign exchange rate fluctuations. These items are hedged by using forward exchange rate contracts concluded, in principle, for each business transaction. Borrowings are mainly used for investment in equipment and working capital. Some borrowings have variable interest rates and thus are exposed to risk of interest rate fluctuations.

(c) Policies and processes for managing risks

Management of credit risk

The Company and its consolidated subsidiaries, in accordance with the credit management rules, manages due dates and the balance of credit for each business counterparty, with sales divisions regularly monitoring business conditions of major counterparties, and is striving to grasp at an early date and mitigate concerns about the recovery of credit stemming from the worsening of financial conditions, etc.

Management of market risk

The Company and some consolidated subsidiaries hedge foreign currency denominated operating receivables and payables by using forward foreign exchange contracts, in principle, against the fluctuation risks captured for each transaction. The Company also used interest rate swap transactions to manage the risk of interest rate fluctuations related to borrowings.

The Company evaluates its holdings of investment securities by regularly monitoring market prices and the financial condition of and other factors related to the issuers, who are generally business partners and by taking into consideration the Company's relationships with the issuers.

Management of liquidity risk related to finance

The Company manages liquidity risk with the treasury division's timely preparation and updating of its management programs based on reports from business divisions, by the constant monitoring of fund positions and by maintaining a certain level of liquidity.

B. The fair value of financial instruments

The amounts stated in the consolidated balance sheet for financial instruments, their fair values and any differences as of March 31, 2010, were as follows. Financial instruments for which a determination of fair value is recognized as extremely difficult are not included in the table below.

	Millions of yen		
	2010		
	Amounts stated in the consolidated balance sheet	Fair value	Difference
Cash and deposits	¥ 6,520	¥ 6,520	¥ —
Trade notes and accounts receivable	36,483	36,483	—
Securities and investment securities			
Bonds held to maturity	10	10	0
Other securities	5,269	5,269	—
Total assets	¥ 48,282	¥ 48,282	¥ 0
Trade notes and accounts payable	¥ 17,217	¥ 17,217	¥ —
Short-term borrowings	5,571	5,571	—
Long-term borrowings	633	648	15
Total liabilities	¥ 23,421	¥ 23,436	¥ 15
Derivatives transactions	¥ (12)	¥ (11)	¥ 1

	Thousands of U.S. dollars		
	2010		
	Amounts stated in the consolidated balance sheet	*Fair value*	*Difference*
Cash and deposits	*$ 70,107*	*$ 70,107*	*$ —*
Trade notes and accounts receivable	*392,290*	*392,290*	*—*
Securities and investment securities			
Bonds held to maturity	*108*	*108*	*0*
Other securities	*56,656*	*56,656*	*—*
Total assets	*$ 519,161*	*$ 519,161*	*$ 0*
Trade notes and accounts payable	*$ 185,129*	*$ 185,129*	*$ —*
Short-term borrowings	*59,903*	*59,903*	*—*
Long-term borrowings	*6,806*	*6,968*	*162*
Total liabilities	*$ 251,838*	*$ 252,000*	*$ 162*
Derivatives transactions	*$ (129)*	*$ (118)*	*$ 11*

Cash and deposits and trade notes and accounts receivable

The book value is adopted for cash and deposits and trade notes and accounts receivable because they are all short-term and the fair value approximates book value.

Securities and investment securities

The fair value of stocks is based on prices that appear on the stock exchange and the fair value of bonds is based on prices provided by the financial institutions the Company deals with.

Trade notes and accounts payable

The fair value of bills and accounts receivable is based on book value as they are due within one year and the fair value approximates book value.

Short-term borrowings

The fair value of short-term borrowings is based on book value as they are due within one year and the fair value approximates book value.

Long-term borrowings

The fair value of long-term borrowings is based on the present value obtained by discounting the combined amount of principal and interest by the interest rate that would be applicable to similar new borrowings.

Financial instruments for which the determination of fair value is recognized as extremely difficult

	Millions of yen	*Thousands of U.S. dollars*
	2010	*2010*
Amounts stated in the consolidated balance sheet		
Unlisted stocks	¥ 269	*$ 2,892*

The above financial instruments are not included in "Securities and Investment Securities" as they do not have market prices and the fair value is recognized as extremely difficult to determine.

