NISSIN ELECTRIC

ANNUAL REPORT 2011

Year Ended March 31, 2011

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

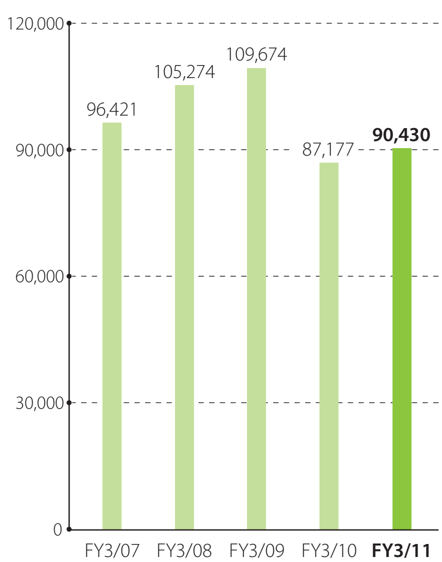
Nissin Electric Co., Ltd. and Consolidated Subsidiaries
Years ended March 31

	Millions of yen					Thousands of U.S. dollars
	2011	2010	2009	2008	2007	***2011***
Net sales	**¥ 90,430**	¥ 87,177	¥ 109,674	¥ 105,274	¥ 96,421	***$ 1,089,518***
Operating income	**7,466**	4,722	6,492	6,601	5,954	***89,952***
Net income	**4,530**	2,792	3,770	3,701	3,010	***54,578***
Total assets	**109,410**	100,140	105,902	116,910	108,032	***1,318,193***
Shareholders' equity	**55,199**	52,900	49,329	49,298	48,040	***665,049***
Capital expenditure	**2,344**	2,729	4,493	4,641	4,609	***28,241***
Depreciation and amortization	**3,327**	3,870	3,858	3,318	2,549	***40,084***
Research and development expenses	**3,881**	4,476	5,272	5,397	5,192	***46,759***
	Yen					*U.S. dollars*
Per share of common stock:						
Net income	**¥ 42.44**	¥ 26.17	¥ 35.35	¥ 34.75	¥ 28.26	***$ 0.51***
Diluted net income	**42.43**	26.16	35.33	34.69	28.20	***0.51***
Cash dividends	**9.00**	5.50	7.00	7.00	6.00	***0.11***
Shareholders' equity	**516.79**	495.81	462.54	462.37	451.58	***6.23***

Note: 1. For convenience only, Japanese yen amounts have been translated into U.S. dollar amounts at the rate of ¥83 = US$1.00, the approximate exchange rate prevailing on March 31, 2011.
2. Shareholders' equity = net assets excluding share subscription rights and minority interests.

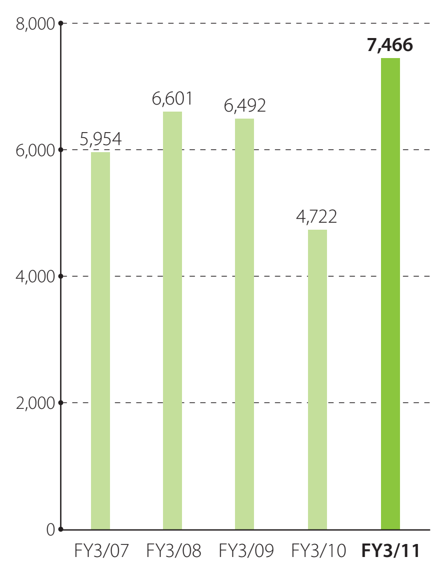
Net sales

(Millions of yen)



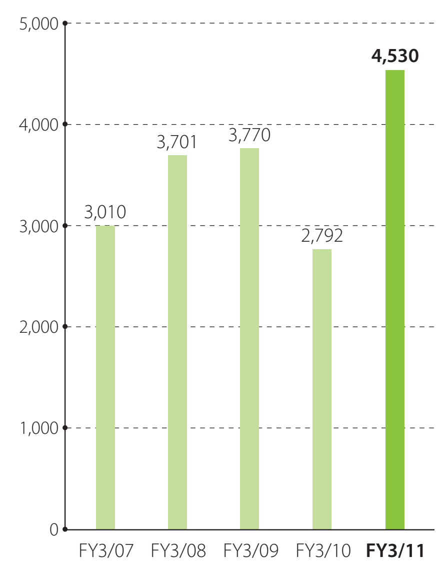
Operating income

(Millions of yen)



Net income

(Millions of yen)



Message from the President

Performance for the Last Reporting Year

In the fiscal year under review (April 1, 2010 to March 31, 2011), Japan's economy saw a gradual recovery from stagnant conditions, despite a challenging employment environment persisting. Japan, however, was struck by the Great East Japan Earthquake on March 11, 2011, which has caused concerns toward the economy. In contrast, economic growth continued in our core market of Asia, in particular China, buoyed by an expansion in internal demand and a recovery in exports.

We will now report the business performance of the Nissin Electric Group in light of these economic conditions. First, sales of the power system equipment business, including our core products of power transmission and distribution equipment, did not see a full recovery. In the domestic market, sales of power system equipment to electric power companies and the public sector decreased slightly. Sales of products to the general private sector saw a recovery compared to the previous fiscal year because companies began to restart capital investments. In the Chinese market, price competition intensified further with local manufacturers resulting in a downturn in product prices. In the charged particle beam-oriented equipment business, demand recovered for products used in the semiconductor and automotive industries, and demand for Flat Panel Display (FPD) manufacturing equipment increased sharply. As a result, order receipts increased significantly.

The Nissin Electric Group has strived to enhance customer satisfaction and strengthen cost competitiveness as well as aggressively carried out activities to capture orders. As a result of these initiatives, total order receipts were up 10.0% year-on-year to ¥93.757 billion as order receipts in the charged particle beam-oriented equipment business rose significantly. In contrast, order receipts for the power system equipment business decreased in the fiscal year under review.

Consolidated net sales for the Nissin Electric Group rose 3.7% year-on-year to ¥90.430 billion. A major factor for this increase was a significant rise in sales of charged particle beam-oriented equipment as a result of group-wide initiatives to expand sales.

Consolidated operating income also rose 58.1% year-on-year to ¥7.466 billion. A significant increase in sales of charged particle beam-oriented equipment, including for semiconductor manufacturing equipment, and the fact that we strove to enhance earnings, including reducing costs and reforming our corporate structure across the entire Group, proved to be instrumental in this success.

In terms of other income (expenses), we recognized a ¥117 million reversal of allowance for doubtful receivables and a ¥105 million gain on sales of fixed assets as other income, while a ¥222 million loss on adjustment for changes of accounting standard for asset retirement obligations, a ¥114 million loss on valuation of investment securities and an ¥84 million effect from the Great East Japan Earthquake were recognized as extraordinary losses.

Consolidated net income rose 62.3% from the previous fiscal year to ¥4.530 billion after the inclusion of deferred income taxes.

Power System Equipment Business

Net sales in the power system equipment business dropped 8.3% from the previous fiscal year to ¥69.247 billion. Sales of substation equipment and supervisory telecontrol equipment decreased in the domestic general private-sector, while sales of reactive power compensation equipment declined in the Asian region (China) and for the domestic general private-sector.

Although we promoted cost price reduction measures, segment profits in the power system equipment business fell 1.8% over the previous year to ¥7.472 billion due to the aforementioned downturn in sales.

Order receipts for the segment declined 3.7% over the previous fiscal year to ¥67.249 billion.

Charged Particle Beam-Oriented Equipment Business

Net sales in the charged particle beam-oriented equipment business were up 81.6% year-on-year to ¥21.183 billion. In particular, sales of semiconductor manufacturing equipment rose predominantly in the Asian region.

Due to these increases in revenue and our initiatives to reduce our cost price, segment profits for the charged particle beam-oriented equipment business significantly improved from a loss in the previous fiscal year to ¥2.131 billion.

Order receipts for the segment rose 71.5% over the previous fiscal year to ¥26.507 billion.

Forecast for the Year Ending March 2012

Based on information available at the time of compiling this annual report*, the forecast for the Nissin Electric Group's consolidated performance in the new fiscal year (April 1, 2011 to March 31, 2012) is as follows. The power system equipment business is forecast to see an increase in revenue primarily from general private sector demand in the domestic market, while the charged particle beam-oriented equipment business is expected to post an increase in revenue given rapid increases in demand from the FPD sector. Price competition, however, is expected to intensify further in both businesses.

