ANNUAL REPORT 2012

Year ended March 31, 2012

DAIICHI JITSUGYO CO., LTD.

The coordinators supporting for clients

Our Advantages

The DJK Group is a general machinery trading company that supplies industries worldwide with optimum production equipment and systems.

The DJK Group has a wealth of experience with more than 60 years in global commercial transactions of ever-changing industrial technologies. Based on its long experience, the Group supports customers' future growth not only with its trading company functions, but also with its coordinator functions to respond to diversified customer needs including the development of cutting-edge technologies, logistics, after-sales services, and proposals that lead to the creation of added value.

Using a global network to stay in close contact with those in the field

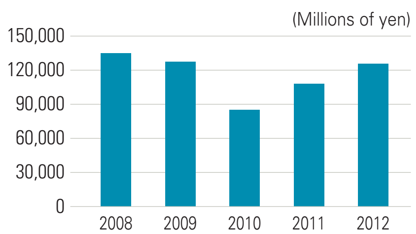
Along with the enhanced globalization of customers' businesses, DJK's support service beyond borders is increasingly important. As a general machinery trading company that covers a broad range of business fields, the DJK Group is making field-focused, swift responses with its 4-axis global network (China, Southeast Asia and India, the Americas, and Europe).

Highly valued, total solutions designed to meet your needs

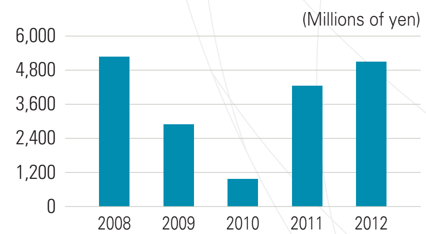
DJK specializes in one-stop solutions. Such total coordination includes engineering, onsite adjustment and after-sales services for peripheral equipment and plant facilities in addition to the core machinery and equipment. Against the backdrop of its rich know-how and excellent onsite responsiveness, the DJK Group supplies optimum machinery and equipment through its domestic and global networks to meet customers' needs with original and total solutions.

SELECTED FINANCIAL DATA

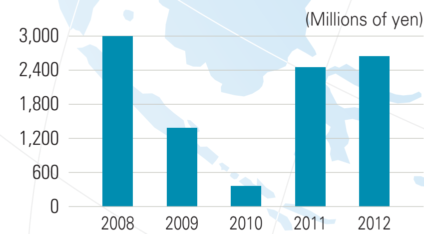
Net Sales



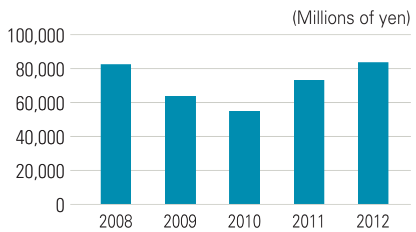
Operating Income



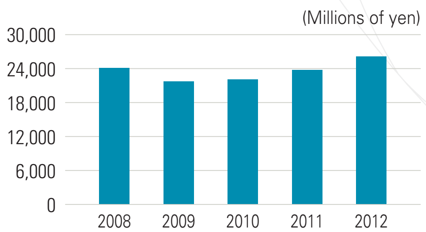
Net Income



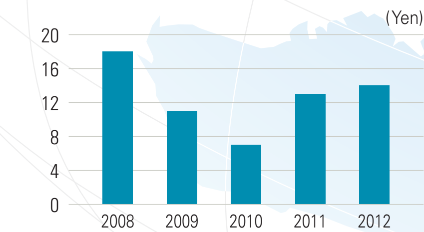
Total Assets



Total Equity



Cash Dividends



DIVISIONAL INFORMATION

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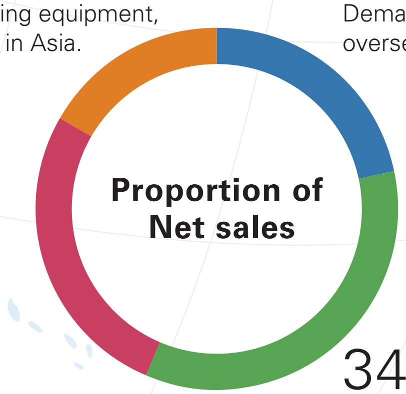
16.2%
Overseas Company
Sales of manufacturing equipment, etc., were favorable in Asia.

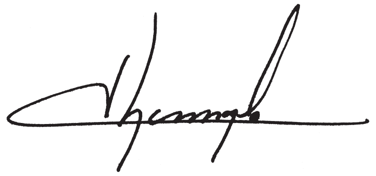
21.2%
Plant & Energy Business
Demand for plant facilities overseas was favorable.



26.4%
Industrial Machinery Business
Demand for equipment intended for the automobile-related industries grew.

34.0%
Electronics Business
Demand for equipment to manufacturers of IT and digital devices in Asia was vigorous.

Contents



Koji Yamagata
President & COO

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

Having completed our 89th term, the fiscal year from April 1, 2011 to March 31, 2012, we are pleased to report in this document an overview of the business performance of the DJK Group.

Please provide a summary of the operating results for the fiscal year under review.

"During the fiscal year under review, our business remained steady due to a considerable rise in sales from overseas-related transactions, despite some negative effects from the Great East Japan Earthquake."

