

**Financial Results for the Fiscal Year Ended March 31, 2011**  
**(The five-month period from November 1, 2010 to March 31, 2011)**

May 13, 2011

Company name : NIKKO COMPANY  
 ID number : 5343 Stock listing : Nagoya Stock Exchange Second Section  
 URL : <http://www.nikko-company.co.jp/>  
 Representative : Makoto Yoshida, Chief Executive Officer  
 Contact : Shigekazu Kaneda, Board Director and Executive Managing Officer (Phone: +81-76-276-2121)  
 Scheduled date of general meeting of shareholders: June 30, 2011  
 Scheduled date to submit Securities Report : June 30, 2011  
 Scheduled date to begin dividend payments : -

(All amounts are rounded down to the nearest million yen)

**1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2011 (November 1, 2010 - March 31, 2011)**

(1) Consolidated operating results (Percentage figures represent changes from the same period of the previous year.)

|                        | Net sales       |     | Operating income |   | Ordinary income |   | Net income      |   |
|------------------------|-----------------|-----|------------------|---|-----------------|---|-----------------|---|
|                        | Millions of yen | %   | Millions of yen  | % | Millions of yen | % | Millions of yen | % |
| FY ended Mar. 31, 2011 | 7,754           | -   | (408)            | - | (377)           | - | (755)           | - |
| FY ended Oct. 31, 2010 | 17,961          | 5.3 | (954)            | - | (960)           | - | (1,022)         | - |

Note: Comprehensive income (Millions of yen): Mar. 31, 2011: (761) (-%) Oct. 31, 2010: (1,114) (-%)

|                        | Net income per share | Diluted net income per share | Return on equity | Ordinary income to total assets | Operating income to net sales |
|------------------------|----------------------|------------------------------|------------------|---------------------------------|-------------------------------|
|                        | Yen                  | Yen                          | %                | %                               | %                             |
| FY ended Mar. 31, 2011 | (40.31)              | -                            | (20.1)           | (2.8)                           | (5.3)                         |
| FY ended Oct. 31, 2010 | (54.54)              | -                            | (21.7)           | (6.9)                           | (5.3)                         |

Reference: Equity in earnings of affiliates (Millions of yen): Mar. 31, 2011: - Oct. 31, 2010: -  
 Note: Nikko Company has changed its fiscal year-end from October 31 to March 31 resulting in an irregular 5-month period for fiscal 2011 and as a result, changes from the previous fiscal year are not provided. Further, November 1, 2010 to March 31, 2011 figures for net income per share (yen), return on equity (%) and ordinary income to total assets (%) represent income for the five-month period.

(2) Consolidated financial position

|                     | Total assets    | Net assets      | Equity ratio | Net assets per share |
|---------------------|-----------------|-----------------|--------------|----------------------|
|                     | Millions of yen | Millions of yen | %            | Yen                  |
| As of Mar. 31, 2011 | 13,288          | 3,381           | 25.4         | 180.49               |
| As of Oct. 31, 2010 | 13,939          | 4,143           | 29.7         | 221.13               |

Reference: Shareholders' equity (Millions of yen): Mar. 31, 2011: 3,381 Oct. 31, 2010: 4,143

(3) Consolidated cash flow position

|                        | Net cash provided by (used in) |                       |                      | Cash and cash equivalents at end of period |
|------------------------|--------------------------------|-----------------------|----------------------|--|
|                        | Operating activities           | Investment activities | Financing activities |  |
|                        | Millions of yen                | Millions of yen       | Millions of yen      | Millions of yen                            |
| FY ended Mar. 31, 2011 | 45                             | (237)                 | 225                  | 1,287                                      |
| FY ended Oct. 31, 2010 | (132)                          | (424)                 | 415                  | 1,251                                      |

**2. Dividends**

| (Record date)                        | Dividend per share |        |        |          |        | Total dividends (annual) | Payout ratio (consolidated) | Dividend on Equity (consolidated) |
|--------------------------------------|--------------------|--------|--------|----------|--------|--------------------------|-----------------------------|-----------------------------------|
|                                      | 1Q-end             | 2Q-end | 3Q-end | Year-end | Annual |                          |                             |                                   |
|                                      | Yen                | Yen    | Yen    | Yen      | Yen    |                          |                             |                                   |
| Year ended Oct. 31, 2010             | -                  | 0.00   | -      | 0.00     | 0.00   | -                        | -                           | -                                 |
| Year ended Mar. 31, 2011             | -                  | -      | -      | 0.00     | 0.00   | -                        | -                           | -                                 |
| Year ending Mar. 31, 2012 (forecast) | -                  | 0.00   | -      | 0.00     | 0.00   | -                        | -                           | -                                 |

Note: The Company had changed its fiscal year end from October 31 to March 31 being authorized by the General Meeting of Shareholders to be held on January 28, 2011.

### 3. Consolidated Forecast for the Fiscal Year Ending March 31, 2012 (April 1, 2011 - March 31, 2012)

(Percentage figures represent changes from the same period of the previous year.)

|            | Net sales       |   | Operating income |   | Ordinary income |   | Net income      |   | Net income per share |
|------------|-----------------|---|------------------|---|-----------------|---|-----------------|---|----------------------|
|            | Millions of yen | % | Millions of yen  | % | Millions of yen | % | Millions of yen | % | Yen                  |
| First half | -               | - | -                | - | -               | - | -               | - | -                    |
| Full year  | 19,500          | - | 100              | - | 100             | - | 200             | - | 10.67                |

Notes: 1. It is difficult to estimate a forecast for the First Half of Fiscal Year Ending March 31, 2012 at this time due to the Great East Japan Earthquake which had occurred on March 11th, 2011.

2. Due to the change in fiscal year end to March 31, the forecast figures for the full year are for 5-month period from November 1, 2010 to March 1, 2011 and comparisons with the previous year are not provided.

#### 4. Other

(1) Changes in consolidated subsidiaries during the period (Changes in scope of consolidation): None

(2) Changes in accounting principles, procedures and presentation methods for preparation of consolidated financial statements

1) Changes caused by revision of accounting standards: Yes

2) Other changes: No

Note: Please refer to "Changes in Basis of Preparation of Consolidated Financial Statements" for further information.

(3) Number of shares outstanding (common shares)

1) Number of shares outstanding (including treasury stock) at the end of the period

Mar. 31, 2011: 19,572,000 shares Oct. 31, 2010: 19,572,000 shares

2) Number of treasury stock at the end of the period

Mar. 31, 2011: 835,419 shares Oct. 31, 2010: 833,316 shares

3) Average number of shares over period

Mar. 31, 2011: 18,737,419 shares Oct. 31, 2010: 18,739,374 shares

#### (Reference) Non-consolidated financial results

##### Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2011 (November 1, 2010 - March 31, 2011)

(1) Non-consolidated operating results (Percentage figures represent changes from the same period of the previous year.)

|                        | Net sales       |     | Operating income |   | Ordinary income |   | Net income      |   |
|------------------------|-----------------|-----|------------------|---|-----------------|---|-----------------|---|
|                        | Millions of yen | %   | Millions of yen  | % | Millions of yen | % | Millions of yen | % |
| FY ended Mar. 31, 2011 | 6,837           | -   | (315)            | - | (272)           | - | (745)           | - |
| FY ended Oct. 31, 2010 | 15,720          | 5.7 | (805)            | - | (813)           | - | (978)           | - |

|                        | Net income per share | Diluted net income per share |
|------------------------|----------------------|------------------------------|
|                        | Yen                  | Yen                          |
| FY ended Mar. 31, 2011 | (39.78)              | -                            |
| FY ended Oct. 31, 2010 | (52.21)              | -                            |

Note: The Company has changed its fiscal year-end from October 31 to March 31 resulting in an irregular 5-month period for fiscal 2011 and as a result, changes from the previous fiscal year are not provided. Further, November 1, 2010 to March 31, 2011 figures for net income per share (yen) represent income for the five-month period.