Given the expected developments described above, we forecast consolidated net sales of ¥105.000 billion, and consolidated operating income of ¥8.200 billion (consolidated net income for the fiscal year under review was ¥4.800 billion) .

* The impact from the Great East Japan Earthquake has not been included in the above consolidated earnings forecast because at present it remains difficult to reasonably quantify the effects.

New Medium- to Long-Term Business Plan "VISION2015" (2011-2015)

We have been working towards the medium- to long-term business plan of VISION2010 starting in fiscal 2006 which includes a consolidated net sales target of ¥130.000 billion and consolidated operating income target of ¥10.000 billion to be achieved in fiscal 2010. However, as private-sector capital investment, which has a major impact on the Group's performance, fell significantly due to the global recession since the autumn of 2008, and still has not seen full recovery, we regret that we were unable to achieve the quantitative targets set out under VISION2010.

We anticipate the management environment surrounding the Group's operations will remain difficult. In addition to the existing challenges of a stagnant job market, fluctuations in foreign currency exchange rates, and a spike in raw material costs, there are growing concerns over the effect on the Japanese economy of the recent Great East Japan Earthquake. In addition, although growth can be expected in the new energy and environment segment and overseas market with an increased number of business opportunities, competition is also expected to become even more intense.

As we are fully aware of the above challenges and reflecting on our inability to meet the quantitative targets of VISION2010, we have formulated and begun proceeding with measures defined under a new growth strategy for fiscal 2011-2015, the next medium- to long-term business plan, VISION2015.

VISION2015 is formulated based on Nissin Electric's corporate principles. The pillar of these principles includes our mission of realizing a sustainable society, gentle to humans and the environment, as well as developing original technologies to meet the fundamental needs of society and industry, and the code of conduct to promote the growth of the company and foster the personal development of employees, with our actions focused on establishing trust between the Group and its customers, shareholders, society, partners, and employees. Based on this conviction, we are committed to achieving the goals set out in VISION2015, thereby enabling us to build a long-term relationship of trust with customers and realize sustainable growth.

The quantitative targets set out under VISION2015 for fiscal 2015 are as follows.

- Consolidated net sales: ¥150.000 billion
- Consolidated operating income: ¥12.000 billion
- Consolidated ROA (return on assets): 8% or more
- Dividend per share: ¥15 or more per year

Global Expansion in Four Business Segments

Nissin Electric aspires to become a company that can achieve sustainable growth and profitability despite changes in market conditions. We intend to establish a business structure with a balanced center on even more multifaceted markets based on our core businesses and technologies that we have developed to date.

Specifically, in addition to our existing key business segments of power system equipment and Charged beam equipment and processing, we will focus on the growth of two other businesses: renewable energy and environment; and lifecycle engineering (LCE), which offer new growth potential. In these four business segments, the Company will expand into global markets, focusing on robust demand from emerging markets. In other words, by creating the strategic business portfolio as it were the "4 x Global Portfolio," we aim to evolve into a business group with more stable growth potential.

We are seeking global expansion in these four business segments with an aim of raising the ratio of the Group's overseas sales ratio from 34% in fiscal 2010 to approximately 50% in fiscal 2015.

Power System Equipment Business

In the domestic market, stagnation has continued over the medium to long term in terms of private-sector capital investment, and so we must be prepared for the fact that public-sector spending will also continue to contract going forward. Given this, we will seek to expand sales by enhancing our market share through the launch of new products and steadily capturing demand for replacements and upgrades. In addition, we will also move to strengthen our earnings capabilities by reducing our cost price through procuring the most optimal materials and parts from around the world at a low price.

As for overseas markets, as a result of rampant infrastructure investments in emerging nations, we expect to see robust growth continue going forward. We have positioned China and the Association of Southeast Asian Nations (ASEAN) as key focus markets where we have a long-established track record, and, to this end, we will promote business opportunities in these markets.

In China, our business to date has depended on electric power companies, but we will seek to expand this to include the private sector and the railway market for which demand is expected to grow going forward. To this end, we newly made Nissin Hengtong Electric Co., Ltd., which engages in the manufacture and sales of breakers and electrical switchboards, a subsidiary last fiscal year, and strengthened our Group's capabilities in the Chinese market.

In the ASEAN market, we will implement aggressive sales activities by capturing business opportunities, including the construction of new and additional factories by Japanese companies, greater investments by local companies and an increase in electric power infrastructure investments, and will expand our business in the region.

Charged Beam Equipment and Processing

The Group has a dominant market share in the high resolution FPD manufacturing equipment market, which is expected to see rapid growth going forward. We will further expand the business by precisely addressing customer needs, such as creating larger-sized manufacturing equipment to address the increasing surface area of glass substrates.

Our medium current ion implanter maintains a high share of the semiconductor manufacturing equipment market both in Japan and Asia. To maintain this leading market position, we will continue to focus on developing and enhancing the sales of equipment for next generation process. Also, as our main market is shifting from Japan to overseas, we will strengthen the production capabilities of our factories overseas, through which we aim to establish an earnings structure independent of fluctuations in exchange rates.

Our products also retain a world-leading share in the electron beam processing system market. Utilizing this existing advantage, we will continue to grow the business through implementing a number of measures, such as developing and expanding use of high voltage equipment, expanding electron bean processing services, developing application products for electron beams and accelerating the global expansion of the business.

As for the thin-film coating business, we aim to increase sales in Japan and overseas with a focus on our main strength of diamond-like carbon (DLC) film coating technologies, which offer excellent smoothness and wear resistance for applications in automotive sliding parts, molding dies for press processing and precision lens processing molding dies.

Renewable Energy & Environment Business

The renewable energy and environment business is an area with growth potential on a global scale. We will pursue the development of new products and systems in response to current market needs, in order to cultivate this new business segment going forward.

In terms of the renewable energy field, we have already built up a track record in power conditioners for photovoltaic power generation systems. Going forward, we will continue to develop products utilizing our main strength in power system stabilization technologies to increase sales not only in Japan but also in China and other overseas markets. For this reason, we will enhance our production system overseas starting with China. Furthermore, as next generation power network (AMART GRID), which are indispensable for increasing natural energy usage, are being developed, we aim to increase sales of react power compensation equipment which helps address the challenge of improving the quality of power.

As for the environment field, we will make efforts to steadily capture demand for the renovation of existing water treatment facilities in Japan. In addition, we will aspire to expand our business overseas in a number of countries including China and Thailand. Furthermore, we will strive to develop our customers both in Japan and abroad in order to sell new products such as industrial wastewater treatment system, graft absorbent, and water treatment systems utilizing absorbent techniques.

Lifecycle Engineering Business

The lifecycle engineering business entails business activities from the installation of newly ordered equipment to adjustment and maintenance, leading to equipment replacements, as well as business activities to contribute to raising our customer's operating rates and improving their productivity. We will cultivate the lifecycle engineering business globally as a new business segment that will serve as the supporting pillar for the Group's future growth.

Particularly in Japan, we provide the customers with a wide range of solutions, from equipment diagnosis, analysis of lifespan and sources of equipment failure through measurement data, to facilities management via monitoring operational conditions, in order to ensure thorough support of customer equipment throughout the entire lifecycle. In addition, as the Group's operations expand globally, we will establish a prompt service structure on a worldwide scale.

Five Important Measures That Support Our Business Expansion

Launching new products in a timely manner and establishing a powerful sales structure

As "Nissin, a specialist in compact systems" we have successfully developed and delivered one of the world's smallest gas insulated switchgear. Together with our powerful sales promotion activities, this has enabled us to earn a top market share in the domestic special high voltage (66/77KV) market for six years running. Buoyed by this success, we aim to introduce new products in a timely manner and increase their sales in the four business segments mentioned above.

Furthermore, while we aim to accelerate the speed of product development, we will also actively pursue the establishment of a product development structure that is localized with each country's market, joint development with external corporations and research institutions and the development of an overseas sales structure.

Promoting an Aggressive Globalization

In order to seize the growing number of business opportunities overseas, we are undertaking an aggressive globalization in all possible areas from our internal organization, which supports each business segment, to human resources and the way we perform work, in addition to expanding business segments on a global scale.

As well, we will promote a unified globalization as a Group by strengthening our organizational structure to oversee and promote overseas marketing and business strategies which also concern our affiliated companies overseas.