16. DERIVATIVE TRANSACTIONS

A. Derivatives transactions to which hedge accounting is not applicable

	Millions of yen			
	2010			
	Contracted amount	Amount of principal due over one year	Fair value	Recognized gain (loss)
Transactions other than Market transactions				
Forward currency exchange contracts for:				
Trade receivables				
U.S. dollars	¥ 25	¥ —	¥ (0)	¥ (0)
Trade payables				
Japanese yen	339	—	4	4
Interest rate swaps short:				
U.S. dollars	198	198	(9)	(9)
Total	¥ 562	¥ 198	¥ (5)	¥ (5)

	Thousands of U.S. dollars			
	2010			
	Contracted amount	*Amount of principal due over one year*	*Fair value*	*Recognized gain (loss)*
Transactions other than Market transactions				
Forward currency exchange contracts for:				
Trade receivables				
U.S. dollars	*$ 269*	*$ —*	*$ (2)*	*$ (2)*
Trade payables				
Japanese yen	*3,645*	*—*	*43*	*43*
Interest rate swaps short:				
U.S. dollars	*2,129*	*2,129*	*(97)*	*(97)*
Total	*$ 6,043*	*$ 2,129*	*$ (56)*	*$ (56)*

B. Derivatives transactions to which hedge accounting is applicable

	Millions of yen			*Thousands of U.S. dollars*		
	2010			*2010*		
	Contracted amount	Amount of principal due over one year	Fair value	*Contracted amount*	*Amount of principal due over one year*	*Fair value*
Hedged items are stated at forward exchange contract rates						
Forward currency exchange contracts for:						
Trade receivables						
U.S. dollars	**¥ 23**	**—**	**¥ 1**	***$ 247***	***—***	***$ 11***
Trade payables						
Others	**3**	**—**	**(0)**	***32***	***—***	***(0)***
Recognition of gain (loss) on hedged items deferred						
Forward currency exchange contracts for:						
Trade receivables						
U.S. dollars	**7**	**—**	**(0)**	***75***	***—***	***(2)***
Trade payables						
Swiss franc	**358**	**—**	**(7)**	***3,849***	***—***	***(75)***
U.S. dollars	**69**	**—**	**1**	***742***	***—***	***11***
Others	**13**	**—**	**0**	***140***	***—***	***1***
Total	**¥ 472**	**—**	**¥ (6)**	***$ 5,085***	***—***	***$ (54)***

Outstanding derivatives as of March 31, 2009 were as follows:

	Millions of yen			
	2009			
	Contracted amount	Amount of principal due over one year	Fair value	Recognized gain (loss)
Forward currency exchange contracts for:				
Trade receivables				
U.S. dollars	¥ 103	—	¥ 104	¥ (1)
Trade payables				
Japanese yen	188	—	191	3
Total	—	—	—	¥ 2

17. INCOME TAXES

The Companies are subject to several taxes based on income which, in the aggregate, indicate statutory rates in Japan of approximately 41% for the years ended March 31, 2010 and 2009.

Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	***2010***
Deferred tax assets:			
Severance and retirement benefits	**¥ 1,367**	¥ 1,421	***$ 14,699***
Employees' bonuses	**928**	1,004	***9,978***
Devaluation of inventories	**965**	771	***10,376***
Tax loss carryforwards	**940**	511	***10,108***
Foreign tax credit carryforwards	**275**	294	***2,957***
Cost of sales	**482**	512	***5,183***
Reserve for deferred gains related to fixed assets for tax purposes	**518**	650	***5,570***
Research and development expenses	**607**	560	***6,527***
Impairment loss on fixed assets	**284**	76	***3,054***
Allowance for losses on contracts	**359**	417	***3,860***
Provision for product warranties	**316**	176	***3,398***
Allowance for doubtful receivables	**221**	337	***2,376***
Unrealized intercompany profits	**428**	420	***4,602***
Allowance for environmental protection measures	**896**	1,009	***9,634***
Write-down of investment securities	**145**	145	***1,559***
Other temporary differences	**665**	1,017	***7,151***
Total deferred tax assets	**9,396**	9,320	***101,032***
Valuation allowance	**(3,794)**	(3,621)	***(40,796)***
Net deferred tax assets	**5,602**	5,699	***60,236***
Deferred tax liabilities:			
Depreciation	**(314)**	(270)	***(3,376)***
Unrealized gains on investment securities	**(902)**	(204)	***(9,699)***
Undistributed earnings of overseas subsidiaries	**(485)**	(429)	***(5,215)***
Other temporary differences	**(53)**	(106)	***(570)***
Total deferred tax liabilities	**(1,754)**	(1,009)	***(18,860)***
Net deferred tax assets	**¥ 3,848**	¥ 4,690	***$ 41,376***

Reconciliations to the balance sheets were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	***2010***
Deferred tax assets reported in current assets	**¥ 3,508**	¥ 3,472	***$ 37,720***
Deferred tax assets reported in investments and other assets	**361**	1,243	***3,882***
Deferred tax liabilities reported in long-term liabilities	**(21)**	(25)	***(225)***
Net deferred tax assets	**¥ 3,848**	¥ 4,690	***$ 41,376***

Significant differences between the statutory income tax rate and the effective income tax rate in the consolidated financial statements for the years ended March 31, 2010 and 2009 were as follows:

