DAIICHI JITSUGYO CO., LTD.

ANNUAL REPORT 2010

DJK

Founding Spirit

As a trading company, Daiichi Jitsugyo Co., Ltd. (DJK) strives to facilitate the logistics of an economic society in order to contribute to social prosperity. Corporate activities are based on a proactive approach and spirit of unified cooperation. The company aims for stable growth based on sound management, while striving to improve the lifestyles and welfare of its employees.

Profile of Our Company

Daiichi Jitsugyo Co., Ltd. is an engineering and trading company that supplies optimum production equipment and systems to a wide range of industries. In that capacity, the Company is evolving into an advanced solutions company that offers integrated machinery (hardware), technology (software), and services by combining the diverse capabilities of its Group. We are committed to contributing to the creation of a creative global society through the sophisticated fusion of our leading technology, the knowledge of our predecessors, and our highly skilled employees. Based on that commitment, we aim to play an important role in the international community.

The DJK Group comprises DJK, twenty-three subsidiaries and five affiliates globally. The Group works together to achieve the most efficient networks possible for the procurement and sales of manufactured goods. Our subsidiaries manufacture some of the products.

Key consolidated subsidiaries under the DJK Group network are DAIICHI MECHA-TECH CORPORATION, providing after-sales technical services and parts and developing new equipment and systems; DJTECH CO., LTD., which develops, designs, and manufactures solder print inspection equipment; DAIICHI JITSUGYO VISWILL CO., LTD., which develops, designs, and manufactures visual inspection equipment for pharmaceuticals and chip condensers; DAIICHI JITSUGYO (AMERICA), INC., a strategic global partner with eight offices in North and Central America, including a Brazilian subsidiary; DJK EUROPE GMBH; SHANGHAI YISHI TRADING CO., LTD., the regional manager for China; DAIICHI JITSUGYO (HONG KONG) LIMITED; DAIICHI JITSUGYO ASIA PTE. LTD., the regional manager for Southeast Asia; DAIICHI JITSUGYO (THAILAND) CO., LTD.; DAI-ICHI JITSUGYO (MALAYSIA) SDN. BHD; and DAIICHI JITSUGYO (PHILIPPINES), INC. New additions to consolidation in the fiscal year under review include DAIICHI JITSUGYO (GUANGZHOU) TRADING CO., LTD.; and PT. DJK INDONESIA, which was established in June 2009.

Through 60 years of professional experience in worldwide sales and services for machinery and equipment, the DJK Group is globally recognized as a technical solutions provider for industry based on cutting-edge products and technologies.

Contents

Disclaimer regarding forward-looking statements

Statements made in this annual report with respect to DJK's forecasts and business targets that are not historical facts, are forward-looking statements about the future performance of the Company and its consolidated subsidiaries and are based on information currently available. Readers are cautioned that for a variety of reasons actual results could differ significantly from the projections presented in this report.

To Our Stakeholders

ACT 2012

Active Challenges for the Global Business Creator with Trust

I would like to take this opportunity to thank our shareholders for your support over the past fiscal year.

Having completed our 87th term, the fiscal year from April 1, 2009 to March 31, 2010, we are pleased to report in this document an outline of the business performance of the DJK Group.

The outlook for Japan's economy is unclear due to such factors as a slump in personal consumption against the backdrop of the difficult employment and personal income conditions. Nevertheless, capital investment by the private sector is expected to steadily rise in response to increased exports driven by growth in demand from emerging countries' markets and in response to improved corporate profits. The DJK Group's business climate is still cloudy but hopeful. Over the years, we have focused on the globalization of our business, and today over 50% of our revenues are earned abroad. We expect this trend to get even stronger in the future. Through this method of business development we have been able to increase our earnings by working with overseas business partners, avoiding any great loss in business despite the economic recession or having to downsize our offices or other parts of our business.

Under these circumstances, the DJK Group formulated a new three-year mid-term management plan covering the period from April 2010 to March 2013 called ACT 2012. The plan's slogan is "Active Challenges for the Global Business Creator with Trust." Based on the corporate vision and basic strategies laid down by the plan, we will aim to improve performance and implement sales drives to win more orders.

To achieve our business targets, we look forward to the ongoing support of our shareholders.

Kunihiro Yano
President & CEO

The New Mid-Term Management Plan

ACT 2012

Active Challenges for the Global Business Creator with Trust

Concept Behind the Formulation of the New Mid-Term Management Plan

In GET 2009, the previous mid-term management plan that ended in the fiscal year under review, the DJK Group accelerated overseas business development based on a global 4-axis network (China, Southeast Asia, America, and Europe), working to strengthen profitability. In addition, positioning the return of profits to shareholders as a management priority, the Company set a dividend policy that intended to provide an appropriate return of profits to shareholders in line with business performance. Based on this policy, we made best efforts to maintain dividend payouts and to increase corporate value by expanding and enhancing shareholders' equity. However, the impact of the sudden and sharp slowdown in the global economy caused by the Lehman Brothers bankruptcy that occurred in September 2008 at the halfway point in the mid-term management plan made it impossible to meet our quantitative performance targets. Nevertheless, most of the qualitative targets set under the plan were achieved. I believe that we have established a corporate structure that can successfully accomplish the goals of the new mid-term management plan.

ACT 2012, the new plan that started in the current fiscal year, further ramps up our drive to develop overseas business based on regional centers, adding the Middle East, Africa, Russia, and other areas to our plans and extending our global business development efforts. Among new business fields, we are aggressively developing our environmentally-friendly new energy, water resource-related, and secondary battery-related businesses. In addition, we are endeavoring to increase corporate value by further strengthening our financing structure.

Targeted Management Performance Indicators (Consolidated Performance Goals)

(Units: Millions of yen)

	FY2009 (Results)	**FY2012 (Targets)**
Net Sales	85,058	**127,000**
Operating Income	942	**5,100**
Net Income	363	**2,900**
Total Assets	55,097	**71,000**
Shareholders' Equity	21,714	**27,000**

Management Strategies
Strengthening and Expanding the Business Earnings Base

Further pursue global business development

- Extend and strengthen the 4-axis network (China, Southeast Asia, America, and Europe)
- Develop the network into a 5 or 6 axis structure by entering emerging regions (Middle East, Africa, Central Asia, Russia, etc.)
- Accelerate global business development in such fields as petroleum, chemicals, pulp and paper, plastics, electronics, and medical treatment.
- Expand business with local companies.

Buttress efforts in new business fields

- Make aggressive investments in environmental-, new energy-, and water resource-related businesses.
- Strengthen secondary battery-related business (lithium ion batteries, etc.).
- Pursue aggressive sales development in the steel industry.
- Aggressively develop the medical and healthcare-related commercial goods and materials business.
- Build up the earnings base through M&A and investment.

Thorough strengthening of core businesses

- Reinforce and deepen business relationships with major customers with strong "on site" capabilities.
- Make aggressive sales proposals and investments in the R&D divisions of customers.
- Expand imports and exports of commercial goods and materials and expand multilateral trade.

Promote More Advanced and Efficient Consolidated Management

Strengthen financial systems

- Promote the diversification of financing sources.
- Increase the equity ratio, ROE, and ROA.
- Use interest-bearing debt effectively.
- Reinforce and implement thorough sales receivables collection risk management in line with the expansion in overseas business.

Develop and nurture organizational innovation and personnel

- Reorganize the Group's internal structure.
- Promote the hiring and nurturing of international personnel and their participation in management.
- Create a dynamic flow of human resources within the Group.
- Establish a training and education organization that encourages creativity.

Establish and strengthen management system

- Establish and strengthen the information technology (IT) infrastructure.
- Implement thorough compliance and internal control systems.
- Strengthen and implement thorough risk management.
- Establish a knowledge management system.
- Expand corporate social responsibility (CSR) and environmental activities.

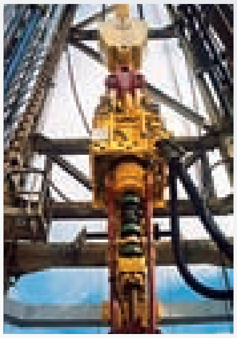
DJK Business Segments

Energy
Engineering
Electronics
Plastics
Pulp & Paper
Automobile
Pharmaceuticals
Others

Energy

Machinery and equipment for the energy, petroleum, and petrochemical industries

Offshore rig (Japan Drilling Co., Ltd.)



Top drive system

Business

DJK is known in the energy industry as a highly reputable, specialist supplier of machinery. Against the backdrop of its rich experience and solid technology accumulated over the years, the Company has actively addressed new themes in its business and achieved results in the energy conservation, alternative energy, new energy, and environmental protection fields. Its business departments provide detailed services for customers in the fields of engineering, construction, and maintenance as well as consulting services for soil remediation in the way only DJK can. For example, the energy development department can provide various hardware and software such as environmental assessments for development projects, physical exploration equipment and its analysis software and drilling rigs and equipment for both on-shore or off-shore use. On the other hand, the production and refining department can supply petroleum, gas, and geothermal production field systems, wind and solar electric power generation systems, petroleum refining plants, and petrochemical plants.

Operating environment

Although there was a sharp decline in large orders for petroleum refining plants and other equipment from major petroleum companies, existing orders for petroleum refining plants for major petroleum companies and plants for major chemical companies contributed to sales.

We anticipate the business climate for the energy industry will be difficult for some time. DJK cannot expect growth in sales or orders because of the trend toward curtailing capital investments in the industry.

New Business

While on the one hand, sales of equipment of production processes for secondary batteries, such as lithium ion batteries are favorably increasing, competition has intensified in other new energy business fields. The Group is focusing on expanding demand for the future.

Refinery plant

Engineering

Machinery and equipment for the plant engineering, and construction industries

Business

Integration, combination, and systematization of basic engineering processes are the foundations of today's advanced technologies. Our mission as a technology-oriented trading firm in the engineering industry is to be a leader in supplying our customers with the latest and most advanced machinery and technology. As our source of business is large orders received via engineering companies for equipment to be used in domestic and overseas petroleum refining and chemical plants in Japan and overseas, performance fluctuates widely in response to regional economic conditions.

Operating environment

Although there were orders received through major engineering companies for overseas petrochemical and chemical plants and accessories, sales declined because sales from previous order backlogs ended. Even during slumps, DJK anticipates orders to continue for work required to maintain safety conditions, such as regularly scheduled factory maintenance and repair, or plant concentration activities to reduce excess production equipment.

Electronics

Machinery and equipment for the industries of electronics, IT, electric machinery, precision machinery, optical and audio equipment, and musical instruments

Modular chip mounter

3D Bump inspection system

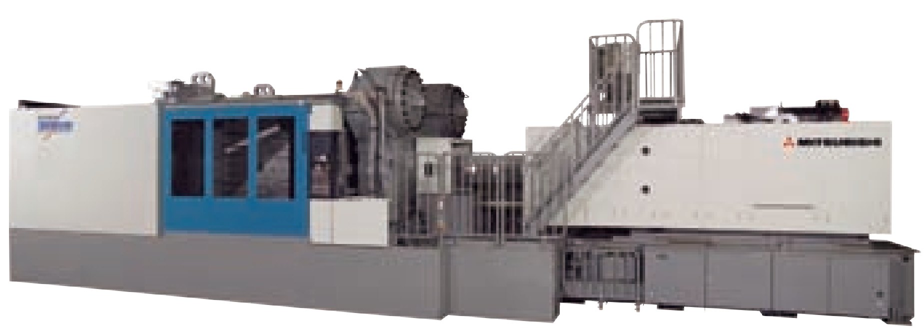
Business

The infrastructure of our society is made up of a range of basic industrial technologies, among which electronics play an essential role. To support the increasing use of electronics in those technologies, we market a wide range of electronic machinery and equipment, including factory automation systems and computers and peripheral equipment. To support progress in leading-edge industrial electronics, we also provide the industry with semiconductor manufacturing-related equipment, including PCB (printed circuit board), SMT (surface mounting technology), COB (chip on board), and IC packaging equipment.

Operating environment

Because this business segment only handles single product lines, especially with semiconductor testing equipment, the drop in demand from the semiconductor testing equipment industry was directly reflected in performance. In addition, sales of IT and digital devices to the still growing Asian market, centered on China and the Republic of Korea, and domestic and overseas sales of in-car devices fell sharply in the first half of the fiscal year under review. However, sales for this market have steadily recovered since the start of 2010 and are expected to continue to expand. Going forward, the Group will shift its focus in this business sector from sales of single product lines to sales of a comprehensive automated product line, endeavoring to increase its earning opportunities.

Plastics



Electric injection molding machine

Machinery and equipment for the plastic, rubber, ceramics, glass, and fiber industries

Business

Development of an exciting range of new materials, such as fine ceramics and high-grade and fiber-reinforced plastics, is continuing at an accelerated rate, driven by high demand from global markets. Since these materials have special, unique properties, they are being utilized in a growing range of manufactured products, from sporting goods to integrated circuits, due to their exceptional features.

Compared with the materials, however, there is significant room for improvement of the structural processing of these materials by machines. DJK is doing its part to support the development of new technologies and processing methods through the provision of information.

Operating environment

Because of the dramatic drop in demand for consumer electronics, automobile components, and other products, demand was weak for large- and small-scale injection molding machines and for related equipment.

Along with the recovery in the consumer electronics market, DJK is also seeing signs of regain in sales for plastic for housings with electronics industry showing recovery.