The world economy continues to face numerous and multifaceted challenges, including an increasingly multipolar world and the rapid expansion of emerging markets. Timely reforms and the creation of new added value to enhance competitiveness are pressing issues for our customers in the manufacturing industry.

As a general machinery trading company with vast experience, the DJK Group has advanced steadily toward becoming a "trusted global business partner" with such customer-oriented initiatives as the detection of latent problems at each customer, proposals of innovative solutions for their issues, and anticipatory responses to diversifying customer needs. Given significant changes in industrial technology, we have strengthened our commitment to sales activity with the above initiatives to form closer partnerships with our customers. As a result, we recorded increases in both sales and profits for the fiscal year ended March 31, 2012.

Although domestic orders received declined in the first half of the year under review mainly due to the disruption of supply chains caused by the Great East Japan Earthquake which occurred on March 11, 2011, consolidated net sales increased 16.1% year over year to ¥125.5 billion, operating income amounted to ¥5.1 billion, and net income totaled ¥2.6 billion, all of which exceeded our targets.

Above all, in the plant and energy business, net sales increased 41.7% year over year thanks to large sales from major projects including fertilizer plant facilities overseas through leading engineering companies. Vigorous orders received for LNG refining plant facilities and superabsorbent polymer plants were also favorable. In the electronics business, sales of electronic parts-mounted equipment, circuit board printers and various testing equipment to manufacturers of IT and digital devices mainly in China, South Korea, and Thailand performed well, leading to a 25.0% increase in net sales. Changes in this business field have been accelerated relative to other industries with the rapid evolution of digital-related products such as smartphones and tablet devices. A global network and onsite responsiveness, which are the strengths of the DJK Group, are indispensable elements to address market changes and, in that regard, the Group will continue to demonstrate its advantages over competitors.

Sales to overseas destinations increased 45.7% year over year to ¥65.3 billion (with a 52.0% proportion of overseas sales to consolidated net sales), with overseas-related transactions contributing considerably to the overall increase in sales and profits.

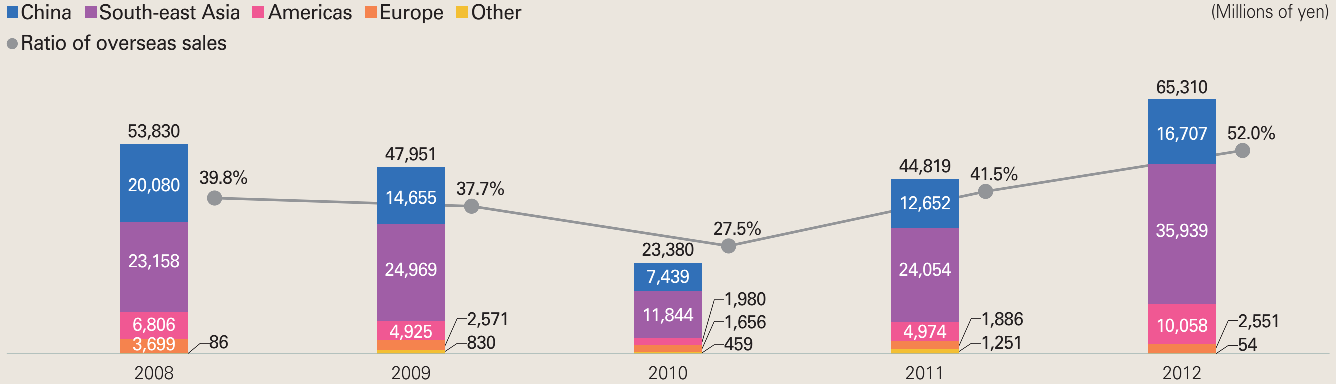
CONSOLIDATED FINANCIAL HIGHLIGHTS

DAIICHI JITSUGYO CO., LTD. AND CONSOLIDATED SUBSIDIARIES
As of March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. Dollars (Note)
	2012	2011	2012
For the year:			
Net sales	¥ 125,502	¥ 108,079	$ 1,526,977
Operating income	5,098	4,243	62,030
Net income	2,643	2,448	32,157
At the year-end:			
Total assets	83,759	73,322	1,019,091
Total equity	26,167	23,777	318,381
	Yen		U.S. Dollars (Note)
	2012	2011	2012
Per Share Data:			
Cash dividends	¥ 14.00	¥ 13.00	$ 0.17

Note: The U.S. dollar amounts represent translations of Japanese yen amounts at the rate of ¥82.19 to U.S.$1.

OVERSEAS SALES



Note: Sales are classified in countries or regions based on the location of customers.

The year ended March 31, 2012, was a year of many natural disasters. Could you tell us about your social contributions?

"Among others, we strove to support the restoration of customers' factories and ensure the short-term delivery of ordered equipment."

In March of last year, the DJK Group dispatched its engineers to several customers to help them restore damaged factories immediately after the Great East Japan Earthquake. As an example, one customer's factory became the first restored symbol in the area due to the completion of restoration within about 10 days after the event. The Group similarly dispatched an emergency support team to customers when Thailand was affected by flooding in the autumn of last year to swiftly collect useful information on damage conditions and assist customers in restoring production equipment and facilities.