	2010	2009
Statutory income tax rate	41.0 %	41.0 %
Nondeductible expenses	2.7	3.8
Nontaxable dividend income	(0.7)	(0.7)
Inhabitants taxes	1.3	1.1
Changes in valuation allowance	0.4	13.0
Foreign tax credit	(5.2)	(9.5)
Tax credit for research and development expenses	(5.2)	(4.8)
Effect of lower tax rates on overseas subsidiaries	(7.6)	(12.9)
Dividend income from overseas subsidiaries	8.8	2.9
Other	2.1	1.0
Effective income tax rate	37.6 %	34.9 %

18. EMPLOYEES' SEVERANCE AND RETIREMENT BENEFITS

The liabilities for severance and retirement benefits included in the liability section of the consolidated balance sheets as of March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Projected benefit obligation	¥ 23,294	¥ 23,202	$ 250,473
Unrecognized prior service costs	—	—	—
Unrecognized actuarial differences	(7,865)	(9,473)	(84,570)
Prepaid pension cost	2,655	2,520	28,548
Less fair value of pension assets	(14,674)	(13,028)	(157,785)
Liability for severance and retirement benefits	¥ 3,410	¥ 3,221	$ 36,667

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

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Service costs - benefits earned during the year	¥ 771	¥ 802	$ 8,290
Interest cost on projected benefit obligation	578	579	6,215
Expected return on plan assets	(295)	(367)	(3,172)
Amortization of prior service costs	—	66	0
Amortization of unrecognized actuarial differences	929	627	9,989
Severance and retirement benefit expenses	¥ 1,983	¥ 1,707	$ 21,323
Payment of defined contribution plans	181	156	1,946
Total	¥ 2,164	¥ 1,863	$ 23,269

Assumptions used for the years ended March 31, 2010 and 2009 were as follows:

	2010	2009
Method of attributing benefits to periods of service	straight-line basis	straight-line basis
Discount rate	2.5%	2.5%
Expected rate of return on plan assets	2.5%	2.5%
Amortization period of prior service cost	3 years	3 years
Amortization period of unrecognized actuarial differences	mainly 15 years	mainly 15 years

19. GAIN ON SALES OF FIXED ASSETS

	Millions of yen		Thousands of U.S. dollars
	2010	2009	***2010***
Land	**¥ 124**	—	***$ 1,333***

20. IMPAIRMENT LOSS ON FIXED ASSETS

The Companies recognized impairment losses for the following asset group for the year ended March 31, 2010.

			Millions of yen	Thousands of U.S. dollars
Location	Group	Assets	Impairment loss	
Wujiang, Jiangsu Province, China	Reactor production facilities	Building, machinery, industrial tools, instruments and fixtures, intangible fixed asset	**¥ 309**	*$ 3,323*
Ukyo-ku, Kyoto City	Thin film mass-production facilities	Machinery, industrial tools, instruments and fixtures intangible fixed asset	**232**	*2,495*
Others	—	—	**45**	*484*
Total			**¥ 586**	*$ 6,301*

The Companies, in principle, group their assets for business purposes into asset groups by business segment.

Given that the current performance of the reactor production facilities shown above, has deviated significantly from the initial plan, the book value has been written down to the recoverable value, and the write-down amount of ¥309 million *($3,323 thousand)* has been accounted for as an impairment loss and stated as an extraordinary loss.

The impairment loss is measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposal of the asset or the net selling price at disposal. The amount is broken down into ¥151 million *($1,624 thousand)* for the building, ¥116 million *($1,247 thousand)* for machinery, ¥15 million *($161 thousand)* for industrial tools, instruments and fixtures and ¥27 million *($290 thousand)* for intangible fixed assets. The recoverable value of the assets has been determined by the net selling price at disposal based on the value assessed by third parties, including experts.

Since it has become impossible to expect to earn the income initially assumed for the thin film mass-production facilities shown above under the business plan, the book value has been written down to the recoverable value and a write-down amount of ¥232 million *($2,495 thousand)* has been accounted for as an impairment loss and stated as an extraordinary loss. The amount is broken down into ¥224 million *($2,409 thousand)* for machinery, ¥5 million *($54 thousand)* for industrial tools, instruments and fixtures, and ¥3 million *($32 thousand)* for intangible fixed assets. The recoverable value of the assets has been determined by the net selling price at disposal based on the value assessed by third parties, including experts.

The Companies recognized impairment loss for the following asset group for the year ended March 31, 2009.

			Millions of yen
Location	Group	Assets	Impairment loss
Kameoka City, Kyoto City Katsushika Ward, Tokyo Etc.	Company mansions	Land and building	¥ 125
Minami Ward, Kyoto	Idle assets	Machinery and equipment	56
	Coating equipment		109
	Sub-total		165
Others	—	—	14
Total			¥ 304

The Companies group their long-lived assets into asset groups by business segment. Idle assets are individually tested for recoverability.

Since they have been unused or are expected to be disposed of the land and building shown above, the book value has been written down to the recoverable value, and a write-down amount of ¥125 million was accounted for as an impairment loss.

