# ANNUAL REPORT 2012

Year Ended March 31, 2012

# 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

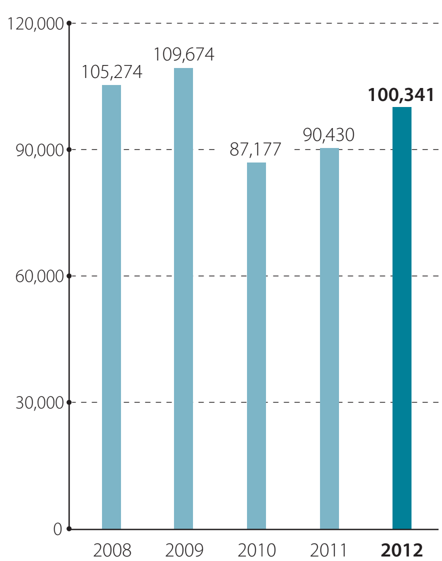
Nissin Electric Co., Ltd. and Consolidated Subsidiaries
Years ended March 31

| | Millions of yen | | | | | Thousands of U.S. dollars |
|---|---|---|---|---|---|---|
| | **2012** | 2011 | 2010 | 2009 | 2008 | ***2012*** |
| Net sales | **¥ 100,341** | ¥ 90,430 | ¥ 87,177 | ¥ 109,674 | ¥ 105,274 | ***$ 1,223,671*** |
| Operating income | **7,652** | 7,466 | 4,722 | 6,492 | 6,601 | ***93,317*** |
| Net income | **3,702** | 4,530 | 2,792 | 3,770 | 3,701 | ***45,146*** |
| Total assets | **112,303** | 109,410 | 100,140 | 105,902 | 116,910 | ***1,369,549*** |
| Shareholders' equity | **58,203** | 55,199 | 52,900 | 49,329 | 49,298 | ***709,793*** |
| Capital expenditure | **5,759** | 2,344 | 2,729 | 4,493 | 4,641 | ***70,232*** |
| Depreciation and amortization | **2,370** | 3,327 | 3,870 | 3,858 | 3,318 | ***28,902*** |
| Research and development expenses | **4,280** | 3,881 | 4,476 | 5,272 | 5,397 | ***52,195*** |
| | Yen | | | | | *U.S. dollars* |
| Per share of common stock: | | | | | | |
| Net income | **¥ 34.64** | ¥ 42.44 | ¥ 26.17 | ¥ 35.35 | ¥ 34.75 | ***$ 0.42*** |
| Diluted net income | **34.63** | 42.43 | 26.16 | 35.33 | 34.69 | ***0.42*** |
| Cash dividends | **9.00** | 9.00 | 5.50 | 7.00 | 7.00 | ***0.11*** |
| Shareholders' equity | **544.54** | 516.79 | 495.81 | 462.54 | 462.37 | ***6.64*** |

*Note: 1. For convenience only, Japanese yen amounts have been translated into U.S. dollar amounts at the rate of ¥82 = US$1.00, the approximate exchange rate prevailing on March 31, 2012.*
*2. Shareholders' equity = net assets excluding share subscription rights and minority interests.*

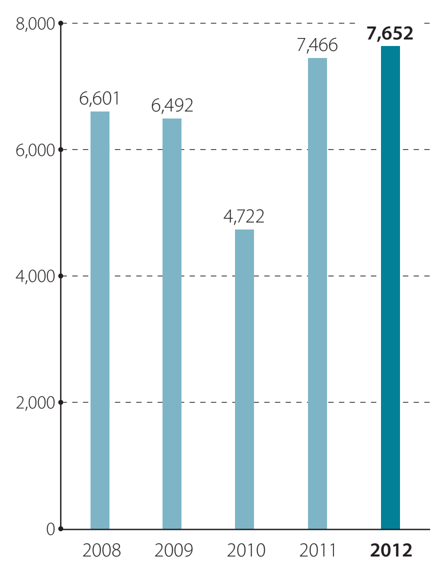
## Net sales

(Millions of yen)



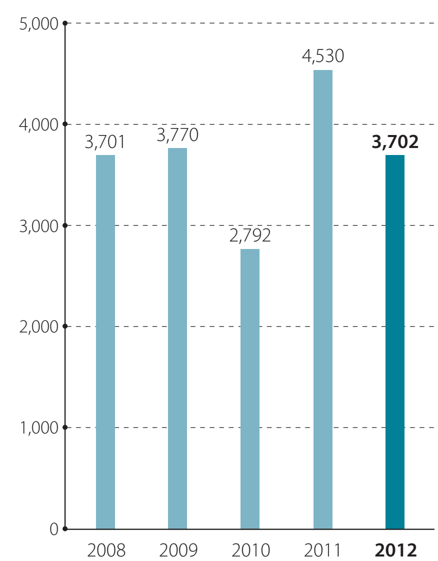

## Operating income

(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, 2011 to March 31, 2012), Japan's economy headed toward recovery amid a restoration in supply networks following the significant downturn in production activities seen in the wake of the Great East Japan Earthquake. However, the country's economic activities stagnated in the second half of the reporting year due to the ongoing appreciation of the yen and restrictions placed on electricity supplies as a result of the nuclear accident. Nevertheless, economic growth continued in Asia, particularly in China, which is our core overseas market. However, the pace of this growth was only gradual in nature.

In light of these economic conditions. I will now report on the market for the Nissin Electric Group's core products of power transmission and distribution equipment First, sales to the general private sector were solid as the market for static and heavy electrical machinery saw favorable conditions, thanks to a recovery in the demand for replacements and in demand from earthquake reconstruction projects. However, sales to electric power companies fell significantly due to cutbacks in investment in the wake of the earthquake. Sales to the public sector also decreased. In the Chinese market, product prices continued to drop, owing to intense price competition with local manufacturers.

As for the charged beam equipment market, demand increased in both Japan and abroad for equipment that manufactures small/medium high-definition Flat Panel Displays (FPDs), but demand in the second half of the reporting year trailed off in the semiconductor sector as investments were stagnant.

Next, I will report on the business performance of the Nissin Electric Group in the fiscal year under review. During the last reporting term, we actively pushed forward with the development of products and services that meet customer needs and measures to strengthen our cost competitiveness. As a result, the Nissin Electric Group's total order receipts were up 6.5% year on year to ¥99.85 billion.

By segment, order receipts totaled ¥44.509 billion for the power system equipment business; ¥25.078 billion for the charged beam equipment and processing business; ¥11.055 billion for the renewable energy and environment business; and ¥19.208 billion for the lifecycle engineering business.

Net sales of the Nissin Electric Group rose 11% year on year to ¥100.341 billion.

By business segment, net sales totaled ¥45.977 billion for the power system equipment business; ¥25.136 billion for the charged beam equipment and processing business; ¥9.903 billion for the renewable energy and environment business; and ¥19.325 billion for the lifecycle engineering business.

Ordinary income of the Nissin Electric Group increased 6.4% year on year to ¥7.992 billion. This increase was attributed to two factors: 1) the increase in sales from the charged beam equipment and processing business thanks to strong demand for electron beam processing equipment and ion implanter for FPD; and 2) the increase in earnings owing to collective efforts by the entire Group to reduce costs through the promotion of global procurement and global allocation of production.

The Nissin Electric Group booked extraordinary losses that included ¥789 million for damages incurred by the floods in Thailand and ¥207 million as a provision for doubtful accounts.

Finally, net income of the Nissin Electric Group fell 18.3% from the previous fiscal year to ¥3.702 billion after the inclusion of income taxes and adjustments for minority interests.

### Power System Equipment Business

Total order receipts for the power system equipment business came in at ¥44.509 billion, while net sales totaled ¥45.977 billion and segment profits were ¥3.731 billion.

### Charged Beam Equipment and Processing Business

Order receipts for the charged beam equipment and processing business totaled ¥25.078 billion; net sales were ¥25.136 billion; and segment profits were ¥2.387 billion.

### Renewable Energy and Environment Business

Total order receipts for the renewable energy and environment business were ¥11.055 billion, while net sales came in at ¥9.903 billion and segment profits were ¥308 million.

### Lifecycle Engineering Business

Order receipts for the lifecycle engineering business totaled ¥19.208 billion; net sales were ¥19.325 billion; and segment profits were ¥3.484 billion.

## Outlook for the Year Ending March 2013

Based on information available at the time of compiling this annual report, we forecast that our consolidated performance for the full-year fiscal 2012 will see earnings growth. The reason for this is because of a rise in demand from the renewable energy sector, centered on power conditioner for photovoltaic systems in both Japan and Asia. However, we anticipate that price competition will continue to become more intense for each of our business segments. In addition, we expect to receive insurance income as an extraordinary profit to cover the costs incurred as a result of the floods in Thailand.

Given this forecast, in fiscal 2012 the Nissin Electric Group is expected to record consolidated net sales of ¥105 billion; operating income of ¥8 billion; ordinary income of ¥8 billion; and net income of ¥5 billion.

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

The Nissin Electric Group launched its medium-to-long-term business plan "VISION2015" in April 2011. This vision focuses on our four core business segments: the power system equipment business, the charged beam equipment and processing business, the renewable energy and environment business and the lifecycle engineering business. By developing these four core segments in a well-balanced manner and globalizing each to their fullest, we aim to become a group of companies with the ability to achieve more sustainable growth.

This vision calls for a consolidated net sales target of ¥150 billion and consolidated operating income target of ¥12 billion to be achieved in fiscal 2015. As stated above, in fiscal 2011 (the first year of the plan), sales to electric power companies and the public sector decreased in the wake of the Great East Japan Earthquake while more intense price competition as well as yen appreciation and soaring prices for raw materials depressed our profit margin. Despite this challenging start to the plan, we embarked on measures to unlock medium- to long-term growth, including establishing a production site in China for power conditioners used in photovoltaic generation systems, which is a field expected to grow going forward, and expanding other overseas sites for ion implanters and electron beam processing equipment.