Automobile

Machinery and equipment for the automobile, steel, metal, shipbuilding, and heavy machinery industries

Electric injection molding machine

Operating environment

The automobile parts-related industry was directly affected by the worsening of the economy, but overseas orders from Southeast Asia and China were favorable, holding overall segment sales to a small decline. Although slight, the signs of a recovery in the global economy, suggest that customers are steadily increasing their capital investments again. Furthermore, in the automobile business, we can expect growth in demand for electric car-related components along with the increased number of companies starting to manufacture environmentally friendly automobiles. In addition, we forecast increased capital investment overseas by Japanese companies due to the growing number of companies shifting their production out of Japan.

Utilizing our global network, we are receiving orders for automobile-related equipment, especially spray painting robots, surfacing equipment, plastic injection molding equipment, and diecast machines.

Major auto makers in Japan and other countries are continuing to shift toward low-fuel-consumption hybrid cars and electric cars. This condition is expected to persist in the near future. As an end result, all automobile manufacturers are trying to achieve an early introduction of eco-cars, including hybrid, electric, and fuel cell-powered cars, and are working intensively on development and production. The automobile manufacturers also are continuing efforts to reduce car weight to boost fuel efficiency. This policy has produced a rapid shift to plastic components in the automobile industry. Manufacturing processes for metal components are also being improved to reduce costs.

Looking forward, DJK anticipates expansion in orders and sales in this business sector because of the implementation of tax reduction measures in various countries and the clear signs of recovery in the market on a global scale.

Electric die-casting machine

Pulp & Paper

Machinery and equipment for the pulp and paper and related industries

DD washer

Pulp plant

Business

In our pulp and paper operations, we carry a wide range of equipment for wood and pulp processing, chemical recovery, paper manufacturing, coating, and finishing processes. In addition, we provide customized automated systems that utilize the latest computer technology to coordinate various types of machinery involved in the paper production process. Among printing equipment, we offer a range of machinery used in high-quality printing processes, such as screen, anastatic, and gravure printing.

Operating environment

Capital investment in pulp and paper manufacturing equipment continued to contract because of the economic recession, causing an extremely difficult business environment.

Tablet visual inspection system

Pharmaceuticals

Machinery and equipment for the pharmaceutical, food, cosmetics, and oils & fats

Business

This segment handles a diverse range of manufactured products utilizing its abundant experience and wide-ranging knowledge in the pharmaceuticals, food products, cosmetics, and oil and fat businesses. For example, we handle all types of upstream and downstream products in the pharmaceutical industry— from drug discovery and research to pharmaceutical packaging— supplying pharmaceutical preparation devices, filling equipment, various types of inspection equipment, and the latest packaging production lines.

Furthermore, the segment provides efficient production plants and devices, playing a major role in the development of the core pharmaceutical industry.

Operating environment

The business segment saw robust business during the fiscal year under review under conditions very close to special demand. The backdrop to the high level of activity was aggressive capital investment by generic drug manufacturers commissioned under the revised Pharmaceutical Affairs Law, growth in use of generic drugs due to the change in the input method for drug prescriptions, and surplus capital investment funds in the industry resulting from some major mergers and tie-ups.

Product strategy

The tablet/capsule inspection equipment which is the mainstay of Group company DAIICHI JITSUGYO VISWILL CO., LTD., has gained more advanced functions along with the progressive use of color and three dimensional (3D) features. In future, DJK will concentrate on overseas marketing, expanding its global market development efforts.

Others

Machinery and equipment for other industries

Deicer

Business

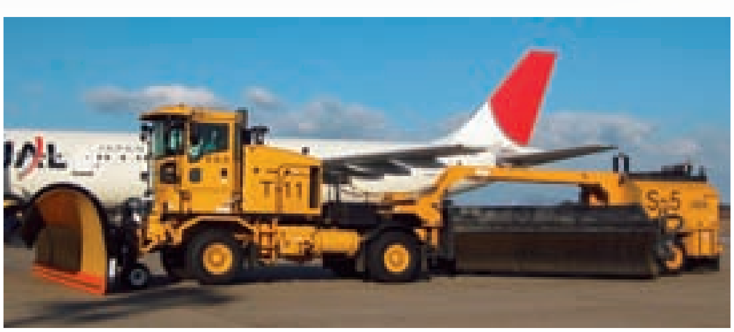
In addition to the transport and service industries, the others category does business with national and local governing agencies, centered on the Ministry of Construction and the construction bureaus of regional government entities. The main types of merchandise being sold to national and local governing agencies are agricultural water pumps, water and sewage pipes, carbon fiber sheet used as reinforcing material to increase earthquake resistance, health promenades, and Ground Support Equipment (G.S.E.) for airports.

In particular, as a general supplier of G.S.E. and airport facility-related equipment, DJK provides support for the air transport industry, handling a full range of equipment and boasting a strong delivery record with airlines and domestic and overseas airports. DJK is a supplier of a wide-range of equipment in this field, including deicers, towing tractors, air stand units, sweeper cars for snow removal, various types of aerial support materials, and water hydrant materials.

We import a deicer for airplanes manufactured by Denmark's G. Vestergaard A/S, and have supplied a total of more than 100 units to almost all of Japan's scheduled airlines. The deicer is highly regarded by airlines around the world as well as those in Japan as contributing to safe operations. DJK has established its own service system for this product and is providing enhanced after sales care using staff with specialized technical capabilities.

Operating environment

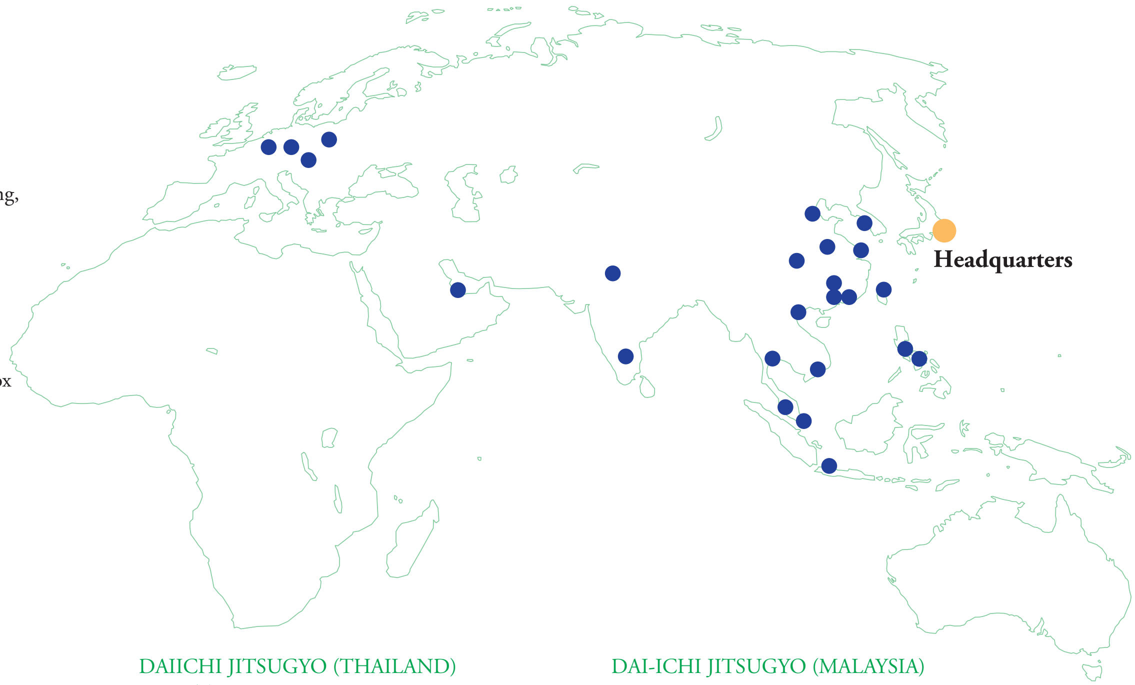
This category posted an acceptable performance in the fiscal year under review, supported by large-sale orders related to public sector demand in such areas as G.S.E. In other areas, DJK concentrated its efforts on developing sales of equipment, etc. for independent administrative agencies based on competitive auctions, with results that suggest strong growth potential for the future.



Runway snow removal vehicle

The DJK Overseas Network

(As of July 1, 2010)



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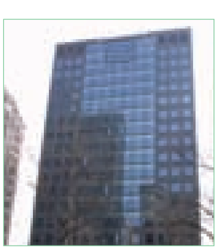
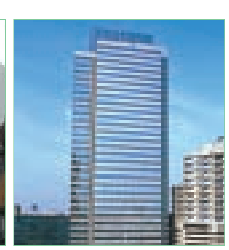
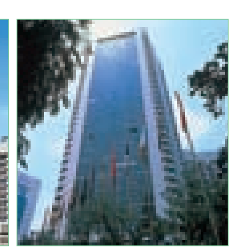

Seoul Branch


DJK EUROPE GMBH


DAIICHI JITSUGYO ASIA PTE. LTD.


DAIICHI JITSUGYO (THAILAND) CO., LTD.


Ho Chi Minh Office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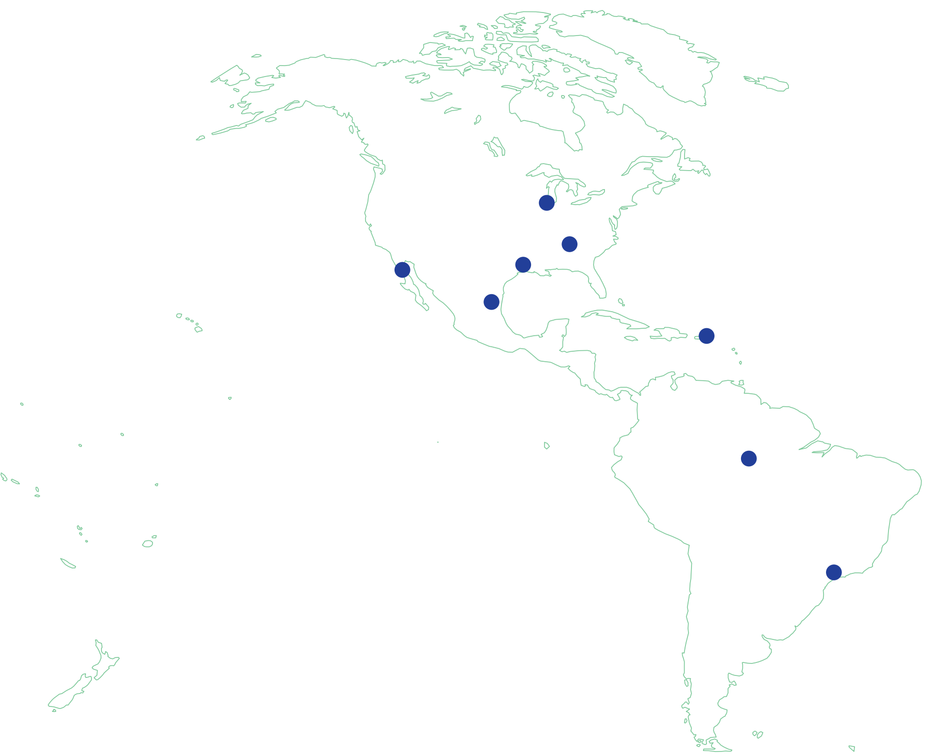

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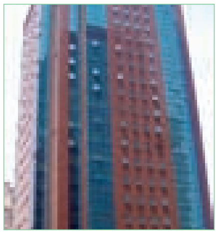
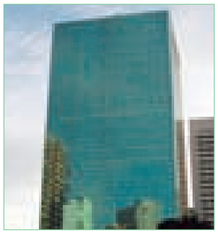

SHANGHAI YISHI TRADING CO., LTD.


DAIICHI JITSUGYO (HONG KONG) LIMITED


DJK (Taiwan) CORP.


DAIICHI JITSUGYO (AMERICA), INC.


DAIICHI JITSUGYO DO BRASIL COMERCIO DE MAQUINAS LTDA.

The DJK Domestic Network

(As of July 1, 2010)

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Consolidated subsidiary
Headquarters:
8-6 Ryoke 5-chome, Kawaguchi, Saitama
332-0004, Japan
Phone: (048) 222-1692
Fax: (048) 222-1630
Technical development and services related to equipment handled by DJK

DJTECH CO., LTD.

Consolidated subsidiary
Headquarters:
15 Asahidai Moroyama, Iruma-gun, Saitama
350-0444, Japan
Phone: (049) 295-4975
Fax: (049) 295-4972
Development, designing, manufacturing, and sales of PCB-mounting inspection device, handlers for semiconductor post-process, and image-processing application systems.

DAIICHI JITSUGYO VISWILL CO., LTD.