The recoverable value was determined by the net selling price based on the property tax valuation amount.

Due to a decline in use caused by the recession, the book value of machinery and equipment, has been written down to its recoverable value. A write-down amount of ¥165 million was accounted for as impairment loss.

The recoverable value of idle assets has been determined by the net selling price. The recoverable value of coating equipment has been determined by the use value, which is based on the present value of expected cash flows using a discount rate of 6.5%.

21. SEGMENT INFORMATION

A. Industry Segments

The Companies' businesses are divided into two principal business segments: the power system equipment segment and the charged particle beam-oriented equipment segment.

Industry segment information is as follows:

	Millions of yen				
Year ended March 31, 2010	Power system equipment	Charged particle beam-oriented equipment	Total	Elimination or corporate	Consolidated
Sales and operating income:					
Sales to outside customers	**¥ 75,515**	**¥ 11,662**	**¥ 87,177**	**¥ —**	**¥ 87,177**
Intersegment sales	**186**	**113**	**299**	**(299)**	**—**
Total	**75,701**	**11,775**	**87,476**	**(299)**	**87,177**
Operating costs and expenses	**68,092**	**12,120**	**80,212**	**2,243**	**82,455**
Operating income (losses)	**¥ 7,609**	**¥ (345)**	**¥ 7,264**	**¥ (2,542)**	**¥ 4,722**
Assets	**¥ 74,079**	**¥ 19,508**	**¥ 93,587**	**¥ 6,553**	**¥ 100,140**
Depreciation and amortization	**2,397**	**1,320**	**3,717**	**153**	**3,870**
Impairment loss on fixed assets	**354**	**232**	**586**	**—**	**586**
Capital expenditures	**2,237**	**401**	**2,638**	**91**	**2,729**

	Millions of yen				
Year ended March 31, 2009	Power system equipment	Charged particle beam-oriented equipment	Total	Elimination or corporate	Consolidated
Sales and operating income:					
Sales to outside customers	¥ 88,336	¥ 21,338	¥ 109,674	¥ —	¥ 109,674
Intersegment sales	314	39	353	(353)	—
Total	88,650	21,377	110,027	(353)	109,674
Operating costs and expenses	78,448	22,453	100,901	2,280	103,181
Operating income (losses)	¥ 10,202	¥ (1,076)	¥ 9,126	¥ (2,633)	¥ 6,492
Assets	¥ 78,324	¥ 21,077	¥ 99,401	¥ 6,500	¥ 105,902
Depreciation and amortization	2,335	1,354	3,689	160	3,849
Impairment loss on fixed assets	138	165	303	—	303
Capital expenditures	2,726	1,665	4,391	102	4,493

	Thousands of U.S. dollars				
Year ended March 31, 2010	*Power system equipment*	*Charged particle beam-oriented equipment*	*Total*	*Elimination or corporate*	*Consolidated*
Sales and operating income:					
Sales to outside customers	***$ 811,989***	***$ 125,398***	***$ 937,387***	***$ —***	***$ 937,387***
Intersegment sales	***2,000***	***1,215***	***3,215***	***(3,215)***	***—***
Total	***813,989***	***126,613***	***940,602***	***(3,215)***	***937,387***
Operating costs and expenses	***732,172***	***130,323***	***862,495***	***24,118***	***886,613***
Operating income (losses)	***$ 81,817***	***$ (3,710)***	***$ 78,107***	***$ (27,333)***	***$ 50,774***
Assets	***$ 796,548***	***$ 209,763***	***$ 1,006,311***	***$ 70,462***	***$ 1,076,774***
Depreciation and amortization	***25,774***	***14,194***	***39,968***	***1,645***	***41,613***
Impairment loss on fixed assets	***3,806***	***2,495***	***6,301***	***—***	***6,301***
Capital expenditures	***24,054***	***4,312***	***28,366***	***978***	***29,344***

1. Corporate operating expenses

Corporate operating expenses of ¥2,534 million *($27,247 thousand)* and ¥2,624 million for the years ended March 31, 2010 and 2009, respectively, consisted of expenses for research and development and remuneration to the directors and statutory auditors of the Company.

2. Corporate assets

Corporate assets of ¥6,625 million *($71,237 thousand)* and ¥6,541 million at March 31, 2010 and 2009, respectively, comprised cash and time deposits, marketable securities, investment securities and the assets of the research and development division of the Company.

3. Changes in Accounting Policies

As discussed in Note 2 (Standards to Account for Important Revenue and Cost), concerning the standards to account for contract construction revenue, the Company had previously applied the percentage-of-completion method to construction contracts with a construction period of over one year and a contract amount of ¥300 million or more and the completed contract method to other construction contracts. Beginning with the year ended March 31, 2010, the Company and its consolidated domestic subsidiaries have adopted ASBJ statement No.15, "Accounting Standard for Construction Contracts," issued on December 27, 2007, and ASBJ Guidance No.18, "Guidance on Accounting Standard for Construction Contracts," issued on December 27, 2007, and has applied the percentage-of-completion method (the cost comparison method is used to estimate the progress in construction) to construction contracts for which the portion of the contract completed by the end of the year ended March 31, 2010 could be estimated reliably, and the completed contract method to other construction contracts.