Endless Cost Reduction and Quality Enhancement

We will move forward with thorough cost reduction measures by promoting the standardization of product designs, fundamental revisions to product designs, and the selection of optimal production sites and procurement partners from a global perspective. This will enable us to enhance our cost competitiveness and earnings structure. In addition, we will strive to enhance product quality and seek to capture greater trust from our customers.

Strengthening Collaboration

We will maximize the skills and competencies of each and every employee by promoting further mutual collaboration between divisions and employees that transcend the constructs of our organization. This strength will in turn be used as a driving force behind our business development. To this end, we will create a culture that values collaboration and build an organizational structure that makes it easier to promote collaboration.

In addition, we will promote collaboration with our parent company Sumitomo Electric Industries, Ltd., as well as with external companies and research institutions, to acquire technologies and products that the Group alone cannot sufficiently deliver and seek to speed up business development as well as research and development.

Human Resource Education and Nurturing / Imparting Core Technologies and Core Skills

In order to realize the goals laid out in VISION2015, it is essential to develop human resources who take part in achieving the goals. Specifically, the establishment of a framework and system for developing human resources capable of supporting our globalization initiatives is the most important task that we will focus efforts on moving forward. One such initiative is to implement our three-pronged education system that consists of a human resource education system which to date has focused on level-specific education and skill building, job rotations considerate of an employee's career path and on-the-job training on-site, globally across the entire Group. In addition, we will focus on nurturing human resources that will impart core technologies and core skills that support the development of our businesses.

Promoting a Thorough Approach to Compliance and CSR

We believe that a thorough approach to compliance and realizing our corporate social responsibility (CSR) forms the foundation of our corporate management and are promoting a variety of activities and initiatives. We also believe that pursuing our corporate principles in our business activities will enable us to support the foundation of society and industry. It is thus our highest priority to achieve this.

With the start of VISION2015, we have also renamed the "Corporate Principles of Nissin Electric" the "Corporate Principles of the Nissin Electric Group." This change has enabled us to clearly define our target vision for the entire Group, including our affiliated companies in Japan and abroad, as well as to ensure compliance across the Group and promote CSR activities.

We promote these business activities across the entire Group and stand firmly committed to pushing forward with our initiatives to enhance group-wide performance, corporate value and brand value.

I thank you for your continued understanding and support.

H. Obata

Hideaki Obata, President

Consolidated Balance Sheets

Nissin Electric Co., Ltd. and Consolidated Subsidiaries
March 31, 2011 and 2010

ASSETS	Millions of yen 2011	Millions of yen 2010	Thousands of U.S. dollars (Note 1) 2011
Current assets:			
Cash and cash equivalents	¥ 12,722	¥ 6,267	$ 153,277
Time deposits	237	253	2,855
Receivables:			
Trade notes and accounts	33,048	36,483	398,169
Other	371	300	4,470
	33,419	36,783	402,639
Allowance for doubtful receivables	(366)	(448)	(4,410)
	33,053	36,335	398,229
Securities (Note 3)	2,993	–	36,060
Inventories (Note 4)	26,005	21,126	313,313
Deferred tax assets (Note 17)	3,893	3,508	46,904
Other current assets	1,777	1,483	21,410
Total current assets	80,680	68,972	972,048
Property, plant and equipment:			
Land	2,063	2,076	24,855
Buildings and structures (Note 6)	24,892	24,916	299,904
Machinery and equipment	34,651	34,181	417,482
Construction in progress	615	447	7,410
Total property, plant and equipment	62,221	61,620	749,651
Accumulated depreciation	(44,176)	(42,470)	(532,241)
Net property, plant and equipment	18,045	19,150	217,410
Investments and other assets:			
Investment securities (Note 3, 7 and 8)	4,534	5,548	54,627
Deferred tax assets (Note 17)	463	361	5,578
Prepaid pension cost (Note 18)	2,657	2,655	32,012
Other assets (Note 7)	1,500	1,675	18,072
Allowance for doubtful receivables	(336)	(498)	(4,048)
Total investments and other assets	8,818	9,741	106,241
Intangible assets	1,867	2,277	22,494
	¥ 109,410	¥ 100,140	$ 1,318,193

See accompanying notes.

Consolidated Balance Sheets

Nissin Electric Co., Ltd. and Consolidated Subsidiaries
March 31, 2011 and 2010

LIABILITIES AND NET ASSETS	Millions of yen 2011	Millions of yen 2010	Thousands of U.S. dollars (Note 1) 2011
Current liabilities:			
Short-term bank loans (Note 5)	**¥ 5,247**	¥ 5,571	***$ 63,217***
Payables:			
Trade notes and accounts	**19,758**	17,217	***238,048***
Other	**1,977**	2,527	***23,819***
	21,735	19,744	***261,867***
Advances from customers	**9,039**	5,412	***108,904***
Accrued income taxes (Note 17)	**1,639**	410	***19,747***
Accrued expenses	**5,408**	5,070	***65,157***
Allowance for losses on contracts (Note 4)	**795**	873	***9,578***
Other provision	**927**	935	***11,169***
Other current liabilities	**217**	218	***2,613***
Total current liabilities	**45,007**	38,233	***542,252***
Long-term liabilities:			
Long-term debt due after one year (Note 5)	**351**	633	***4,229***
Employees' severance and retirement benefits (Note 18)	**3,554**	3,410	***42,819***
Allowance for environmental protection measures	**2,205**	2,208	***26,566***
Other provision	**–**	115	***–***
Asset retirement obligations	**306**	–	***3,687***
Other long-term liabilities	**536**	848	***6,458***
Total long-term liabilities	**6,952**	7,214	***83,759***
Contingent liabilities (Note 14)			
NET ASSETS (Note 9 and 10):			
Shareholders' equity:			
Common stock:			
Authorized - 431,329,000 shares			
Issued and outstanding - 107,832,445 shares	**10,253**	10,253	***123,530***
Capital surplus	**6,664**	6,647	***80,289***
Retained earnings	**39,792**	36,169	***479,422***
Treasury stock, at cost:			
1,138,513 shares in 2010 and 1,019,349 shares in 2011	**(318)**	(354)	***(3,831)***
Total shareholders' equity	**56,391**	52,715	***679,410***
Other comprehensive income:			
Unrealized gains (losses) on securities, net of taxes	**924**	1,458	***11,133***
Unrealized gains (losses) on hedging derivatives, net of taxes	**19**	(4)	***229***
Foreign currency translation adjustments	**(2,135)**	(1,269)	***(25,723)***
Total other comprehensive income	**(1,192)**	185	***(14,361)***
Share subscription rights	**17**	22	***205***
Minority interests	**2,235**	1,771	***26,928***
Total net assets	**57,451**	54,693	***692,182***
	¥ 109,410	¥ 100,140	***$ 1,318,193***

See accompanying notes.

Consolidated Statements of Income

Nissin Electric Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	***2011***
Net sales	**¥ 90,430**	¥ 87,177	***$ 1,089,518***
Cost and expenses:			
Cost of sales (Note 11 and 12)	**63,658**	63,217	***766,964***
Selling, general and administrative expenses (Note 12 and 13)	**19,306**	19,238	***232,602***
Operating income	**7,466**	4,722	***89,952***
Other income (expenses):			
Interest and dividend income	**160**	122	***1,928***
Reversal of other provision	**66**	21	***795***
Interest expense	**(279)**	(311)	***(3,361)***
Reversal of allowance for doubtful receivables	**117**	402	***1,410***
Gain on sales of fixed assets (Note 19)	**105**	124	***1,265***
Gain on negative goodwill	**93**	–	***1,120***
Impairment loss on fixed assets (Note 20)	**–**	(586)	***–***
Loss on adjustment for changes of accounting standard for asset retirement obligations	**(222)**	–	***(2,675)***
Loss on valuation of investment securities	**(114)**	(3)	***(1,373)***
Loss on disaster (Note 21)	**(84)**	–	***(1,012)***
Other, net	**98**	(189)	***1,180***
Income before income taxes and minority interests	**7,406**	4,302	***89,229***
Income taxes (Note 17):			
Current	**2,498**	1,444	***30,096***
Deferred	**(67)**	174	***(806)***
Total income taxes	**2,431**	1,618	***29,290***
Income before minority interests	**4,975**	2,684	***59,940***
Minority interests	**445**	(108)	***5,361***
Net income	**¥ 4,530**	¥ 2,792	***$ 54,578***
	Yen		U.S. dollars (Note 1)
Amounts per share:			
Net income	**¥ 42.44**	¥ 26.17	***$ 0.51***
Diluted net income	**42.43**	26.16	***0.51***
Cash dividends applicable to the period	**9.00**	5.50	***0.11***

See accompanying notes.