(2) Non-consolidated financial position

|                     | Total assets    | Net assets      | Equity ratio | Net assets per share |
|---------------------|-----------------|-----------------|--------------|----------------------|
|                     | Millions of yen | Millions of yen | %            | Yen                  |
| As of Mar. 31, 2011 | 13,657          | 3,995           | 29.3         | 213.25               |
| As of Oct. 31, 2010 | 14,149          | 4,751           | 33.6         | 253.57               |

Reference: Shareholders' equity (Millions of yen): Mar.31, 2011: 3,995 Oct. 31, 2010: 4,751

\*Information regarding the implementation of review procedures

The current financial statements are exempted from review procedures based on the Financial Instruments and Exchange Law. At the time of disclosure, we have not completed the review process for these consolidated statements.

\*Appropriate use of business forecasts, other special items

The above business outlook is based on information available as of the published date of this release and actual results may differ from the forecast subject to various factors that may arise in the future.

**1. Consolidated Financial Statements**  
**(1) Consolidated Balance Sheets**

|  | FY10/2010<br>(As of Oct.31,2010) | (Millions of yen)<br>FY03/2011<br>(As of Mar.31,2011) |
|--|----------------------------------|---|
| <b>Assets</b>  |                                  |   |
| <b>Current assets</b>  |                                  |   |
| Cash and deposits  | 1,431                            | 1,468   |
| Notes and accounts receivable-trade  | 3,338                            | 3,060   |
| Merchandise and finished goods   | 2,094                            | 1,959   |
| Work in process  | 849                              | 857   |
| Costs on uncompleted construction contracts                                | 360                              | 218   |
| Raw materials and supplies   | 330                              | 352   |
| Deferred tax assets  | 1                                | 2   |
| Other  | 152                              | 132   |
| Allowance for doubtful accounts  | (269)                            | (158)   |
| <b>Total current assets</b>  | <b>8,289</b>                     | <b>7,893</b>  |
| <b>Noncurrent assets</b>   |                                  |   |
| <b>Property, plant and equipment</b>                                       |                                  |   |
| Buildings and structures   | 6,726                            | 6,750   |
| Accumulated depreciation   | (4,332)                          | (4,426)   |
| Buildings and structures, net  | 2,393                            | 2,324   |
| Machinery, equipment and vehicles  | 5,863                            | 5,407   |
| Accumulated depreciation   | (5,206)                          | (4,828)   |
| Machinery, equipment and vehicles, net                                     | 656                              | 579   |
| Tools, furniture and fixtures  | 1,315                            | 1,249   |
| Accumulated depreciation   | (1,233)                          | (1,176)   |
| Tools, furniture and fixtures, net   | 82                               | 72  |
| Land   | 1,261                            | 1,261   |
| Lease assets   | 341                              | 230   |
| Accumulated depreciation   | (118)                            | (84)  |
| Lease assets, net  | 223                              | 146   |
| Construction in progress   | 4                                | 11  |
| <b>Total property, plant and equipment</b>                                 | <b>4,621</b>                     | <b>4,395</b>  |
| <b>Intangible assets</b>   |                                  |   |
| Lease assets   | 237                              | 211   |
| Other  | 121                              | 108   |
| <b>Total intangible assets</b>   | <b>359</b>                       | <b>319</b>  |
| <b>Investments and other assets</b>  |                                  |   |
| Investment securities  | 523                              | 542   |
| Claims provable in bankruptcy, claims provable in rehabilitation and other | 286                              | 389   |
| Other  | 145                              | 136   |
| Allowance for doubtful accounts  | (285)                            | (388)   |
| <b>Total investments and other assets</b>                                  | <b>670</b>                       | <b>679</b>  |
| <b>Total noncurrent assets</b>   | <b>5,650</b>                     | <b>5,395</b>  |
| <b>Total assets</b>  | <b>13,939</b>                    | <b>13,288</b>   |

|   | FY10/2010<br>(As of Oct.31,2010) | (Millions of yen)<br>FY03/2011<br>(As of Mar.31,2011) |
|---|----------------------------------|---|
| <b>Liabilities</b>                                    |                                  |   |
| <b>Current liabilities</b>                            |                                  |   |
| Notes and accounts payable-trade                      | 3,501                            | 3,364   |
| Short-term loans payable                              | 446                              | 793   |
| Current portion of long-term loans payable            | 172                              | 162   |
| Lease obligations                                     | 126                              | 127   |
| Income taxes payable                                  | 60                               | 30  |
| Provision for bonuses                                 | 203                              | 373   |
| Provision for product warranties                      | 86                               | 103   |
| Other   | 1,463                            | 1,257   |
| <b>Total current liabilities</b>                      | <b>6,060</b>                     | <b>6,212</b>  |
| <b>Noncurrent liabilities</b>                         |                                  |   |
| Long-term loans payable                               | 1,778                            | 1,720   |
| Lease obligations                                     | 346                              | 293   |
| Provision for retirement benefits                     | 1,368                            | 1,414   |
| Provision for directors' retirement benefits          | 104                              | 99  |
| Other   | 137                              | 166   |
| <b>Total noncurrent liabilities</b>                   | <b>3,735</b>                     | <b>3,694</b>  |
| <b>Total liabilities</b>                              | <b>9,796</b>                     | <b>9,907</b>  |
| <b>Net assets</b>                                     |                                  |   |
| <b>Shareholders' equity</b>                           |                                  |   |
| Capital stock   | 3,200                            | 3,200   |
| Capital surplus                                       | 3,045                            | 2,066   |
| Retained earnings                                     | (1,454)                          | (1,231)   |
| Treasury stock  | (334)                            | (334)   |
| <b>Total shareholders' equity</b>                     | <b>4,456</b>                     | <b>3,701</b>  |
| <b>Accumulated other comprehensive income</b>         |                                  |   |
| Valuation difference on available-for-sale securities | (180)                            | (191)   |
| Foreign currency translation adjustment               | (132)                            | (128)   |
| <b>Accumulated other comprehensive income</b>         | <b>(313)</b>                     | <b>(319)</b>  |
| <b>Total net assets</b>                               | <b>4,143</b>                     | <b>3,381</b>  |
| <b>Total liabilities and net assets</b>               | <b>13,939</b>                    | <b>13,288</b>   |