The future outlook for Japan's economy is as follows. First, we expect a mild economic expansion supported by demand for earthquake reconstruction projects. However, concerns also include power supply restrictions caused by the shutdown of nuclear power plants in Japan, the prolonged trend of yen appreciation, and the European economic crisis. While business opportunities will expand in the renewable energy and environment segment as well as in emerging markets, both are expected to grow going forward and competition is forecast to become even more intense. Accordingly, we feel that the challenging environment surrounding the Nissin Electric Group will continue to persist. Given this, the Nissin Electric Group will boldly implement various measures in order to achieve the targets set out in VISION2015.

The quantitative targets 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 4 Business Segments

### Power System Equipment Business

In the domestic market, power companies are cutting back on investments, while the general private sector and the public sector likely will not see major demand for new equipment. As a result, we will strive to enhance our earning power by implementing various measures such as capturing replacement demand for existing facilities, boosting profits by increasing our market share, proactively utilizing low-cost materials sourced from overseas, and fundamentally re-engineering and standardizing the designs of our products.

As for overseas markets, we have positioned China and ASEAN as important markets. This is because we have achieved strong results in China thus far, and ASEAN is expected to see economic growth and an increase in the number of Japanese companies making inroads. Thus, we plan to actively expand our operations in these countries and regions going forward.

### Charged Beam Equipment and Processing Business

In the charged beam equipment and processing business, we pushed forward with measures to handle larger glass substrates of ion implanter for small/medium high-definition FPDs, where the Group has a dominant market share, and have established a leading presence in the market. In addition, we will engage in the research and development of next-generation process equipment for semiconductor manufacturing, and will work to enhance our production and customer service sites located outside of Japan.

We are in the process of expanding our electron beam processing business by developing new equipment, expanding our processing services, developing electron beam applied products, and rolling out the sales of these equipment and related services overseas.

As for the thin-film coating business, we are moving forward with the development of applications for our core diamond-like carbon (DLC) film coating technologies, which offer excellent smoothness and abrasion-resistance. This will enable us to boost our sales in the automotive manufacturing field.

**Renewable Energy and Environment Business**

By implementing the following measures, we will seek to grow the renewable energy and environment business as the Nissin Electric Group's new core business segment.

First, in terms of the renewable energy segment, we will launch new, unique power conditioners essential to photovoltaic power generation systems. We will also develop new products for next-generation power transmission and distribution systems (Smart Grids) that combine our technologies for improving power quality and system stability with energy management system technologies. These new products will help us capture new demand from the renewable energy segment.

As for the environment business, we will continue to boost orders for electrical equipment and for monitoring control systems used in water treatment facilities. We will also launch equipment and systems, such as photovoltaic power generation systems for water treatment facilities that meet energy conservation and energy creation needs, which will enable us to expand this segment both in Japan and abroad.

**Lifecycle Engineering Business**

The lifecycle engineering business entails contract work spanning from installation of newly ordered equipment to maintenance services. Through this business we help improve the utilization rate and productivity of our customer's facilities, which will help us build stronger relationships with our customers and win orders for replacement demand.

The Nissin Electric Group has positioned the lifecycle engineering business as one of its new growth pillars. Going forward, we will develop the lifecycle engineering business globally by focusing on all customers that have purchased our products. Particularly in Japan, we will provide customers with solutions that include lifetime diagnoses based on analysis of measurement data and facilities, extending the life or replacing facilities based on close monitoring of operating conditions, and operational management. Also, outside of Japan, we will aim to grow our business globally by expanding the number of service sites.

## Five Important Measures that Support Our Business Expansion

The Nissin Electric Group will continue to grow its four core business segments globally in order to achieve the targets set out in VISION2015. Our business expansion will be supported by the steady implementation of the following five important measures.

1. Accelerate the development of new products and launch them in a timely manner, and at the same time, establish a powerful sales structure.
2. Promote aggressive globalization in all facets, including the organization, human resources and business processes.
3. Thoroughly reduce cost prices and further enhance quality to capture greater trust from customers.
4. Enhance the driving force behind our businesses by strengthening collaboration between departments across the entire Group, as well as outside the Group.
5. Develop human resources that will lead the globalization of our businesses, and nurture human resources to pass on the Nissin Electric Group's core technologies and skills.

## Promoting a Thorough Approach to Compliance and CSR

We believe that having a thorough approach to compliance and promoting our corporate social responsibility (CSR) are the foundation of our corporate management. We also believe that pursuing our corporate principles will support the foundation of industry and society, and in the process, enable us to promote CSR. As a result, we have positioned this as one of our highest priorities.

In order to put the above beliefs into practice, we are pushing forward with activities that improve the functions of our corporate governance. In conjunction with this, we will encourage the development and manufacturing of eco-friendly products that help achieve the vision for a low-carbon society in order to fulfill our responsibilities to society.

We will promote these business activities collectively as a Group while striving to enhance the business performance of the entire Group and to achieve our social mission.

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, 2012 and 2011

| ASSETS | Millions of yen 2012 | Millions of yen 2011 | Thousands of U.S. dollars (Note 1) 2012 |
|---|---|---|---|
| Current assets: | | | |
| Cash and cash equivalents | **¥ 7,313** | ¥ 12,722 | ***$ 89,183*** |
| Time deposits | **381** | 237 | ***4,646*** |
| Receivables: | | | |
| Trade notes and accounts (Note 13 and 14) | **39,444** | 33,048 | ***481,024*** |
| Other | **545** | 371 | ***6,647*** |
| | **39,989** | 33,419 | ***487,671*** |
| Allowance for doubtful receivables | **(708)** | (366) | ***(8,634)*** |
| | **39,281** | 33,053 | ***479,037*** |
| Securities (Note 3) | **10** | 2,993 | ***122*** |
| Inventories (Note 4) | **28,379** | 26,005 | ***346,085*** |
| Deferred tax assets (Note 17) | **3,603** | 3,893 | ***43,939*** |
| Other current assets | **1,760** | 1,777 | ***21,463*** |
| Total current assets | **80,727** | 80,680 | ***984,475*** |
| Property, plant and equipment: | | | |
| Land | **4,084** | 2,063 | ***49,805*** |
| Buildings and structures | **27,033** | 24,892 | ***329,671*** |
| Machinery and equipment | **35,142** | 34,651 | ***428,561*** |
| Construction in progress | **654** | 615 | ***7,975*** |
| Total property, plant and equipment | **66,913** | 62,221 | ***816,012*** |
| Accumulated depreciation | **(45,087)** | (44,176) | ***(549,841)*** |
| Net property, plant and equipment | **21,826** | 18,045 | ***266,171*** |
| Investments and other assets: | | | |
| Investment securities (Note 3 and 7) | **4,059** | 4,534 | ***49,500*** |
| Deferred tax assets (Note 17) | **442** | 463 | ***5,390*** |
| Prepaid pension cost (Note 18) | **2,549** | 2,657 | ***31,085*** |
| Other assets (Note 7) | **1,580** | 1,500 | ***19,269*** |
| Allowance for doubtful receivables | **(364)** | (336) | ***(4,439)*** |
| Total investments and other assets | **8,266** | 8,818 | ***100,805*** |
| Intangible assets | **1,484** | 1,867 | ***18,098*** |
| | **¥ 112,303** | ¥ 109,410 | ***$ 1,369,549*** |

*See accompanying notes.*

# Consolidated Balance Sheets

Nissin Electric Co., Ltd. and Consolidated Subsidiaries
March 31, 2012 and 2011

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| **LIABILITIES AND NET ASSETS** | **2012** | 2011 | ***2012*** |
| **Current liabilities:** | | | |
| Short-term bank loans (Note 5) | **¥ 6,545** | ¥ 5,247 | ***$ 79,817*** |
| Payables: | | | |
| Trade notes and accounts (Note 14) | **21,496** | 19,758 | ***262,146*** |
| Other | **1,849** | 1,977 | ***22,549*** |
| | **23,345** | 21,735 | ***284,695*** |
| Advances from customers | **5,588** | 9,039 | ***68,146*** |
| Accrued income taxes | **1,154** | 1,639 | ***14,073*** |
| Accrued expenses | **6,050** | 5,408 | ***73,781*** |
| Allowance for losses on contracts (Note 4) | **724** | 795 | ***8,829*** |
| Other provision | **1,114** | 927 | ***13,585*** |
| Other current liabilities | **248** | 217 | ***3,025*** |
| Total current liabilities | **44,768** | 45,007 | ***545,951*** |
| **Long-term liabilities:** | | | |
| Long-term debt due after one year (Note 5) | **153** | 351 | ***1,866*** |
| Employees' severance and retirement benefits (Note 18) | **3,678** | 3,554 | ***44,854*** |
| Allowance for environmental protection measures | **2,203** | 2,205 | ***26,866*** |
| Asset retirement obligations | **376** | 306 | ***4,585*** |
| Other long-term liabilities | **290** | 536 | ***3,537*** |
| Total long-term liabilities | **6,700** | 6,952 | ***81,708*** |
| **Contingent liabilities (Note 6 and 13)** | | | |
| **NET ASSETS (Note 8 and 9):** | | | |
| **Shareholders' equity:** | | | |
| Common stock: | | | |
| Authorized - 431,329,000 shares | | | |
| Issued and outstanding - 107,832,445 shares | **10,253** | 10,253 | ***125,037*** |
| Capital surplus | **6,679** | 6,664 | ***81,451*** |
| Retained earnings | **42,485** | 39,792 | ***518,110*** |
| Treasury stock, at cost: | | | |
| 1,019,349 shares in 2011 and 949,327 shares in 2012 | **(296)** | (318) | ***(3,610)*** |
| Total shareholders' equity | **59,121** | 56,391 | ***720,988*** |
| **Other comprehensive income:** | | | |
| Unrealized gains (losses) on securities, net of taxes | **693** | 924 | ***8,451*** |
| Unrealized gains (losses) on hedging derivatives, net of taxes | **(19)** | 19 | ***(232)*** |
| Foreign currency translation adjustments | **(1,592)** | (2,135) | ***(19,415)*** |
| Total other comprehensive income | **(918)** | (1,192) | ***(11,196)*** |
| **Share subscription rights** | **10** | 17 | ***122*** |
| **Minority interests** | **2,622** | 2,235 | ***31,976*** |
| Total net assets | **60,835** | 57,451 | ***741,890*** |
| | **¥ 112,303** | ¥ 109,410 | ***$1,369,549*** |