Consolidated Statements of Comperhensive Income

Nissin Electric Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	***2011***
Income before minority interests	**¥ 4,975**	¥ 2,684	***$ 59,940***
Other comprehensive income:			
Unrealized gains (losses) on securities, net of taxes	**(534)**	1,010	***(6,434)***
Unrealized gains (losses) on hedging derivatives, net of taxes	**23**	(7)	***277***
Foreign currency translation adjustments	**(1,010)**	208	***(12,168)***
Share of other comprehensive income of associates acounted for using equrity method	**1**	–	***12***
Total other comprehensive income	**(1,520)**	1,211	***(18,313)***
Comprehensive income:	**¥ 3,455**	¥ 3,895	***$ 41,627***
Comprehensive income attributable to			
Owners of the parent	**¥ 3,154**	¥ 3,930	***$ 38,000***
Minority intrests	**301**	(35)	***3,627***

See accompanying notes.

Consolidated Statements of Changes in Net Assets

Nissin Electric Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2011 and 2010

	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

	Millions of yen						
	Other comprehensive income						
	Unrealized gains (losses) on securities, net of taxes	Unrealized gains (losses) on hedging derivatives, net of taxes	Foreign currency translation adjustments	Total other comprehensive income	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

	Millions of yen				
	Shareholders' equity				
	Common Stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at April 1, 2010	**¥ 10,253**	**¥ 6,647**	**¥ 36,169**	**¥ (354)**	**¥ 52,715**
Cash dividends	**–**	**–**	**(907)**	**–**	**(907)**
Net income	**–**	**–**	**4,530**	**–**	**4,530**
Purchase of treasury stock	**–**	**–**	**–**	**(2)**	**(2)**
Sale of treasury stock	**–**	**17**	**–**	**38**	**55**
Balance at March 31, 2011	**¥ 10,253**	**¥ 6,664**	**¥ 39,792**	**¥ (318)**	**¥ 56,391**

	Millions of yen						
	Other comprehensive income						
	Unrealized gains (losses) on securities, net of taxes	Unrealized gains (losses) on hedging derivatives, net of taxes	Foreign currency translation adjustments	Total other comprehensive income	Share subscription rights	Minority interests	Total net assets
Balance at April 1, 2010	¥ 1,458	¥ (4)	¥ (1,269)	¥ 185	¥ 22	¥ 1,771	¥ 54,693
Cash dividends	–	–	–	–	–	–	(907)
Net income	–	–	–	–	–	–	4,530
Purchase of treasury stock	–	–	–	–	–	–	(2)
Sale of treasury stock	–	–	–	–	–	–	55
Net changes for the year	(534)	23	(866)	(1,377)	(5)	464	(918)
Balance at March 31, 2011	¥ 924	¥ 19	¥ (2,135)	¥ (1,192)	¥ 17	¥ 2,235	¥ 57,451

	Thousands of U.S. dollars (Note 1)				
	Shareholders' equity				
	Common Stock	*Capital surplus*	*Retained earnings*	*Treasury stock, at cost*	*Total shareholders' equity*
Balance at April 1, 2010	*$ 123,530*	*$ 80,084*	*$ 435,771*	*$ (4,265)*	*$ 635,120*
Cash dividends	*–*	*–*	*(10,927)*	*–*	*(10,927)*
Net income	*–*	*–*	*54,578*	*–*	*54,578*
Purchase of treasury stock	*–*	*–*	*–*	*(24)*	*(24)*
Sale of treasury stock	*–*	*205*	*–*	*458*	*663*
Balance at March 31, 2011	*$ 123,530*	*$ 80,289*	*$ 479,422*	*$ (3,831)*	*$ 679,410*

	Thousands of U.S. dollars (Note 1)						
	Other comprehensive income						
	Unrealized gains (losses) on securities, net of taxes	*Unrealized gains (losses) on hedging derivatives, net of taxes*	*Foreign currency translation adjustments*	*Total other comprehensive income*	*Share subscription rights*	*Minority interests*	*Total net assets*
Balance at April 1, 2010	*$ 17,566*	*$ (48)*	*$ (15,289)*	*$ 2,229*	*$ 265*	*$ 21,337*	*$ 658,951*
Cash dividends	*–*	*–*	*–*	*–*	*–*	*–*	*(10,927)*
Net income	*–*	*–*	*–*	*–*	*–*	*–*	*54,578*
Purchase of treasury stock	*–*	*–*	*–*	*–*	*–*	*–*	*(24)*
Sale of treasury stock	*–*	*–*	*–*	*–*	*–*	*–*	*663*
Net changes for the year	*(6,433)*	*277*	*(10,434)*	*(16,590)*	*(60)*	*5,591*	*(11,059)*
Balance at March 31, 2011	*$ 11,133*	*$ 229*	*$ (25,723)*	*$ 14,361*	*$ 205*	*$ 26,928*	*$ 692,182*

See accompanying notes.

Consolidated Statements of Cash Flows

Nissin Electric Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	***2011***
Cash flows from operating activities:			
Income before income taxes and minority interests	**¥ 7,406**	¥ 4,302	***$ 89,229***
Adjustments for:			
Depreciation and amortization	**3,327**	3,870	***40,084***
Amortization of goodwill	**238**	197	***2,867***
Gain on negative goodwill	**(93)**	–	***(1,120)***
Increase (decrease) in allowance for doubtful receivables	**(359)**	(259)	***(4,325)***
Increase (decrease) in allowance for employees' severance and retirement benefits	**142**	38	***1,711***
Increase (decrease) in long-term accounts payable	**(353)**	(326)	***(4,253)***
Impairment loss on fixed assets	**–**	586	***–***
Increase (decrease) in allowance for loss on contracts	**(77)**	189	***(928)***
Increase (decrease) in allowance for environmental protection measures	**–**	(278)	***–***
Increase (decrease) in other provision	**(103)**	133	***(1,241)***
Interest and dividend income	**(160)**	(122)	***(1,928)***
Interest expense	**279**	311	***3,361***
Loss (gain) on valuation of investment securities	**114**	3	***1,373***
Loss on adjustment for changes of accounting standard for asset retirement obligations	**222**	–	***2,675***
Decrease (increase) in trade receivables	**3,635**	5,931	***43,795***
Decrease (increase) in inventories	**(5,029)**	525	***(60,590)***
Increase (decrease) in trade payables	**2,857**	(2,483)	***34,422***
Increase (decrease) in accrued expenses	**427**	(304)	***5,145***
Increase (decrease) in advances from customers	**3,671**	1,844	***44,229***
Increase (decrease) in consumption tax payable	**(435)**	395	***(5,241)***
Other, net	**(652)**	63	***(7,855)***
Subtotal	**15,057**	14,615	***181,410***
Interest and dividends received	**157**	122	***1,892***
Interest paid	**(277)**	(306)	***(3,337)***
Proceeds from insurance income	**114**	–	***1,373***
Compensation for damage paid	**(144)**	–	***(1,735)***
Income taxes paid	**(1,250)**	(1,972)	***(15,060)***
Net cash provided by operating activities	**13,657**	12,459	***164,543***
Cash flows from investing activities:			
Payments for purchase of time deposits	**(1,675)**	(223)	***(20,181)***
Proceeds from refund of time deposits	**1,678**	194	***20,217***
Purchase of short-term investment securities	**(4,389)**	–	***(52,880)***
Proceeds from sales of short-term investment securities	**1,399**	–	***16,855***
Payments for purchase of investment securities	**(132)**	(132)	***(1,590)***
Payments for purchase of property, plant and equipment	**(1,776)**	(3,484)	***(21,398)***
Payments for purchase of intangible assets	**(303)**	(323)	***(3,651)***
Proceeds from sale of property, plant and equipment	**188**	228	***2,265***
Proceeds from acquisition of shares of a newly consolidated subsidiary	**426**	42	***5,133***
Additional acquisition of shares in consolidated subsidiaries from minority interests	**(852)**	(1,059)	***(10,265)***
Other, net	**67**	38	***808***
Net cash used in investing activities	**(5,369)**	(4,719)	***(64,687)***
Cash flows from financing activities:			
Increase (decrease) in short-term loans	**(209)**	(6,928)	***(2,518)***
Payments for long-term debt	**(289)**	(373)	***(3,482)***
Cash dividends paid to minority shareholders	**(73)**	(87)	***(880)***
Cash dividends paid	**(907)**	(373)	***(10,928)***
Other, net	**33**	6	***398***
Net cash provided by financing activities	**(1,445)**	(7,755)	***(17,410)***
Effect of exchange rate changes on cash and cash equivalents	**(388)**	68	***(4,675)***
Net (decrease) increase in cash and cash equivalents	**6,455**	53	***77,771***
Cash and cash equivalents at beginning of year	**6,267**	6,214	***75,506***
Cash and cash equivalents at end of year	**¥ 12,722**	¥ 6,267	***$ 153,277***

See accompanying notes.