Furthermore, the DJK Group endeavored to shorten the delivery time for ordered equipment so that customers could resume normal production systems as early as possible. Consequently, the Group strives to be a trustworthy business partner that stays in close contact with customers from the aspect of business continuity.

At the final year of the mid-term management plan, what do you think are the remaining issues to be accomplished by the end of the year?

"We intend to think about future operations around the "business axis" and establish an operating structure that properly meets onsite needs by taking control of domestic and overseas operating bases."

Even when business is sluggish, affected by external factors such as the Great East Japan Earthquake, we should not easily give up simply saying that "there is no choice because poor operating results are attributable to a natural disaster." I believe it is important to thoroughly analyze the causes of weak performance to strengthen our businesses while taking appropriate countermeasures to improve areas of concern. At the same time, to formulate the next mid-term management plan, it is also necessary for us to think about future operations around the "business axis" in addition to the previous "geographic axis" to objectively understand the industry's trends and competitive conditions. Thus, we will establish a management structure to consider how to develop and carry out group-wide operations while taking control of domestic and overseas operating bases in view of industrial trends.

As for business development in emerging nations, Japanese-affiliated companies usually have a common theme on how to increase the ratio of local procurement. To meet such needs precisely, we acknowledge that local procurement should be continuously improved.

Meanwhile, the Company is active in production development based on its patents for using originally developed technologies in collaboration with manufacturers. During the fiscal year under review, several commercialization projects moved ahead for touch-panel manufacturing equipment, lithium ion battery (LIB) polar plate test equipment and welding machines for large-current substrates. Although self-development requires high technical capabilities and speed, the Group intends to continuously focus on developing new products and materials through the concerted efforts of the group companies while responding to requests from customers.

In the fiscal year ending March 2013, the final year of the mid-term management plan, we would like to clearly identify remaining tasks and carry out necessary actions to achieve our upwardly revised consolidated business targets: ¥133.0 billion in net sales, ¥5.3 billion in operating income, ¥5.5 billion in ordinary income, and ¥3.1 billion in net income. Our proactive steps toward the next growth strategies will be ensured with these measures.

I have heard that you often go abroad on business trips. Please explain the significance of your overseas visits.

"Personally experiencing the "change and speed" of global business leads to swift business judgment."

We often see the dynamic actions of Taiwanese, Chinese and South Korean-affiliated companies in local areas. I truly felt that the world was constantly changing when I saw a former Japanese-affiliated company that restarted as a local-affiliated company in an East Asian country with a different trade name. I believe that personally experiencing the changes and speed of local markets is an indispensable element for decision making by top management. I make a point of going into the field as time permits, given my personal conviction that good ideas and good business do not come out of staying in the President's office.

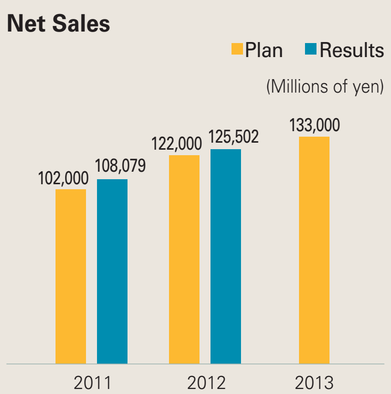
I believe the salespeople of engineering-based trading companies like DJK are truly valuable in fulfilling their jobs if they are counted on by customers as trustworthy busi-

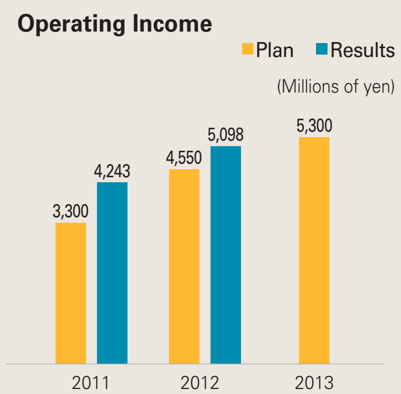
"ACT2012" TARGET

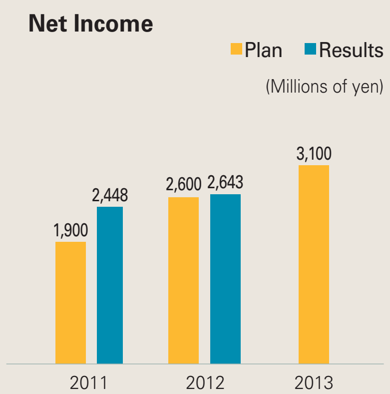
2013 Plan	Net Sales : ¥ 133 billion	Operating Income : ¥ 5.3 billion	Net Income : ¥ 3.1 billion

Active Challenges for the Global Business Creator with Trust

Under the mid-term management plan ACT 2012 that commenced in April 2010, we intend to open up global businesses by extending the previously promoted geographic axis for overseas business development to emerging countries. In addition, we are proactively developing new growth fields, including environment-friendly new energy, water resource-related, and secondary battery-related businesses, while endeavoring to increase corporate value by further strengthening our financial structure.







ness partners worthy of consulting. Therefore, they must be able to collaborate with every customer to find undiscovered solutions for specific problems and offer useful proposals. To that end, salespeople must be thoroughly acquainted with the details of the customer's business, as a matter of course. They also have to collect and know technical information regarding advanced equipment technology, the most recent products, step variations for implementation, and so on. They are also required to have close communication with engineers not only of users and manufacturers, but also of service engineers of the relevant group companies in the pursuit of valuable and solutions throughout the world. I am confident that the spirit of working with the customer to find tailored solutions is the basic stance and greatest strength of DJK's salespeople. However, every overseas representative, in particular, is extremely busy being alone in charge of any and all local business affairs. Therefore, their actions are likely to seek efficiency for routine operations for completing daily duties. I believe that it is my duty as a top manager to stimulate and revitalize such representatives by discussing various topics and events that have occurred in Japan and other regions.