*See accompanying notes.*

# Consolidated Statements of Income

Nissin Electric Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2012 and 2011

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | **2012** | 2011 | ***2012*** |
| Net sales | **¥ 100,341** | ¥ 90,430 | ***$1,223,671*** |
| Cost and expenses: | | | |
| Cost of sales (Note 10 and 11) | **72,282** | 63,658 | ***881,488*** |
| Selling, general and administrative expenses (Note 11 and 12) | **20,407** | 19,306 | ***248,866*** |
| Operating income | **7,652** | 7,466 | ***93,317*** |
| Other income (expenses): | | | |
| Interest and dividend income | **182** | 160 | ***2,220*** |
| Interest expense | **(240)** | (279) | ***(2,927)*** |
| Reversal of allowance for doubtful receivables | **–** | 117 | ***–*** |
| Gain on sales of fixed assets (Note 19) | **–** | 105 | ***–*** |
| Gain on negative goodwill | **–** | 93 | ***–*** |
| Loss on adjustment for changes of accounting standard for asset retirement obligations | **–** | (222) | ***–*** |
| Loss on valuation of investment securities | **–** | (114) | ***–*** |
| Loss on disaster (Great East Japan Earthquake) (Note 20) | **–** | (84) | ***–*** |
| Loss on disaster (Thailand flood) (Note 21) | **(789)** | – | ***(9,622)*** |
| Provision of allowance for doubtful receivables | **(207)** | – | ***(2,524)*** |
| Impairment loss (Note 22) | **(47)** | – | ***(573)*** |
| Other, net | **398** | 164 | ***4,853*** |
| Income before income taxes and minority interests | **6,949** | 7,406 | ***84,744*** |
| Income taxes (Note 17): | | | |
| Current | **2,237** | 2,498 | ***27,280*** |
| Deferred | **658** | (67) | ***8,025*** |
| Total income taxes | **2,895** | 2,431 | ***35,305*** |
| Income before minority interests | **4,054** | 4,975 | ***49,439*** |
| Minority interests | **352** | 445 | ***4,293*** |
| Net income | **¥ 3,702** | ¥ 4,530 | ***$ 45,146*** |
| | Yen | | *U.S. dollars (Note 1)* |
| Amounts per share: | | | |
| Net income | **¥ 34.64** | ¥ 42.44 | ***$ 0.42*** |
| Diluted net income | **34.63** | 42.43 | ***0.42*** |
| Cash dividends applicable to the period | **9.00** | 9.00 | ***0.11*** |

*See accompanying notes.*

# Consolidated Statements of Comperhensive Income

Nissin Electric Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2012 and 2011

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | **2012** | 2011 | ***2012*** |
| Income before minority interests | **¥ 4,054** | ¥ 4,975 | ***$ 49,439*** |
| Other comprehensive income (Note 23): | | | |
| Unrealized gains (losses) on securities, net of taxes | **(231)** | (534) | ***(2,817)*** |
| Unrealized gains (losses) on hedging derivatives, net of taxes | **(38)** | 23 | ***(464)*** |
| Foreign currency translation adjustments | **613** | (1,010) | ***7,477*** |
| Share of other comprehensive income of associates acounted for using equrity method | **2** | 1 | ***24*** |
| Total other comprehensive income | **346** | (1,520) | ***4,220*** |
| Comprehensive income | **¥ 4,400** | ¥ 3,455 | ***$ 53,659*** |
| Comprehensive income attributable to | | | |
| Owners of the parent | **¥ 3,975** | ¥ 3,154 | ***$ 48,476*** |
| Minority interests | **425** | 301 | ***5,183*** |

*See accompanying notes.*

# Consolidated Statements of Changes in Net Assets

Nissin Electric Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2012 and 2011

| | 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 |

| | Millions of yen | | | | |
|---|---|---|---|---|---|
| | Shareholders' equity | | | | |
| | Common Stock | Capital surplus | Retained earnings | Treasury stock, at cost | Total shareholders' equity |
| Balance at April 1, 2011 | **¥ 10,253** | **¥ 6,664** | **¥ 39,792** | **¥ (318)** | **¥ 56,391** |
| Effect of changes in resulting from fiscal year change of subsidiaries | **–** | **–** | **59** | **–** | **59** |
| Cash dividends | **–** | **–** | **(1,068)** | **–** | **(1,068)** |
| Net income | **–** | **–** | **3,702** | **–** | **3,702** |
| Purchase of treasury stock | **–** | **–** | **–** | **(0)** | **(0)** |
| Sale of treasury stock | **–** | **15** | **–** | **22** | **37** |
| Balance at March 31, 2012 | **¥ 10,253** | **¥ 6,679** | **¥ 42,485** | **¥ (296)** | **¥ 59,121** |

| | 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, 2011 | ¥ 924 | ¥ 19 | ¥ (2,135) | ¥ (1,192) | ¥ 17 | ¥ 2,235 | ¥ 57,451 |
| Effect of changes in resulting from fiscal year change of subsidiaries | – | – | – | – | – | – | 59 |
| Cash dividends | – | – | – | – | – | – | (1,068) |
| Net income | – | – | – | – | – | – | 3,702 |
| Purchase of treasury stock | – | – | – | – | – | – | (0) |
| Sale of treasury stock | – | – | – | – | – | – | 37 |
| Net changes for the year | (231) | (38) | 543 | 274 | (7) | 387 | 654 |
| Balance at March 31, 2012 | ¥ 693 | ¥ (19) | ¥ (1,592) | ¥ (918) | ¥ 10 | ¥ 2,622 | ¥ 60,835 |

| | *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, 2011* | *$ 125,037* | *$ 81,268* | *$ 485,268* | *$ (3,878)* | *$ 687,695* |
| *Effect of changes in resulting from fiscal year change of subsidiaries* | *–* | *–* | *720* | *–* | *720* |
| *Cash dividends* | *–* | *–* | *(13,024)* | *–* | *(13,024)* |
| *Net income* | *–* | *–* | *45,146* | *–* | *45,146* |
| *Purchase of treasury stock* | *–* | *–* | *–* | *(0)* | *(0)* |
| *Sale of treasury stock* | *–* | *183* | *–* | *268* | *451* |
| *Balance at March 31, 2012* | *$ 125,037* | *$ 81,451* | *$ 518,110* | *$ (3,610)* | *$ 720,988* |

| | *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, 2011* | *$ 11,268* | *$ 232* | *$ (26,037)* | *$ (14,537)* | *$ 207* | *$ 27,256* | *$ 700,621* |
| *Effect of changes in resulting from fiscal year change of subsidiaries* | *–* | *–* | *–* | *–* | *–* | *–* | *720* |
| *Cash dividends* | *–* | *–* | *–* | *–* | *–* | *–* | *(13,024)* |
| *Net income* | *–* | *–* | *–* | *–* | *–* | *–* | *45,146* |
| *Purchase of treasury stock* | *–* | *–* | *–* | *–* | *–* | *–* | *(0)* |
| *Sale of treasury stock* | *–* | *–* | *–* | *–* | *–* | *–* | *451* |
| *Net changes for the year* | *(2,817)* | *(464)* | *6,622* | *3,341* | *(85)* | *4,720* | *7,976* |
| *Balance at March 31, 2012* | *$ 8,451* | *$ (232)* | *$ (19,415)* | *$ (11,196)* | *$ 122* | *$ 31,976* | *$ 741,890* |

*See accompanying notes.*

# Consolidated Statements of Cash Flows

Nissin Electric Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2012 and 2011