Notes to Consolidated Financial Statements

Nissin Electric Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2011 and 2010

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.

The accounts of overseas consolidated subsidiaries are prepared in accordance with either International Financial Reporting Standards or U.S. generally accepted accounting principles, with adjustments for the specified six items as applicable.

The accompanying consolidated financial statements have been restructured and translated into English 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, 2011, which was ¥83 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 ten (eleven in 2010) domestic subsidiaries and twenty two (nineteen in 2010) overseas subsidiaries. Two subsidiaries were consolidated after being newly established. One subsidiary was consolidated after being newly acquired. One company has been excluded from the scope of consolidation following completion of its liquidation proceedings. One company was accounted for by the equity method in 2011 (one in 2010). Material intercompany balances, transactions and unrealized profits have been eliminated in consolidation.

(Changes in Accounting Policies)

Effective from the fiscal year ended March 31, 2011, the Companies have adopted Accounting Standards Board of Japan [ASBJ] Statement No. 16, "Accounting Standard for Equity Method of Accounting for Investments," issued on March 10, 2008 and ASBJ PITF No. 24, "Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method," issued on March 10, 2008. There has been no impact on the Company's consolidated operating income or income before income taxes and minority interests as a result of this change.

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 for in the consolidated financial statements.

Translation of foreign currencies

Foreign currency monetary assets and liabilities are translated into Japanese yen at fiscal year-end rates, and resulting translation gains and 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.

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

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 the consolidated foreign subsidiaries are stated at the lower of weighted average cost or market.

Property, plant and equipment (excluding lease assets)

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

Intangible assets (excluding lease 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.

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 is 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 14 years, a period which is within the average of the estimated remaining service years of employees, 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.

(Additional Information)

The Company has been using a period of mainly 15 years for the amortization of actuarial differences for retirement benefits for employees. As employees' average remaining service period has been shortened, the Company has changed the amortization period of actuarial differences to mainly 14 years. As a result of this change, the Company's consolidated operating income and income before income taxes and minority interests in the fiscal year ended March 31, 2011 each were ¥113 million *($1,361 thousand)* less than the amounts that would have been reported under the previous method.

Allowance for environmental protection measures

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

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 fiscal 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 fiscal 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 fiscal year ended March 31, 2010, were ¥222 million less, and operating income and net income before income taxes and minority interests each were ¥104 million less than the amounts that would have been reported with the previous method. The effects on segment information are described in Note 22.

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-liability 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. 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 is 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.

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.

Asset retirement obligations

Effective from the fiscal year ended March 31, 2011, the Companies have adopted ASBJ Statement No.18, "Accounting Standard for Asset Retirement Obligations," issued on March 31, 2008 and ASBJ Guidance No. 21, "Guidance on Accounting Standard for Asset Retirement Obligations," issued on March 31, 2008. As a result of this change, the Company's consolidated operating income in the fiscal year ended March 31, 2011 was ¥6 million *($72 thousand)* less and income before income taxes and minority interests was ¥227 million *($2,735 thousand)* less than the amounts that would have been reported under the previous method.

Accounting standard for business combinations

Effective from the fiscal year ended March 31, 2011, the Companies have adopted ASBJ Statement No. 21, "Accounting Standard for Business Combinations," issued on December 26, 2008, ASBJ Statement No. 7, "Revised Accounting Standard for Business Divestitures," issued on December 26, 2008, ASBJ Guidance No.10, "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures," issued on December 26, 2008, ASBJ Statement No.16, "Revised Accounting Standard for Equity Method of Accounting for Investments," issued on December 26, 2008 and ASBJ Statement No. 22, "Accounting Standard for Consolidated Financial Statements," issued on December 26, 2008.

Accounting standard for presentation of comprehensive income

Effective from the fiscal year ended March 31, 2011, the Companies have adopted ASBJ Statement No. 25, "Accounting Standard for Presentation of Comprehensive Income," issued on June 30, 2010. As a result of this change, the Company has presented the consolidated statement of comprehensive income in the consolidated financial statements for the fiscal year ended March 31, 2011. In addition, the consolidated balance sheet, the statements of income, comprehensive income and changes in net assets as of and for the fiscal year ended March 31, 2010 have been modified to conform with the new presentation rules of 2011.

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 fiscal 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.

3. SECURITIES AND INVESTMENT SECURITIES

The carrying amounts of investment securities at March 31, 2011 and 2010 consisted of the following:

	Millions of yen		*Thousands of U.S. dollars*
	2011	2010	***2011***
Available-for-sale securities with available fair values:			
Equity securities	**¥ 4,404**	¥ 5,269	***$ 53,060***

The following is a summary of available-for-sale securities included in investment securities that had a quoted market value at March 31, 2011 and 2010.

	Millions of yen			
2011	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Book (fair) value
Available-for-sale securities:				
Equity securities	¥ 2,795	¥ 1,654	¥ 195	¥ 4,254
Other	150	–	–	150
Total	**¥ 2,945**	**¥ 1,654**	**¥ 195**	**¥ 4,404**

	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

	Thousands of U.S. dollars			
2011	*Acquisition cost*	*Gross unrealized gains*	*Gross unrealized losses*	*Book (fair) value*
Available-for-sale securities:				
Equity securities	*$ 33,675*	*$ 19,928*	*$ 2,350*	*$ 51,253*
Other	*1,807*	*–*	*–*	*1,807*
Total	***$ 35,482***	***$ 19,928***	***$ 2,350***	***$ 53,060***

The gross realized gains and losses on the sale of available-for-sale securities for the fiscal year ended March 31, 2011 and 2010 were not material.

The "acquisition cost" in the table represents the book value after recognition of impairment loss. The Company recognized the impairment loss, and ¥14 million *($1,373 thousand)* has been accounted for as loss on valuation of investment securities for the fiscal year ended March 31, 2011.
The following is the book value and fair value of held-to-maturity debt securities at March 31, 2011 and 2010.

The following is the book value and fair value of held-to-maturity debt securities at March 31, 2011 and 2010.

	Millions of yen		*Thousands of U.S. dollars*
	2011	2010	***2011***
Book value	**¥ 2,903**	¥ 10	***$ 34,976***
Fair value	**2,895**	10	***34,880***
Difference	**¥ (8)**	¥ 0	***$ (96)***

4. INVENTORIES

Inventories at March 31, 2011 and 2010 consisted of the following:

	Millions of yen		*Thousands of U.S. dollars*
	2011	2010	***2011***
Finished goods	**¥ 4,916**	¥ 4,156	***$ 59,229***
Work-in-process	**16,489**	12,951	***198,663***
Raw materials and supplies	**4,600**	4,019	***55,421***
	¥ 26,005	¥ 21,126	***$ 313,313***

Inventories related to construction contracts for which losses were expected after being offset by the allowance for loss on contracts for the fiscal years ended March 31, 2011 and 2010 were ¥614 million *($7,398 thousand)* and ¥249 million, respectively.