Finally, what message would you like to send to your stakeholders?

"We aim for further business expansion through proactive investments in growth fields and regions."

Our roles to be assumed as a machinery trading company are increasingly important because our previous policies support those customers who intend to compete in the global arena given our global presence and the development of each industry. Such a proactive DJK approach includes extensive openings of overseas offices and the commercialization of new products via joint development with manufacturers by applying new technologies and patents.

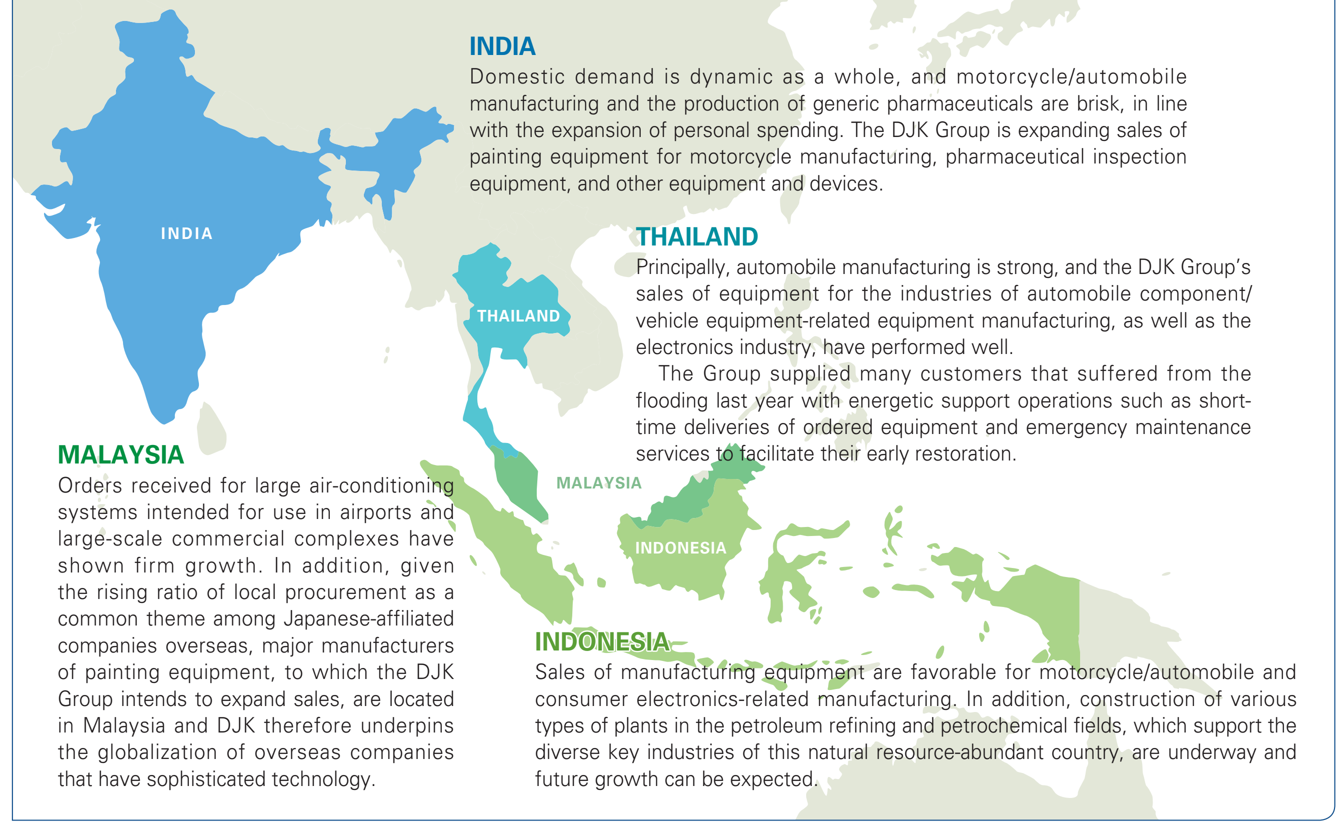
We believe that the DJK Group can accomplish its roles as a global enterprise by extending its overseas network and reinforcing its support system into growth regions together with our customers. I am committed to speedy business development while promoting the further globalization of our business structure.

We ask our stakeholders to continue to support us in our endeavors and count on the Group for our underlying growth potential.