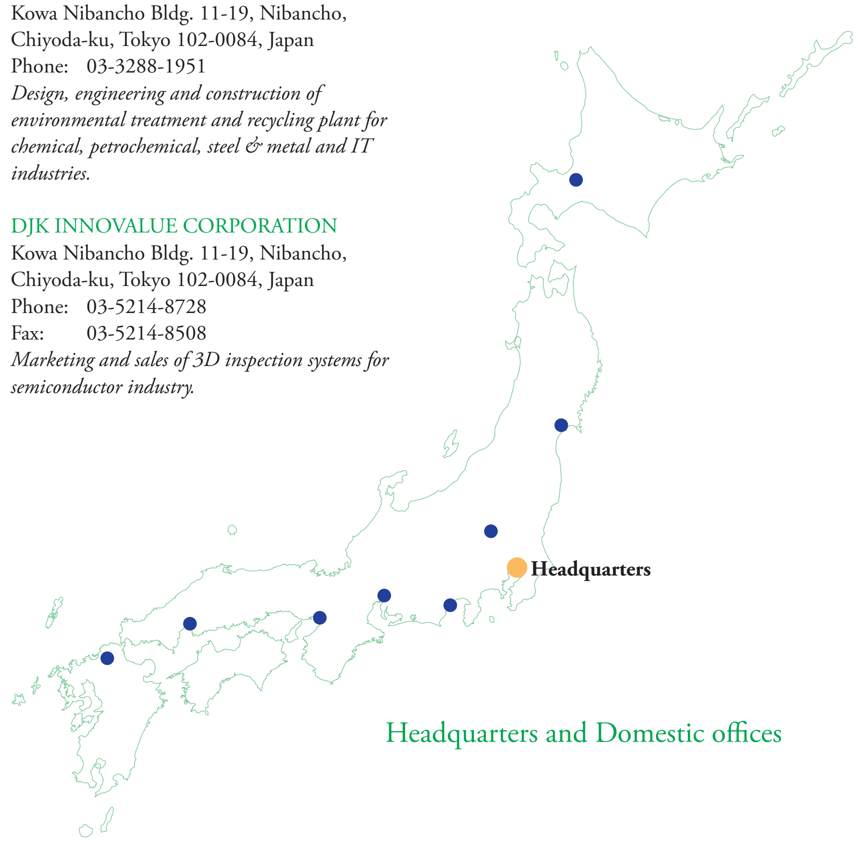
Consolidated subsidiary
12-43 Honamicho, Suita, Osaka
564-0042, Japan
Phone: (06) 6378-6115
Fax: (06) 6378-6117
Development, designing, manufacturing, sales and maintenance of Visual Inspection Systems for pharmaceuticals and chip condensers.

DAIICHI ENGINEERING CO., LTD.

Kowa Nibancho Bldg. 11-19, Nibancho,
Chiyoda-ku, Tokyo 102-0084, Japan
Phone: 03-3288-1951
Design, engineering and construction of environmental treatment and recycling plant for chemical, petrochemical, steel & metal and IT industries.

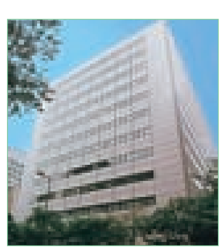
DJK INNOVALUE CORPORATION

Kowa Nibancho Bldg. 11-19, Nibancho,
Chiyoda-ku, Tokyo 102-0084, Japan
Phone: 03-5214-8728
Fax: 03-5214-8508
Marketing and sales of 3D inspection systems for semiconductor industry.

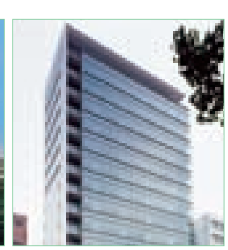


Headquarters and Domestic offices

Headquarters



Osaka Branch



Nagoya Branch

AFFILIATES

SULZER DAIICHI K.K.

A joint venture with Sulzer Pumps (Switzerland)
TSI Hakozaki Bldg, 20-5, Nihonbashi
Hakozaki-cho Chuo-ku, Tokyo
103-0015, Japan
Phone: (03) 3664-5721
Fax: (03) 3664-5737
Sales and services of pumps for paper, pulp plants and other equipment

CAMERON JAPAN LTD.

A joint venture with Cameron international Corporation of the U.S.A. and MODEC, INC.
6-2 Gobancho, Chiyoda-ku, Tokyo
102-0076, Japan
Phone: (03) 3288-1901
Fax: (03) 3288-1904
Design, manufacture and sales of equipment for petroleum manufacturing plants

Corporate Governance

Basic corporate governance policy

From the perspective of reinforcing our corporate capabilities to survive global competition, we place high priority on promoting accurate and speedy business decision-making, while at the same time, enhancing our management oversight function to ensure the transparency of our business.

Corporate governance organization

Our Board of Directors comprises 14 directors and meets in principle once a month or as necessary. The board carries out a vigorous exchange of opinions in deciding basic business policy and other important matters, while also fulfilling its function as an oversight body for business execution. The board also places directors at consolidated subsidiaries in Japan and abroad to be in charge of those companies and to manage and oversee their business execution. According to the Company's Articles of Incorporation, the Board of Directors shall comprise 14 members or less, who shall be elected by a general meeting of shareholders. To elect directors, one third or more of the shareholders holding voting rights must be in attendance, of which half or more must vote for said directors.

Currently, the Company does not appoint outside directors. However, the Company does appoint people external to its organization as outside auditors and the audit process is carried from an objective point of view based on the common sense, experience, and insight of these outside auditors. Based on this audit system, DJK believes that it has established an adequate system in terms of management oversight.

DJK uses a Board of Auditors system comprised of four corporate auditors, two of whom are outside auditors. In addition to attending every Board of Directors meeting, these corporate auditors attend other important internal meetings to monitor the business execution performance of directors from an objective perspective. The Board of Auditors works to ensure the effective implementation of the audit by receiving reports on and explanations of the audit plan and results from corporate auditors; exchanging opinions on the areas to be covered by the audit, the audit methods, and the audit results; sharing information; and taking other measures. According to the Articles of Incorporation, the Company shall have five corporate auditors or less, who shall be elected by a general meeting of shareholders. To elect corporate auditors, one third or more of the shareholders holding voting rights must be in attendance, of which half or more must vote for said corporate auditors.

The Company has concluded an auditing agreement with the certified public accounting firm Deloitte Touche Tohmatsu to act as its independent auditor. In addition to providing accounting auditing services in a fair and unbiased manner, the auditing firm provides advice on accounting matters as appropriate.

Internal audits are led by the Internal Audit Division and assess the internal control system from the point of view of whether the job execution of employees has been in accordance with laws and regulations and the Articles of Incorporation and the basic internal control policy.

DJK has also concluded advisory agreements with several lawyers to act as its legal advisers, from which the Company receives advice as necessary.

To increase the transparency of its business, the Company proactively discloses information through its IR-PR Department. In addition, as one of its IR activities, the Company holds information meetings on business results and information meetings for individual shareholders. In these meetings, DJK reports on and explains business conditions and strategies for the future to shareholders and investors. In conjunction with these meetings, the Company makes timely and appropriate disclosure of business information through its website.

Establishing an internal control system

As a necessary tool to ensure that directors execute their business duties and conduct their business practices in accordance with laws and regulations and the Articles of Incorporation and other methods necessary to ensure proper company operations, the Company has formulated a " basic internal control policy," the details of which are as follows.

1. Systems to ensure that directors comply with laws and regulations and Articles of Incorporation in the execution of their business duties

(1) In accordance with our business practices policy and code of conduct, the representative director shall ensure that business activities are premised on compliance with laws and regulations, the Articles of Corporation, and corporate ethics by repeatedly reminding the officers and employees of the Company of this policy.

(2) To ensure that the business execution of the Company is carried out in an overall appropriate and sound manner, the directors shall endeavor to establish a practical internal control system and an overall legal compliance system from the perspective of further strengthening the Company's corporate governance. Furthermore, the corporate auditors shall audit the effectiveness and functional capability of the internal control system, and if necessary report recommendations on improvements for the system to directors.

(3) To deal with antisocial forces, the Company shall thoroughly manage information on the elimination and the eradication of such influences in a unified manner. External pressure applied by such antisocial forces shall be reported to the risk management committee for assessment of its importance and investigation.

2. System to store and manage information on business execution by directors

Information on business execution by directors shall be recorded in written form or electronic media (Hereinafter referred to as "written, etc. records") based on the Company's filings rules. These records shall be stored and managed so that they can be easily searched in an appropriate and accurate manner.

Directors and corporate auditors shall have free access to view these written, etc. records.

3. Systems providing rules to manage possible losses and other matters

As a foundation for the risk management system, the Company will determine risk management rules, assign managers to be in charge of the different types of risk, and establish a risk management system based on those rules.

When a management crisis occurs as determined by said rules, DJK shall set up a task force with the representative director as its head as well as an information liaison team and an outside advisory team including legal counsels. Based on these actions, the Company shall establish on organization to minimize damages and prevent them from growing through quick response.

4. Systems to ensure that directors carry out job execution effectively

(1) In the Company's mid-term management and annual business plans that are built around its corporate principles, each operating section shall work toward achieving the goals of the plan. In addition, each operating section shall check whether the business plan is proceeding on schedule on a monthly basis based on performance reports.

(2) In executing their duties, directors shall comply with all of the obligations of the Board of Directors regarding business decisions as set out in the rules of the Board of Directors. Based on the principles of business decision-making, the Company will set up a system that distributes adequate information on items prior to their discussion to all directors and corporate auditors.

(3) As the foundation of the system to ensure that directors carry out the execution of their duties effectively, in principle, the Board of Directors will meet regularly once a month and as otherwise necessary. Important matters regarding the business policy and strategy of the Company will first be discussed by an Executive Committee comprising directors with a ranking of managing director or above, and passed on for approval by the Board of Directors before execution.

(4) The business execution of decisions made by the Board of Directors shall be carried out by directors in accordance with the division of duties decided at the start of each fiscal year, with the execution procedure for the responsibility assigned to each employee determined in detail.

5. Systems for ensuring that employees execute their business duties in accordance with laws and regulations and the Articles of Incorporation

(1) As a foundation for the compliance system, employees will be made thoroughly aware of the code of conduct.

(2) An Internal Audit Division will be established under the supervision of the representative director and will determine internal audit rules and establish, maintain, and improve an internal control system. As necessary, the Division shall carry out audits and training sessions in all business sections.

(3) When a major legal violation or other significant incident regarding compliance has been discovered, directors shall promptly report it to the representative director and to the corporate auditors.

(4) As an in-house information system to report legal violations or other incidents regarding compliance, the manager of the Internal Audit Division will promptly establish an internal communication system where information can be directly reported and operate it in accordance with the internal communications rules.

(5) When corporate directors recognize that there is a problem with the operation of the Company's legal compliance system or internal communication system, they may give their opinion and require that improvement measures be formulated.

6. System to ensure the fairness of operations of the corporate group comprising the parent company and its subsidiaries

(1) To ensure the appropriate and fair conduct of the Group companies, each Group company will create a code of conduct and formulate its own related rules based on it.

(2) The Company will appoint a director in charge of business administration of the Group, which will managed based on prior consultation meetings and a reporting system. If necessary the director in charge will undertake monitoring.

(3) If a director recognizes that a Group company has violated some aspect of the business management or business guidance systems or if a compliance problem is discovered, the director shall report it to the representative director.

7. System for requesting staff to aid corporate auditors and the independence of those staff members from the influence of directors

(1) Corporate auditors may instruct the Internal Audit Division manager to provide assistance in matters necessary to the auditing process. The staff of the Internal Audit Division who have been instructed by the corporate auditors to provide assistance regarding matters necessary to the auditing process may not receive other instructions regarding those matters from directors.

(2) Based on meetings with the Board of Auditors, the Internal Audit Division manager will perform internal audits on items requested by corporate auditors and report the results to the Board of Auditors.

8. System for directors and employees to report to the corporate auditors, system for making other reports to corporate auditors, and system to enable corporate auditors to do an effective audit

(1) Directors and employees shall report the following important items regarding the Company's business or influence on business performance on a case-by-case basis.
- Activities of the sections related to the establishment of the Company's internal control system.
- The Company's principal accounting policies and standards and any changes in them.
- Details of announcements on business performance or business forecasts, details of important disclosure items.
- Details of operations and communications of internal communications system.
- Internal management approval (Ringi) documents, applications for different types of transactions, and keeping minutes of meetings as required by corporate auditors.

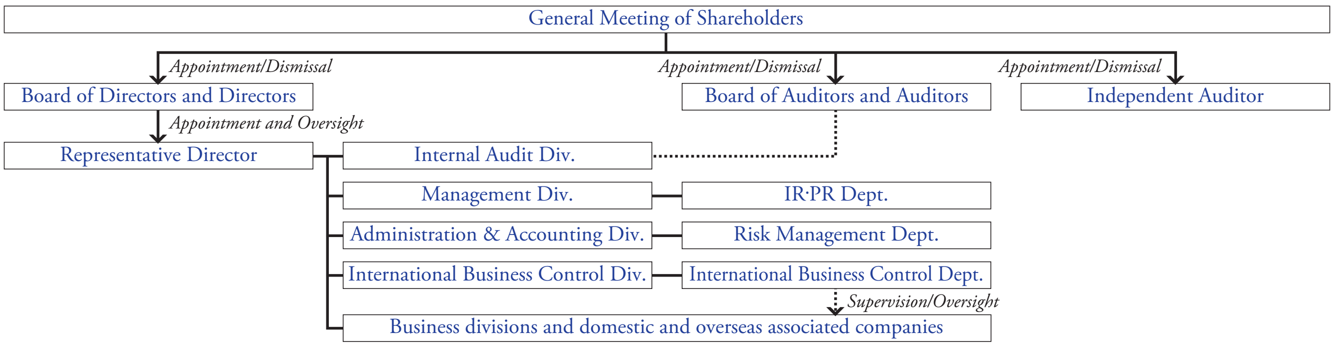
(2) As necessary, corporate auditors may request reports on preceding issues from directors and employees.

(3) The Board of Auditors and the representative director shall establish regular meetings to exchange opinions.

(4) The Company will ensure an appropriate system for reporting to corporate auditors on legal violations and other compliance issues by maintaining the proper application of the in-house communication rules.

(5) Corporate auditors will check the objectivity of the work of the Company's independent certified public accounting firm, and will request reports and explanations of the details of the independent certified public accounting firm's audit and collaborate with the audit firm through periodic exchanges of information and other activities.

DJK's Corporate Governance System (As of June 24, 2010)



Board of Directors (As of June 24, 2010)

President & CEO

Kunihiro Yano

Senior Managing Director & CFO

Masanobu Shimoda
Administration & Accounting Div.