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

Short-term loans at March 31, 2011 and 2010 were represented by short-term notes that consisted of the following:

	Millions of yen		*Thousands of U.S. dollars*
	2011	2010	***2011***
Short-term loans bearing average interest rates of 4.64% (2011) and 4.16% (2010)	**¥ 5,009**	¥ 5,277	***$ 60,350***

A summary of long-term debt at March 31, 2011 and 2010 consisted of the following:

	Millions of yen		*Thousands of U.S. dollars*
	2011	2010	***2011***
Long-term debt	**¥ 589**	¥ 927	***$ 7,096***
Current portion of long-term debt	**(238)**	(294)	***(2,867)***
Loans maturing serially through 2014 bearing average interest rates of 2.27% (2011) and 2.24% (2010)	**¥ 351**	¥ 633	***$ 4,229***

The annual maturities of long-term debt outstanding at March 31, 2011 were as follows:

Year ended March 31,	Millions of yen	*Thousands of U.S. dollars*
2012	¥ 238	*$ 2,867*
2013	183	*2,205*
2014	88	*1,060*
2015	80	*964*
2016 and thereafter	–	*–*
Total	¥ 589	*$ 7,096*

6. FIXED ASSETS

Temporarily idle buildings included in fixed assets for the fiscal years ended March 31, 2011 and 2010 were ¥54 million *($651 thousand)* and ¥124 million, respectively.

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

Investment in subsidiaries and affiliated companies which were not consolidated at March 31, 2011 and 2010 consisted of the following:

	Millions of yen		*Thousands of U.S. dollars*
	2011	2010	***2011***
Investment securities	**¥ 24**	¥ 24	***$ 289***
Other assets	**239**	138	***2,880***

8. PLEDGED ASSETS

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

At March 31, 2010, buildings and structures in the amount of ¥24 million and land in the amount of ¥16 million had been pledged as guarantees for borrowings from financial institutions.

9. NET ASSETS

Net assets comprises four subsections, which are shareholders' equity, other comprehensive income, 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 fiscal years ended March 31, 2011 and 2010 were as follows:

Common stock outstanding in fiscal year 2011

	Number of shares
	2011
Balance at April 1, 2010	**107,832,445**
Increase	**–**
Decrease	**–**
Balance at March 31, 2011	**107,832,445**

Treasury stock outstanding in fiscal year 2011

	Number of shares
	2011
Balance at April 1, 2010	**1,138,513**
Increase due to the purchase of 4,836 less than one unit shares	**4,836**
Decrease due to the exercise of stock options for 124,000 shares	**(124,000)**
Balance at March 31, 2011	**1,019,349**

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 shares	(50,000)
Balance at March 31, 2010	1,138,513

B. Dividend information

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

Dividends paid in fiscal year 2011 and after March 31, 2011 were as follows:

Dividends paid in fiscal year 2011

			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**	***$ 7,060***
Board of directors on October 28, 2010	September 30, 2010	December 7, 2010	**¥ 320**	***$ 3,855***

Dividends paid after March 31, 2011 and for which the record date is in fiscal year 2011

			Total amount	
Approved by	Record date	Effective date	Millions of yen	*Thousands of U.S. dollars*
Shareholders' meeting on June 23, 2011	March 31, 2011	June 24, 2011	**¥ 640**	***$ 7,711***

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

Dividends paid in fiscal year 2010

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

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

Approved by	Record date	Effective date	Total amount Millions of yen
Shareholders' meeting on June 24, 2010	March 31, 2010	June 25, 2010	¥ 586

11. COST OF SALES

	Millions of yen		*Thousands of U.S. dollars*
	2011	2010	***2011***
Write-down of inventory assets	**¥ 126**	¥ 134	***$ 1,518***
Transfer to allowance for losses on contracts	**867**	475	***10,446***

12. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses included in cost of sales and selling, general and administrative expenses for the fiscal years ended March 31, 2011 and 2010 were ¥3,881 million *($46,759 thousand)* and ¥4,476 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*
	2011	2010	***2011***
Salaries and bonuses for employees	**¥ 6,682**	¥ 6,211	***$ 80,506***
Research and development expenses	**2,966**	3,120	***35,735***
Cost of transportation of goods	**1,396**	1,333	***16,819***
Selling commissions	**1,094**	1,150	***13,181***
Retirement benefits	**717**	603	***8,639***
Allowance for bonuses to directors	**29**	84	***349***
Transfer to allowance for bad debt	**27**	144	***325***

14. CONTINGENT LIABILITIES

Contingent liabilities at March 31, 2011 and 2010 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2011	2010	***2011***
Trade notes discounted	**¥ –**	¥ 48	***$ –***
Trade notes endorsed	**207**	349	***2,494***

15. FINANCIAL INSTRUMENTS

(Additional Information)

Effective from with the fiscal 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

(1) 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.

(2) Description of financial instruments used and the exposure to risks

Trade notes and accounts receivable are exposed to the credit risk of customers. 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 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 used mainly for investment in equipment and working capital. Some borrowings have variable interest rates and thus are exposed to risk of interest rate fluctuations.

(3) 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 strives to recognize early signs of 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 use forward foreign exchange contracts to hedge foreign currency denominated operating receivables and payables, against the fluctuation risks of 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 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, 2011 and 2010 were as follows. Financial instruments for which a determination of fair value was recognized as extremely difficult were not included in the table below.

	Millions of yen			Millions of yen		
	2011			2010		
	Amounts stated in the consolidated balance sheet	Fair value	Difference	Amounts stated in the consolidated balance sheet	Fair value	Difference
Cash and deposits	**¥ 12,909**	**¥ 12,909**	**¥ –**	¥ 6,520	¥ 6,520	¥ –
Trade notes and accounts receivable	**33,048**	**33,048**	**–**	36,483	36,483	–
Securities and investment securities						
Bonds held to maturity	**2,903**	**2,895**	**(8)**	10	10	0
Other securities	**4,404**	**4,404**	**–**	5,269	5,269	–
Total assets	**¥ 53,264**	**¥ 53,256**	**¥ (8)**	¥ 48,282	¥ 48,282	¥ 0
Trade notes and accounts payable	**¥ 19,758**	**¥ 19,758**	**¥ –**	¥ 17,217	¥ 17,217	¥ –
Short-term borrowings	**5,247**	**5,247**	**–**	5,571	5,571	–
Long-term borrowings	**351**	**361**	**10**	633	648	15
Total liabilities	**¥ 25,356**	**¥ 25,366**	**¥ 10**	¥ 23,421	¥ 23,436	¥ 15
Derivatives transactions	**¥ 42**	**¥ 42**	**¥ 0**	¥ (12)	¥ (11)	¥ 1

	Thousands of U.S. dollars		
	2011		
	Amounts stated in the consolidated balance sheet	*Fair value*	*Difference*
Cash and deposits	*$ 155,530*	*$ 155,530*	*$ –*
Trade notes and accounts receivable	*398,169*	*398,169*	*–*
Securities and investment securities			
Bonds held to maturity	*34,976*	*34,880*	*(96)*
Other securities	*53,060*	*53,060*	*–*
Total assets	*$ 641,735*	*$ 641,639*	*$ (96)*
Trade notes and accounts payable	*$ 238,048*	*$ 238,048*	*$ –*
Short-term borrowings	*63,217*	*63,217*	*–*
Long-term borrowings	*4,229*	*4,349*	*120*
Total liabilities	*$ 305,494*	*$ 305,614*	*$ 120*
Derivatives transactions	*$ 506*	*$ 506*	*$ 0*

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*
	2011	2010	*2011*
Amounts stated in the consolidated balance sheet			
Unlisted stocks	¥ 269	¥ 269	*$ 3,241*

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				Millions of yen			
	2011				2010			
	Contracted amount	Amount of principal due over one year	Fair value	Recognized gain (loss)	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	¥ 163	¥ –	¥ (1)	¥ (1)	¥ 25	¥ –	¥ (0)	¥ (0)
Trade payables								
Japanese yen	388	–	(0)	(0)	339	–	4	4
Interest rate swaps short:								
U.S. dollars	198	198	11	11	198	198	(9)	(9)
Total	¥ 749	¥ 198	¥ 10	¥ 10	¥ 562	¥ 198	¥ (5)	¥ (5)

	Thousands of U.S. dollars			
	2011			
	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	***$ 1,964***	***$ –***	***$ (12)***	***$ (12)***
Trade payables				
Japanese yen	***4,675***	***–***	***(0)***	***(0)***
Interest rate swaps short:				
U.S. dollars	***2,385***	***2,386***	***132***	***132***
Total	***$ 9,024***	***$ 2,386***	***$ 120***	***$ 120***

B. Derivatives transactions to which hedge accounting is applicable

	Millions of yen			Millions of yen		
	2011			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	**¥ 10**	**–**	**¥ 0**	¥ 23	–	¥ 1
Trade payables						
Others	**–**	**–**	**–**	3	–	(0)
Recognition of gain (loss) on hedged items deferred						
Forward currency exchange contracts for:						
Trade receivables						
U.S. dollars	**65**	**–**	**(2)**	7	–	(0)
Trade payables						
Swiss francs	**–**	**–**	**–**	358	–	(7)
N.Z. dollars	**281**	**–**	**10**	–	–	–
U.S. dollars	**265**	**–**	**23**	69	–	1
Others	**18**	**–**	**1**	13	–	0
Total	**¥ 639**	**–**	**¥ 32**	¥ 473	–	¥ (5)

	Thousands of U.S. dollars		
	2011		
	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	***$ 120***	***–***	***$ 0***
Trade payables			
Others	***–***	***–***	***–***
Recognition of gain (loss) on hedged items deferred			
Forward currency exchange contracts for:			
Trade receivables			
U.S. dollars	***783***	***–***	***(24)***
Trade payables			
Swiss francs	***–***	***–***	***–***
N.Z. dollars	***3,386***	***–***	***120***
U.S. dollars	***3,193***	***–***	***277***
Others	***217***	***–***	***13***
Total	***$ 7,699***	***–***	***$ 386***

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 fiscal years ended March 31, 2011 and 2010.

Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	***2011***
Deferred tax assets:			
Severance and retirement benefits	**¥ 1,332**	¥ 1,367	***$ 16,048***
Employees' bonuses	**927**	928	***11,169***
Devaluation of inventories	**1,254**	965	***15,108***
Tax loss carryforwards	**620**	940	***7,470***
Foreign tax credit carryforwards	**383**	275	***4,614***
Cost of sales	**533**	482	***6,422***
Reserve for deferred gains related to fixed assets for tax purposes	**406**	518	***4,892***
Research and development expenses	**662**	607	***7,976***
Impairment loss on fixed assets	**183**	284	***2,205***
Allowance for losses on contracts	**323**	359	***3,892***
Provision for product warranties	**334**	316	***4,024***
Allowance for doubtful receivables	**163**	221	***1,964***
Unrealized intercompany profits	**369**	428	***4,446***
Allowance for environmental protection measures	**895**	896	***10,783***
Write-down of investment securities	**192**	145	***2,313***
Other temporary differences	**713**	665	***8,590***
Total deferred tax assets	**9,289**	9,396	***111,916***
Valuation allowance	**(3,549)**	(3,794)	***(42,759)***
Net deferred tax assets	**5,740**	5,602	***69,157***
Deferred tax liabilities:			
Depreciation	**(312)**	(314)	***(3,759)***
Unrealized gains on investment securities	**(535)**	(902)	***(6,446)***
Undistributed earnings of overseas subsidiaries	**(451)**	(485)	***(5,434)***
Other temporary differences	**(102)**	(53)	***(1,229)***
Total deferred tax liabilities	**(1,400)**	(1,754)	***(16,868)***
Net deferred tax assets	**¥ 4,340**	¥ 3,848	***$ 52,289***

Reconciliations to the balance sheets were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	***2011***
Deferred tax assets reported in current assets	**¥ 3,893**	¥ 3,508	***$ 46,904***
Deferred tax assets reported in investments and other assets	**463**	361	***5,578***
Deferred tax liabilities reported in long-term liabilities	**(16)**	(21)	***(193)***
Net deferred tax assets	**¥ 4,340**	¥ 3,848	***$ 52,289***

Significant differences between the statutory income tax rate and the effective income tax rate in the consolidated financial statements for the fiscal years ended March 31, 2011 and 2010 were as follows:

	2011	2010
Statutory income tax rate	**41.0 %**	41.0 %
Nondeductible expenses	**3.2**	2.7
Nontaxable dividend income	**(0.3)**	(0.7)
Inhabitants taxes	**0.7**	1.3
Changes in valuation allowance	**(3.2)**	0.4
Foreign tax credit	**(1.8)**	(5.2)
Tax credit for research and development expenses	**(3.4)**	(5.2)
Effect of lower tax rates on overseas subsidiaries	**(5.5)**	(7.6)
Dividend income from overseas subsidiaries	**0.8**	8.8
Other	**1.3**	2.1
Effective income tax rate	**32.8 %**	37.6 %

18. EMPLOYEES' SEVERANCE AND RETIREMENT BENEFITS

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

	Millions of yen		*Thousands of U.S. dollars*
	2011	2010	***2011***
Projected benefit obligation	**¥ 23,297**	¥ 23,294	***$ 280,687***
Unrecognized actuarial differences	**(8,829)**	(7,865)	***(106,373)***
Prepaid pension cost	**2,657**	2,655	***32,012***
Less fair value of pension assets	**(13,571)**	(14,674)	***(163,507)***
Liability for severance and retirement benefits	**¥ 3,554**	¥ 3,410	***$ 42,819***

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

	Millions of yen		*Thousands of U.S. dollars*
	2011	2010	***2011***
Service costs - benefits earned during the year	**¥ 773**	¥ 771	***$ 9,313***
Interest cost on projected benefit obligation	**580**	578	***6,988***
Expected return on plan assets	**(249)**	(295)	***(3,000)***
Amortization of unrecognized actuarial differences	**1,004**	929	***12,097***
Severance and retirement benefit expenses	**¥ 2,108**	¥ 1,983	***$ 25,398***
Payment of defined contribution plans	**176**	181	***2,120***
Total	**¥ 2,284**	¥ 2,164	***$ 27,518***

Assumptions used for the fiscal years ended March 31, 2011 and 2010 were as follows:

	2011	2010
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 14 years**	Mainly 15 years

19. GAIN ON SALES OF FIXED ASSETS

	Millions of yen		Thousands of U.S. dollars
	2011	2010	***2011***
Land	**¥ 105**	¥ 124	***$ 1,265***

20. IMPAIRMENT LOSS ON FIXED ASSETS

The Companies recognized impairment loss for the following asset groups for the fiscal year ended March 31, 2010.

Location	Group	Assets	Millions of yen Impairment loss
Wujiang, Jiangsu Province, China	Reactor production facilities	Building, machinery, industrial tools, instruments and fixtures, intangible fixed asset	¥ 309
Ukyo-ku, Kyoto City	Thin film mass-production facilities	Machinery, industrial tools, instruments and fixtures, intangible fixed asset	232
Others	–	–	45
Total			¥ 586

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 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 for the building, ¥116 million for machinery, ¥15 million for industrial tools, instruments and fixtures and ¥27 million 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 under the business plan for the thin film mass production facilities shown above, the book value has been written down to the recoverable value and a write-down of ¥232 million has been accounted for as an impairment loss and stated as an extraordinary loss. The amount is broken down into ¥224 million for machinery, ¥5 million for industrial tools, instruments and fixtures, and ¥3 million 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.

21. LOSS ON DISASTER

The Companies recognized loss on disaster caused by the Great East Japan Earthquake for the fiscal year ended March 31, 2011 as follows:

	Millions of yen	Thousands of U.S. dollars
	2011	***2011***
Loss on valuation of inventories	**¥ 47**	***$ 566***
Contribution	**30**	***361***
Other	**7**	***85***
Total	**¥ 84**	***$ 1,012***

22. SEGMENT INFORMATION

A. Overview of Reporting Segments

Method of Determining Reporting Segments

The reporting segments are the components of the Company for which separate financial information is available and that is evaluated regularly by the Board of Directors in deciding how to allocate management resources and in assessing business performance.

The Company has two reporting segments classified by the type and nature of its products: The "power system equipment segment business" for the manufacture and sale of equipment used in the distribution stage of electric power and the "charged particle beam-oriented equipment segment business" for the manufacture and sale of equipment that utilizes beam and vacuum technologies, such as ion implantation systems and electron-beam processing system.

Types of products/services related to each reporting segment

Segment Name	Product Classification	Main Products/Services
Power system equipment business	Substation equipment	Switchgear, Transformer, Instrument Transformer, Instrument, Relay, Circuit Breaker, Gas Insulated Switchgear, Shotovoltaic Systems, etc.
	Reactive power compensation equipment	Capacitor, Harmonic Filter Equipment, Reactor, Static Var Compensator, Voltage Dip and Interruption Compensator, etc.
	Supervisory telecontrol equipment	Monitoring and Control System, Vehicle Recognition System, etc.
Charged particle beam-oriented equipment business		Ion Implantation System, Ion Doping System, Electron-beam Processing System, Thin-film Coating Equipment, Thin-film Coating Service, Electron-beam Processing Service, etc.