Initiatives and Trends in Southeast Asia and India

The DJK Group has 10 operating bases for its sales activities in Southeast Asia and India. In these regions, manufacturing activities are conducted in vigorous operations around the core Japanese-affiliated companies. The DJK Group therefore has become a key enterprise in directly supporting the overseas businesses of its customers.

Furthermore, the Group has commenced marketing activities in Myanmar and Cambodia, countries that have recently come into the public limelight internationally. We also intend to further pursue local business in Southeast Asia.



INDIA

Domestic demand is dynamic as a whole, and motorcycle/automobile manufacturing and the production of generic pharmaceuticals are brisk, in line with the expansion of personal spending. The DJK Group is expanding sales of painting equipment for motorcycle manufacturing, pharmaceutical inspection equipment, and other equipment and devices.

THAILAND

Principally, automobile manufacturing is strong, and the DJK Group's sales of equipment for the industries of automobile component/vehicle equipment-related equipment manufacturing, as well as the electronics industry, have performed well.

The Group supplied many customers that suffered from the flooding last year with energetic support operations such as short-time deliveries of ordered equipment and emergency maintenance services to facilitate their early restoration.

MALAYSIA

Orders received for large air-conditioning systems intended for use in airports and large-scale commercial complexes have shown firm growth. In addition, given the rising ratio of local procurement as a common theme among Japanese-affiliated companies overseas, major manufacturers of painting equipment, to which the DJK Group intends to expand sales, are located in Malaysia and DJK therefore underpins the globalization of overseas companies that have sophisticated technology.

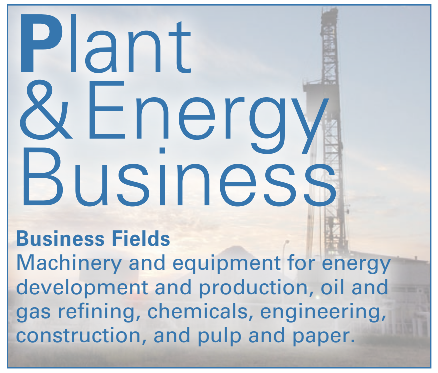
INDONESIA

Sales of manufacturing equipment are favorable for motorcycle/automobile and consumer electronics-related manufacturing. In addition, construction of various types of plants in the petroleum refining and petrochemical fields, which support the diverse key industries of this natural resource-abundant country, are underway and future growth can be expected.

Promoting Support Activity to Valued Customers with a Presence Overseas

DJK decided to take part in the business of Shiragane Plating Technology (Changzhou) Co., Ltd., through an equity participation pursuant to its establishment in China by Shiragane Plating, a plastics and metal processing manufacturer.

The overseas presence of manufacturers is likely to increase, but the overseas presence of Japanese companies inevitably involves business or foreign exchange risk and often a high burden of investment. As a result, some companies hesitate to take the decisive step of an overseas presence despite their superior and competitive manufacturing technology. We believe that the provision of consistent and useful services, including the procurement of raw materials, the maintenance of equipment and devices, and sales of manufactured products, can underpin the overseas presence of manufacturers who intend to develop their international activities. The DJK Group intends to proactively take the initiative in new technology development through cooperation with these manufacturers toward the further expansion of business.



Plant & Energy Business

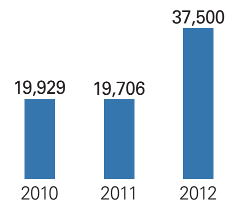
Business Fields
Machinery and equipment for energy development and production, oil and gas refining, chemicals, engineering, construction, and pulp and paper.

Demand for plant facilities overseas was favorable.

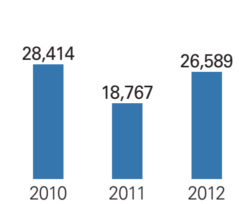
Net sales increased considerably, as sales were recorded from major projects, including facilities and equipment for fertilizer plants overseas through leading engineering companies, high-water absorbability resin plants for chemical companies, LIB positive-electrode materials manufacturing plants, and pulp plants for leading paper-making companies.

Sales are expected to increase steadily, as large orders have been received for fertilizer plant facilities and LNG refining plant facilities intended for leading engineering companies.

Orders Received
37,500
(Millions of yen)



Net Sales
26,589
(Millions of yen)



Description of Business

Against the backdrop of its rich experience and solid technologies accumulated over the years, DJK has actively addressed diverse tasks and achieved considerable results in such business fields as energy conservation, petroleum substitute energy and new energy. In addition, DJK has provided fine-tuned services for its customers from gas and petroleum refining plants, petrochemical plants, construction and maintenance, to consulting services for soil remediation.

In the fields related to paper and pulp manufacturing, we handle a wide range of equipment by manufacturing process and provide various types of machinery including environment-related equipment.

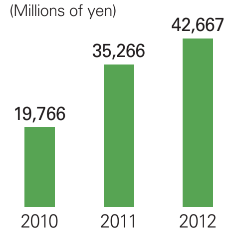
Electronics Business

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

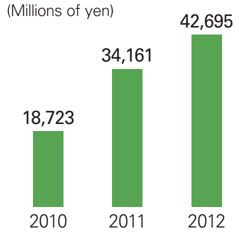
Demand for equipment to manufacturers of IT and digital devices in Asia was vigorous.