Managing Directors

Yoshiharu Nakagawa
Tatsuo Umemura
Nagoya Sales Div.
Yukio Konishi
International Business Control Div.
Koji Yamagata
Electronics System Business Div. and DAIICHI JITSUGYO ASIA PTE. LTD.

Directors

Michiaki Sugiura
Aviation & Industrial Machinery Div.
Takanori Ogura
SHANGHAI YISHI TRADING CO., LTD.
Yoshihide Yamanaka
Osaka Sales Div.
Toru Takata
Plant & Energy Business Div.
Tohru Tsuda
Administration & Accounting Div.
Hajime Kimoto
DAIICHI JITSUGYO (AMERICA), INC.
Hiroshi Yoshida
Osaka Sales Div.
Junzo Takai
Administration & Accounting Div.

Standing Statutory Auditor

Isao Takesue

Statutory Auditors

Takafumi Shinmoto
Tsuyoshi Terui
Sumio Kanemoto

Business Risk

The following section indicates matters that could have a significant bearing on the investment decision of those considering investment in the Company with regard to the business conditions and accounting procedures stated in this annual report. However, it does not represent in any way an exhaustive description of business risks.

Risk of change in the macroeconomic environment

The Company's major business involves the sale of various types of machinery, fixtures, parts, administration services, and plastic raw materials, which it sells domestically and imports and exports. Overseas, the Group is accelerating its business development under a new medium-term management plan ACT 2012 that commenced in April 2010 based on a global 4-axis network that the Group has been pursuing and working to strengthen its profitability. Therefore, the Group's business performance may be affected by changes not only in economic trends in Japan but also on a global scale. Especially with the economic growth in China and the Asian region as well as in the North, Central, and South americas and Europe, while these conditions provide the possibility of expanded business opportunities for the Group, a slowdown in economic activity in these regions could have a negative impact on the business results of the Group.

Risk of increased in proportion of overseas sales

Japanese companies continued to enter overseas markets and transferred their production bases overseas. In response, the DJK Group also is proceeding with the globalization of its operations by expanding its overseas network and other activities, aiming to expand its business opportunities. Impacted by the global economic recession, the proportion of overseas sales and consolidated net sales in the fiscal year under review was 27.5%, down from 37.7% in the previous fiscal year. However, with the steady implementation of the new mid-term management plan ACT 2012, it is expected that the proportion of overseas sales in net sales will swing upward. As a result, there is a possibility that the international financial environment, exchange rate trends, international trends in crude oil and raw material prices, and capital investment trends for customers' production bases could affect the business results of the Group. In addition, the Company's overseas business activities are exposed to the risk of unexpected changes in political systems or economic environments and social disturbances based on legal and regulatory changes.

Risk of increases in interest rates

The Company has signed trade commitment agreements with five banks. By making progress with the reduction of interest-bearing debt, the consolidated interest-bearing debt of the Company and its subsidiaries at March 31, 2010 amounted to ¥5,489 million. Going forward, the Company will aim to systematically and stably procure working capital and to reduce interest expenses. However, should the balance of the Company's financial income and expenses deteriorate because of the trend in net sales or in interest rates, it could impact negatively on the Company's business results and financial position. In addition, if substantial turmoil occurs in major financial markets in Japan or overseas, financing costs could increase.

Credit risk

At March 31, 2010, the total sales receivables of the Company and its consolidated subsidiaries amounted to ¥31,449 million, or 57.1% of total assets. As a result, the Company is exposed to the risk of losses due to the credit of its clients worsening or their businesses failing. For that reason, the Company acts in accordance with its rules regarding trading rights and risk management, setting maximum credit and transaction amounts in its required transaction approval procedures, requires collateral or guarantees depending on the credit rating of the debtor, and puts in place risk hedges, such as the factoring or securitization of debt. Despite these measures, if the client experiences a liquidity crisis or a chain reaction bankruptcy due to a worsening of the business environment or a specific major debtor experiences business problems resulting in it becoming impossible to recover credit extended, it could have a negative influence on the business results and financial position of the Group.

Business development risk related to mid-term management plan

Under the mid-term management plan ACT 2012 that began in April 2010, the Group's basic policy is to endeavor to strengthen earning power by proactively developing its businesses in growth fields, including the use of mergers and acquisitions (M&A) strategies. Nevertheless, depending on the cost required for strategic business development and whether or not the timing and scale of the effective allocation of business resources based on the progress of business development is appropriate, the Group could lose earnings opportunities and increase its financial burden, resulting in a negative impact on its business results and financial position.

Risk of disaster

Should a disaster, such as an earthquake, typhoon, fire or infectious disease epidemic occur, the DJK Group's offices; plants; computer systems; directors, executive officers, and employees; or other related assets may suffer damages or interruptions may occur in the Group's business or production activities. To be able to determine whether or not its directors, executive officers, and employees are safe and to implement its business continuity plan (BCP), the Company has produced risk management manuals for the different possible disasters and established such measures as backup systems for computer system data and emergency fire drills, and implemented other disaster-related activities. Nevertheless, there is no guarantee that these measures will allow the Group to completely avoid any damages from disasters, and should major damages occur, they could impact negatively on the business results and financial position of the DJK Group.

Furthermore, should one of the Group's major customers or vendors suffer substantial damages from a disaster, the suspension of the business and production activities of the customer or vendor could have a negative effect on the performance of the DJK Group.

FINANCIAL SECTION

Contents

Management's Discussion and Analysis of Financial Condition and Results of Operations

The DJK Group was unable to attain the original quantitative goals of the previous mid-term management plan due to the impact of the simultaneous economic recessions around the world that occurred in the middle of the plan's term. Nevertheless, the Group did mostly achieve its qualitative goals under the plan, which were aimed and stabilizing Group management. Able to maintain a sound financial position despite the tough economic conditions, we are now driving forward toward the goals of the new mid-term management plan.

Starting in the second half of the fiscal year, countries around the world began introducing economic stimulus measures, with signs of economic recovery finally beginning to emerge. Under these conditions, we believe that growth in Asia will drive economic recovery in advanced nations, including Japan. It will take the form of increased exports to emerging countries, which are making a remarkable economic recovery, especially China with its domestic demand expansion policy, and the accompanying ramp up of production activity in Asian countries.

A recovery trend has also steadily emerged in the DJK Group's business environment, which is expected to continue for the time being. We forecast that overseas sales will expand, mainly to markets in emerging economies, and contribute to our bottom line.

Performance

Although there were signs in some sectors of a bottoming out of the global economic recession following the economic and fiscal stimulus efforts of major countries in the aftermath of the financial crisis that originated in the United States, it did not go so far as to produce a recovery in corporate performances in the fiscal year ended March 31, 2010. The direction of Japan's economy remained unclear amid curtailment of capital investment by the private sector, harsh labor conditions, and stagnant personal consumption. As a result, consolidated net sales declined ¥42,228 million, or 33.2%, to ¥85,058 million. Profitability also slumped, with operating income decreasing ¥1,951 million, or 67.4%, to ¥942 million, and net income falling ¥1,022 million, or 73.8%, to ¥363 million.

Performance by business segment was as follows.

Machinery

In the field of energy development, oil and gas refining, chemicals, and engineering and construction, sales decreased due to a petering out of plant sales, which had been robust through last year. In the electronics and information-related field, despite a recovery trend in orders, mainly from China and other Asian countries, sales decreased substantially because of the sharp decline in demand for IT and digital devices and in automobile-equipment-related demand in Japan and overseas. In plastic-related equipment, sales of plastic injection molding machines and peripheral equipment also suffered under the dramatic decrease in demand for such products as consumer electronics and automobile components. As a result, net sales decreased ¥40,690 million, or 33.4%, to ¥80,984 million, while operating income decreased ¥1,872 million, or 70.3%, to ¥791 million.

Materials

Net sales decreased ¥593 million, or 13.7%, to ¥3,734 million. Operating income increased ¥6 million, or 9.1%, ¥83 million.

Other

Net sales decreased ¥945 million, or 73.5%, to ¥340 million, while net operating income decreased ¥85 million, or 56.0%, ¥68 million.

Financial Position

At March 31, 2010, total assets amounted to ¥55,097 million, decreasing ¥8,970 million, or 14.0%, year on year. The decrease can be mainly attributed to such factors as a decline in cash and cash equivalents, the sale of marketable securities, and a drop in accounts prepaid due to the end of the sales cycle for major plant facilities.

Total liabilities amounted to ¥33,015 million, decreasing ¥9,358 million, or 22.1%, from the previous fiscal year. The main factors were a decrease in notes and accounts payable and a decline in advance received due to the end of the sales cycle for major plant facilities.

Total equity amounted to ¥22,082 million, increasing ¥388 million, or 1.8%, from the previous fiscal 2009. The Company recorded a net increase despite the payment of dividends mainly due to net income of ¥363 million and an increase in the unrealized gain on available for sales securities because of an upturn in the stock market offsetting dividend payments. As a result, shareholders' capital totaled ¥21,714 million, and the equity ratio became 39.4%.

Cash and cash equivalents, end of year for the period under review amounted to ¥7,119 million, decreasing ¥5,235 million year on year.

Consolidated cash flows by activity for the fiscal year ended March 2010 were as follows.

Operating Activities

Net cash used in operating activities totaled ¥6,848 million, a decrease of ¥15,374 million from the previous fiscal year. Although revenues from income before income taxes and minority interests and accounts prepaid declined compared with the previous fiscal year, so did payables and advance received.

Investing activities

Net cash provided by investing activities totaled ¥1,993 million, increasing ¥2,586 million from a net cash used in investing activities in the previous fiscal 2009. The increased cash inflow resulted primarily because of proceeds from sales of marketable securities.

Financing activities

Net cash used in financing activities totaled ¥373 million, decreasing ¥2,613 million from the previous fiscal 2009. The principal cash outflows were dividends paid and the repayment of long-term debt.

CONSOLIDATED FIVE-YEAR SUMMARY

DAIICHI JITSUGYO CO., LTD. AND CONSOLIDATED SUBSIDIARIES
Years ended March 31

	Millions of yen					Thousands of U.S. Dollars (Note 1)
	2010	2009	2008	2007	2006	**2010**
For the year:						
Net sales:	**¥85,058**	¥127,286	¥135,050	¥123,336	¥112,861	**$914,210**
Machinery	**80,984**	121,674	129,165	117,033	106,425	**870,423**
Materials	**3,734**	4,327	5,204	5,602	5,834	**40,129**
Other	**340**	1,285	681	701	602	**3,658**
Gross profit	**11,105**	14,288	17,256	17,054	14,838	**119,356**
Operating income:	**942**	2,893	5,273	4,648	4,000	**10,124**
Machinery	**791**	2,663	4,987	4,411	3,764	**8,503**
Materials	**83**	77	104	75	67	**897**
Other	**68**	153	182	162	169	**724**
Net income	**363**	1,385	3,000	2,687	2,355	**3,904**
Overseas sales:	**23,381**	47,952	53,831	43,592	39,819	**251,298**
Asia	**19,284**	39,625	43,239	34,048	31,430	**207,270**
Europe	**1,656**	2,572	3,699	3,157	3,036	**17,801**
North and Central America	**1,423**	3,646	6,343	5,124	4,572	**15,295**
Other	**1,018**	2,109	550	1,263	781	**10,932**
Depreciation and amortization	**326**	357	382	366	378	**3,507**
Capital expenditures	**444**	264	633	574	238	**4,767**
At the year-end:						
Total assets	**¥55,097**	¥ 64,067	¥ 82,533	¥ 74,267	¥ 66,875	**$592,186**
Working capital	**15,590**	15,464	13,874	15,002	12,276	**167,564**
Interest-bearing debt	**5,489**	5,567	5,707	4,550	8,235	**59,001**
Total equity	**22,082**	21,694	24,116	24,151	21,911	**237,342**
Per share of common stock (in yen and U.S. dollars):						
Net income	**¥ 6.97**	¥ 25.76	¥ 52.83	¥ 47.27	¥ 40.43	**$ 0.07**
Cash dividends	**7.00**	11.00	18.00	13.0	11.0	**0.08**
Equity	**416.63**	410.63	423.39	420.00	384.33	**4.48**
Other statistics:						
Number of shares of common stock outstanding (thousand)	**52,120**	52,099	56,270	56,857	56,846	
Number of employees	**974**	942	931	892	760	
Key ratio (%):						
Gross profit margin	**13.1**	11.2	12.8	13.8	13.1	
Operating income margin	**1.1**	2.3	3.9	3.8	3.5	
Return on sales	**0.4**	1.1	2.2	2.2	2.1	
Return on assets	**0.6**	1.9	3.8	3.8	3.5	
Return on equity	**1.7**	6.1	12.6	11.7	11.6	
Assets turnover (times)	**1.43**	1.70	1.72	1.75	1.65	
Current ratio	**148.5**	137.3	124.2	131.4	129.1	
Equity ratio	**39.4**	33.4	28.9	32.2	32.8	
Debt to equity ratio (times)	**0.25**	0.26	0.24	0.19	0.38	

Notes: 1. U.S. dollar figures have been converted from Japanese yen, for convenience only, at the rate of ¥93.04 to U.S.$1.
2. Minority interests in equity have been excluded from equity when key ratio is calculated.