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | 2012 | 2011 | 2012 |
| **Cash flows from operating activities:** | | | |
| Income before income taxes and minority interests | ¥ 6,949 | ¥ 7,406 | $ 84,744 |
| Adjustments for: | | | |
| Depreciation and amortization | 2,370 | 3,327 | 28,902 |
| Loss on disaster (Thailand flood) | 789 | – | 9,622 |
| Amortization of goodwill | 238 | 238 | 2,902 |
| Gain on negative goodwill | – | (93) | – |
| Increase (decrease) in allowance for doubtful receivables | 301 | (359) | 3,671 |
| Increase (decrease) in allowance for employees' severance and retirement benefits | 233 | 142 | 2,841 |
| Increase (decrease) in long-term accounts payable | (265) | (353) | (3,232) |
| Increase (decrease) in allowance for loss on contracts | (71) | (77) | (866) |
| Increase (decrease) in other provision | 195 | (103) | 2,378 |
| Interest and dividend income | (182) | (160) | (2,220) |
| Interest expense | 240 | 279 | 2,927 |
| Loss on adjustment for changes of accounting standard for asset retirement obligations | – | 222 | – |
| Decrease (increase) in trade receivables | (7,180) | 3,635 | (87,561) |
| Decrease (increase) in inventories | (1,385) | (5,029) | (16,890) |
| Increase (decrease) in trade payables | 1,325 | 2,857 | 16,159 |
| Increase (decrease) in accrued expenses | 629 | 427 | 7,671 |
| Increase (decrease) in advances from customers | (3,521) | 3,671 | (42,939) |
| Increase (decrease) in consumption tax payable | 334 | (435) | 4,073 |
| Other, net | (125) | (538) | (1,524) |
| Subtotal | 874 | 15,057 | 10,658 |
| Interest and dividends received | 182 | 157 | 2,220 |
| Interest paid | (236) | (277) | (2,878) |
| Payments for loss on disaster (Thailand flood) | (413) | – | (5,037) |
| Proceeds from insurance income | – | 114 | – |
| Compensation for damage paid | – | (144) | – |
| Income taxes paid | (2,755) | (1,250) | (33,598) |
| Net cash provided by (used in) operating activities | (2,348) | 13,657 | (28,635) |
| **Cash flows from investing activities:** | | | |
| Payments for purchase of time deposits | (120) | (1,675) | (1,463) |
| Proceeds from refund of time deposits | 22 | 1,678 | 268 |
| Purchase of short-term investment securities | (4,595) | (4,389) | (56,037) |
| Proceeds from sales of short-term investment securities | 7,588 | 1,399 | 92,537 |
| Payments for purchase of investment securities | – | (132) | – |
| Payments for purchase of property, plant and equipment | (5,544) | (1,776) | (67,610) |
| Payments for purchase of intangible assets | (130) | (303) | (1,585) |
| Proceeds from sale of property, plant and equipment | 61 | 188 | 744 |
| Proceeds from acquisition of shares of a newly consolidated subsidiary | – | 426 | – |
| Additional acquisition of shares in consolidated subsidiaries from minority interests | (68) | (852) | (829) |
| Other, net | (94) | 67 | (1,147) |
| Net cash used in investing activities | (2,880) | (5,369) | (35,122) |
| **Cash flows from financing activities:** | | | |
| Increase (decrease) in short-term loans | 1,751 | (209) | 21,354 |
| Payments for long-term debt | (238) | (289) | (2,902) |
| Cash dividends paid to minority shareholders | (46) | (73) | (561) |
| Cash dividends paid | (1,068) | (907) | (13,024) |
| Other, net | 37 | 33 | 451 |
| Net cash provided by (used in) financing activities | 436 | (1,445) | 5,318 |
| Effect of exchange rate changes on cash and cash equivalents | 50 | (388) | 610 |
| Net (decrease) increase in cash and cash equivalents | (4,742) | 6,455 | (57,829) |
| Cash and cash equivalents at beginning of year | 12,722 | 6,267 | 155,146 |
| Increase (decrease) in cash and cash equivalents resulting from fiscal year change of subsidiaries | (667) | – | (8,134) |
| Cash and cash equivalents at end of year | ¥ 7,313 | ¥ 12,722 | $ 89,183 |

*See accompanying notes.*

# Notes to Consolidated Financial Statements

Nissin Electric Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2012 and 2011

## 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 five 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, 2012, which was ¥82 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, ten (ten in 2011) domestic subsidiaries and twenty two (twenty two in 2011) overseas subsidiaries. One subsidiary was newly consolidated as it was established in the fiscal year ended March 31, 2012. One company has been excluded from the scope of consolidation following completion of its liquidation proceedings. One unconsolidated subsidiary was accounted for using the equity method in 2012 (one in 2011). Material intercompany balances, transactions and unrealized profits have been eliminated in consolidation.

The fiscal year end date for Nissin Electric (Thailand) Co., Ltd. and three other subsidiaries has been changed from December 31 to March 31 starting from the current fiscal year.

The fiscal year end date for Nissin Allis Electric Co., Ltd., Nissin Electric (Wuxi) Co., Ltd., Nissin Electric Wuxi Co., Ltd., Beijing Hongda Nissin Electric Co., Ltd., and 13 other overseas subsidiaries is December 31. From the fiscal year ended March 31, 2012, these 17 overseas subsidiaries performed additional financial closings at March-end for consolidated purpose, aiming at more appropriate disclosure.

As a result of these changes, the Company consolidated the 12 month's result from April 1, 2011 to March 31, 2012. Profit and loss realized or incurred during the three-month period from January 1, 2011 to March 31, 2011 has been recognized in retained earnings.

### 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. Depreciation is computed using the straight-line method.

## (Change in accounting policy which is difficult to distinguish from accounting estimate)

The Company and its domestic subsidiaries had previously used the declining-balance method for depreciation of property, plant, and equipment other than buildings. From the fiscal year ended March 31, 2012, this has been changed to the straight-line method.

Based on an investigation that showed that facility utilization rates and annual repair costs were, in general, stable and normal, this change was made in order to allocate costs more appropriately and to standardize the Company's accounting policy with that of its parent company, Sumitomo Electric Industries, Ltd., and of the Company's consolidated subsidiaries overseas since the Company plans to further expand its operations outside of Japan in the future.

As a result of this change, compared to the previous method, operating income, income before income taxes and minority interests have increased ¥493 million *($6,012 thousand)*, ¥495 million *($6,037 thousand)*, respectively. Effects on segment information are described in Note 24.

## (Change in accounting estimate)

The Company and its certain domestic subsidiaries had depreciated machinery and equipment using a useful life of seven years. During the fiscal year ended March 31, 2012, the Company and its certain domestic subsidiaries conducted an investigation of asset usage and the validity of the existing period, which resulted in a change of useful life to 10 years.

As a result of this change, compared to the previous methods, operating income, income before income taxes and minority interests have increased ¥81 million *($988 thousand)*. Effects on segment information are described in Note 24.

## 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.

### 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.

### 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 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.

### 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.

### (Change in accounting policy)
### Application of the Accounting Standard for Earnings Per Share

Effective April 1, 2011, the Company and its consolidated domestic subsidiaries adopted "Accounting Standard for Earnings Per Share" (Accounting Standards Board of Japan ("ASBJ") Statement No.2, revised on June 30, 2010), "Guidance on Accounting Standard for Earnings Per Share" (ASBJ Guidance No.4, revised on June 30, 2010) and "Practical Solution on Accounting for Earnings Per Share" (ASBJ PITF No.9, revised on June 30, 2010).

### (Additional Information)
### Application of the Accounting Standard for Accounting Changes and Error Corrections

The Company and its consolidated domestic subsidiaries adopted "Accounting Standard for Accounting Changes and Error Corrections" (Accounting Standards Board of Japan ("ASBJ") Statement No.24, issued on December 4, 2009) and "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No.24, issued on December 4, 2009) for accounting changes and corrections of prior period errors which are made from the fiscal year beginning on April 1, 2011.

## 3. SECURITIES AND INVESTMENT SECURITIES

The carrying amounts of investment securities at March 31, 2012 and 2011 consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2012** | 2011 | ***2012*** |
| **Available-for-sale securities with available fair values:** | | | |
| Equity securities | **¥ 4,066** | ¥ 4,404 | ***$ 49,585*** |

The following is a summary of available-for-sale securities included in investment securities that had a quoted market value at March 31, 2012 and 2011.

| | Millions of yen | | | |
|---|---|---|---|---|
| **2012** | Acquisition cost | Gross unrealized gains | Gross unrealized losses | Book (fair) value |
| **Available-for-sale securities:** | | | | |
| Equity securities | ¥ 2,791 | ¥ 1,291 | ¥ 293 | ¥ 3,789 |
| Other | 277 | – | – | 277 |
| Total | **¥ 3,068** | **¥ 1,291** | **¥ 293** | **¥ 4,066** |

| | 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 |

| 2012 | Thousands of U.S. dollars Acquisition cost | Gross unrealized gains | Gross unrealized losses | Book (fair) value |
|---|---|---|---|---|
| *Available-for-sale securities:* | | | | |
| *Equity securities* | *$ 34,037* | *$ 15,743* | *$ 3,573* | *$ 46,207* |
| *Other* | *3,378* | *–* | *–* | *3,378* |
| *Total* | ***$ 37,415*** | ***$ 15,743*** | ***$ 3,573*** | ***$ 49,585*** |

The gross realized gains and losses on the sale of available-for-sale securities for the fiscal years ended March 31, 2012 and 2011 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 has recorded ¥3 million *($37 thousand)* and ¥114 million as loss on valuation of investment securities for the fiscal years ended March 31, 2012 and 2011, respectively.

The following is the book value and fair value of held-to-maturity debt securities at March 31, 2012 and 2011.

| | Millions of yen 2012 | 2011 | Thousands of U.S. dollars 2012 |
|---|---|---|---|
| Book value | **¥ 10** | ¥ 2,903 | ***$ 122*** |
| Fair value | **10** | 2,895 | ***122*** |
| Difference | **¥ 0** | ¥ (8) | ***$ 0*** |

## 4. INVENTORIES

Inventories at March 31, 2012 and 2011 consisted of the following:

| | Millions of yen 2012 | 2011 | Thousands of U.S. dollars 2012 |
|---|---|---|---|
| Finished goods | **¥ 4,576** | ¥ 4,916 | ***$ 55,805*** |
| Work-in-process | **18,267** | 16,489 | ***222,768*** |
| Raw materials and supplies | **5,536** | 4,600 | ***67,512*** |
| | **¥ 28,379** | ¥ 26,005 | ***$ 346,085*** |

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, 2012 and 2011 were ¥495 million *($6,037 thousand)* and ¥614 million, respectively.