**(2) Consolidated statements of income and consolidated statements of comprehensive income****Consolidated statements of income**

|  | (Millions of yen)         |                           |
|--|---------------------------|---------------------------|
|  | FY10/2010                 | FY03/2011                 |
|  | (Nov.1,2009-Oct. 31,2010) | (Nov.1,2010-Mar. 31,2011) |
| Net sales  | 17,961                    | 7,754                     |
| Cost of sales  | 13,445                    | 5,665                     |
| Gross profit   | <u>4,516</u>              | <u>2,088</u>              |
| Selling, general and administrative expenses   | <u>5,471</u>              | <u>2,497</u>              |
| Operating income (loss)  | <u>(954)</u>              | <u>(408)</u>              |
| Non-operating income   |                           |                           |
| Interest income  | 1                         | 0                         |
| Foreign exchange gain  | —                         | 19                        |
| Gain on sales of wastes  | 17                        | 9                         |
| Priority use fee of products   | —                         | 14                        |
| Rent income  | 44                        | 11                        |
| Compensation income  | 16                        | —                         |
| Other  | 52                        | 14                        |
| Total non-operating income   | <u>131</u>                | <u>69</u>                 |
| Non-operating expenses   |                           |                           |
| Interest expenses  | 52                        | 22                        |
| Foreign exchange loss  | 34                        | —                         |
| Loss on sales of notes payable   | —                         | 6                         |
| Sales discounts  | —                         | 4                         |
| Provision of allowance for doubtful accounts   | 20                        | —                         |
| Other  | 30                        | 4                         |
| Total non-operating expenses   | <u>137</u>                | <u>38</u>                 |
| Ordinary income (loss)   | <u>(960)</u>              | <u>(377)</u>              |
| Extraordinary Income   |                           |                           |
| Gain on sales of noncurrent assets   | 5                         | 0                         |
| Gain on sales of subsidiaries and affiliates' stocks                                   | 0                         | —                         |
| Reversal of allowance for doubtful accounts  | —                         | 23                        |
| Gain on abolishment of retirement benefit plan   | —                         | 14                        |
| Total extraordinary Income   | <u>6</u>                  | <u>38</u>                 |
| Extraordinary loss   |                           |                           |
| Loss on retirement of noncurrent assets  | 17                        | 2                         |
| Loss on valuation of investment securities   | 0                         | —                         |
| Loss on valuation of stocks of subsidiaries and affiliates                             | 3                         | 0                         |
| Loss on liquidation of subsidiaries and affiliates                                     | —                         | 7                         |
| Business structure improvement expenses  | —                         | 344                       |
| Loss on adjustment for changes of Accounting Standard for asset retirement obligations | —                         | 43                        |
| Other  | —                         | 6                         |
| Total extraordinary losses   | <u>21</u>                 | <u>405</u>                |
| Income (loss) before income taxes and minority interests                               | <u>(975)</u>              | <u>(744)</u>              |
| Income taxes-current   | 44                        | 17                        |
| Income taxes-deferred  | 2                         | (6)                       |
| Total income taxes   | <u>46</u>                 | <u>10</u>                 |
| Income (loss) before minority interests  | <u>—</u>                  | <u>(755)</u>              |
| Net income (loss)  | <u>(1,022)</u>            | <u>(755)</u>              |

**Consolidated statements of comprehensive income**

|   | (Millions of yen)         |                           |
|---|---------------------------|---------------------------|
|   | FY10/2010                 | FY03/2011                 |
|   | (Nov.1,2009-Oct. 31,2010) | (Nov.1,2010-Mar. 31,2011) |
| Income(loss) before minority interests                    | —                         | (755)                     |
| Other comprehensive income                                |                           |                           |
| Valuation difference on available-for-sale securities     | —                         | (10)                      |
| Foreign currency translation adjustment                   | —                         | 3                         |
| Other comprehensive income                                | —                         | (6)                       |
| Comprehensive income                                      | —                         | (761)                     |
| Comprehensive income attributable to owners of the parent | —                         | (761)                     |
| Comprehensive income attributable to minority interests   | —                         | —                         |

**(3)Consolidated Statements of changes in equity**

(Millions of yen)

FY10/2010  
(Nov.1,2009-Oct. 31,2010)      FY03/2011  
(Nov.1,2010-Mar. 31,2010)

|  |                |                |
|--|----------------|----------------|
| Shareholders' equity                     |                |                |
| Capital stock                            |                |                |
| Balance at the end of previous period    | 3,200          | 3,200          |
| Changes of items during the period       |                |                |
| Total changes of items during the period | —              | —              |
| Balance at the end of current period     | <u>3,200</u>   | <u>3,200</u>   |
| Capital surplus                          |                |                |
| Balance at the end of previous period    | 3,620          | 3,045          |
| Changes of items during the period       |                |                |
| Deficit disposition                      | (575)          | (978)          |
| Total changes of items during the period | <u>(575)</u>   | <u>(978)</u>   |
| Balance at the end of current period     | <u>3,045</u>   | <u>2,066</u>   |
| Retained earnings                        |                |                |
| Balance at the end of previous period    | (1,007)        | (1,454)        |
| Changes of items during the period       |                |                |
| Deficit disposition                      | 575            | 978            |
| Net income (loss)                        | (1,022)        | (755)          |
| Total changes of items during the period | <u>(446)</u>   | <u>223</u>     |
| Balance at the end of current period     | <u>(1,454)</u> | <u>(1,231)</u> |
| Treasury stock                           |                |                |
| Balance at the end of previous period    | (333)          | (334)          |
| Changes of items during the period       |                |                |
| Purchase of treasury stock               | (0)            | (0)            |
| Total changes of items during the period | <u>(0)</u>     | <u>(0)</u>     |
| Balance at the end of current period     | <u>(334)</u>   | <u>(334)</u>   |
| Total shareholders' equity               |                |                |
| Balance at the end of previous period    | 5,479          | 4,456          |
| Changes of items during the period       |                |                |
| Net income (loss)                        | (1,022)        | (755)          |
| Purchase of treasury stock               | (0)            | (0)            |
| Total changes of items during the period | <u>(1,022)</u> | <u>(755)</u>   |
| Balance at the end of current period     | <u>4,456</u>   | <u>3,701</u>   |

(Millions of yen)

FY10/2010

FY03/2011

(Nov.1,2009-Oct. 31,2010) (Nov.1,2010-Mar. 31,2010)

|   |         |       |
|---|---------|-------|
| Accumulated other comprehensive income                |         |       |
| Valuation difference on available-for-sale securities |         |       |
| Balance at the end of previous period                 | (109)   | (180) |
| Changes of items during the period                    |         |       |
| Net changes of items other than shareholders' equity  | (71)    | (10)  |
| Total changes of items during the period              | (71)    | (10)  |
| Balance at the end of current period                  | (180)   | (191) |
| Foreign currency translation adjustment               |         |       |
| Balance at the end of previous period                 | (111)   | (132) |
| Changes of items during the period                    |         |       |
| Net changes of items other than shareholders' equity  | (20)    | 3     |
| Total changes of items during the period              | (20)    | 3     |
| Balance at the end of current period                  | (132)   | (128) |
| Accumulated other comprehensive income                |         |       |
| Balance at the end of previous period                 | (220)   | (313) |
| Changes of items during the period                    |         |       |
| Net changes of items other than shareholders' equity  | (92)    | (6)   |
| Total changes of items during the period              | (92)    | (6)   |
| Balance at the end of current period                  | (313)   | (319) |
| Total net assets                                      |         |       |
| Balance at the end of previous period                 | 5,258   | 4,143 |
| Changes of items during the period                    |         |       |
| Net income (loss)                                     | (1,022) | (755) |
| Purchase of treasury stock                            | (0)     | (0)   |
| Net changes of items other than shareholders' equity  | (92)    | (6)   |
| Total changes of items during the period              | (1,114) | (761) |
| Balance at the end of current period                  | 4,143   | 3,381 |