As a result of this change, net sales for the year ended March 31, 2010, were ¥222 million *($2,387 thousand)* less, and operating income, ordinary income and net income before income taxes and minority interests each were ¥104 million *($ 1,183 thousand)* less than the amounts that would have been recorded without the change.

As discussed in Note 2 (Inventories), the Company and its consolidated domestic subsidiaries adopted a new accounting standard for inventories for the year ended March 31, 2009. As a result of this change, operating income was ¥343 million less in the charged particle beam-oriented equipment segment.

As discussed in Note 2 (Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements), the Companies adopted a new accounting standard for the year ended March 31, 2009. As a result of this change, operating income was ¥44 million less in the power system equipment segment and ¥3 million more in the charged particle beam-oriented equipment segment.

As discussed in Note 2 (Property, plant and equipment excluding leased assets), the Company and its consolidated domestic subsidiaries adopted a new accounting policy for the year ended March 31, 2009. As a result of this change, operating income was ¥121 million less in the power system equipment segment, ¥6 million less in the charged particle beam-oriented equipment segment and ¥1 million less in corporate.

B. Geographical Segments

Geographical segment information is as follows:

	Millions of yen					
Year ended March 31, 2010	Japan	Asia	Other	Total	Elimination or corporate	Consolidated
Sales and operating income:						
Sales to outside customers	**¥ 68,893**	**¥ 18,213**	**¥ 71**	**¥ 87,177**	**¥ —**	**¥ 87,177**
Intersegment sales	**2,344**	**973**	**54**	**3,371**	**(3,371)**	**—**
Total	**71,237**	**19,186**	**125**	**90,548**	**(3,371)**	**87,177**
Operating costs and expenses	**66,189**	**17,209**	**121**	**83,519**	**(1,064)**	**82,455**
Operating income	**¥ 5,048**	**¥ 1,977**	**¥ 4**	**¥ 7,029**	**¥ (2,307)**	**¥ 4,722**
Assets	**¥ 77,063**	**¥ 27,053**	**¥ 219**	**¥ 104,335**	**¥ (4,195)**	**¥ 100,140**

	Millions of yen					
Year ended March 31, 2009	Japan	Asia	Other	Total	Elimination or corporate	Consolidated
Sales and operating income:						
Sales to outside customers	¥ 87,854	¥ 21,535	¥ 285	¥ 109,674	¥ —	¥ 109,674
Intersegment sales	3,004	1,733	121	4,858	(4,858)	—
Total	90,858	23,268	406	114,532	(4,858)	109,674
Operating costs and expenses	85,089	20,258	405	105,752	(2,571)	103,181
Operating income	¥ 5,769	¥ 3,010	¥ 1	¥ 8,780	¥ (2,287)	¥ 6,492
Assets	¥ 81,979	¥ 26,690	¥ 270	¥ 108,939	¥ (3,038)	¥ 105,902

Year ended March 31, 2010	Japan	Asia	Other	Total	Elimination or corporate	Consolidated
	Thousands of U.S. dollars					
Sales and operating income:						
Sales to outside customers	*$ 740,785*	*$ 195,839*	*$ 763*	*$ 937,387*	*$ —*	*$ 937,387*
Intersegment sales	*25,204*	*10,462*	*581*	*36,247*	*(36,247)*	*—*
Total	*765,989*	*206,301*	*1,344*	*973,634*	*(36,247)*	*937,387*
Operating costs and expenses	*711,710*	*185,043*	*1,301*	*898,054*	*(11,441)*	*886,613*
Operating income	*$ 54,279*	*$ 21,258*	*$ 43*	*$ 75,580*	*$ (24,806)*	*$ 50,774*
Assets	*$ 828,634*	*$ 290,892*	*$ 2,355*	*$ 1,121,881*	*$ (45,108)*	*$ 1,076,774*

1. Corporate operating expenses

Corporate operating expenses of ¥2,534 million *($27,247 thousand)* and ¥2,624 million for the years ended March 31, 2010 and 2009, respectively, consisted of expenses for research and development and remuneration to the directors and statutory auditors of the Company.

2. Corporate assets

Corporate assets of ¥6,625 million *($71,237 thousand)* and ¥6,541 million at March 31, 2010 and 2009, respectively, comprised cash and time deposits, marketable securities, investment securities and the assets of the research and development division of the Company.