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

Short-term loans at March 31, 2012 and 2011 were represented by short-term notes that consisted of the following:

| | Millions of yen 2012 | 2011 | Thousands of U.S. dollars 2012 |
|---|---|---|---|
| Short-term loans bearing average interest rates of 3.78% (2012) and 4.64% (2011) | **¥ 6,361** | ¥ 5,009 | ***$ 77,573*** |

A summary of long-term debt at March 31, 2012 and 2011 consisted of the following:

| | Millions of yen 2012 | 2011 | Thousands of U.S. dollars 2012 |
|---|---|---|---|
| Long-term debt | **¥ 337** | ¥ 589 | ***$ 4,110*** |
| Current portion of long-term debt | **(184)** | (238) | ***(2,244)*** |
| Loans maturing serially through 2015 bearing average interest rates of 2.40% (2012) and 2.27% (2011) | **¥ 153** | ¥ 351 | ***$ 1,866*** |

The annual maturities of long-term debt outstanding at March 31, 2012 were as follows:

| Year ended March 31, | Millions of yen | Thousands of U.S. dollars |
|---|---|---|
| 2013 | ¥ 184 | *$ 2,244* |
| 2014 | 88 | *1,073* |
| 2015 | 65 | *793* |
| 2016 | – | – |
| 2017 and thereafter | – | – |
| Total | ¥ 337 | *$ 4,110* |

## 6. CONTINGENT LIABILITIES (GUARANTEED LIABILITIES)

Debt guarantees provided to the financial institution borrowings of non-consolidated subsidiaries and affiliates

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2012** | 2011 | ***2012*** |
| Arteche Nissin, Sociedad Limitada | **¥ 154** | ¥ 129 | ***$ 1,878*** |

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

Investment in subsidiaries and affiliated companies which were not consolidated at March 31, 2012 and 2011 consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2012** | 2011 | ***2012*** |
| Investment securities | **¥ 24** | ¥ 24 | ***$ 293*** |
| Other assets | **215** | 239 | ***2,622*** |

## 8. 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.

## 9. 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, 2012 and 2011 were as follows:

**Common stock outstanding in the fiscal year ended March 31, 2012**

| | Number of shares |
|---|---|
| | **2012** |
| Balance at April 1, 2011 | **107,832,445** |
| Increase | **–** |
| Decrease | **–** |
| Balance at March 31, 2012 | **107,832,445** |

**Treasury stock outstanding in the fiscal year ended March 31, 2012**

| | Number of shares |
|---|---|
| | **2012** |
| Balance at April 1, 2011 | **1,019,349** |
| Increase due to the purchase of 978 less than one unit shares | **978** |
| Decrease due to the exercise of stock options for 71,000 shares | **(71,000)** |
| Balance at March 31, 2012 | **949,327** |

Common stock outstanding in the fiscal year ended March 31, 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 the fiscal year ended March 31, 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 |

### 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 the fiscal year ended March 31, 2012 and after March 31, 2012 were as follows:

**Dividends paid in the fiscal year ended March 31, 2012**

| Approved by | Record date | Effective date | Total amount Millions of yen | Total amount *Thousands of U.S. dollars* |
|---|---|---|---|---|
| Shareholders' meeting on June 23, 2011 | March 31, 2011 | June 24, 2011 | **¥ 640** | ***$ 7,805*** |
| Board of directors on October 27, 2011 | September 30, 2011 | December 6, 2011 | **428** | ***5,220*** |

**Dividends paid after March 31, 2012 and for which the record date is in the fiscal year ended March 31, 2012**

| Approved by | Record date | Effective date | Total amount Millions of yen | Total amount *Thousands of U.S. dollars* |
|---|---|---|---|---|
| Shareholders' meeting on June 26, 2012 | March 31, 2012 | June 27, 2012 | **¥ 534** | ***$ 6,512*** |

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

**Dividends paid in the fiscal year ended March 31, 2011**

| Approved by | Record date | Effective date | Total amount Millions of yen |
|---|---|---|---|
| Shareholders' meeting on June 24, 2010 | March 31, 2010 | June 25, 2010 | ¥ 586 |
| Board of directors on October 28, 2010 | September 30, 2010 | December 7, 2010 | 320 |

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

| Approved by | Record date | Effective date | Total amount Millions of yen |
|---|---|---|---|
| Shareholders' meeting on June 23, 2011 | March 31, 2011 | June 24, 2011 | ¥ 640 |

## 10. COST OF SALES

| | Millions of yen | | *Thousands of U.S. dollars* |
|---|---|---|---|
| | **2012** | 2011 | ***2012*** |
| Write-down of inventory assets | **¥ 689** | ¥ 126 | ***$ 8,402*** |
| Transfer to allowance for losses on contracts | **630** | 867 | ***7,683*** |

## 11. 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, 2012 and 2011 were ¥4,280 million *($52,195 thousand)* and ¥3,881 million, respectively.

## 12. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

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

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2012** | 2011 | ***2012*** |
| Salaries and bonuses for employees | **¥ 7,057** | ¥ 6,682 | ***$ 86,061*** |
| Research and development expenses | **3,160** | 2,966 | ***38,537*** |
| Cost of transportation of goods | **1,593** | 1,396 | ***19,427*** |
| Selling commissions | **780** | 1,094 | ***9,512*** |
| Retirement benefits | **764** | 717 | ***9,317*** |
| Transfer to allowance for bad debt | **275** | 27 | ***3,354*** |

## 13. ENDORSEMENT TRADE NOTES

Endorsement trade notes for the fiscal years ended March 31, 2012 and 2011 were ¥174 million *($2,122 thousand)* and ¥207 million, respectively.

## 14. TRADE NOTES MATURING ON THE BALANCE SHEET DATE

Trade notes maturing on the final day of the fiscal year are settled on the trade note exchange date.

The following trade notes maturing at fiscal year-end were included in the end-of-term balance because the final day of the fiscal year under review fell on a financial institution holiday.

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2012** | 2011 | ***2012*** |
| Notes receivable | **¥ 323** | ¥ – | ***$ 3,939*** |
| Notes payable | **318** | – | ***3,878*** |

## 15. FINANCIAL INSTRUMENTS

### 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, 2012 and 2011 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 | | |
|---|---|---|---|---|---|---|
| | **2012** | | | 2011 | | |
| | Amounts stated in the consolidated balance sheet | Fair value | Difference | Amounts stated in the consolidated balance sheet | Fair value | Difference |
| Cash and deposits | **¥ 7,418** | **¥ 7,418** | **¥ –** | ¥ 12,909 | ¥ 12,909 | ¥ – |
| Trade notes and accounts receivable | **39,444** | **39,444** | **–** | 33,048 | 33,048 | – |
| Securities and investment securities | | | | | | |
| Bonds held to maturity | **10** | **10** | **0** | 2,903 | 2,895 | (8) |
| Other securities | **4,066** | **4,066** | **–** | 4,404 | 4,404 | – |
| Total assets | **¥ 50,938** | **¥ 50,938** | **¥ 0** | ¥ 53,264 | ¥ 53,256 | ¥ (8) |
| Trade notes and accounts payable | **¥ 21,496** | **¥ 21,496** | **¥ –** | ¥ 19,758 | ¥ 19,758 | ¥ – |
| Short-term borrowings | **6,545** | **6,545** | **–** | 5,247 | 5,247 | – |
| Long-term borrowings | **153** | **158** | **5** | 351 | 361 | 10 |
| Total liabilities | **¥ 28,194** | **¥ 28,199** | **¥ 5** | ¥ 25,356 | ¥ 25,366 | ¥ 10 |
| Derivatives transactions | **¥ (28)** | **¥ (64)** | **¥ (36)** | ¥ 42 | ¥ 42 | ¥ 0 |

| | *Thousands of U.S. dollars* | | |
|---|---|---|---|
| | ***2012*** | | |
| | *Amounts stated in the consolidated balance sheet* | *Fair value* | *Difference* |
| *Cash and deposits* | ***$ 90,463*** | ***$ 90,463*** | ***$ –*** |
| *Trade notes and accounts receivable* | ***481,024*** | ***481,024*** | ***–*** |
| *Securities and investment securities* | | | |
| *Bonds held to maturity* | ***122*** | ***122*** | ***0*** |
| *Other securities* | ***49,586*** | ***49,586*** | ***–*** |
| *Total assets* | ***$ 621,195*** | ***$ 621,195*** | ***$ 0*** |
| *Trade notes and accounts payable* | ***$ 262,146*** | ***$ 262,146*** | ***$ –*** |
| *Short-term borrowings* | ***79,817*** | ***79,817*** | ***–*** |
| *Long-term borrowings* | ***1,866*** | ***1,927*** | ***61*** |
| *Total liabilities* | ***$ 343,829*** | ***$ 343,890*** | ***$ 61*** |
| *Derivatives transactions* | ***$ (341)*** | ***$ (780)*** | ***$ (439)*** |

### 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* |
|---|---|---|---|
| | **2012** | 2011 | ***2012*** |
| Amounts stated in the consolidated balance sheet | | | |
| Unlisted stocks | **¥ 269** | ¥ 269 | ***$ 3,280*** |

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 | | | |
|---|---|---|---|---|---|---|---|---|
| | **2012** | | | | 2011 | | | |
| | 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 | **¥ 326** | **¥ –** | **¥ (8)** | **¥ (8)** | ¥ 163 | ¥ – | ¥ (1) | ¥ (1) |
| Trade payables | | | | | | | | |
| Japanese yen | **59** | **–** | **(2)** | **(2)** | 388 | – | (0) | (0) |
| Interest rate swaps short: | | | | | | | | |
| U.S. dollars | **198** | **–** | **14** | **14** | 198 | 198 | 11 | 11 |
| Total | **¥ 583** | **¥ –** | **¥ 4** | **¥ 4** | ¥ 749 | ¥ 198 | ¥ 10 | ¥ 10 |

| | *Thousands of U.S. dollars* | | | |
|---|---|---|---|---|
| | ***2012*** | | | |
| | *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* | ***$ 3,976*** | ***$ –*** | ***$ (98)*** | ***$ (98)*** |
| *Trade payables* | | | | |
| *Japanese yen* | ***719*** | ***–*** | ***(24)*** | ***(24)*** |
| *Interest rate swaps short:* | | | | |
| *U.S. dollars* | ***2,415*** | ***–*** | ***171*** | ***171*** |
| *Total* | ***$ 7,110*** | ***$ –*** | ***$ 49*** | ***$ 49*** |