**(4) Consolidated Statements of Cash Flows**

|   | FY10/2010<br>(Nov.1,2009-Oct. 31,2010) | (Millions of yen)<br>FY03/2011<br>(Nov.1,2010-Mar. 31,2011) |
|---|--|---|
| Net cash provided by (used in) operating activities   |  |   |
| Income (loss) before income taxes and minority interests  | (975)                                  | (744)   |
| Depreciation and amortization   | 580                                    | 244   |
| Loss on adjustment for changes of Accounting Standard for asset retirement obligations                            | —                                      | 43  |
| Loss on liquidation of subsidiaries and affiliates  | —                                      | 7   |
| Business structure improvement expenses   | —                                      | 344   |
| Increase (decrease) in allowance for doubtful accounts  | 59                                     | (8)   |
| Increase (decrease) in provision for bonuses  | (103)                                  | 169   |
| Increase (decrease) in provision for retirement benefits  | 171                                    | 46  |
| Increase (decrease) in provision of allowance for loss on valuation of investments of subsidiaries and affiliates | (157)                                  | —   |
| Increase (decrease) in provision for product warranties   | (19)                                   | 17  |
| Interest and dividends income   | (9)                                    | (3)   |
| Interest expenses   | 52                                     | 22  |
| Loss (gain) on sales of property, plant and equipment   | (5)                                    | (0)   |
| Loss on retirement of noncurrent assets   | 17                                     | 2   |
| Loss (gain) on valuation of investment securities   | 0                                      | —   |
| Loss (gain) on valuation of derivatives   | 2                                      | —   |
| Decrease (increase) in notes and accounts receivable-trade  | (417)                                  | 279   |
| Decrease (increase) in claims provable in bankruptcy, claims provable in rehabilitation                           | 10                                     | (102)   |
| Decrease (increase) in inventories  | (32)                                   | 43  |
| Increase (decrease) in notes and accounts payable-trade   | 403                                    | (140)   |
| Other, net  | 369                                    | (114)   |
| Subtotal  | <u>(52)</u>                            | <u>107</u>  |
| Interest and dividends income received  | 9                                      | 3   |
| Interest expenses paid  | (52)                                   | (22)  |
| Income taxes paid   | (36)                                   | (42)  |
| Net cash provided by (used in) operating activities   | <u>(132)</u>                           | <u>45</u>   |
| Net cash provided by (used in) investment activities  |  |   |
| Payments into time deposits   | (180)                                  | (106)   |
| Proceeds from withdrawal of time deposits   | 178                                    | 106   |
| Purchase of property, plant and equipment   | (411)                                  | (200)   |
| Proceeds from sales of property, plant and equipment  | 8                                      | 0   |
| Acquisition of investments in affiliates  | 20                                     | —   |
| Payments for investments in capital of subsidiaries and affiliates  | —                                      | (30)  |
| Other, net  | (39)                                   | (7)   |
| Net cash provided by (used in) investment activities  | <u>(424)</u>                           | <u>(237)</u>  |
| Net cash provided by (used in) financing activities   |  |   |
| Net increase (decrease) in short-term loans payable   | 25                                     | 346   |
| Proceeds from long-term loans payable   | 600                                    | —   |
| Repayment of long-term loans payable  | (100)                                  | (68)  |
| Repayments of lease obligations   | (109)                                  | (52)  |
| Purchase of treasury stock  | (0)                                    | (0)   |
| Cash dividends paid   | (0)                                    | (0)   |
| Net cash provided by (used in) financing activities   | <u>415</u>                             | <u>225</u>  |
| Effect of exchange rate change on cash and cash equivalents   | (9)                                    | 3   |
| Net increase (decrease) in cash and cash equivalents  | <u>(151)</u>                           | <u>36</u>   |
| Cash and cash equivalents at beginning of period  | <u>1,402</u>                           | <u>1,251</u>  |
| Cash and cash equivalents at end of period  | <u>1,251</u>                           | <u>1,287</u>  |



2) Depreciation and amortization method for principal depreciable assets

Tangible fixed assets (excluding lease assets)

At the company, depreciation of buildings is calculated using the straight-line method, other depreciation of tangible fixed assets is computed by the declining-balance method.

At the domestic consolidated subsidiaries, depreciation of tangible fixed assets is computed by the declining-balance method (however, depreciation of buildings (excluding attached structures) acquired on or April 1, 1998, is calculated using the straight-line method.

At the overseas consolidated subsidiary, depreciation of tangible fixed assets is calculated using the straight-line method.

Intangible fixed assets (excluding lease assets)

Amortization of intangible fixed assets is computed by the straight-line method. However, software intended for internal use are amortized over an expected useful life of 5 years by the straight-line method.

At the overseas consolidated subsidiary, depreciation of tangible fixed assets is calculated using the straight-line method.

Lease assets (finance leases that do not transfer ownership)

Depreciation of lease assets is calculated using the straight-line method with the respective lease terms as the useful lives. The residual value is zero unless there is a residual value guarantee, in which case the amount of the guarantee is the residual value. For finance lease transactions where there is no transfer of ownership beginning prior to the fiscal year when these standards are first applied, the Company uses an accounting method that is based on the method used for ordinary lease transactions.

3) Accounting for significant allowances

(Allowance for doubtful accounts)

To prepare for credit losses on receivables, an allowance equal to the estimated amount of uncollectible receivables is provided for general receivables based on the historical write-off ratio, and bad receivables based on a case-by-case.

(Provision for bonuses)

To provide for employees' and director-employees' bonus obligation, the Company and its domestic consolidated subsidiaries provide an allowance in the amount accrued for the respective period based on the estimated bonus obligations.

There is no system of the bonus provision in an overseas consolidated subsidiary.

(Provision for retirement benefits)

To provide for employees' retirement benefits, the Company and its domestic consolidated subsidiaries provide an allowance in the amount deemed to have accrued at the end of the current fiscal year based on projected benefit obligations and pension assets at the end of the current fiscal year. Transitional obligations arising from the adoption of new accounting standards for retirement benefits is expensed using the straight-line method, based on 15 years. The actuarial difference is expensed in the following fiscal years using the straight-line method, based on the specified number of years (13 years) within the average length of remaining work period of employees.

(Provision for directors' retirement benefits)

To provide for directors' and officers' retirement benefits, the Company and its domestic consolidated subsidiaries provide an allowance for the aggregate amount payable at the end of the current fiscal year pursuant to the Company's rules on directors' retirement benefits.

4) Other significant accounting policies

(Scope of cash and cash equivalents in statement of cash flows)

Cash and cash equivalents consists of vault cash, deposits that can be withdrawn on demand, and short-term investments, with original maturities of three months or less, that are readily convertible to known amounts of cash and present insignificant risk of change in value.