3. Changes in Accounting Policies

As discussed in Note 2 (Standards to Account for Important Revenue and Cost), concerning the standards to account for contract construction revenue, the Company had previously applied the percentage-of-completion method to construction contracts with a construction period of over one year and a contract amount of ¥300 million or more and the completed contract method to other construction contracts. Beginning with the year ended March 31, 2010, the Company and its consolidated domestic subsidiaries have adopted ASBJ Statement No.15, "Accounting Standard for Construction Contracts," issued on December 27, 2007 and ASBJ Guidance No.18, "Guidance on Accounting Standard for Construction Contracts," issued on December 27, 2007, and has applied the percentage-of-completion method (the cost comparison method is used to estimate the progress in construction) to construction contracts for which the portion of the contract completed by the end of the year ended March 31, 2010 could be estimated reliably, and the completed contract method to other construction contracts.

As a result of this change, net sales for the year ended March 31, 2010, were ¥222 million *($2,387 thousand)* less, and operating income, ordinary income and net income before income taxes and minority interests each were ¥104 million *($ 1,183 thousand)* less than the amounts that would have been recorded without the change.

As discussed in Note 2 (Inventories), the Company and its consolidated domestic subsidiaries adopted a new accounting standard for inventories in the year ended March 31, 2009. As a result of this change, operating income was ¥343 million less in Japan.

As discussed in Note 2 (Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements), the Companies adopted a new accounting standard for the year ended March 31, 2009. As a result of this change, operating income was ¥41 million less in Asia.

As discussed in Note 2 (Property, plant and equipment excluding leased assets), the Company and its consolidated domestic subsidiaries adopted a new accounting policy for the year ended March 31, 2009. As a result of this change, operating income was ¥126 million less in Japan and ¥1 million less in corporate.

C. Overseas Sales

Overseas sales were as flows:

Year ended March 31, 2010	Millions of yen	Ratio of overseas sales to consolidated net sales	*Thousands of U.S. dollars*
Asia (China, Taiwan, Korea and others)	**¥ 22,317**	**25.60%**	***$ 239,968***
Other areas (U.S.A. and others)	**982**	**1.13%**	***10,559***
Total	**¥ 23,299**	**26.73%**	***$ 250,527***

Year ended March 31, 2009	Millions of yen	Ratio of overseas sales to consolidated net sales
Asia (China, Taiwan, Korea and others)	¥ 28,352	25.85%
Other areas (U.S.A. and others)	1,299	1.18
Total	¥ 29,651	27.03%

Independent Auditors' Report

To the Board of Directors of Nissin Electric Co., Ltd.:

We have audited the accompanying consolidated balance sheets of Nissin Electric Co., Ltd. (the "Company") and its consolidated subsidiaries as of March 31, 2010 and 2009, and the related consolidated statements of income, changes in net assets and cash flows for the years then ended 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 consolidated financial position of the Company and its consolidated subsidiaries as of March 31, 2010 and 2009, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 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.

Osaka, Japan
June 24, 2010

Corporate Data (as of March 31, 2010)

Company Outline

Company Name
Nissin Electric Co., Ltd.

Founded
November 1910

Incorporated
April 1917

Head Office
47 Umezu-takase-cho,Ukyo-ku,
Kyoto 615-8686, Japan
Telephone: +81-75-861-3151
Facsimile: +81-75-864-8312

Stated Capital
¥10,252,845,127

Authorized Shares
431,329,000

Issued Shares
107,832,445

Employees
4,451

Board of Directors and Statutory Auditors (as of June 24, 2010)

President
Yoshikazu Amano*

Senior Managing Director
Toshihiro Miyazaki*
Hideaki Obata*

Managing Directors
Masayuki Ueda
Satoru Nakahori
Takushi Hara
Kazumasa Ishida
Michio Inada
Kiyoshi Ogata

Standing Auditors
Eiichi Fujikawa
Fusao Kimma

Auditors
Mamoru Morita
Toshihide Kimura

* Representative Director

Major Offices and Plants

Head Office and Plant
47 Umezu-takase-cho, Ukyo-ku, Kyoto
615-8686, Japan
Telephone: +81-75-861-3151
Facsimile: +81-75-864-8312

Tokyo Office
International Business Division
1 Kandaizumi-cho, Chiyoda-ku, Tokyo
101-0024, Japan
Telephone: +81-3-5821-5908
Facsimile: +81-3-5821-5877

Maebashi Plant
2121 Soja, Soja-machi, Maebashi, Gumma
371-8515, Japan
Telephone: +81-272-51-1131
Facsimile: +81-272-51-3257

Kuze Plant
575 Kuze Tonoshiro-cho Minami-ku, kyoto
601-8205, Japan
Telephone: +81-75-922-4611
Facsimile: +81-75-922-4615

Domestic Major Subsidiaries and Affiliates

NHV Corporation
Business Line: Manufacturing and customer service for Electron Processing Systems, Irradiation service of Electron Beam

Nissin Denki Shouji Co., Ltd.
Business Line: Sales of electrical equipment

Nissin Systems Co., Ltd.
Business Line: Design and sales of computer software

Nissin Ion Equipment Co., Ltd.
Business Line: Manufacturing and customer service of LSI/LCD manufacturing equipment