**B. Derivatives transactions to which hedge accounting is applicable**

| | Millions of yen | | | Millions of yen | | |
|---|---|---|---|---|---|---|
| | **2012** | | | 2011 | | |
| | 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 | **¥ 981** | **¥ –** | **¥ (38)** | ¥ 10 | ¥ – | ¥ 0 |
| Trade payables | | | | | | |
| Euro | **41** | **–** | **2** | – | – | – |
| Recognition of gain (loss) on hedged items deferred | | | | | | |
| Forward currency exchange contracts for: | | | | | | |
| Trade receivables | | | | | | |
| U.S. dollars | **934** | **–** | **(51)** | 65 | – | (2) |
| Thai Baht | **7** | **–** | **(1)** | – | – | – |
| Singapore dollars | **73** | **–** | **(0)** | – | – | – |
| Trade payables | | | | | | |
| Swiss francs | **157** | **–** | **12** | – | – | – |
| N.Z. dollars | **82** | **–** | **1** | 281 | – | 10 |
| U.S. dollars | **624** | **–** | **7** | 265 | – | 23 |
| Euro | **0** | **–** | **0** | – | – | – |
| Singapore dollars | **67** | **–** | **(0)** | – | – | – |
| Others | **–** | **–** | **–** | 18 | – | 1 |
| Total | **¥ 2,966** | **¥ –** | **¥ (68)** | ¥ 639 | ¥ – | ¥ 32 |

| | *Thousands of U.S. dollars* | | |
|---|---|---|---|
| | ***2012*** | | |
| | *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* | ***$ 11,963*** | ***$ –*** | ***$ (463)*** |
| *Trade payables* | | | |
| *Euro* | ***500*** | ***–*** | ***24*** |
| *Recognition of gain (loss) on hedged items deferred* | | | |
| *Forward currency exchange contracts for:* | | | |
| *Trade receivables* | | | |
| *U.S. dollars* | ***11,391*** | ***–*** | ***(621)*** |
| *Thai Baht* | ***85*** | ***–*** | ***(12)*** |
| *Singapore dollars* | ***890*** | ***–*** | ***(0)*** |
| *Trade payables* | | | |
| *Swiss francs* | ***1,915*** | ***–*** | ***146*** |
| *N.Z. dollars* | ***1,000*** | ***–*** | ***12*** |
| *U.S. dollars* | ***7,610*** | ***–*** | ***85*** |
| *Euro* | ***0*** | ***–*** | ***0*** |
| *Singapore dollars* | ***817*** | ***–*** | ***(0)*** |
| *Others* | ***–*** | ***–*** | ***–*** |
| *Total* | ***$ 36,171*** | ***$ –*** | ***$ (829)*** |

## 17. INCOME TAXES

The Companies are subject to several taxes based on income which, in the aggregate, indicate statutory rates in Japan of 40.6% for the fiscal years ended March 31, 2012 and 2011.

Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2012 and 2011 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2012** | 2011 | ***2012*** |
| **Deferred tax assets:** | | | |
| Severance and retirement benefits | **¥ 1,169** | ¥ 1,332 | ***$ 14,256*** |
| Employees' bonuses | **882** | 927 | ***10,756*** |
| Devaluation of inventories | **1,067** | 1,254 | ***13,012*** |
| Tax loss carryforwards | **718** | 620 | ***8,756*** |
| Foreign tax credit carryforwards | **142** | 383 | ***1,732*** |
| Cost of sales | **518** | 533 | ***6,317*** |
| Reserve for deferred gains related to fixed assets for tax purposes | **323** | 406 | ***3,939*** |
| Research and development expenses | **576** | 662 | ***7,024*** |
| Impairment loss on fixed assets | **127** | 183 | ***1,549*** |
| Allowance for losses on contracts | **272** | 323 | ***3,317*** |
| Provision for product warranties | **364** | 334 | ***4,439*** |
| Allowance for doubtful receivables | **249** | 163 | ***3,037*** |
| Unrealized intercompany profits | **285** | 369 | ***3,476*** |
| Allowance for environmental protection measures | **783** | 895 | ***9,549*** |
| Write-down of investment securities | **129** | 192 | ***1,573*** |
| Other temporary differences | **604** | 713 | ***7,366*** |
| Total deferred tax assets | **8,208** | 9,289 | ***100,098*** |
| Valuation allowance | **(3,012)** | (3,549) | ***(36,732)*** |
| Net deferred tax assets | **5,196** | 5,740 | ***63,366*** |
| **Deferred tax liabilities:** | | | |
| Depreciation | **(299)** | (312) | ***(3,646)*** |
| Unrealized gains on investment securities | **(305)** | (535) | ***(3,720)*** |
| Undistributed earnings of overseas subsidiaries | **(519)** | (451) | ***(6,329)*** |
| Other temporary differences | **(42)** | (102) | ***(512)*** |
| Total deferred tax liabilities | **(1,165)** | (1,400) | ***(14,207)*** |
| Net deferred tax assets | **¥ 4,031** | ¥ 4,340 | ***$49,159*** |

Reconciliations to the balance sheets were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2012** | 2011 | ***2012*** |
| Deferred tax assets reported in current assets | **¥ 3,603** | ¥ 3,893 | ***$ 43,939*** |
| Deferred tax assets reported in investments and other assets | **442** | 463 | ***5,390*** |
| Deferred tax liabilities reported in long-term liabilities | **(14)** | (16) | ***(171)*** |
| Net deferred tax assets | **¥ 4,031** | ¥ 4,340 | ***$ 49,158*** |

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, 2012 and 2011 were as follows:

| | **2012** | 2011 |
|---|---|---|
| Statutory income tax rate | **40.6 %** | 40.6 % |
| Nondeductible expenses | **1.7** | 3.2 |
| Nontaxable dividend income | **(0.4)** | (0.3) |
| Inhabitants taxes | **0.8** | 0.7 |
| Changes in valuation allowance | **(2.3)** | (3.2) |
| Foreign tax credit | **(0.4)** | (1.8) |
| Tax credit for research and development expenses | **(5.3)** | (3.4) |
| Effect of lower tax rates on overseas subsidiaries | **(2.7)** | (5.5) |
| Decrease in deferred tax assets by tax rate change | **5.3** | 0.5 |
| Other | **4.4** | 2.0 |
| Effective income tax rate | **41.7 %** | 32.8 % |

**Adjustment of deferred tax assets and liabilities for enacted changes in tax laws and rates**

On December 2, 2011, amendments to the Japanese tax regulations were enacted into law. As a result of these amendments, the statutory income tax rate for the Company will be reduced. Based on the amendments, the statutory income tax rates utilized for the measurement of deferred tax assets and liabilities expected to be settled or realized from April 1, 2012 to March 31, 2015 and on or after April 1, 2015 are 37.9% and 35.5%, respectively, as of March 31, 2012. Due to these changes in statutory income tax rates, net deferred tax assets decreased by ¥327 million *($3,988 thousand)* as of March 31, 2012, while deferred income tax increased by ¥369 million *($4,500 thousand)* recognized for the fiscal year ended March 31, 2012 and unrealized gains on securities increased by ¥43 million *($524 thousand)* as of March 31, 2012. Unrealized losses on hedging derivatives decreased by ¥1 million *($10 thousand)*.

## 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, 2012 and 2011 consisted of the following:

| | Millions of yen | | *Thousands of U.S. dollars* |
|---|---|---|---|
| | **2012** | 2011 | ***2012*** |
| Projected benefit obligation | **¥ 23,054** | ¥ 23,297 | ***$ 281,146*** |
| Unrecognized actuarial differences | **(8,528)** | (8,829) | ***(104,000)*** |
| Prepaid pension cost | **2,549** | 2,657 | ***31,085*** |
| Less fair value of pension assets | **(13,397)** | (13,571) | ***(163,377)*** |
| Liability for severance and retirement benefits | **¥ 3,678** | ¥ 3,554 | ***$ 44,854*** |

Severance and retirement benefit expenses included in the consolidated statements of income for the fiscal years ended March 31, 2012 and 2011 comprised the following:

| | Millions of yen | | *Thousands of U.S. dollars* |
|---|---|---|---|
| | **2012** | 2011 | ***2012*** |
| Service costs - benefits earned during the year | **¥ 814** | ¥ 773 | ***$ 9,927*** |
| Interest cost on projected benefit obligation | **580** | 580 | ***7,073*** |
| Expected return on plan assets | **(255)** | (249) | ***(3,110)*** |
| Amortization of unrecognized actuarial differences | **1,134** | 1,004 | ***13,830*** |
| Severance and retirement benefit expenses | **¥ 2,273** | ¥ 2,108 | ***$ 27,720*** |
| Payment of defined contribution plans | **156** | 176 | ***1,902*** |
| Total | **¥ 2,429** | ¥ 2,284 | ***$ 29,622*** |

Assumptions used for the fiscal years ended March 31, 2012 and 2011 were as follows:

| | **2012** | 2011 |
|---|---|---|
| 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 14 years |

## 19. GAIN ON SALES OF FIXED ASSETS

| | Millions of yen | | *Thousands of U.S. dollars* |
|---|---|---|---|
| | **2012** | 2011 | ***2012*** |
| Land | **¥ –** | ¥ 105 | ***$ –*** |

## 20. LOSS ON DISASTER (Great East Japan Earthquake)

The Companies recognized loss on disaster caused by the Great East Japan Earthquake (occurred on March 11, 2011) for the fiscal years ended March 31, 2012 and 2011 as follows:

| | Millions of yen | | *Thousands of U.S. dollars* |
|---|---|---|---|
| | **2012** | 2011 | ***2012*** |
| Loss on valuation of inventories | **¥ –** | ¥ 47 | ***$ –*** |
| Contribution | **–** | 30 | ***–*** |
| Other | **–** | 7 | ***–*** |
| Total | **¥ –** | ¥ 84 | ***$ –*** |

## 21. LOSS ON DISASTER (Thailand flood)

The flooding that occurred in Thailand in October 2011 due to torrential rains caused damage at the Company's consolidated subsidiary, Nissin Electric (Thailand) Co., Ltd. The breakdown of loss on disaster (Thailand flood) is noted below.

| | Millions of yen | *Thousands of U.S. dollars* |
|---|---|---|
| | **2012** | ***2012*** |
| Loss on devaluation of inventories | **¥ 280** | ***$ 3,415*** |
| Loss on disposal of fixed assets | **20** | ***244*** |
| Repair expense of fixed assets | **489** | ***5,963*** |
| Total | **¥ 789** | ***$ 9,622*** |

These assets were covered under an insurance policy. However the amount of the insurance payout had yet to be determined as of the end of the fiscal year. As a result, insurance income was not recognized.