(Accounting for consumption taxes)

At the Company and its domestic consolidated subsidiaries, consumption taxes are accounted by the tax-exclusion method.

(Application of consolidated tax payment system)

The consolidated tax system is applied.

### **Changes in Basis of preparation of Consolidated Financial Statements**

#### Application of "Accounting Standard for Asset Retirement Obligations"

Beginning with the current fiscal year, "Accounting Standard for Asset Retirement Obligations" (Accounting Standards Board of Japan (ASBJ) Statement No.18, March 31, 2008) and "Guidance on Accounting Standard for Asset Retirement Obligations" ASBJ Guidance No.21, March 31, 2008) have been applied. The effect of this change was to increase operating loss, ordinary loss and net loss before income taxes by 1 million yen, 1 million yen and 45 million yen, respectively. The application of these standards increased the account balance of asset retirement obligations by 35 million yen. This change does not have a material effect on segment information.

#### (Additional Information)

#### Application of "Accounting Standard for Disclosure of Comprehensive Income"

Effective from the fiscal year, the Company has applied "Accounting Standard for Disclosure of Comprehensive Income" (ASBJ Statement No. 25, June 30, 2010). However, "Other Comprehensive Income" and "Total Other Comprehensive Income" for the previous fiscal year are included in "Valuation and Translation Adjustments" and "Total Valuation and Translation Adjustments."

**(Segment Information)**

1. Industry Segment Information

FY10/2010 (Nov. 1, 2009 -Oct. 31, 2010)

(Millions of yen, rounded down)

|   | Housing & Environmental Equipment | Tabletop | Electro-Ceramics | Other | Segment total | Elimination or corporate | Consolidated Total |
|---|-----------------------------------|----------|------------------|-------|---------------|--------------------------|--------------------|
| 1. Net sales                                      |                                   |          |                  |       |               |                          |                    |
| (1) Sales to Outside Customers                    | 9,780                             | 5,482    | 2,656            | 42    | 17,961        | -                        | 17,961             |
| (2) Intersegment sales or Transfers               | -                                 | -        | -                | -     | -             | -                        | -                  |
| Total   | 9,780                             | 5,482    | 2,656            | 42    | 17,961        | -                        | 17,961             |
| Operating expenses                                | 9,872                             | 5,603    | 2,724            | 125   | 18,325        | 590                      | 18,916             |
| Operating income (loss)                           | (92)                              | (121)    | (67)             | (83)  | (363)         | (590)                    | (954)              |
| 2. Assets, depreciation, and capital expenditures |                                   |          |                  |       |               |                          |                    |
| Asset   | 4,088                             | 4,691    | 2,520            | 9     | 11,310        | 2,629                    | 13,939             |
| Depreciation                                      | 213                               | 145      | 160              | 1     | 521           | 59                       | 580                |
| Capital expenditures                              | 59                                | 297      | 130              | -     | 488           | 2                        | 490                |

Notes: 1. Major products in each industry segment:

Industry segments are classified based on the similarities of products, markets and so on.

| Industry Segment                  | Major Products  |
|-----------------------------------|---|
| Housing & Environmental Equipment | FRP bath-tubs, Bathroom units, Septic tanks, Water treatment facilities, Tiles, Wind turbine system |
| Tabletop                          | Fine bone china, Fine vitrified china, Fine porcelain, Oven ware                                    |
| Electro-Ceramics                  | Alumina substrates, Hybrid IC, LTCC substrates, Dielectric ceramics                                 |

2. Unallocated operating expenses included in eliminations or corporate consists primarily of expenses related to the administration division at the Company and expenses for research. Amounts are as follows:

(Millions of yen, rounded down)

|           |
|-----------|
| FY10/2010 |
| 590       |

3. Corporate assets included in eliminations or corporate consist primarily of financial assets (cash and deposits and investment securities, etc.), and assets related to the administration division and the research division at the Company. Amounts are as follows:

(Millions of yen, rounded down)

|           |
|-----------|
| FY10/2010 |
| 2,629     |

2. Information by Geographic Segment

Geographical segment information is not presented since domestic sales exceeded 90% of total segment sales.

3. Overseas Sales

FY10/2010 (Nov. 1, 2009 - Oct. 31, 2010)

(Millions of yen, rounded down)

|   | North America | Asia  | Other | Consolidated total |
|---|---------------|-------|-------|--------------------|
| Overseas sales  | 1,028         | 1,096 | 59    | 2,184              |
| Consolidated net sales                                      |               |       |       | 17,961             |
| Percentage of overseas sales against consolidated net sales | 5.7%          | 6.1%  | 0.3%  | 12.2%              |

Notes :

- The countries or areas are classified based on the geographical proximity.
- Major countries and areas which belong to each classification:  
North America : U.S.A., Canada  
Asia: Korea, China, Other Asian Countries
- Overseas sales include the export sales of the company and domestic subsidiaries and the domestic sales of the subsidiaries abroad.

[Segment Information]

1. Overview of reportable segments

Segments used for financial reporting are the Nikko Group's constituent units for which separate financial information is available and for which the Board of Directors performs periodic studies for the purposes of determining the allocation of resources and evaluating performance.

The Group has established business divisions that comprise of the company and its subsidiaries and affiliates, and each division conducts business in line with the comprehensive strategies they have devised for products, merchandise and services in both domestic and overseas markets.

Therefore, the Group consists of segments by products, merchandise and services on the basis of the business divisions, and the "Housing & Environmental equipment", "Tabletop" and "Electro-Ceramics" are three reportable segments.

| Industry Segment                  | Major Products  |
|-----------------------------------|---|
| Housing & Environmental Equipment | FRP bath-tubs, Bathroom units, Septic tanks, Water treatment facilities, Tiles, Wind turbine system |
| Tabletop                          | Fine bone china, Fine vitrified china, Fine porcelain, Oven ware                                    |
| Electro-Ceramics                  | Alumina substrates, LTCC substrates, Dielectric ceramics  |

2. Information related to net sales and profit or loss for each reportable segment

FY03/2011 (Nov. 1, 2010 – Mar. 31, 2011)

(Millions of yen, rounded down)

|   | Housing & Environmental Equipment | Tabletop | Electro-Ceramics | Other (Note 1) | Segment total | Adjustment (Note 2) | Amounts on the consolidated financial statements |
|---|-----------------------------------|----------|------------------|----------------|---------------|---------------------|--|
| Net sales   |                                   |          |                  |                |               |                     |  |
| (1)Sales to Outside Customers                                   | 4,390                             | 2,247    | 1,085            | 31             | 7,754         | -                   | 7,754  |
| (2)Intersegment sales or Transfers                              | -                                 | -        | -                | -              | -             | -                   | -  |
| Total   | 4,390                             | 2,247    | 1,085            | 31             | 7,754         | -                   | 7,754  |
| Segment profit (loss)<br>(Operating income (loss))              | (20)                              | (79)     | (18)             | (16)           | (135)         | (273)               | (408)  |
| Segment assets  | 3,593                             | 4,493    | 2,563            | 8              | 10,660        | 2,628               | 13,288   |
| Other Items   |                                   |          |                  |                |               |                     |  |
| Depreciation and Amortization                                   | 70                                | 72       | 76               | 0              | 219           | 24                  | 244  |
| Increase in Property, plant and equipment and Intangible assets | 8                                 | 17       | 40               | -              | 67            | 0                   | 67   |
| Impairment loss   | 111                               | -        | -                | -              | 111           | -                   | 111  |

Notes: 1. The "Other" category indicated businesses not included in reporting segments, including sales of other products.