Nissin Power Distribution Systems Co., Ltd.
Business Line: Manufacturing and sales of switchgears and its parts

Eco Tron Co., Ltd.
Business Line: R&D, manufacturing and sales of power semi-conductors

Nippon ITF Inc.
Business Line: Thin film coating of various materials

Nissin Pulse Electronics Co., Ltd.
Business Line: Manufacturing and customer service for Electron Processing Systems, Irradiation service of Electron Beam

Overseas Major Subsidiaries and Affiliates

Nissin Electric (Wuxi) Co., Ltd.
Wuxi Jiangsu China
Business Line: Manufauturing and sales of power capacitors and capacitor voltage transformers

Beijing Hongda Nissin Electric Co., Ltd.
Beijing, China
Business Line: Manufacturing and sales of gas insulated switchgears (GIS)

Nissin Electric Wuxi Co., Ltd.
Wuxi Jiangsu China
Business Line: Manufacturing and sales of gas-insulated voltage transformer for GIS

Nissin Allis Ion Equipment (Shanghai) Co., Ltd.
PuDong New Area, Shanghai, China
Business Line: Sales and customer service of LSI/LCD manufacturing equipment

NHV Corporation Shanghai
Shanghai, China
Business Line: Manufacturing and customer service for electron processing systems

Nissin Electric (Dalian) Technology Development Co.,Ltd.
Dalian, China
Business Line: R&D, coating technology and equipment and the related consulting services

Nissin Advanced Coating (Dongguan) Co., Ltd.
Dongguan, China
Business Line: Thin film coating of various materials

Nissin Advanced Coating (Shenyang) Co., Ltd.
Shenyang, China
Business Line: Thin film coating service

Nissin Advanced Coating (Tianjin) Co.,Ltd.
Tianjin, China
Business Line: Thin film coating service

Nissin Electric (Wujiang) Co., Ltd.
Wujiang, China
Business Line: Manufacturing and sales of shunt reactor

Nissin Allis Electric Co., Ltd.
Taoyuan, Taiwan
Business Line: Manufacturing and sales of gas insulated switchgears

Nissin Allis Union Ion Equipment Co., Ltd.
Hsin-Chu City, Taiwan
Business Line: Customer service of LSI/LCD manufacturing equipment

Nissin Electric (Thailand) Co., Ltd.
Pathumthani, Thailand
Business Line: Manufacturing and sales of power capacitors and metal parts

NHV America Inc.
Methuen, Massachusetts, U.S.A.
Business Line: Sales and customer service of electron processing systems

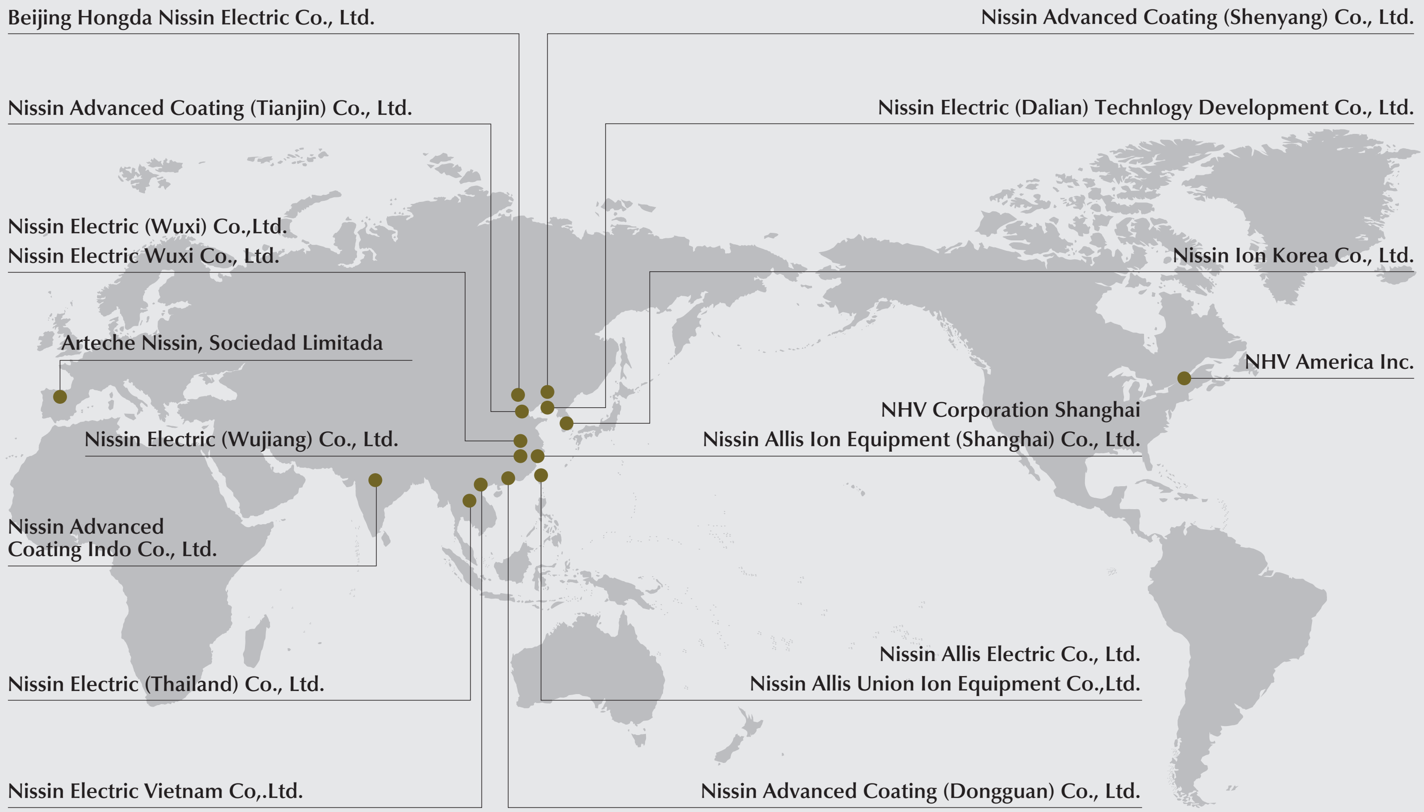
Nissin Ion Korea Co., Ltd.
Kwangju-City, Kyungki-Do Korea
Business Line: Sales and customer service of LSI/LCD manufacturing equipment