Sales of electronic parts-mounted equipment, circuit board printers, and various testing equipment to manufacturers of IT and digital devices mainly in China, South Korea, and Thailand performed well. Thanks to the buoyant demand accompanying the production increase for flat-screen TVs, smartphones, and so on in Asia, particularly China and South Korea, both orders received and net sales are expected to be maintained at favorable levels in the current fiscal year.

Orders Received
42,667
(Millions of yen)

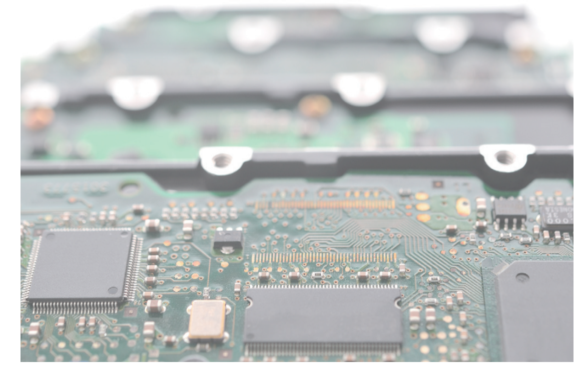


Net Sales
42,695
(Millions of yen)



Description of Business

In the fields of surface mounting technology (SMT) and semiconductor/LC module assembly, DJK comprehensively provides various types of PCB inspection equipment, peripheral equipment and electronic parts around its core circuit formation technology through the reform of Monozukuri processes. DJK proposes new business models adapted to the times by fully demonstrating its originally developed domestic and global networks.



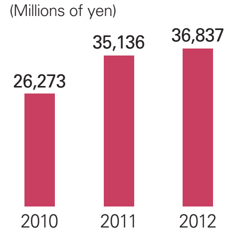
Industrial Machinery Business

Business Fields
Machinery and equipment for plastics, rubber, automobiles, steel, pharmaceuticals, food, and aviation industries.

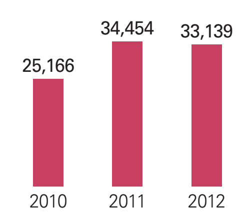
Demand for equipment intended for the automobile-related industries grew.

Although demand for automated assembly lines, automated processing equipment, and LIB manufacturing equipment intended for the automobile industry was favorable, sales for the projects for which orders had already been received decreased. As demand for plastic product manufacturing equipment and equipment intended for automobile-related industries has been growing accompanying the production increase for consumer electronics and automobile components mainly in emerging countries, stable orders are expected to be received in the near future.

Orders Received
36,837
(Millions of yen)



Net Sales
33,139
(Millions of yen)



Description of Business

DJK's FA systems, flexible manufacturing systems (FMSs), and various automated assembly lines have been highly acclaimed by many customers in the field where they seek enhanced efficiency, labor-saving, and streamlining. DJK handles plastic/rubber molding machines, metal processing machines, and ceramic processing machines in the automobile and consumer electronics-related fields. Meanwhile, as for pharmaceutical and food manufacturing, DJK handles a variety of equipment and products including pharmaceutical filling devices, various types of inspection equipment, and the latest packaging production lines.

As for LIB manufacturing, DJK handles the incinerators and drying furnaces that are indispensable in manufacturing the raw materials of secondary batteries. DJK also supplies ground-support equipment and other airport facility-related equipment for the aviation industry.

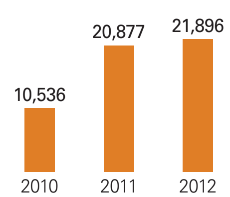
Overseas Company

Business Fields
Machinery and equipment sold by overseas branches and subsidiaries.

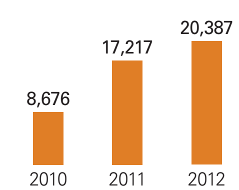
Sales of manufacturing equipment, etc., were favorable in Asia.

In addition to the recovery in demand for manufacturing equipment intended for the electronic and vehicle equipment-related industries in the United States, sales of manufacturing equipment to manufacturers of IT and digital devices and vehicle equipment were favorable in Asia. Consequently, both orders received and net sales advanced. Demand for such equipment is expected to grow consistently as capital investments sustained by rising consumption will likely continue in emerging nations.

Orders Received
21,896
(Millions of yen)



Net Sales
20,387
(Millions of yen)



Description of Business

DJK manages its overseas offices in 35 cities in 18 countries around the world. The DJK headquarters in each area of the 4-axis network (China, Southeast Asia, the Americas, and Europe) coordinates with each other to implement business activities. In addition to sales of various kinds of machinery and equipment handled by the DJK Group in the respective areas, each headquarters sells merchandise that it directly purchases locally.