2. Below is a description of adjustments.

- (1) Segment income adjustment of 273 million yen consists of expenses, such as general administrative expenses, and research and development costs that do not belong to the reportable segments.
- (2) Segment assets adjustment of 2,628 million yen includes assets that do not belong to the reportable segments. The assets consists of mainly surplus funds (cash and cash equivalents), long-term investment funds (investment securities), and the assets associated with administrative department and research and development department.
- (3) Increase in Property, plant and equipment and Intangible assets adjustment of 0 million yen consists of capital investments associated with administrative department and research and development department.

**(Supplementary Information)**

Beginning with the current fiscal year, the Company has applied "Accounting Standard for Disclosure of Segment Information" (ASBJ Statement No. 17, March 27, 2009) and "Application Guidance on Accounting Standard for Disclosure of Segment Information" (ASBJ Guidance No. 20, March 21, 2008).

**(Sales by Segment)**

(Millions of yen, rounded down)

| Industry Segment                     | FY10/2010<br>(Nov. 1, 2009 - Oct. 31, 2010) |                         | FY03/2011<br>(Nov. 1, 2010 - Mar. 31, 2011) |                         |
|--------------------------------------|---|-------------------------|---|-------------------------|
|                                      | Net Sales                                   | Percent of<br>Net Sales | Net Sales                                   | Percent of<br>Net Sales |
| Housing & Environmental<br>Equipment | 9,780                                       | 54.5%                   | 4,390                                       | 56.6%                   |
| Tabletop                             | 5,482                                       | 30.5                    | 2,247                                       | 29.0                    |
| Electro- Ceramics                    | 2,656                                       | 14.8                    | 1,085                                       | 14.0                    |
| Other                                | 42  | 0.2                     | 31  | 0.4                     |
| Total                                | 17,961                                      | 100.0                   | 7,754                                       | 100.0                   |

## Notes:

1. Amounts are converted to sales prices.
2. Amounts do not include consumption taxes.
3. The following table indicates the Company's Overseas sales share by industry segment and percentage figures represent Overseas sales ratio.

(Millions of yen, rounded down)

| Industry Segment                     | FY10/2010<br>(Nov. 1, 2009 - Oct. 31, 2010) |                         | FY03/2011<br>(Nov. 1, 2010 - Mar. 31, 2011) |                         |
|--------------------------------------|---|-------------------------|---|-------------------------|
|                                      | Overseas<br>Sales                           | Overseas Sales<br>Ratio | Overseas<br>Sales                           | Overseas Sales<br>Ratio |
| Housing & Environmental<br>Equipment | 2   | 0.0%                    | -   | -%                      |
| Tabletop                             | 1,513                                       | 27.6%                   | 685   | 30.5%                   |
| Electro- Ceramics                    | 667   | 25.1                    | 306   | 28.3                    |
| Total                                | 2,184                                       | 12.2                    | 992   | 12.8                    |

**2. Non-Consolidated Financial Statements**  
**(1) Balance Sheets**

|  | FY10/2010<br>(As of Oct.31,2010) | (Millions of yen)<br>FY03/2011<br>(As of Mar.31,2011) |
|--|----------------------------------|---|
| <b>Assets</b>  |                                  |   |
| Current assets   |                                  |   |
| Cash and deposits  | 1,196                            | 1,268   |
| Notes receivable-trade   | 126                              | 113   |
| Accounts receivable-trade  | 2,815                            | 2,613   |
| Merchandise and finished goods   | 1,282                            | 1,176   |
| Work in process  | 849                              | 857   |
| Costs on uncompleted construction contracts                                | 360                              | 218   |
| Raw materials and supplies   | 330                              | 352   |
| Prepaid expenses   | 43                               | 35  |
| Advances paid  | 37                               | 56  |
| Other  | 85                               | 53  |
| Allowance for doubtful accounts  | (283)                            | (165)   |
| Total current assets   | <u>6,845</u>                     | <u>6,578</u>  |
| Noncurrent assets  |                                  |   |
| Property, plant and equipment  |                                  |   |
| Buildings  | 5,984                            | 6,009   |
| Accumulated depreciation   | (3,736)                          | (3,822)   |
| Buildings, net   | <u>2,247</u>                     | <u>2,187</u>  |
| Structures   | 329                              | 329   |
| Accumulated depreciation   | (243)                            | (249)   |
| Structures, net  | <u>86</u>                        | <u>79</u>   |
| Machinery and equipment  | 5,647                            | 5,193   |
| Accumulated depreciation   | (5,015)                          | (4,636)   |
| Machinery and equipment, net   | <u>632</u>                       | <u>557</u>  |
| Vehicles   | 181                              | 180   |
| Accumulated depreciation   | (176)                            | (174)   |
| Vehicles, net  | <u>5</u>                         | <u>5</u>  |
| Tools, furniture and fixtures  | 1,212                            | 1,149   |
| Accumulated depreciation   | (1,151)                          | (1,097)   |
| Tools, furniture and fixtures, net   | <u>61</u>                        | <u>52</u>   |
| Land   | 868                              | 868   |
| Lease assets   | 333                              | 222   |
| Accumulated depreciation   | (110)                            | (77)  |
| Lease assets, net  | <u>222</u>                       | <u>145</u>  |
| Construction in progress   | 4                                | 11  |
| Total property, plant and equipment  | <u>4,129</u>                     | <u>3,907</u>  |
| Intangible assets  |                                  |   |
| Software   | 89                               | 78  |
| Lease assets   | 237                              | 211   |
| Telephone subscription right   | 13                               | 13  |
| Total intangible assets  | <u>340</u>                       | <u>303</u>  |
| Investments and other assets   |                                  |   |
| Investment securities  | 485                              | 475   |
| Stocks of subsidiaries and affiliates                                      | 330                              | 329   |
| Investments in capital   | 2                                | 2   |
| Long-term loans receivable from subsidiaries and affiliates                | 1,900                            | 1,920   |
| Investments in capital of subsidiaries and affiliates                      | —                                | 30  |
| Lease and guarantee deposits   | 107                              | 103   |
| Claims provable in bankruptcy, claims provable in rehabilitation and other | 250                              | 355   |
| Long-term prepaid expenses   | 3                                | 2   |
| Other  | 4                                | 4   |
| Allowance for doubtful accounts  | (250)                            | (355)   |
| Total investments and other assets   | <u>2,833</u>                     | <u>2,867</u>  |
| Total noncurrent assets  | <u>7,303</u>                     | <u>7,078</u>  |
| Total assets   | <u>14,149</u>                    | <u>13,657</u>   |