B. Information about net sales, profit (loss), assets and other items by reportable segment

	Millions of yen				
Year ended March 31, 2011	Power system equipment	Charged particle beam-oriented equipment	Total	Adjustment	Consolidated
Sales:					
Sales to outside customers	**¥ 69,247**	**¥ 21,183**	**¥ 90,430**	**¥ –**	**¥ 90,430**
Intersegment sales and transfers	**343**	**62**	**405**	**(405)**	**–**
Total	**69,590**	**21,245**	**90,835**	**(405)**	**90,430**
Segment profit (loss)	**¥ 7,472**	**¥ 2,131**	**¥ 9,603**	**¥ (2,137)**	**¥ 7,466**
Segment assets	**¥69,500**	**¥24,877**	**¥ 94,377**	**¥ 15,033**	**¥ 109,410**
Other:					
Depreciation and amortization	**¥ 2,112**	**¥ 1,109**	**¥ 3,221**	**¥ 106**	**¥ 3,327**
Amortization of goodwill	**222**	**16**	**238**	**–**	**238**
Increase in property, plant and equipment and intangible asset	**1,485**	**808**	**2,293**	**51**	**2,344**

	Thousands of U.S. dollars				
Year ended March 31, 2011	*Power system equipment*	*Charged particle beam-oriented equipment*	*Total*	*Adjustment*	*Consolidated*
Sales:					
Sales to outside customers	***$ 834,301***	***$ 255,217***	***$ 1,089,518***	***$ –***	***$ 1,089,518***
Intersegment sales and transfers	***4,133***	***747***	***4,880***	***(4,880)***	***–***
Total	***838,434***	***255,964***	***1,094,398***	***(4,880)***	***1,089,518***
Segment profit (loss)	***$ 90,024***	***$ 25,675***	***$ 115,699***	***$ (25,747)***	***$ 89,952***
Segment assets	***$ 837,349***	***$ 299,723***	***$ 1,137,072***	***$ 181,121***	***$ 1,318,193***
Other:					
Depreciation and amortization	***$ 25,446***	***$ 13,361***	***$ 38,807***	***$ 1,277***	***$ 40,084***
Amortization of goodwill	***2,674***	***193***	***2,867***	***–***	***2,867***
Increase in property, plant and equipment and intangible asset	***17,892***	***9,735***	***27,627***	***614***	***28,241***

An adjustment of negative ¥2,137 million *($25,747 thousand)* in segment income includes an elimination of transactions between the segments of ¥6 million *($72 thousand)* and corporate expenses of negative ¥2,143 million *($25,819 thousand)*. Corporate expenses are mainly general and administrative expenses not attributable to the reporting segments.

An adjustment of negative ¥15,033 million *($181,121 thousand)* in segment assets includes an elimination of transactions between the segments of negative ¥81 million *($976 thousand)* and corporate assets of ¥15,114 million *($182,096 thousand)*. Corporate assets are mainly assets not attributable to the reporting segments.

An adjustment of ¥106 million *($1,277 thousand)* in depreciation expenses includes an elimination of transactions between the segments of negative ¥6 million *($72 thousand)* and corporate expenses of ¥112 million *($1,349 thousand)*. Corporate expenses are mainly general and administrative expenses not attributable to the reporting segments.

An adjustment of ¥51 million *($614 thousand)* in the increases in tangible fixed assets and intangible fixed assets include an elimination of transactions between the segments of negative ¥4 million *($48 thousand)* and corporate assets of ¥55 million *($663 thousand)*. Corporate assets are mainly assets not attributable to the reporting segments.

Segment income has been adjusted with operating income in the consolidated financial statements.

(Additional Information)

Effective from the fiscal year ended March 31, 2011, the Companies have adopted ASBJ Statement No. 17, "Revised Accounting Standard for Disclosures about Segments of an Enterprise and Related information," issued on March 27, 2009, and ASBJ Guidance No. 20, "Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information," issued on March 21, 2008.

C. Information about geographical segments

	Millions of yen			
Year ended March 31, 2011	Japan	Asia	Other	Total
Sales	**¥ 59,500**	**¥ 29,539**	**¥ 1,391**	**¥ 90,430**
Property, plant and equipment	**12,497**	**5,548**	**–**	**18,045**

	Thousands of U.S. dollars			
Year ended March 31, 2011	*Japan*	*Asia*	*Other*	*Total*
Sales	***$ 716,867***	***$ 355,892***	***$ 16,759***	***$ 1,089,518***
Property, plant and equipment	***150,567***	***66,843***	***–***	***217,410***

D. Goodwill by reportable segment

	Millions of yen				
	Power system equipment	Charged particle beam-oriented equipment	Total	Elimination and corporate	Total
Amortization	**¥ 221**	**¥ 17**	**¥ 238**	**¥ –**	**¥ 238**
Year-end unamortized balance	**491**	**51**	**542**	**–**	**542**

	Thousands of U.S. dollars				
	Power system equipment	*Charged particle beam-oriented equipment*	*Total*	*Elimination and corporate*	*Total*
Amortization	***$ 2,662***	***$ 205***	***$ 2,867***	***$ –***	***$ 2,867***
Year-end unamortized balance	***5,916***	***614***	***6,530***	***–***	***6,530***

The Company invested in Nissin Hengtong Electric Co., Ltd. in the power system equipment business segment with December 31, 2010 as the deemed acquisition date. In relation to this investment, the Company reported a gain on negative goodwill of ¥93 million *($1,120 thousand)*.

Segment information as of March 31, 2010 was as follows:

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 and 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

(1) Corporate operating expenses

Corporate operating expenses of ¥2,534 million for the fiscal years ended March 31, 2010 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 at March 31, 2010 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 (Accounting Standard for Construction Contracts), 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 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 has applied the percentage-of-completion method (the cost comparison method is used to estimate the progress on construction) to construction contracts for which the portion of the contract completed by the end of the fiscal year could be estimated reliably and the completed contract method to other construction contracts. As a result of this change, net sales for the fiscal year ended March 31, 2010 were ¥222 million less, and operating income, ordinary income and net income before income taxes and minority interests each were ¥104 million less than the amounts that would have been recorded without the change.

B. Geographical Segments

Geographical segment information is as follows:

Year ended March 31, 2010	Millions of yen					
	Japan	Asia	Other	Total	Elimination and 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

(1) Corporate operating expenses

Corporate operating expenses of ¥2,534 million for the fiscal years ended March 31, 2010 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 and at March 31, 2010 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 (Accounting Standard for Construction Contracts), 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 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 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 fiscal year could be estimated reliably and the completed contract method to other construction contracts. As a result of this change, net sales for the fiscal year ended March 31, 2010 were ¥222 million less, and operating income, ordinary income and net income before income taxes and minority interests each were ¥104 million less than the amounts that would have been reported without the change.

C. Overseas Sales

Overseas sales were as follows

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

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, 2011 and 2010, and the related consolidated statements of income, comprehensive 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 financial position of the Company and its consolidated subsidiaries as of March 31, 2011 and 2010, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

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

KPMG AZSA LLC

Osaka, Japan
June 23, 2011

Corporate Data (as of March 31, 2011)

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
4,818

Board of Directors and Statutory Auditors (as of June 23, 2011)

Chairman
Yoshikazu Amano*

President
Hideaki Obata *

Senior Managing Director
Satoru Nakahori *

Managing Directors
Takushi Hara
Kazumasa Ishida
Michio Inada
Kiyoshi Ogata
Masahide Nobu
Tomoaki Ishizu

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 Technology Electric (Dongguan) Co., Ltd.
Dongguan, China
Business Line: Manufacturing and sales of Power Conditioner for Photovoltaic System. 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 Hengtong Electric Co.,Ltd.
Hengtong, China
Business Line: Manufacturing and sales of Circuit Breaker, Switchgear, and Protection Relay

Nissin Ion HighTech (Yangzhou) Co., Ltd.
Yangzhou, China
Business Line: Manufacturing and sales of LSI/LCD manufacturing equipment

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 Equipment USA, Inc.
Austin, Texas, U.S.A
Business Line: Customer service of LSI/LCD manufacturing equipment

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)

NISSIN ELECTRIC CO., LTD.

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http://nissin.jp

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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