CONSOLIDATED BALANCE SHEETS

DAIICHI JITSUGYO CO., LTD. AND CONSOLIDATED SUBSIDIARIES
March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. Dollars (Note 1)
	2010	2009	**2010**
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents (Note 14)	**¥ 7,119**	¥12,282	**$ 76,511**
Marketable securities (Notes 3 and 14)		3,000	
Time deposits (Note 14)	**773**	55	**8,309**
Receivables: (Note 14)			
Notes receivable	**4,885**	5,073	**52,499**
Accounts receivable	**26,029**	24,909	**279,759**
Unconsolidated subsidiaries and associated companies	**41**	26	**443**
Other	**727**	1,957	**7,815**
Lease investment assets (Note 13)	**495**	626	**5,316**
Inventories (Note 4)	**4,436**	3,733	**47,681**
Deferred tax assets (Note 10)	**303**	282	**3,260**
Accounts prepaid	**2,630**	4,536	**28,266**
Other current assets	**379**	509	**4,086**
Allowance for doubtful accounts	**(72)**	(28)	**(776)**
Total current assets	**47,745**	56,960	**513,169**
PROPERTY, PLANT AND EQUIPMENT (Note 5):			
Land	**508**	523	**5,465**
Buildings and structures	**1,249**	1,383	**13,419**
Machinery and equipment	**484**	427	**5,197**
Furniture and fixtures	**561**	584	**6,034**
Leased assets (Note 13)	**860**	889	**9,244**
Construction in progress	**37**		**395**
Total	**3,699**	3,806	**39,754**
Accumulated depreciation	**(1,942)**	(2,140)	**(20,874)**
Net property, plant and equipment	**1,757**	1,666	**18,880**
INVESTMENT AND OTHER ASSETS:			
Investment securities (Notes 3 and 14)	**3,685**	3,510	**39,606**
Investment in and advances to unconsolidated subsidiaries and associated companies	**1,005**	653	**10,801**
Goodwill		105	
Long-term deposit	**558**	555	**5,994**
Deferred tax assets (Note 10)	**68**	288	**733**
Other assets	**588**	589	**6,324**
Allowance for doubtful accounts	**(309)**	(259)	**(3,321)**
Total investment securities and other assets	**5,595**	5,441	**60,137**
TOTAL	**¥55,097**	¥64,067	**$592,186**

See notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. Dollars (Note 1)
	2010	2009	**2010**
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Short-term bank loans (Notes 6 and 14)	**¥ 5,022**	¥ 4,954	**$ 53,980**
Current portion of long-term debt (Notes 6 and 14)	**151**	150	**1,626**
Payables: (Note 14)			
Notes payable	**436**	384	**4,690**
Accounts payable	**21,179**	23,732	**227,633**
Unconsolidated subsidiaries and associated companies	**848**	375	**9,119**
Other	**31**	26	**334**
Income taxes payable	**239**	226	**2,565**
Accrued expenses	**788**	761	**8,475**
Advances received	**3,228**	10,744	**34,699**
Other current liabilities	**233**	144	**2,484**
Total current liabilities	**32,155**	41,496	**345,605**
LONG-TERM LIABILITIES:			
Long-term debt (Notes 6 and 14)	**304**	456	**3,270**
Liability for retirement benefits (Note 7)	**511**	410	**5,488**
Deferred tax liabilities (Note 10)	**34**	3	**368**
Other long-term liabilities	**11**	8	**113**
Total long-term liabilities	**860**	877	**9,239**
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 15 and 16)			
EQUITY (Notes 8,9 and 19)			
Common stock, authorized, 160,000,000 shares; issued, 57,432,000 shares in 2010 and 2009	**5,105**	5,105	**54,869**
Capital surplus	**3,790**	3,791	**40,734**
Stock acquisition rights	**35**		**376**
Retained earnings	**15,087**	14,985	**162,156**
Unrealized gain on available-for-sale securities	**276**	52	**2,967**
Deferred gain on derivatives under hedge accounting	**(3)**	(9)	**(36)**
Foreign currency translation adjustments	**(318)**	(306)	**(3,413)**
Treasury stock-at cost, 5,312,468 shares in 2010 and 5,332,855 shares in 2009	**(2,223)**	(2,225)	**(23,887)**
Total	**21,714**	21,393	**233,390**
Minority interests	**333**	301	**3,576**
Total equity	**22,082**	21,694	**237,342**
TOTAL	**¥55,097**	¥64,067	**$592,186**

CONSOLIDATED STATEMENTS OF INCOME

DAIICHI JITSUGYO CO., LTD. AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. Dollars (Note 1)
	2010	2009	**2010**
NET SALES	**¥85,058**	¥127,286	**$914,210**
COST OF SALES	**73,953**	112,998	**794,854**
Gross profit	**11,105**	14,288	**119,356**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 11 and 12)	**10,163**	11,395	**109,232**
Operating income	**942**	2,893	**10,124**
OTHER INCOME (EXPENSES):			
Interest and dividend income	**202**	220	**2,167**
Interest expense	**(34)**	(64)	**(365)**
Purchase discount	**100**	212	**1,078**
Gain (loss) on sales of property, plant and equipment	**32**	(3)	**343**
Evaluation loss of investment securities	**(10)**	(28)	**(111)**
Other – net	**8**	(174)	**87**
Other income – net	**298**	163	**3,199**
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	**1,240**	3,056	**13,323**
INCOME TAXES (Note 10):			
Current	**740**	1,260	**7,953**
Prior periods	**45**		**483**
Deferred	**73**	359	**782**
Total income taxes	**858**	1,619	**9,218**
MINORITY INTERESTS IN NET INCOME	**19**	52	**201**
NET INCOME	**¥ 363**	¥ 1,385	**$ 3,904**

	Yen		U.S. Dollars (Note 1)
PER SHARE OF COMMON STOCK (Notes 2.q and 17)			
Basic net income	**¥6.97**	¥25.76	**$0.07**
Diluted net income	**6.94**	25.71	**0.07**
Cash dividends applicable to the year	**7.00**	11.00	**0.08**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

DAIICHI JITSUGYO CO., LTD. AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2010 and 2009

	Thousands	Millions of yen										
	Number of shares of common stock outstanding	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Unrealized gain on available-for-sale securities	Deferred gain on derivatives under hedge accounting	Foreign currency translation adjustments	Treasury stock	Total	Minority interests	Total equity
BALANCE, MARCH 31, 2008	56,270	¥5,105	¥3,792		¥14,636	¥831		¥(119)	¥(421)	¥23,824	¥292	¥24,116
Adjustment of retained earnings due to an adoption of PITF No.18 (Note 2.b)					3					3		3
Adjustment of retained earnings for newly consolidated subsidiaries												
Net income					1,385					1,385		1,385
Cash dividends, ¥19.00 per share					(1,039)					(1,039)		(1,039)
Purchase of treasury stock	(4,208)								(1,813)	(1,813)		(1,813)
Disposal of treasury stock	37		(1)						9	8		8
Net change in the year						(779)	(9)	(187)		(975)	9	(966)
BALANCE, MARCH 31, 2009	52,099	¥5,105	¥3,791		¥14,985	¥52	¥(9)	¥(306)	¥(2,225)	¥21,393	¥301	¥21,694
Adjustment of retained earnings for newly consolidated subsidiaries					25					25		25
Net income					363					363		363
Cash dividends, ¥5.50 per share					(286)					(286)		(286)
Purchase of treasury stock	(20)								(6)	(6)		(6)
Disposal of treasury stock	40		(1)						8	7		7
Net change in the year				35		224	6	(12)		218	32	285
BALANCE, MARCH 31, 2010	**52,120**	**¥5,105**	**¥3,790**	**¥35**	**¥15,087**	**¥276**	**¥(3)**	**¥(318)**	**¥(2,223)**	**¥21,714**	**¥333**	**¥22,082**

	Thousands of U.S. Dollars (Note 1)										
	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Unrealized gain on available-for-sale securities	Deferred gain on derivatives under hedge accounting	Foreign currency translation adjustments	Treasury stock	Total	Minority interests	Total equity
BALANCE, MARCH 31, 2009	$54,869	$40,747		$161,066	$559	$(96)	$(3,292)	$(23,916)	$229,937	$3,233	$233,170
Adjustment of retained earnings for newly consolidated subsidiaries				266					266		266
Net income				3,904					3,904		3,904
Cash dividends, $0.06 per share				(3,080)					(3,080)		(3,080)
Purchase of treasury stock								(57)	(57)		(57)
Disposal of treasury stock		(13)						86	73		73
Net change in the year			376		2,408	60	(121)		2,347	343	3,066
BALANCE, MARCH 31, 2010	**$54,869**	**$40,734**	**$376**	**$162,156**	**$2,967**	**$(36)**	**$(3,413)**	**$(23,887)**	**$233,390**	**$3,576**	**$237,342**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

DAIICHI JITSUGYO CO., LTD. AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. Dollars (Note 1)
	2010	2009	**2010**
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	**¥ 1,240**	¥ 3,056	**$ 13,323**
Adjustments for:			
Income taxes – paid	**(743)**	(2,242)	**(7,991)**
Depreciation and amortization	**326**	357	**3,507**
Amortization of goodwill	**105**	105	**1,132**
Changes in operating assets and liabilities:			
(Increase) decrease in notes and accounts receivable – trade	**(865)**	10,349	**(9,292)**
Decrease in advance payments to suppliers	**1,887**	7,285	**20,280**
(Increase) decrease in inventories	**(701)**	3,201	**(7,533)**
Decrease in notes, acceptance and accounts payable – trade	**(2,052)**	(7,763)	**(22,057)**
Decrease in advances from customers	**(7,497)**	(6,487)	**(80,576)**
Increase (Decrease) in interest and dividends received	**5**	(5)	**53**
Other – net	**1,447**	670	**15,551**
Total adjustments	**(8,088)**	5,470	**(86,926)**
Net cash (used in) provided by operating activities	**(6,848)**	8,526	**(73,603)**
INVESTING ACTIVITIES:			
Proceeds from Sales of short – term investment securities	**3,000**		**32,244**
Acquisition of property, plant and equipment	**(147)**	(141)	**(1,580)**
Proceeds from sales of property, plant and equipment	**95**	5	**1,026**
Acquisition of marketable and investment securities	**(214)**	(343)	**(2,297)**
Proceeds from sales of marketable and investment securities		12	
Payments of loans receivable	**(55)**	(96)	**(586)**
Collection of loans receivable	**41**	45	**441**
Other – net	**(727)**	(75)	**(7,826)**
Net cash provided by (used in) investing activities	**1,993**	(593)	**21,422**
FINANCING ACTIVITIES:			
Increase in short-term bank loans – net	**70**	5	**748**
Repayment of long-term debt	**(151)**	(150)	**(1,620)**
Purchase of treasury stock	**(5)**	(1,813)	**(57)**
Disposal of treasury stock	**7**	8	**73**
Dividends paid	**(289)**	(1,036)	**(3,101)**
Other – net	**(5)**		**(50)**
Net cash used in financing activities	**(373)**	(2,986)	**(4,007)**
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	**(7)**	(241)	**(85)**
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(5,235)**	4,706	**(56,273)**
INCREASE IN CASH AND CASH EQUIVALENTS FROM NEWLY CONSOLIDATED SUBSIDIARY, BEGINNING OF YEAR	**72**		**775**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**12,282**	7,576	**132,009**
CASH AND CASH EQUIVALENTS, END OF YEAR	**¥ 7,119**	¥12,282	**$ 76,511**

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DAIICHI JITSUGYO CO., LTD. AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2010 and 2009

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2009 financial statements to conform to the classifications used in 2010.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which DAIICHI JITSUGYO CO., LTD. (the "Company") is incorporated and operates. The translation of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥93.04 to $1, the approximate rate of exchange at March 31, 2010. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation

The consolidated financial statements as of March 31, 2010 include the accounts of the Company and its 13 significant (11 in 2009) subsidiaries (together, the "Group"). Consolidation of the remaining unconsolidated subsidiaries would not have a material effect on the accompanying consolidated financial statements.
Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has ability to exercise significant influence are accounted for by the equity method.
Investment in 1 (none in 2009) associated company is accounted for by the equity method.

Investments in the remaining unconsolidated subsidiaries and other associated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.
The excess of cost of the Company's investments in consolidated subsidiaries over its equity in the fair value of the net assets at the respective dates of acquisition ("Goodwill"), is being amortized on a straight-line basis over 5 years.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

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

In May 2006, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Practical Issues Task Force (PITF) No.18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements". PITF No.18 prescribes: (1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements, (2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, (3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are not material: 1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in the equity; 3) expensing capitalized development costs of R&D; 4) cancellation of the fair value model accounting for property, plant, and equipment and investment properties and incorporation of the cost model accounting; 5) recording the prior years' effects of changes in accounting policies in the income statement where retrospective adjustments to financial statements have been incorporated; and 6) exclusion of minority interests from net income, if contained. PITF No.18 was effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted.
The Company applied this accounting standard effective April 1, 2008.

c. Cash Equivalents

Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits, certificates of deposit, commercial paper and bond funds, all of which mature or become due within three months of the date of acquisition.

d. Inventories

Inventories are stated at the lower of cost, determined by the average method for finished products and work in process, and by the first-in, first-out method for raw materials, or net selling value.

e. Marketable and Investment Securities

Marketable and investment securities are classified and accounted for, depending on management's intent, as follows:
i) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity are reported at amortized cost and
ii) available-for-sale securities, are reported at their fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. Non-marketable available-for-sale securities are stated at cost determined by the moving-average method. For other than temporary declines in fair value, marketable and investment securities are reduced to net realizable value by a charge to income.

f. Property, Plant and Equipment

Property, Plant and Equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its consolidated domestic subsidiaries is computed substantially by the declining-balance method based on the estimated useful lives of the assets, while the straight-line method is principally applied to the property, plant and equipment of consolidated foreign subsidiaries.
Depreciation of leased assets is computed by the straight-line method based on the lease term of the respective assets. The range of useful lives is principally from 2 to 50 years for buildings, from 2 to 17 years for machinery, equipment and vehicles and from 2 to 23 years for furniture and fixtures.

g. Long-lived Assets

The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group.
The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

h. Retirement and Pension Plans

The Company and certain domestic consolidated subsidiaries have non-contributory and contributory funded defined benefit pension plans for employees which cover their benefits. Other consolidated subsidiaries have unfunded retirement benefit plans.
The Group accounts for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date.