DJK NETWORK

OVERSEAS

OFFICES

- Seoul Branch
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- Qatar Office
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- Queretaro Office
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SHIRAGANE PLATING TECHNOLOGY (CHANGZHOU) CO., LTD.
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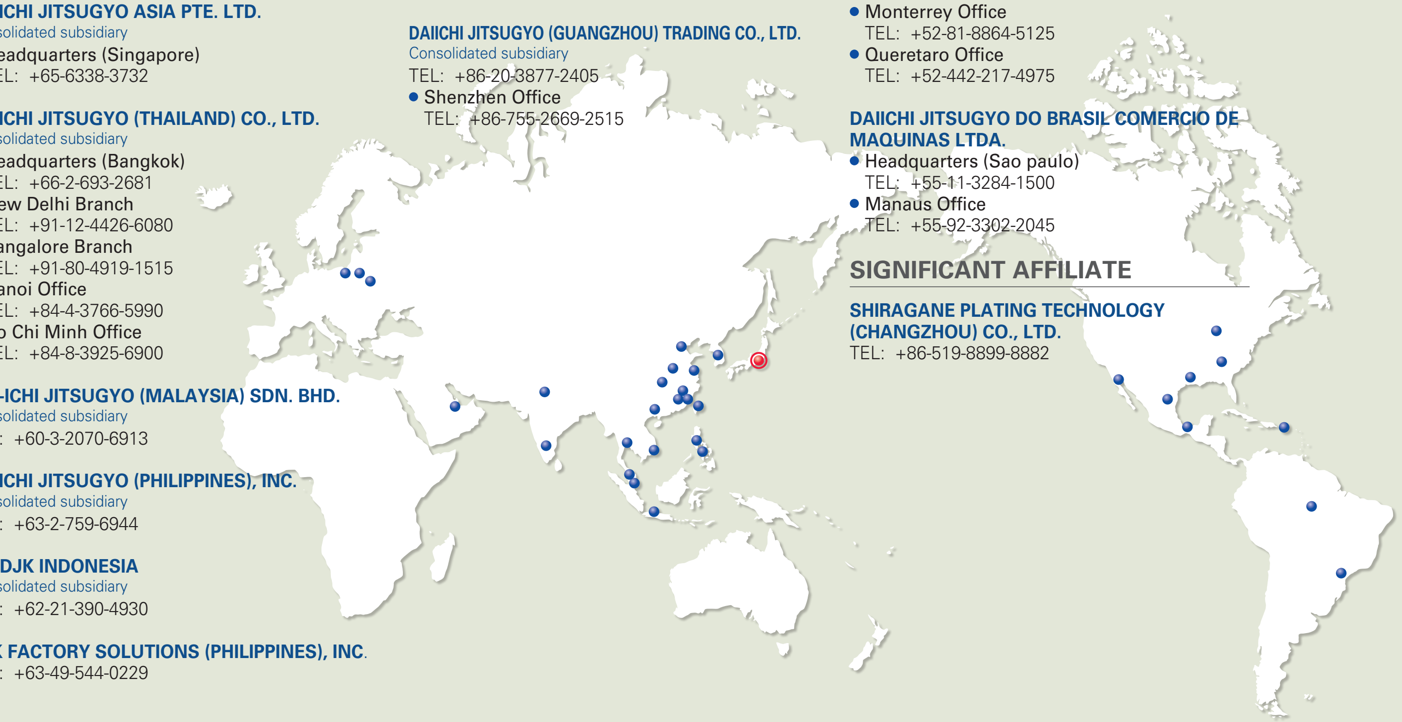
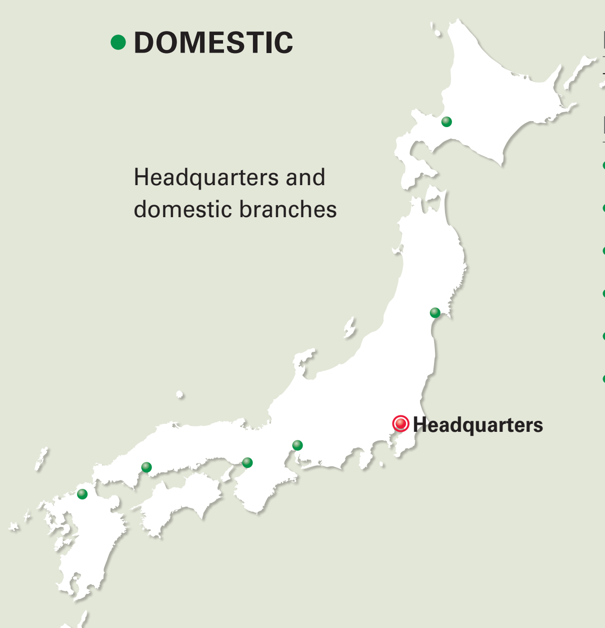


DOMESTIC



HEADQUARTERS(Tokyo)

TEL: +81-3-5214-8500 (information desk)

BRANCHES

- Osaka Branch
  TEL: +81-6-6366-2800
- Nagoya Branch
  TEL: +81-52-201-5471
- Sapporo Branch
  TEL: +81-11-241-2435
- Tohoku Branch
  TEL: +81-22-266-2366
- Hiroshima Branch
  TEL: +81-82-248-0295
- Fukuoka Branch
  TEL: +81-92-441-1565

SIGNIFICANT SUBSIDIARIES

DAIICHI MECHA-TECH CORPORATION
Consolidated subsidiary
TEL: +81-48-222-1692

DJTECH CO., LTD.
Consolidated subsidiary
TEL: +81-49-295-4975

DAIICHI JITSUGYO VISWILL CO., LTD.
Consolidated subsidiary
TEL: +81-6-6378-6115

DAIICHI ENGINEERING CO., LTD.
TEL: +81-3-3288-1951

SIGNIFICANT AFFILIATES

SULZER DAIICHI K.K.
TEL: +81-3-3664-5721

CAMERON JAPAN LTD.
TEL: +81-3-3288-1901

ASANO LABORATORIES CO., LTD.
TEL: +81-561-38-1211

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 6 directors and meets in principle once a month or as necessary. The board determines basic business policies and other important matters through vigorous exchanges of opinions among attendees, 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 7 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.