## 22. IMPAIRMENT LOSS

The Company acquired all the equity interest of Nissin Electric (Wujiang) Co., Ltd. from the minority interest holder to dissolve the joint venture considering the change of future business plan of Nissin Electric (Wujiang) Co., Ltd. The Company recognized impairment loss for the balance of goodwill generated from that acquisition amounting to ¥47 million *($573 thousand)* as carrying amount is assessed to exceed fair value.

## 23. OTHER COMPREHENSIVE INCOME

| | Millions of yen | *Thousands of U.S. dollars* |
|---|---|---|
| | **2012** | ***2012*** |
| Valuation difference on available-for-sale securities: | | |
| Current period | **¥ (464)** | ***$ (5,659)*** |
| Adjustment | **3** | ***37*** |
| Before income tax effect | **(461)** | ***(5,622)*** |
| Tax effects | **230** | ***2,805*** |
| Total | **¥ (231)** | ***$ (2,817)*** |
| Deferred gains or loses on hedges: | | |
| Current period | **¥ (64)** | ***$ (780)*** |
| Adjustment | **–** | ***–*** |
| Before income tax effect | **(64)** | ***(780)*** |
| Tax effects | **26** | ***316*** |
| Total | **¥ (38)** | ***$ (464)*** |
| Foreign currency translation adjustment: | | |
| Current period | **¥ 610** | ***$ 7,440*** |
| Adjustment | **3** | ***37*** |
| Total | **¥ 613** | ***$ 7,477*** |
| Share of other comprehensive income of associates accounted for using the equity method: | | |
| Current period | **¥ 2** | ***$ 24*** |
| Total other comprehensive income: | **¥ 346** | ***$ 4,220*** |

## 24. 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 four reporting segments classified by the type and nature of its products and services: Power System Equipment, Charged Beam Equipment and Processing, Renewable Energy and Environment, Lifecycle Engineering.

**Types of products/services related to each reporting segment**

| Segment Name | Main Products/Services |
|---|---|
| Power System Equipment | Switchgear, Transformer, Instrument transformer, Instrument, Relay, Circuit breaker, Gas insulated switchgear, Capacitor, Harmonic filter equipment, Reactor, etc. |
| Charged Beam Equipment and Processing | Ion implantation systems, Ion doping systems, Electron-beam processing system, Electron-beam processing service, Thin-film coating equipment, Thin-film coating service, etc. |
| Renewable Energy and Environment | Photovoltaic system, Power conditioner for photovoltaic system, Smart grid, Voltage dip and interruption compensator, Static var compensator, Battery charger for electric car, Wastewater treatment system, Monitoring and control system, etc. |
| Lifecycle Engineering | Comprehensive support services; installation, adjustment, inspection and maintenance, etc. |

**Change of reporting segments**

The Company has instituted a 5 year business plan, "Vision 2015," starting from the fiscal year ended March 31, 2012, in which it will restructure its business portfolio. As a result, the Company has shifted from two reporting segments (Power System Equipment and Charged Particle Beam-Oriented Equipment) to four reporting segments consisting of Power System Equipment, Charged Beam Equipment and Processing, Renewable Energy and Environment, and Lifecycle Engineering.

However, due to the complexity of reclassifications, the new reporting segments are not reflected in the segment information of the fiscal year ended March 31, 2011.

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

| | Millions of yen | | | | | | |
|---|---|---|---|---|---|---|---|
| **Year ended March 31, 2012** | Power System Equipment | Charged Beam Equipment and Processing | Renewable Energy and Environment | Lifecycle Engineering | Total | Adjustment | Consolidated |
| Sales: | | | | | | | |
| Sales to outside customers | ¥ 45,977 | ¥ 25,136 | ¥ 9,903 | ¥ 19,325 | ¥ 100,341 | ¥ – | ¥ 100,341 |
| Intersegment sales and transfers | 420 | 19 | 7 | 848 | 1,294 | (1,294) | – |
| Total | 46,397 | 25,155 | 9,910 | 20,173 | 101,635 | (1,294) | 100,341 |
| Segment profit (loss) | ¥ 3,731 | ¥ 2,387 | ¥ 308 | ¥ 3,484 | ¥ 9,910 | ¥ (2,258) | ¥ 7,652 |
| Segment assets | ¥54,313 | ¥24,450 | ¥9,370 | ¥ 14,332 | ¥ 102,465 | ¥ 9,838 | ¥ 112,303 |
| Other: | | | | | | | |
| Depreciation and amortization | ¥ 1,271 | ¥ 755 | ¥ 148 | ¥ 127 | ¥ 2,301 | ¥ 69 | ¥ 2,370 |
| Amortization of goodwill | 222 | 16 | – | – | 238 | – | 238 |
| Increase in property, plant and equipment and intangible asset | 1,325 | 1,778 | 240 | 327 | 3,670 | 2,089 | 5,759 |

| | *Thousands of U. S. dollars* | | | | | | |
|---|---|---|---|---|---|---|---|
| ***Year ended March 31, 2012*** | *Power System Equipment* | *Charged Beam Equipment and Processing* | *Renewable Energy and Environment* | *Lifecycle Engineering* | *Total* | *Adjustment* | *Consolidated* |
| *Sales:* | | | | | | | |
| *Sales to outside customers* | *$ 560,695* | *$ 306,537* | *$ 120,768* | *$ 235,671* | *$ 1,223,671* | *$ –* | *$ 1,223,671* |
| *Intersegment sales and transfers* | *5,122* | *232* | *85* | *10,341* | *15,780* | *(15,780)* | *–* |
| *Total* | *565,817* | *306,769* | *120,853* | *246,012* | *1,239,451* | *(15,780)* | *1,223,671* |
| *Segment profit (loss)* | *$ 45,500* | *$ 29,110* | *$ 3,756* | *$ 42,488* | *$ 120,854* | *$ (27,537)* | *$ 93,317* |
| *Segment assets* | *$ 662,354* | *$ 298,171* | *$ 114,268* | *$ 174,780* | *$ 1,249,573* | *$ 119,976* | *$ 1,369,549* |
| *Other:* | | | | | | | |
| *Depreciation and amortization* | *$ 15,500* | *$ 9,207* | *$ 1,805* | *$ 1,549* | *$ 28,061* | *$ 841* | *$ 28,902* |
| *Amortization of goodwill* | *2,707* | *195* | *–* | *–* | *2,902* | *–* | *2,902* |
| *Increase in property, plant and equipment and intangible asset* | *16,158* | *21,683* | *2,927* | *3,988* | *44,756* | *25,476* | *70,232* |

An adjustment of negative ¥2,258 million *($27,537 thousand)* in segment income includes an elimination of transactions between the segments of ¥11 million *($134 thousand)* and corporate expenses of negative ¥2,269 million *($27,671 thousand)*. Corporate expenses are mainly general and administrative expenses not attributable to the reporting segments.

An adjustment of negative ¥9,838 million *($119,976 thousand)* in segment assets includes an elimination of transactions between the segments of negative ¥591 million *($7,207 thousand)* and corporate assets of ¥10,429 million *($127,183 thousand)*. Corporate assets are mainly assets not attributable to the reporting segments.

An adjustment of ¥69 million *($841 thousand)* in depreciation expenses includes an elimination of transactions between the segments of negative ¥6 million *($73 thousand)* and corporate expenses of ¥75 million *($914 thousand)*. Corporate expenses are mainly general and administrative expenses not attributable to the reporting segments.

An adjustment of ¥2,089 million *($25,476 thousand)* in the increases in tangible fixed assets and intangible fixed assets is corporate assets. Corporate assets are mainly assets not attributable to the reporting segments.

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

| | 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 |

An adjustment of negative ¥2,137 million in segment income includes an elimination of transactions between the segments of ¥6 million and corporate expenses of negative ¥2,143 million. Corporate expenses are mainly general and administrative expenses not attributable to the reporting segments.

An adjustment of negative ¥15,033 million in segment assets includes an elimination of transactions between the segments of negative ¥81 million and corporate assets of ¥15,114 million. Corporate assets are mainly assets not attributable to the reporting segments.

An adjustment of ¥106 million in depreciation expenses includes an elimination of transactions between the segments of negative ¥6 million and corporate expenses of ¥112 million. Corporate expenses are mainly general and administrative expenses not attributable to the reporting segments.

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

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

**Change in accounting policy which is difficult to distinguish from accounting estimate**
**(Changes in Depreciation Method for Property, Plant, and Equipment)**

The Company and its domestic subsidiaries had previously used the declining-balance method for depreciation of property, plant, and equipment other than buildings. From the fiscal year ended March 31, 2012, this has been changed to the straight-line method.