|  | FY10/2010<br>(As of Oct.31,2010) | (Millions of yen)<br>FY03/2011<br>(As of Mar.31,2011) |
|--|----------------------------------|---|
| <b>Liabilities</b>   |                                  |   |
| <b>Current liabilities</b>                                       |                                  |   |
| Notes payable-trade  | 466                              | 411   |
| Accounts payable-trade   | 2,760                            | 2,744   |
| Short-term loans payable   | —                                | 300   |
| Current portion of long-term loans payable                       | 172                              | 162   |
| Lease obligations  | 126                              | 127   |
| Accounts payable-other   | 649                              | 605   |
| Accrued expenses   | 138                              | 146   |
| Income taxes payable   | 47                               | 27  |
| Advances received on uncompleted<br>construction contracts       | 106                              | 70  |
| Deposits received  | 364                              | 366   |
| Provision for bonuses  | 178                              | 347   |
| Provision for product warranties                                 | 86                               | 103   |
| Notes payable-facilities   | 136                              | 23  |
| Other  | 51                               | 41  |
| <b>Total current liabilities</b>                                 | <b>5,284</b>                     | <b>5,477</b>  |
| <b>Noncurrent liabilities</b>                                    |                                  |   |
| Provision for retirement benefits                                | 1,306                            | 1,366   |
| Provision for directors' retirement benefits                     | 89                               | 89  |
| Long-term loans payable  | 1,478                            | 1,420   |
| Provision for loss on business of<br>subsidiaries and affiliates | 757                              | 855   |
| Lease obligations  | 346                              | 293   |
| Long-term guarantee deposited                                    | 87                               | 87  |
| Deferred tax liabilities   | 6                                | —   |
| Other  | 42                               | 73  |
| <b>Total noncurrent liabilities</b>                              | <b>4,113</b>                     | <b>4,184</b>  |
| <b>Total liabilities</b>   | <b>9,397</b>                     | <b>9,662</b>  |
| <b>Net assets</b>  |                                  |   |
| <b>Shareholders' equity</b>                                      |                                  |   |
| Capital stock  | 3,200                            | 3,200   |
| Capital surplus  |                                  |   |
| Legal capital surplus  | 3,044                            | 2,066   |
| Other capital surplus  | 0                                | 0   |
| <b>Total capital surpluses</b>                                   | <b>3,045</b>                     | <b>2,066</b>  |
| Retained earnings  |                                  |   |
| Other retained earnings  |                                  |   |
| Reserve for advanced depreciation of<br>noncurrent assets        | 8                                | —   |
| Retained earnings brought forward                                | (987)                            | (745)   |
| <b>Total earned surpluses</b>                                    | <b>(978)</b>                     | <b>(745)</b>  |
| Treasury stock   | (334)                            | (334)   |
| <b>Total shareholders' equity</b>                                | <b>4,932</b>                     | <b>4,186</b>  |
| <b>Valuation and translation adjustments</b>                     |                                  |   |
| Valuation difference on available-for-sale securities            | (180)                            | (191)   |
| <b>Total valuation and translation adjustments</b>               | <b>(180)</b>                     | <b>(191)</b>  |
| <b>Total net assets</b>  | <b>4,751</b>                     | <b>3,995</b>  |
| <b>Total liabilities and net assets</b>                          | <b>14,149</b>                    | <b>13,657</b>   |

**(2) Statements of income**

|  | (Millions of yen)         |                           |
|--|---------------------------|---------------------------|
|  | FY10/2010                 | FY03/2011                 |
|  | (Nov.1,2009-Oct. 31,2010) | (Nov.1,2010-Mar. 31,2011) |
| Net sales  |                           |                           |
| Net sales of merchandise and finished goods        | 14,888                    | 6,339                     |
| Net sales of completed construction contracts      | 832                       | 498                       |
| Total net sales                                    | <u>15,720</u>             | <u>6,837</u>              |
| Cost of sales                                      |                           |                           |
| Beginning merchandise and finished goods           | 1,157                     | 1,091                     |
| Cost of purchased goods                            | 3,516                     | 1,604                     |
| Cost of products manufactured                      | 8,044                     | 3,262                     |
| Total  | <u>12,718</u>             | <u>5,958</u>              |
| Finished goods transfer to other account           | 29                        | 180                       |
| Ending merchandise and finished goods              | 1,091                     | 982                       |
| Cost of merchandise and finished goods sold        | <u>11,597</u>             | <u>4,794</u>              |
| Cost of sales of completed construction contracts  | 715                       | 402                       |
| Total cost of sales                                | <u>12,313</u>             | <u>5,197</u>              |
| Gross profit                                       | <u>3,406</u>              | <u>1,640</u>              |
| Selling, general and administrative expenses       |                           |                           |
| Freightage expenses                                | 534                       | 210                       |
| Salaries and allowances                            | 1,294                     | 515                       |
| Provision for bonuses                              | 44                        | 153                       |
| Provision for directors' retirement benefits       | 13                        | 5                         |
| Retirement benefit expenses                        | 118                       | 50                        |
| Welfare expenses                                   | 215                       | 110                       |
| Depreciation                                       | 137                       | 66                        |
| Rent expenses                                      | 246                       | 112                       |
| Provision of allowance for doubtful accounts       | 55                        | 15                        |
| Research and development expenses                  | 335                       | 122                       |
| Provision for product warranties                   | 37                        | 17                        |
| Other  | 1,180                     | 574                       |
| Total Selling, general and administrative expenses | <u>4,212</u>              | <u>1,955</u>              |
| Operating income (loss)                            | <u>(805)</u>              | <u>(315)</u>              |
| Non-operating income                               |                           |                           |
| Interest income                                    | 2                         | 1                         |
| Foreign exchange gain                              | —                         | 20                        |
| Gain on sales of wastes                            | 17                        | 9                         |
| Commission fee                                     | 35                        | 26                        |
| Rent income  | —                         | 8                         |
| Compensation income                                | 16                        | —                         |
| Other  | 48                        | 11                        |
| Total non-operating income                         | <u>120</u>                | <u>78</u>                 |
| Non-operating expenses                             |                           |                           |
| Interest expenses                                  | 50                        | 20                        |
| Foreign exchange loss                              | 27                        | —                         |
| Loss on sales of notes payable                     | —                         | 6                         |
| Sales discounts                                    | —                         | 4                         |
| Provision of allowance for doubtful accounts       | 20                        | —                         |
| Other  | 30                        | 4                         |
| Total non-operating expenses                       | <u>127</u>                | <u>35</u>                 |
| Ordinary income (loss)                             | <u>(813)</u>              | <u>(272)</u>              |

|  | (Millions of yen)         |                           |
|--|---------------------------|---------------------------|
|  | FY10/2010                 | FY03/2011                 |
|  | (Nov.1,2009-Oct. 31,2010) | (Nov.1,2010-Mar. 31,2011) |
| Extraordinary Income   |                           |                           |
| Gain on sales of noncurrent assets   | 5                         | 0                         |
| Gain on sales of subsidiaries and affiliates' stocks                                   | 0                         | —                         |
| Reversal of allowance for doubtful accounts  | —                         | 30                        |
| Total extraordinary Income   | <u>6</u>                  | <u>30</u>                 |
| Extraordinary loss   |                           |                           |
| Loss on retirement of noncurrent assets  | 17                        | 2                         |
| Loss on valuation of investment securities   | 0                         | —                         |
| Loss on valuation of stocks of subsidiaries and affiliates                             | 3                         | 0                         |
| Loss on liquidation of subsidiaries and affiliates                                     | —                         | 7                         |
| Provision for loss on business of subsidiaries and affiliates                          | 118                       | 98                        |
| Business structure improvement expenses  | —                         | 344                       |
| Loss on adjustment for changes of Accounting Standard for asset retirement obligations | —                         | 40                        |
| Total extraordinary losses   | <u>138</u>                | <u>494</u>                |
| Income (loss) before income taxes  | <u>(946)</u>              | <u>(736)</u>              |
| Income taxes-current   | 32                        | 14                        |
| Income taxes-deferred  | (0)                       | (6)                       |
| Total income taxes   | <u>32</u>                 | <u>8</u>                  |
| Net income (loss)  | <u>(978)</u>              | <u>(745)</u>              |