Retirement benefits for directors and corporate auditors of the Company and certain domestic consolidated subsidiaries are provided at the amount which would be required if all directors and corporate auditors retired at the balance sheet date.

i. Stock Options

In December 2005, the ASBJ issued ASBJ Statement No.8, "Accounting Standard for Stock Options" and related guidance. The new standard and guidance are applicable to stock options newly granted on and after May 1, 2006. This standard requires companies to recognize compensation expense for employee stock options based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to non-employees based on the fair value of either the stock option or the goods or services received. In the balance sheet, the stock option is presented as a stock acquisition right as a separate component of equity until exercised. The standard covers equity-settled, share-based payment transactions, but does not cover cash-settled, share-based payment transactions. In addition, the standard allows unlisted companies to measure options at their intrinsic value if they cannot reliably estimate fair value.
The Company has applied this accounting standard for stock options to those granted on and after May 1, 2006.

j. Research and Development Costs

Research and development costs are charged to income as incurred.

k. Leases

(Lessee)

In March 2007, the ASBJ issued ASBJ Statement No.13, "Accounting Standard for Lease Transactions", which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007.

Under the previous accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee were to be capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions should be capitalized to recognize lease assets and lease obligations in the balance sheet. In addition, the revised accounting standard permits leases which existed at the transition date and do not transfer ownership of the leased property to the lessee to be accounted for as operating lease transactions.

The Company applied the revised accounting standard effective April 1, 2008. In addition, the Company accounted for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions.

(Lessor)

In March 2007, the ASBJ issued ASBJ Statement No.13, "Accounting Standard for Lease Transactions", which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007.

Under the previous accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee were to be treated as sales. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if sold" information is disclosed in the note to the lessor's financial statements. The revised accounting standard requires that all finance leases that deem to transfer ownership of the leased property to the lessee should be recognized as lease receivables, and all finance leases that deem not to transfer ownership of the leased property to the lessee should be recognized as investments in lease.

The Company applied the revised accounting standard effective April 1, 2008.

l. Bonuses to Directors and Corporate Auditors

Bonuses to directors and corporate auditors are accrued at the year end to which such bonuses are attributable.

m. Income Taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

n. Foreign Currency Transactions

All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the income statement to the extent that they are not hedged by forward exchange contracts.

o. Foreign Currency Financial Statements

The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate. Differences arising from such translation were shown as "Foreign currency translation adjustments" in a separate component of equity.

Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate.

p. Derivatives and Hedging Activities

The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange and interest rates. Foreign exchange forward contracts and interest rate swaps are utilized by the Group to reduce foreign currency exchange and interest rate risks. The Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows : a) all derivatives be recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the income statement and b) for derivatives used for hedging purpose, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

The foreign currency forward contracts employed to hedge foreign exchange exposures for export sales and import purchases are measured at the fair value and the unrealized gains/losses are deferred until maturity of the hedge transaction. Forward contracts applied for forecasted (or committed) transactions are also measured at the fair value but the unrealized gains/losses are deferred until the underlying transactions are completed.

The foreign currency forward contracts are utilized to hedge foreign currency exposures in procurement of machinery from overseas customers/suppliers. Trade account receivables/payables denominated in foreign currencies are translated at the contracted rates if the forward contracts qualify for hedge accounting.

The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not measured at market value but the differential paid or received under the swap agreements are recognized and included in interest expenses or income.

q. Per Share Information

Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full exercise of outstanding warrants.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of year.

r. New Accounting Pronouncements

Accounting Changes and Error Corrections

In December 2009, ASBJ issued ASBJ Statement No. 24 "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No. 24 "Guidance on Accounting Standard for Accounting Changes and Error Corrections". Accounting treatments under this standard and guidance are as follows;

(1) Changes in Accounting Policies:

When a new accounting policy is applied with revision of accounting standards, a new policy is applied retrospectively unless the revised accounting standards include specific transitional provisions. When the revised accounting standards include specific transitional provisions, an entity shall comply with the specific transitional provisions.

(2) Changes in Presentations

When the presentation of financial statements is changed, prior period financial statements are reclassified in accordance with the new presentation.

(3) Changes in Accounting Estimates

A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods.

(4) Corrections of Prior Period Errors

When an error in prior period financial statements is discovered, those statements are restated.

This accounting standard and the guidance are applicable to accounting changes and corrections of prior period errors which are made from the beginning of the fiscal year that begins on or after April 1, 2011.

Segment Information Disclosures

In March 2008, the ASBJ revised ASBJ Statement No. 17 "Accounting Standard for Segment Information Disclosures" and issued ASBJ Guidance No.20 "Guidance on Accounting Standard for Segment Information Disclosures". Under the standard and guidance, an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments. This accounting standard and the guidance are applicable to segment information disclosures for the fiscal years beginning on or after April 1, 2010.

3. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Current:			
Corporate bonds		¥3,000	
Total		¥3,000	

	Millions of yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Non-current:			
Marketable equity securities	**¥3,295**	¥2,913	**$35,417**
Government and corporate bonds	**14**	14	**153**
Other	**376**	583	**4,036**
Total	**¥3,685**	¥3,510	**$39,606**

14 million yen of government bonds are a mortgage for guarantee of dealings.

The costs and aggregate fair values of investment securities at March 31, 2010 and 2009 were as follows:

	Millions of yen			
March 31, 2010	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**¥2,832**	**¥1,069**	**¥606**	**¥3,295**
Held-to-Maturity	**14**	**1**		**15**
March 31, 2009				
Securities classified as:				
Available-for-sale:				
Equity securities	¥2,828	¥829	¥744	¥2,913
Held-to-Maturity	14	1		15

	Thousands of U.S. Dollars			
March 31, 2010	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**$30,435**	**$11,486**	**$6,504**	**$35,417**
Held-to-Maturity	**153**	**6**		**159**

Available-for-sales securities and held-to-maturity securities whose fair value was not readily determinable as of March 31, 2009 were as follows. The similar information for 2010 is disclosed in Note14. (5) (b).

	Carrying amount
	Millions of yen
	2009
Securities classified as:	
Available-for-sale:	
Equity securities	¥ 583
Held-to-maturity	3,000
Total	¥3,583

Proceeds from sales of available-for-sale securities for the years ended March 31, 2010 and 2009 were None and ¥12 million, respectively. The gross realized gain was ¥5 million for the year ended March 31, 2009.

The information of available-for-sale securities which were sold during the year ended March 31, 2010 was as follows:

	Millions of yen		
March 31, 2010	Proceeds	Realized gains	Realized loss
Held-to-maturity	¥3,000		
Total	¥3,000		

	Thousands of U.S. Dollars		
March 31, 2010	Proceeds	Realized gains	Realized loss
Held-to-maturity	$32,244		
Total	$32,244		

4. INVENTORIES

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

	Millions of yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Merchandise and finished products	**¥3,324**	¥2,175	**$35,723**
Work in process	**791**	1,155	**8,501**
Raw materials and supplies	**321**	403	**3,457**
Total	**¥4,436**	¥3,733	**$47,681**

5. LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment for the years ended March 31, 2010 and 2009. No impairment loss was recognized in the years ended March 31, 2010 and 2009.

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

Short-term bank loans at March 31, 2010 and 2009 consisted of notes to bank and bank overdrafts. The annual interest rates applicable to the short-term bank loans ranged from 0.75% to 1.60% and 1.06% to 1.88% at March 31, 2010 and 2009, respectively.

Long-term debt at March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Loans from banks and other financial institutions, due serially to 2013 with interest rates ranging from 1.53% to 1.75% (2010) and from 1.53% to 1.75% (2009):			
Unsecured	**¥455**	¥606	**$4,896**
Less current portion	**(151)**	(150)	**(1,626)**
Long-term debt, less current portion	**¥304**	¥456	**$3,270**

Annual maturities of long-term debt as of March 31, 2010 were as follows:

Year ending March 31:	Millions of yen	Thousands of U.S. Dollars
2011	**¥151**	**$1,626**
2012	**152**	**1,632**
2013	**152**	**1,638**
Total	**¥455**	**$4,896**

In order to procure operating funds efficiently and stably, loan commitments were signed on July 25, 2005 with 5 banks. The unused credit balance under those loans as of March 31, 2010 were as follows:

	Millions of yen	Thousands of U.S. Dollars
Maximum amount of the loan commitment	**¥10,000**	**$107,480**
Amount loaned	**4,500**	**48,366**
Unused credit balance	**¥ 5,500**	**$ 59,114**

7. RETIREMENT AND PENSION PLANS

The Company and certain domestic consolidated subsidiaries have severance payment plans for employees, directors and corporate auditors.

Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service and certain other factors. Such retirement benefits are made in the form of a lump-sum severance payment from the Company or from certain consolidated subsidiaries and annuity payments from a trustee. In certain circumstances, the Company might pay the premium severance on termination of employment.

The Company and certain domestic consolidated subsidiaries have non-contributory and contributory funded defined benefit pension plans for employees which cover their benefits. Other consolidated subsidiaries have unfunded retirement benefit plans.

The contributory funded defined benefit pension plan, which was established under the Japanese Welfare Pension Insurance Law, covers a substitutional portion of the governmental pension program managed by the Company on behalf of the government and a corporate portion established at the discretion of the Company.

The liability for retirement benefits for directors and corporate auditors was ¥213 million ($2,283 thousand) and ¥198 million at March 31, 2010 and 2009, respectively. The retirement benefits for directors and corporate auditors are paid subject to the approval of the shareholders.

The liability for employees' retirement benefits at March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Projected benefit obligation	**¥(2,270)**	¥(2,289)	**$(24,397)**
Fair value of plan assets	**1,325**	1,170	**14,243**
Unrecognized actuarial gain	**647**	906	**6,949**
Net liability	**¥ (298)**	¥ (213)	**$ (3,205)**

The components of net periodic benefit costs for the years ended March 2010 and 2009 are as follows:

	Millions of yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Service cost	**¥179**	¥202	**$ 1,922**
Interest cost	**44**	44	**472**
Expected return on plan assets	**(30)**	(38)	**(319)**
Recognized actuarial loss	**88**	60	**950**
Premium severance pay	**31**	48	**333**
Net periodic benefit costs	**¥312**	¥316	**$ 3,358**

Assumptions used for the years ended March 31, 2010 and 2009 are set forth as follows:

	2010	2009
Discount rate	**2.0%**	2.0%
Expected rate of return on plan assets	**2.5%**	2.5%
Recognition period of actuarial gain/loss	**14 years**	14 years

8. EQUITY

Since May 1, 2006, Japanese companies have been subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria.

The Companies Act permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

b. Increases/Decreases and Transfer of Common Stock, Reserve and Surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

c. Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula.

Under the Companies Act, stock acquisition rights are presented as a separate component of equity.

The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

9. STOCK OPTIONS

The stock options outstanding as of March 31, 2010 are as follows:

Stock Options	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2002 Stock Options	236 Persons	1,660,000 Shares	2002.10.18	¥153 ($1.64)	From July 1 2003 To June 30 2010
2009 Stock Options	320 Persons	1,819,000 Shares	2009.9.1	¥313 ($3.36)	From August 1 2011 To July 30 2016

The stock option activity is as follows:

For the year ended March 31, 2009	2002 Stock Options (Shares)	2009 Stock Options (Shares)
Non-vested		
March 31, 2008-Outstanding		
Granted		
Canceled		
Vested		
March 31, 2009-Outstanding		
Vested		
March 31, 2008-Outstanding	213,000	
Vested		
Exercised	25,000	
Canceled		
March 31, 2009-Outstanding	188,000	
Exercise price	¥153	
Average stock price at exercise	¥460	

For the year ended March 31, 2010		
Non-vested		
March 31, 2009-Outstanding		
Granted		1,819,000
Canceled		25,000
Vested		1,794,000
March 31, 2010-Outstanding		
Vested		
March 31, 2009-Outstanding	188,000	
Vested		
Exercised	33,000	
Canceled		
March 31, 2010-Outstanding	155,000	
Exercise price	¥153 ($1.64)	¥313 ($3.36)
Average stock price at exercise	¥276 ($2.97)	
Fair value price at grant date		¥64 ($0.69)

The assumptions used to measure fair value of 2009 Stock Option

Estimate method:	Black-Scholes option pricing model
Volatility of stock price:	37.98%
Estimated remaining outstanding period:	four years and five months
Estimated dividend:	¥11 per share
Interest rate with risk free:	0.55%

10. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 40.7% for the years ended March 31, 2010 and 2009. Foreign consolidated subsidiaries are subject to income taxes of the countries in which they operate.