Nissin Electric Vietnam Co., Ltd.
Bac Ninh, Vietnam
Business Line: Manufacturing of metal parts

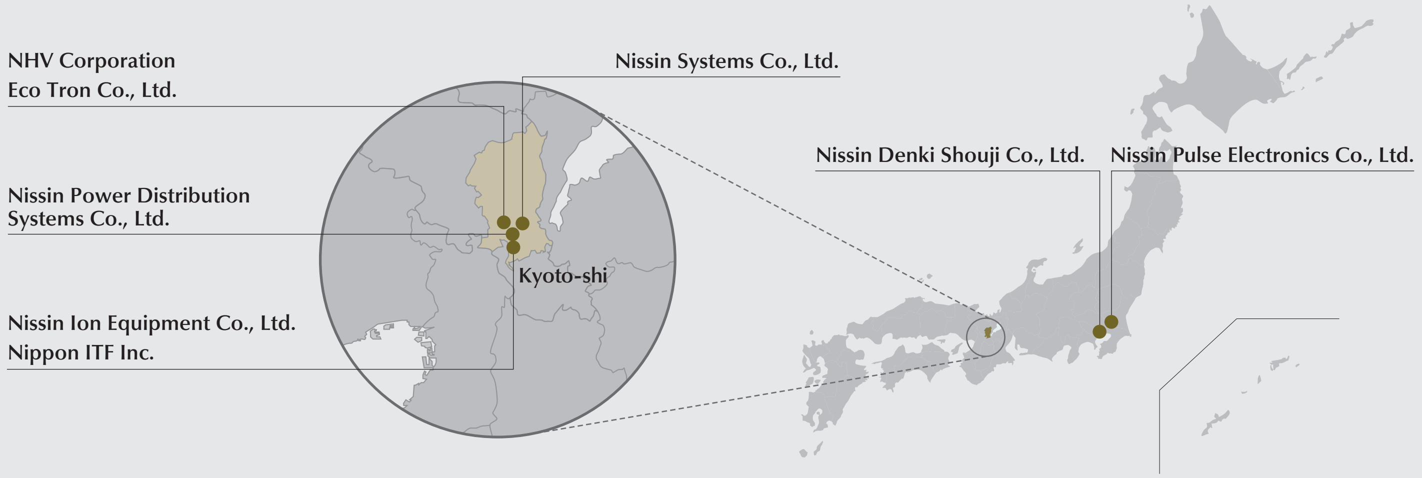
Nissin Advanced Coating Indo Co., Ltd.
Noida, India
Business Line: Thin film coating service

Arteche Nissin, Sociedad Limitada.
Vitoria, Spain
Business Line: Manufacturing and sales of Gas Voltage Transformer (GVT) for Gas Insulated Switchgear (GIS)

Overseas



Japan



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Cover Story

Sekison-tei

Sekison-tei was the mansion of Junichiro Tanizaki, a great writer known as the author of "The Makioka Sisters". He passed over the residence to Nissin in 1956 when he left Kyoto. At that time, he requested that the mansion be maintained in the same condition, since he wanted to see it on his visits to Kyoto. Nissin has kept this promise to Tanizaki, and is using this mansion as a guest house while maintaining its traditional elegance. Visitors cleanse their hands at this stone basin located in front of the main building.

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