**(3) Statements of changes in equity**

|  | FY10/2010<br>(Nov.1,2009-Oct. 31,2010) | (Millions of yen)<br>FY03/2011<br>(Nov.1,2010-Mar. 31,2011) |
|--|--|---|
| Shareholders' equity   |  |   |
| Capital stock  |  |   |
| Balance at the end of previous period                              | 3,200                                  | 3,200   |
| Changes of items during the period                                 |  |   |
| Total changes of items during the period                           | —                                      | —   |
| Balance at the end of current period                               | <u>3,200</u>                           | <u>3,200</u>  |
| Capital surplus  |  |   |
| Legal capital surplus  |  |   |
| Balance at the end of previous period                              | 3,619                                  | 3,044   |
| Changes of items during the period                                 |  |   |
| Reversal of legal capital surplus                                  | (575)                                  | (978)   |
| Total changes of items during the period                           | <u>(575)</u>                           | <u>(978)</u>  |
| Balance at the end of current period                               | <u>3,044</u>                           | <u>2,066</u>  |
| Other capital surplus  |  |   |
| Balance at the end of previous period                              | 0                                      | 0   |
| Changes of items during the period                                 |  |   |
| Reversal of legal capital surplus                                  | 575                                    | 978   |
| Deficit disposition  | (575)                                  | (978)   |
| Total changes of items during the period                           | <u>—</u>                               | <u>—</u>  |
| Balance at the end of current period                               | <u>0</u>                               | <u>0</u>  |
| Total capital surplus  |  |   |
| Balance at the end of previous period                              | 3,620                                  | 3,045   |
| Changes of items during the period                                 |  |   |
| Deficit disposition  | (575)                                  | (978)   |
| Total changes of items during the period                           | <u>(575)</u>                           | <u>(978)</u>  |
| Balance at the end of current period                               | <u>3,045</u>                           | <u>2,066</u>  |
| Retained earnings  |  |   |
| Other retained earnings  |  |   |
| Reserve for advanced depreciation of noncurrent assets             |  |   |
| Balance at the end of previous period                              | 9                                      | 8   |
| Changes of items during the period                                 |  |   |
| Reversal of reserve for advanced depreciation of noncurrent assets | (0)                                    | (8)   |
| Total changes of items during the period                           | <u>(0)</u>                             | <u>(8)</u>  |
| Balance at the end of current period                               | <u>8</u>                               | <u>—</u>  |
| General reserve  |  |   |
| Balance at the end of previous period                              | 1,662                                  | —   |
| Changes of items during the period                                 |  |   |
| Reversal of general reserve  | (1,662)                                | —   |
| Total changes of items during the period                           | <u>(1,662)</u>                         | <u>—</u>  |
| Balance at the end of current period                               | <u>—</u>                               | <u>—</u>  |
| Retained earnings brought forward                                  |  |   |
| Balance at the end of previous period                              | (2,246)                                | (987)   |
| Changes of items during the period                                 |  |   |
| Reversal of reserve for advanced depreciation of noncurrent assets | 0                                      | 8   |
| Deficit disposition  | 575                                    | 978   |
| Reversal of general reserve  | 1,662                                  | —   |
| Net income (loss)  | (978)                                  | (745)   |
| Total changes of items during the period                           | <u>1,259</u>                           | <u>241</u>  |
| Balance at the end of current period                               | <u>(987)</u>                           | <u>(745)</u>  |
| Total retained earnings  |  |   |
| Balance at the end of previous period                              | (575)                                  | (978)   |
| Changes of items during the period                                 |  |   |
| Deficit disposition  | 575                                    | 978   |
| Net income (loss)  | (978)                                  | (745)   |
| Total changes of items during the period                           | <u>(403)</u>                           | <u>232</u>  |
| Balance at the end of current period                               | <u>(978)</u>                           | <u>(745)</u>  |

|   | (Millions of yen)         |                           |
|---|---------------------------|---------------------------|
|   | FY10/2010                 | FY03/2011                 |
|   | (Nov.1,2009-Oct. 31,2010) | (Nov.1,2010-Mar. 31,2011) |
| Treasury stock  |                           |                           |
| Balance at the end of previous period                 | (333)                     | (334)                     |
| Changes of items during the period                    |                           |                           |
| Purchase of treasury stock                            | (0)                       | (0)                       |
| Total changes of items during the period              | <u>(0)</u>                | <u>(0)</u>                |
| Balance at the end of current period                  | <u>(334)</u>              | <u>(334)</u>              |
| Total shareholders' equity                            |                           |                           |
| Balance at the end of previous period                 | 5,911                     | 4,932                     |
| Changes of items during the period                    |                           |                           |
| Net income (loss)                                     | (978)                     | (745)                     |
| Purchase of treasury stock                            | (0)                       | (0)                       |
| Total changes of items during the period              | <u>(978)</u>              | <u>(745)</u>              |
| Balance at the end of current period                  | <u>4,932</u>              | <u>4,186</u>              |
| Valuation and translation adjustments                 |                           |                           |
| Valuation difference on available-for-sale securities |                           |                           |
| Balance at the end of previous period                 | (109)                     | (180)                     |
| Changes of items during the period                    |                           |                           |
| Net changes of items other than shareholders' equity  | (71)                      | (10)                      |
| Total changes of items during the period              | <u>(71)</u>               | <u>(10)</u>               |
| Balance at the end of current period                  | <u>(180)</u>              | <u>(191)</u>              |
| Total valuation and translation adjustments           |                           |                           |
| Balance at the end of previous period                 | (109)                     | (180)                     |
| Changes of items during the period                    |                           |                           |
| Net changes of items other than shareholders' equity  | (71)                      | (10)                      |
| Total changes of items during the period              | <u>(71)</u>               | <u>(10)</u>               |
| Balance at the end of current period                  | <u>(180)</u>              | <u>(191)</u>              |
| Total net assets                                      |                           |                           |
| Balance at the end of previous period                 | 5,802                     | 4,751                     |
| Changes of items during the period                    |                           |                           |
| Net income (loss)                                     | (978)                     | (745)                     |
| Purchase of treasury stock                            | (0)                       | (0)                       |
| Net changes of  | (71)                      | (10)                      |
| Total changes of items during the period              | <u>(1,050)</u>            | <u>(756)</u>              |
| Balance at the end of current period                  | <u>4,751</u>              | <u>3,995</u>              |