The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Deferred tax assets:			
Allowance for doubtful accounts	**¥ 167**	¥ 81	**$ 1,796**
Allowance for bonus payable	**187**	173	**2,006**
Pension and severance costs	**216**	164	**2,316**
Evaluation loss of investment securities	**2**	163	**22**
Tax loss carry forwards	**96**	106	**1,036**
Other	**286**	341	**3,075**
Less valuation allowance	**(394)**	(386)	**(4,233)**
Total	**¥ 560**	¥ 642	**$ 6,018**
Deferred tax liabilities:			
Deferred gain on sales of property	**¥ (24)**	¥ (25)	**$ (257)**
Unrealized gain on available-for-sale securities	**(190)**	(36)	**(2,041)**
Other	**(9)**	(14)	**(95)**
Total	**¥ (223)**	¥ (75)	**$ (2,393)**
Net deferred tax assets	**¥ 337**	¥ 567	**$ 3,625**

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 31, 2010 and 2009 is as follows:

	2010	2009
Normal effective statutory tax rate	**40.7%**	40.7%
Expenses not deductible for income tax purposes	**9.0**	5.1
Exclusion from charges against revenue	**(3.3)**	(2.6)
Lower income tax rates applicable to income in certain foreign countries	**2.2**	(1.8)
Overseas income deductible for enterprise tax	**(0.1)**	(0.4)
Less valuation allowance	**11.1**	7.5
Other-net	**9.6**	4.5
Actual effective tax rate	**69.2%**	53.0%

11. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the fiscal years ended March 31, 2010 and 2009 principally consisted of the following:

	Millions of yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Salaries and fees	**¥3,993**	¥4,283	**$42,918**
Retirement benefit cost	**277**	271	**2,979**
Depreciation and amortization	**133**	121	**1,432**
Amortization of goodwill	**105**	105	**1,132**
Research and development costs	**153**	107	**1,640**
Rental expense	**1,031**	1,069	**11,081**

12. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income for the years ended March 31, 2010 and 2009 were ¥153 million ($1,640 thousand) and ¥107 million, respectively.

13. LEASES

(1) As Lessee

Total rental expenses including lease payments under finance leases for the years ended March 31, 2010 and 2009 were ¥699 million ($7,514 thousand) and ¥724 million, respectively.

Obligations under finance leases and future minimum payments under noncancelable operating leases were as follows:

	Millions of yen		Thousands of U.S. Dollars	
	2010		**2010**	
	Finance leases	Operating leases	Finance leases	Operating leases
Due within one year	**¥ 5**	**¥37**	**$ 52**	**$393**
Due after one year	**7**	**3**	**72**	**33**
Total	**¥12**	**¥40**	**$124**	**$426**

ASBJ Statement No.13, "Accounting Standard for Lease Transactions" requires that all finance lease transactions should be capitalized to recognize lease assets and lease obligations in the balance sheet. However, ASBJ Statement No. 13 permits leases without ownership transfer of the leased property to the lessee whose lease inception was before March 31, 2008 to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the financial statements. The Company applied ASBJ Statement No. 13 effective April 1, 2008 and accounted for such leases as operating lease transactions. Pro forma information of leased property whose lease inception was before March 31, 2008 such as acquisition cost, accumulated depreciation, accumulated impairment loss, obligations under finance leases, depreciation expense, interest expense and other information of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis was as follows:

	Millions of yen					
	2010			2009		
	Furniture and Fixtures	Others	Total	Furniture and Fixtures	Others	Total
Acquisition cost	**¥73**	**¥51**	**¥124**	¥146	¥134	¥280
Accumulated depreciation	**44**	**35**	**79**	91	102	193
Net leased property	**¥29**	**¥16**	**¥ 45**	¥ 55	¥ 32	¥ 87

	Thousands of U.S. Dollars		
	2010		
	Furniture and Fixtures	Others	Total
Acquisition cost	**$783**	**$550**	**$1,333**
Accumulated depreciation	**472**	**383**	**855**
Net leased property	**$311**	**$167**	**$ 478**

Obligations under finance leases:

	Millions of yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Due within one year	**¥26**	¥47	**$284**
Due after one year	**19**	42	**205**
Total	**¥45**	¥89	**$489**

Depreciation expense, interest expense and other information under finance leases:

	Millions of yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Depreciation expense	**¥47**	¥66	**$502**
Interest expense	**1**	1	**10**
Total	**¥48**	¥67	**$512**

Depreciation expense and interest expense, which are not reflected in the accompanying consolidated statements of income, are computed by the straight-line method and the interest method, respectively.

(2) As Lessor

The Group leases machinery, equipment and other assets.

Total rental revenues for the years ended March 31, 2010 and 2009 were ¥278 million ($2,991 thousand) and ¥719 million, respectively.

The net investments in lease are summarized as follows:

	Millions of yen	Millions of yen	Thousands of U.S. Dollars
	2010	2009	**2010**
Gross lease receivables	**¥543**	¥714	**$5,832**
Unguaranteed residual values	**25**	25	**270**
Unearned interest income	**(73)**	(113)	**(786)**
Investments in lease, current	**¥495**	¥626	**$5,316**

Maturities of investment in lease for finance leases that deem not to transfer ownership of the leased property to the lessee are as follows:

year ending March 31	Millions of yen	Thousands of U.S. Dollars
2011	¥137	$1,468
2012	134	1,445
2013	104	1,120
2014	73	784
2015	57	612
2016 and thereafter	38	403
Total	¥543	$5,832

The minimum rental commitments under noncancellable operating leases at March 31, 2010 were as follows:

	Millions of yen	Thousands of U.S. Dollars
	2010	**2010**
Due within one year	**¥114**	**$1,227**
Due after one year	**129**	**1,386**
Total	**¥243**	**$2,613**

14. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

On March 10, 2008, the ASBJ revised ASBJ Statement No. 10 "Accounting Standard for Financial Instruments" and issued ASBJ Guidance No.19 "Guidance on Accounting Standard for Financial Instruments and Related Disclosures". This accounting standard and the guidance are applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010 with early adoption permitted from the beginning of the fiscal years ending before March 31, 2010. The Group applied the revised accounting standard and the new guidance effective March 31, 2010.

(1) Group policy for financial instruments

The Group uses financial instruments, mainly short-term debt including bank loans, based on its capital financing plan. Cash surpluses, if any, are invested in low risk financial assets. Short-term bank loans are used to fund its ongoing operations. Derivatives are used, not for speculative purposes, but to manage exposure to financial risks as described in (2) below.

(2) Nature and extent of risks arising from financial instruments

Receivables such as trade notes and trade accounts are exposed to customer credit risk. Although receivables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates, those risks are hedged by using forward foreign currency contracts. Marketable and investment securities, mainly held-to-maturity securities and equity instruments of customers and suppliers of the Group, are exposed to the risk of market price fluctuations.

Payment terms of payables, such as trade notes and trade accounts, are mainly less than one year. Although payables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates, those risks are hedged by using forward foreign currency contracts.

Maturities of bank loans are less than four years after the balance sheet date. Although a part of such bank loans are exposed to market risks from changes in variable interest rates, those risks are mitigated by using derivatives of interest-rate swaps.

Derivatives mainly include forward foreign currency contracts and interest-rate swaps, which are used to manage exposure to market risks from changes in foreign currency exchange rates of receivables and payables, and from changes in interest rates of bank loans. Please see Note 15 for more detail about derivatives.

(3) Risk management for financial instruments

Credit Risk Management

Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt according to the contractual terms. The Group manages its credit risk from receivables on the basis of internal guidelines, which include monitoring of payment term and balances of major customers by each business administration department to identify the default risk of customers in early stage. With respect to held-to-maturity financial investment, the Group manages its exposure to credit risk by limiting its funding to high credit rating bonds in accordance with in its internal guidelines. Please see Note 15 for the detail about derivatives.

The maximum credit risk exposure of financial assets is limited to their carrying amounts as of March 31, 2010.

Market risk management (foreign exchange risk and interest rate risk)

Foreign currency trade receivables and payables are exposed to market risk resulting from fluctuations in foreign currency exchange rates. Such foreign exchange risk is hedged principally by forward foreign currency contracts.

Interest-rate swaps are used to manage exposure to market risks from changes in interest rates of loan payables.

Marketable and investment securities are managed by monitoring market values and financial position of issuers on a regular basis.

Liquidity risk management

Liquidity risk comprises the risk that the Group cannot meet its contractual obligations in full on maturity dates. The Group manages its liquidity risk by holding adequate volumes of liquid assets at the level of one months' sales volume, along with adequate financial planning by the corporate treasury department.

(4) Concentration of credit risk

There is no remarkable account receivables from particular major customers of the Group as of March 31, 2010.

(5) Fair values of financial instruments

Fair values of financial instruments are based on quoted price in active markets. If quoted price is not available, other rational valuation techniques are used instead. Also please see Note 15 for the detail of fair value for derivatives.

(a) Fair value of financial instruments

	Millions of yen		
At March 31, 2010	Carrying Amount	Fair Value	Unrealized Gain / Loss
Cash and cash equivalents	¥ 7,119	¥ 7,119	
Time deposits	773	773	
Receivables	30,955	30,879	¥(76)
Marketable and investment securities			
Held-to-Maturity	14	15	1
Equity securities	3,295	3,295	
Total	¥ 42,156	¥ 42,081	¥(75)
Payables	¥ 22,463	¥ 22,463	
Short-term bank loans	5,022	5,022	
Long-term debt	455	454	¥ 1
Total	¥ 27,940	¥ 27,939	¥ 1

At March 31, 2010	Thousands of U.S. Dollars Carrying Amount	Fair Value	Unrealized Gain / Loss
Cash and cash equivalents	**$ 76,511**	**$ 76,511**	
Time deposits	**8,309**	**8,309**	
Receivables	**332,701**	**331,887**	**$(814)**
Marketable and investment securities			
Held-to-maturity	**154**	**160**	**6**
Equity securities	**35,417**	**35,417**	
Total	**$453,092**	**$452,284**	**$(808)**
Payables	**$241,442**	**$241,437**	**$ 5**
Short-term bank loans	**53,980**	**53,980**	
Long-term debt	**4,896**	**4,890**	**6**
Total	**$300,318**	**$300,307**	**$ 11**

Cash and cash equivalents

The carrying values of cash and cash equivalents approximate fair value because of their short maturities.

Marketable and investment securities

The fair values of marketable and investment securities are measured at the quoted market price of the stock exchange for the equity instruments, and at the quoted price obtained from the financial institution for certain debt instruments. The information of the fair value for the marketable and investment securities by classification is included in Note 3.

Receivables and payables

The fair values of receivables and payables are measured at the amount to be received or paid at maturity discounted at the Group's assumed corporate discount rate. The foreign currency forward contracts are utilized to hedge foreign currency exposures in procurement of raw machineries from overseas customers/suppliers. Trade account receivables/payables denominated in foreign currencies are translated at the contracted rates if the forward contracts qualify for hedge accounting. Receivables include notes receivable, accounts receivable and unconsolidated subsidiaries and associated companies, not including other receivables. Payables include notes payable, accounts payable and unconsolidated subsidiaries and associated companies, not including other payables.

Short-term bank loans and long- term debt

The fair values of short-term bank loans approximate fair value because of their short maturities and long-term debt are determined by discounting the cash flows related to the debt at the Group's assumed corporate borrowing rate. The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements are recognized and included in interest expense or income.

Derivatives

The information of the fair value for derivatives is included in Note 15.

(b) Financial instruments whose fair value cannot be reliably determined

At March 31, 2010	Carrying amount Millions of Yen	Carrying amount Thousands of U.S. Dollars
Investments in equity instruments that do not have a quoted market price in an active market	¥1,380	$14,836

(6) Maturity analysis for financial assets and securities with contractual maturities

	Millions of yen	
At March 31, 2010	Due in one year or less	Due after one year through five years
Cash and cash equivalents	¥ 7,119	
Time deposits	773	
Receivables	28,979	¥1,976
Marketable and Investment securities		
Government bonds		15
Total	¥36,871	¥1,991

	Thousands of U.S. Dollars	
At March 31, 2010	Due in one year or less	Due after one year through five years
Cash and cash equivalents	$ 76,511	
Time deposits	8,309	
Receivables	311,471	$21,230
Marketable and Investment securities		
Government bonds		161
Total	$396,291	$21,391

Please see Note 6 for annual maturities of long-term debt and Note 13 (1) for obligations under finance leases, respectively.

15. DERIVATIVES

The Group enters into foreign currency forward contracts to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies. The Group also enters into interest rate swap contracts to manage its interest rate exposures on certain liabilities.

All derivative transactions are entered into to hedge interest and foreign currency exposures incorporated within its business. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged assets or liabilities.

Because the counterparties to these derivatives are limited to major international financial institutions, the Group does not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Group have been made in accordance with internal policies which regulate the authorization.

As noted in Note 14, the Group applied ASBJ Statement No. 10 “Accounting Standard for Financial Instruments” and ASBJ Guidance No.19 “Guidance on Accounting Standard for Financial Instruments and Related Disclosures”. The accounting standard and the guidance are applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010; therefore, the required information is disclosed only for 2010.