Based on an investigation that showed that facility utilization rates and annual repair costs were, in general, stable and normal, this change was made in order to allocate costs more appropriately and to standardize the Company's accounting policy with that of its parent company, Sumitomo Electric Industries, Ltd., and of the Company's consolidated subsidiaries overseas since the Company plans to further expand its operations outside of Japan in the future.

As a result of this change, compared to the previous method, segment profits for the Power System Equipment segment, Charged Beam Equipment and Processing segment, Renewable Energy and Environment segment, and Lifecycle Engineering segment have increased by ¥185 million *($2,256 thousand)*, ¥217 million *($2,646 thousand)*, ¥33 million *($402 thousand)*, and ¥11 million *($134 thousand)*, respectively, while the adjustments increased by ¥48 million *($585 thousand)*.

**Change in accounting estimate**
**(Changes in Useful Life of Property, Plant, and Equipment)**

The Company and its certain domestic subsidiaries had depreciated machinery and equipment using a useful life of seven years. During the fiscal year ended March 31, 2012, the Company and its certain domestic subsidiaries conducted an investigation of asset usage and the validity of the existing period, which resulted in a change of useful life to 10 years.

As a result of this change, compared to the previous method, segment profits for the Power System Equipment segment, Renewable Energy and Environment segment, and Lifecycle Engineering segment have increased by ¥76 million *($927 thousand)*, ¥3 million *($37 thousand)*, ¥1 million *($12 thousand)*, respectively. The effect of this change on adjustments to segment profits was minimal.

Information about net sales, profits or losses, assets, and other items for each reporting segment compiled prior to changes in segment classification made for the fiscal year is as follows.

| | Millions of yen | | | | |
|---|---|---|---|---|---|
| **Year ended March 31, 2012** | Power system equipment | Charged particle beam-oriented equipment | Total | Adjustment | Consolidated |
| Sales: | | | | | |
| Sales to outside customers | **¥ 70,847** | **¥ 29,494** | **¥100,341** | **¥ –** | **¥ 100,341** |
| Intersegment sales and transfers | **426** | **76** | **502** | **(502)** | **–** |
| Total | **71,273** | **29,570** | **100,843** | **(502)** | **100,341** |
| Segment profit (loss) | **¥ 6,103** | **¥ 3,878** | **¥ 9,981** | **¥ (2,329)** | **¥ 7,652** |
| Segment assets | **¥72,916** | **¥29,399** | **¥ 102,315** | **¥ 9,988** | **¥ 112,303** |
| Other: | | | | | |
| Depreciation and amortization | **¥ 1,527** | **¥ 774** | **¥ 2,301** | **¥ 69** | **¥ 2,370** |
| Amortization of goodwill | **222** | **16** | **238** | **–** | **238** |
| Increase in property, plant and equipment and intangible asset | **1,803** | **1,867** | **3,670** | **2,089** | **5,759** |

| | *Thousands of U. S. dollars* | | | | |
|---|---|---|---|---|---|
| ***Year ended March 31, 2012*** | *Power system equipment* | *Charged particle beam-oriented equipment* | *Total* | *Adjustment* | *Consolidated* |
| *Sales:* | | | | | |
| *Sales to outside customers* | ***$ 863,988*** | ***$ 359,683*** | ***$ 1,223,671*** | ***$ –*** | ***$ 1,223,671*** |
| *Intersegment sales and transfers* | ***5,195*** | ***927*** | ***6,122*** | ***(6,122)*** | ***–*** |
| *Total* | ***869,183*** | ***360,610*** | ***1,229,793*** | ***(6,122)*** | ***1,223,671*** |
| *Segment profit (loss)* | ***$ 74,427*** | ***$ 47,293*** | ***$ 121,720*** | ***$ (28,403)*** | ***$ 93,317*** |
| *Segment assets* | ***$ 889,220*** | ***$ 358,524*** | ***$ 1,247,744*** | ***$ 121,805*** | ***$ 1,369,549*** |
| *Other:* | | | | | |
| *Depreciation and amortization* | ***$ 18,622*** | ***$ 9,439*** | ***$ 28,061*** | ***$ 841*** | ***$ 28,902*** |
| *Amortization of goodwill* | ***2,707*** | ***195*** | ***2,902*** | ***–*** | ***2,902*** |
| *Increase in property, plant and equipment and intangible asset* | ***21,988*** | ***22,768*** | ***44,756*** | ***25,476*** | ***70,232*** |

An adjustment of negative ¥2,329 million *($28,403 thousand)* in segment income includes an elimination of transactions between the segments of ¥10 million *($122 thousand)* and corporate expenses of negative ¥2,339million *($28,525 thousand)*. Corporate expenses are mainly general and administrative expenses not attributable to the reporting segments.

An adjustment of negative ¥9,988 million *($121,805 thousand)* in segment assets includes an elimination of transactions between the segments of negative ¥441 million *($5,378 thousand)* and corporate assets of ¥10,429 million *($127,183 thousand)*. Corporate assets are mainly assets not attributable to the reporting segments.

An adjustment of ¥69 million *($841 thousand)* in depreciation expenses includes an elimination of transactions between the segments of negative ¥6 million *($73 thousand)* and corporate expenses of ¥75 million *($914 thousand)*. Corporate expenses are mainly general and administrative expenses not attributable to the reporting segments.

An adjustment of ¥2,089 million *($25,476 thousand)* in the increases in tangible fixed assets and intangible fixed assets is corporate assets. Corporate assets are mainly assets not attributable to the reporting segments.

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

## C. Information about geographical segments

| Year ended March 31, 2012 | Millions of yen Japan | Asia | Other | Total |
|---|---|---|---|---|
| Sales | ¥ 65,352 | ¥ 29,991 | ¥ 4,998 | ¥ 100,341 |
| Property, plant and equipment | 15,697 | 6,100 | 29 | 21,826 |

| *Year ended March 31, 2012* | *Thousands of U.S. dollars* *Japan* | *Asia* | *Other* | *Total* |
|---|---|---|---|---|
| *Sales* | *$ 796,976* | *$ 365,744* | *$ 60,951* | *$ 1,223,671* |
| *Property, plant and equipment* | *191,427* | *74,390* | *354* | *266,171* |

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

## D. Impairment loss by reporting segment

| Year ended March 31, 2012 | Millions of yen | | | | | | |
|---|---|---|---|---|---|---|---|
| | Power System Equipment | Charged Beam Equipment and Processing | Renewable Energy and Environment | Lifecycle Engineering | Total | Elimination or corporate | Consolidated |
| Impairment loss | ¥ 47 | ¥ – | ¥ – | ¥ – | ¥ 47 | ¥ – | ¥ 47 |

| *Year ended March 31, 2012* | *Thousands of U. S. dollars* | | | | | | |
|---|---|---|---|---|---|---|---|
| | *Power System Equipment* | *Charged Beam Equipment and Processing* | *Renewable Energy and Environment* | *Lifecycle Engineering* | *Total* | *Elimination or corporate* | *Consolidated* |
| *Impairment loss* | *$ 573* | *$ –* | *$ –* | *$ –* | *$ 573* | *$ –* | *$ 573* |

## E. Goodwill by reporting segment

| Year ended March 31, 2012 | Millions of yen | | | | | | |
|---|---|---|---|---|---|---|---|
| | Power System Equipment | Charged Beam Equipment and Processing | Renewable Energy and Environment | Lifecycle Engineering | Total | Elimination or corporate | Consolidated |
| Amortization | ¥ 222 | ¥ 16 | ¥ – | ¥ – | ¥ 238 | ¥ – | ¥ 238 |
| Unamortized balance | 271 | 37 | – | – | 308 | – | 308 |

| *Year ended March 31, 2012* | *Thousands of U.S. dollars* | | | | | | |
|---|---|---|---|---|---|---|---|
| | *Power System Equipment* | *Charged Beam Equipment and Processing* | *Renewable Energy and Environment* | *Lifecycle Engineering* | *Total* | *Elimination or corporate* | *Consolidated* |
| *Amortization* | *$ 2,707* | *$ 195* | *$ –* | *$ –* | *$ 2,902* | *$ –* | *$ 2,902* |
| *Unamortized balance* | *3,305* | *451* | *–* | *–* | *3,756* | *–* | *3,756* |

| *Year ended March 31, 2011* | 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 |

# Independent Auditors' Report

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

We have audited the accompanying consolidated financial statements of Nissin Electric Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2012 and 2011, and the consolidated statements of income, the consolidated statements of comprehensive income, the consolidated statements of changes in net assets and the consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information expressed in Japanese yen.

**Management's Responsibility for the Consolidated Financial Statements**
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

**Auditor's Responsibility**
Our responsibility is to 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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Nissin Electric Co., Ltd. and its consolidated subsidiaries as at March 31, 2012 and 2011, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

**Emphasis of Matter**
Without qualifying our opinion, we draw attention to Note 2 to the consolidated financial statements, which describes that the Company and its domestic subsidiaries has changed their depreciation method for property, plant and equipment other than building from the declining-balance method to the straight-line method.

**Convenience Translation**
The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2012 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

June 26, 2012

Kyoto, Japan

# Corporate Data (as of March 31, 2012)

## 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**
4,989

## Board of Directors and Statutory Auditors (as of June 26, 2012)

**Chairman**
Yoshikazu Amano*

**President**
Hideaki Obata *

**Senior Managing Director**
Satoru Nakahori *
Takushi Hara *

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

**Standing Auditors**
Eiichi Fujikawa
Fusao Kimma

**Auditors**
Mamoru Morita
Toshihide Kimura
Masahiro Yurino

* 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

**EcoTron 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

**NHV Accelerator Technologies Shanghai**
Shenyang, China
Business Line: Manufacturing and customer service for electron processing systems

**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.

47, Umezu-Takase-cho, Ukyo-ku, Kyoto
615-8686, Japan
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Facsimile: +81-75-864-8312
http://nissin.jp

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# Cover Story

## Sekison-tei

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

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