Derivative transactions to which hedge accounting is not applied at March 31, 2010

At March 31, 2010	Contract Amount (Millions of yen)	Contract Amount due after One Year	Fair Value	Unrealized Gain / Loss
Foreign currency forward contracts:				
Selling				
U.S.$	**¥221**		**¥(1)**	**¥(1)**
Buying				
JP¥	**34**		**(1)**	**(1)**
HK$	**7**		**0**	**0**

At March 31, 2010	Contract Amount (Thousands of U.S. Dollars)	Contract Amount due after One Year	Fair Value	Unrealized Gain / Loss
Foreign currency forward contracts:				
Selling				
U.S.$	**$2,372**		**$(12)**	**$(12)**
Buying				
JP¥	**366**		**(15)**	**(15)**
HK$	**80**		**3**	**3**

Derivative transactions to which hedge accounting is applied at March 31, 2010

At March 31, 2010	Hedged item (Millions of yen)	Contract Amount	Contract Amount due after One Year	Fair Value
Forecasted transactions				
Foreign currency forward contracts:				
Selling				
U.S.$	Receivables	**¥917**		**¥(16)**
S$	〃	**249**		**(10)**
EURO	〃	**11**		**(0)**
STG	〃	**9**		**(0)**
Buying				
U.S.$	Payables	**626**		**16**
DKK	〃	**135**		**(7)**
SEK	〃	**50**		**0**
JP¥	〃	**48**		**1**
EURO	〃	**12**		**(0)**
S$	〃	**7**		**0**
THB	〃	**0**		**(0)**
Assigned transactions				
Foreign currency forward contracts:				
Selling				
U.S.$	Receivables	**¥721**		Note2
EURO	〃	**22**		Note2
STG	〃	**17**		Note2
S$	〃	**9**		Note2
Buying				
U.S.$	Payables	**70**		Note2
JP¥	〃	**12**		Note2
S$	〃	**5**		Note2
THB	〃	**5**		Note2
EURO	〃	**1**		Note2
STG	〃	**1**		Note2

At March 31, 2010	Hedged item	Contract Amount	Contract Amount due after One Year	Fair Value
	Thousands of U.S. Dollars			
Forecasted transactions				
Foreign currency forward contracts:				
Selling				
U.S.$	Receivables	**$9,854**		**$(172)**
S$	〃	**2,671**		**(111)**
EURO	〃	**120**		**(1)**
STG	〃	**99**		**(2)**
Buying				
U.S.$	Payables	**6,732**		**174**
DKK	〃	**1,452**		**(79)**
SEK	〃	**535**		**3**
JP¥	〃	**515**		**14**
EURO	〃	**132**		**(2)**
S$	〃	**74**		**1**
THB	〃	**2**		**(0)**
Assigned transactions				
Foreign currency forward contracts:				
Selling				
U.S.$	Receivables	**$7,747**		Note2
EURO	〃	**236**		Note2
STG	〃	**187**		Note2
S$	〃	**98**		Note2
Buying				
U.S.$	Payables	**757**		Note2
JP¥	〃	**129**		Note2
S$	〃	**56**		Note2
THB	〃	**55**		Note2
EURO	〃	**15**		Note2
STG	〃	**7**		Note2

Notes: 1. The fair value of derivative transactions is measured at the quoted price obtained from the financial institution.

2. Fair value of the Foreign currency forward contract assigned for receivables and payables is included in the fair value of receivables and payables disclosed at Note14. (5) (a).

At March 31, 2010	Hedged item	Contract Amount	Contract Amount due after One Year	Fair Value
	Millions of yen			
Interest rate swaps: (fixed rate payment, floating rate receipt)	**Long-term debt**	**¥96**	**¥64**	Note

At March 31, 2010	Hedged item	Contract Amount	Contract Amount due after One Year	Fair Value
	Thousands of U.S. Dollars			
Interest rate swaps: (fixed rate payment, floating rate receipt)	**Long-term debt**	**$1,027**	**$690**	Note

Fair value of swap contract assigned for Long-term debt, is included in the fair value of Long-term debt disclosed at Note14. (5) (a).

16. CONTINGENT LIABILITIES

At March 31, 2010, the Group had the following contingent liabilities:

	Millions of yen	Thousands of U.S. Dollars
Guarantees and similar items of bank loans	¥20	$217

17. NET INCOME PER SHARE

A reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2010 and 2009 is as follows:

	Yen in millions	Thousands of shares	Yen	Dollars
For the year ended March 31,2010	Net income	Weighted average shares	EPS	
Basic EPS				
Net income available to common shareholders	**¥363**	**52,104**	**¥6.97**	**$0.07**
Effect of Dilutive Securities				
Warrants		**243**		
Diluted EPS				
Net income for computation	**¥363**	**52,347**	**¥6.94**	**$0.07**
For the year ended March 31,2009				
Basic EPS				
Net income available to common shareholders	¥1,385	53,749	¥25.76	$0.26
Effect of Dilutive Securities				
Warrants		120		
Diluted EPS				
Net income for computation	¥1,385	53,869	¥25.71	$0.26

18 . RELATED PARTY DISCLOSURES

Transactions of the Company with subsidiaries and associated companies for the years ended March 31, 2010 were as follows:

	Millions of yen	Thousands of U.S. Dollars
	2010	2010
Purchases	¥1,743	$18,735

The balances due to or from these subsidiaries and associated companies at March 31, 2010 were as follows:

	Millions of yen	Thousands of U.S. Dollars
	2010	2010
Payable	¥646	$6,940

19 . SUBSEQUENT EVENTS

The following appropriations of retained earnings at March 31, 2010 were approved at the shareholders meeting of the Company and certain domestic consolidated subsidiaries held on June 2010:

	Millions of yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥5.00 ($0.05) per share	¥261	$2,801

20. SEGMENT INFORMATION

The Company operates in the following industries:

Machinery: Various machinery, equipment and parts; their repair and maintenance; and overhauling.

Materials: Various pipe materials, metallic materials and plastic materials; and chemical products.

Other: Various machinery and real estate leasing; real estate agency; insurance agency; and others.

Information about industry segments, geographical segments and sales to foreign customers of the Group for the years ended March 31, 2010 and 2009 is as follows:

(1) Industry Segments

a. Sales and Operating Income

	Millions of yen				
	2010				
	Machinery	Materials	Other	Eliminations/ Corporate	Consolidated
Sales to customers	¥80,984	¥3,734	¥340		¥85,058
Inter-segment sales					
Total sales	80,984	3,734	340		85,058
Operating expenses	80,193	3,651	272		84,116
Operating income	¥ 791	¥ 83	¥ 68		¥ 942

b. Total Assets, Depreciation and Capital Expenditures

	Millions of yen				
	2010				
	Machinery	Materials	Other	Eliminations/ Corporate	Consolidated
Total assets	¥45,573	¥1,349	¥1,273	¥6,902	¥55,097
Depreciation	148	1	158	19	326
Capital expenditures	213	2	223	6	444

a. Sales and Operating Income

	Thousands of U.S. Dollars				
	2010				
	Machinery	Materials	Other	Eliminations/ Corporate	Consolidated
Sales to customers	$870,423	$40,129	$3,658		$914,210
Inter-segment sales					
Total sales	870,423	40,129	3,658		914,210
Operating expenses	861,920	39,232	2,934		904,086
Operating income	$ 8,503	$ 897	$ 724		$ 10,124

b. Total Assets, Depreciation and Capital Expenditures

	Thousands of U.S. Dollars				
	2010				
	Machinery	Materials	Other	Eliminations/ Corporate	Consolidated
Total assets	$489,824	$14,496	$13,682	$74,184	$592,186
Depreciation	1,592	15	1,692	208	3,507
Capital expenditures	2,285	20	2,363	69	4,767

a. Sales and Operating Income

	Millions of yen				
	2009				
	Machinery	Materials	Other	Eliminations/ Corporate	Consolidated
Sales to customers	¥121,674	¥4,327	¥1,285		¥127,286
Inter-segment sales					
Total sales	121,674	4,327	1,285		127,286
Operating expenses	119,011	4,250	1,132		124,393
Operating income	¥ 2,663	¥ 77	¥ 153		¥ 2,893

b. Total Assets, Depreciation and Capital Expenditures

	Millions of yen				
	2009				
	Machinery	Materials	Other	Eliminations/ Corporate	Consolidated
Total assets	¥46,560	¥1,423	¥1,535	¥14,549	¥64,067
Depreciation	146	1	192	18	357
Capital expenditures	193	1	65	5	264

(2) Geographical Segments

The geographical segments of the Group for the year ended March 31, 2010 and 2009 are summarized as follows:

	Millions of yen				
	2010				
	Japan	Asia	Other	Eliminations/ Corporate	Consolidated
Sales to customers	**¥76,381**	**¥6,365**	**¥2,312**		**¥85,058**
Interarea transfer	**2,896**	**1,885**	**1,386**	**¥(6,167)**	
Total sales	**79,277**	**8,250**	**3,698**	**(6,167)**	**85,058**
Operating expenses	**78,054**	**8,250**	**3,908**	**(6,096)**	**84,116**
Operating income	**¥ 1,223**	**¥ (0)**	**¥ (210)**	**(71)**	**¥ 942**
Total assets	**¥42,240**	**¥4,319**	**¥1,629**	**¥ 6,909**	**¥55,097**

	Thousands of U.S. Dollars				
	2010				
	Japan	Asia	Other	Eliminations/ Corporate	Consolidated
Sales to customers	**$820,950**	**$68,409**	**$24,851**		**$ 914,20**
Interarea transfer	**31,125**	**20,263**	**14,894**	**$ (66,282)**	
Total sales	**852,075**	**88,672**	**39,745**	**(66,282)**	**914,210**
Operating expenses	**838,931**	**88,677**	**42,001**	**(65,523)**	**904,086**
Operating income	**$ 13,144**	**$ (5)**	**$ (2,256)**	**(759)**	**$ 10,124**
Total assets	**$454,000**	**$46,422**	**$17,507**	**$ 74,257**	**$592,186**

	Millions of yen				
	2009				
	Japan	Asia	Other	Eliminations/ Corporate	Consolidated
Sales to customers	¥114,381	¥8,935	¥3,970		¥127,286
Interarea transfer	4,664	1,680	1,146	¥(7,490)	
Total sales	119,045	10,615	5,116	(7,490)	127,286
Operating expenses	116,449	10,307	5,189	(7,552)	124,393
Operating income	¥ 2,596	¥ 308	¥ (73)	62	¥ 2,893
Total assets	¥ 43,538	¥4,418	¥1,562	¥14,549	¥ 64,067

(3) Sales to Foreign Customers

Sales to foreign customers for the years ended March 31, 2010 and 2009 amounted to ¥23,381 million ($251,298 thousand) and ¥47,952 million, respectively.

Deloitte.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Daiichi Jitsugyo Co., Ltd.:

We have audited the accompanying consolidated balance sheets of Daiichi Jitsugyo Co., Ltd. and consolidated subsidiaries (the "Company") as of March 31, 2010 and 2009, and the related consolidated statements of income, changes in equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Daiichi Jitsugyo Co., Ltd. and consolidated subsidiaries as of March 31, 2010 and 2009, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 24, 2010

Member of
Deloitte Touche Tohmatsu

Corporate Data / Investor Information

(As of March 31, 2010)

DAIICHI JITSUGYO CO., LTD.

Date of Establishment

August 12, 1948

Paid-in Capital

¥5,105 million

Stock Exchange Listing

Tokyo Stock Exchange, First Section

Number of Employees

428 (Non-consolidated)
974 (Consolidated)

Transfer Agent and Registrar

Tokyo Securities Transfer Agent Co., Ltd.

Major Shareholders

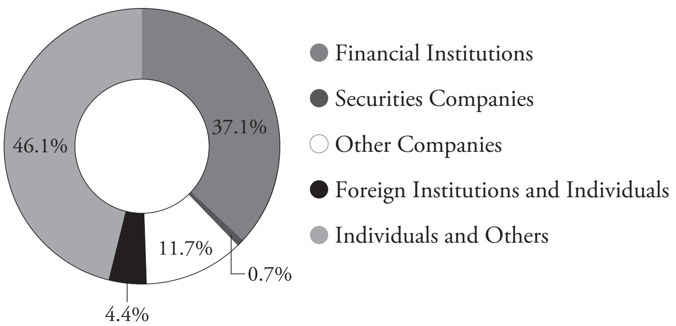
	(% of total)
Mizuho Corporate Bank, Ltd.	4.91
Sumitomo Mitsui Banking Corporation	4.90
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	4.90
NIPPONKOA Insurance Co., Ltd.	4.86
Japan Trustee Services Bank, Ltd. (Trust Account)	3.72
Resona Bank, Limited.	3.24

*Percentages of total shares issued are calculated based on the total number of shares issued excluding treasury stock.

Common Stock

Authorized:	160,000,000 shares
Issued:	57,432,000 shares
Number of shareholders:	7,998

Distribution of Ownership among Shareholders



Commitment to the Environment

Recognizing that conducting environmentally conscious business activities is one of its social obligations, DJK has established the following environmental policy, which is being pursued by all employees and directors companywide.

Environmental policy

As a company conducting international trade as well as sales in Japan of energy-, semiconductor-, plastic-injection molding-, and pulp-and-paper-related machinery and equipment, Medical equipment and engineering materials and aerospace-related devices, we will carry out environmental management of our business based on the following policies.

1. We will be constantly aware of the environmental issues regarding our merchandise and service activities, and will take steps to prevent environmental pollution. In addition, we will pursue constant improvement in our environmental management activities.
2. To comply with environmentally related laws, regulations, and accords regarding our merchandise and service activities, we will establish and follow our own voluntary standards.
3. Among the environmental issues regarding our merchandise and service activities, we will make the following issues special priority themes.
   (1) Reducing amounts of energy and resources used through greater operating efficiency
   (2) Handling and promotion of environmentally friendly merchandise
   (3) Promoting understanding of the importance of environmental issues inside and outside the Company

To achieve these environmental policies, we will establish environmental targets and goals. Working together, all employees and directors in all sections of the company will pursue environmental management.

JAB CM040 J-VAC

DJK acquired ISO 14001 certification on January 24, 2004 and revised it on January 23, 2007.

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PRINTED WITH SOY INK®

Printed in Japan on recycled paper
2010. 8 Ⓟ