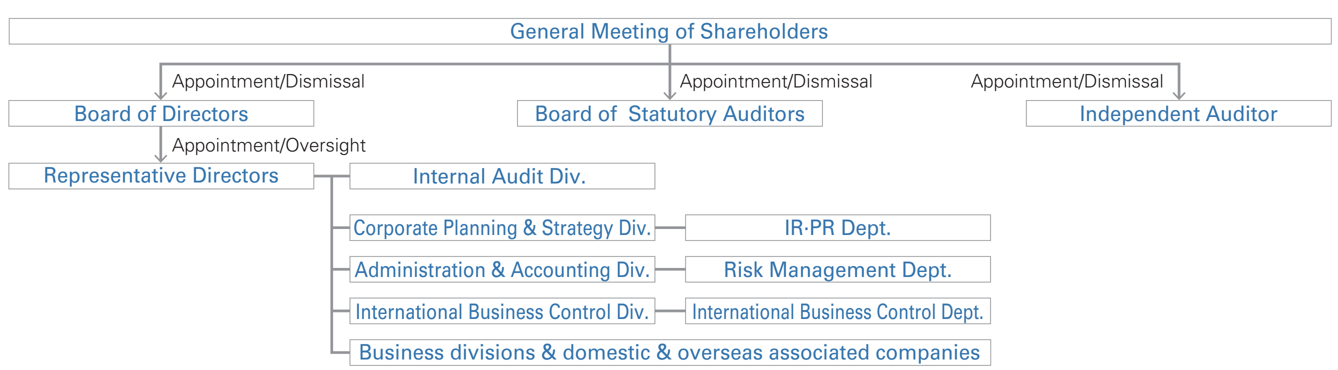
In an effort to further enhance its corporate value, DJK has adopted the executive officer system and conducts flexible and efficient business operations by reinforcing the business decision-making and supervising functions as well as separating the business execution function. DJK dispatches certain executive officers to be in charge of its consolidated subsidiaries in Japan and overseas and to manage their business execution.

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.

DJK'S CORPORATE GOVERNANCE SYSTEM



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 law offices 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 Overview for Fiscal 2011s 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 and executive officers in accordance with the division of duties decided at the start of each fiscal year, with assignments, responsibilities, and execution procedures determined in detail.

5. Systems for ensuring that directors, executive officers, and 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, executive officers, 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, executive officers, 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, executive officers, 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.

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)
	2012	2011	2010	2009	2008	**2012**
For the year:						
Net sales:	**¥125,502**	¥108,079	¥ 85,058	¥127,285	¥135,050	**$ 1,526,977**
Gross profit	**16,813**	15,224	11,104	14,287	17,255	**204,562**
Operating income:	**5,098**	4,243	941	2,893	5,273	**62,030**
Net income	**2,643**	2,448	363	1,384	3,000	**32,157**
Comprehensive income	**3,008**	2,159	600	—	—	**36,602**
Overseas sales:	**65,310**	44,819	23,380	47,951	53,830	**794,631**
Asia	**52,646**	36,706	19,284	39,625	43,239	**640,548**
Europe	**2,551**	1,886	1,656	2,571	3,699	**31,041**
North and Central America	**5,511**	4,546	1,423	3,646	6,342	**67,062**
Other	**4,600**	1,678	1,017	2,109	549	**55,978**
Depreciation and amortization	**353**	356	326	357	382	**4,305**
Capital expenditures	**427**	381	443	263	633	**5,204**
At year-end:						
Total assets	**¥ 83,759**	¥ 73,322	¥ 55,096	¥ 64,066	¥ 82,532	**$ 1,019,091**
Working capital	**18,855**	17,180	15,590	15,463	13,874	**229,414**
Interest-bearing debt	**14,942**	10,560	5,489	5,567	5,706	**181,799**
Total equity	**26,167**	23,777	22,082	21,694	24,115	**318,381**
Per share of common stock (in yen and U.S. dollars):						
Net income	**¥ 50.55**	¥ 46.90	¥ 6.97	¥ 25.76	¥ 52.83	**$ 0.62**
Cash dividends	**14.00**	13.00	7.00	11.00	18.00	**0.17**
Shareholders' equity	**485.23**	445.88	416.63	410.63	423.39	**5.90**
Other statistics:						
Number of shares of common stock outstanding (in thousands)	**52,565**	52,213	52,119	52,099	56,269	
Number of employees	**1,008**	992	974	942	931	
Key ratio (%):						
Gross profit margin	**13.4**	14.1	13.1	11.2	12.8	
Operating income margin	**4.1**	3.9	1.1	2.3	3.9	
Return on sales	**2.1**	2.3	0.4	1.1	2.2	
Return on assets	**3.4**	3.8	0.6	1.9	3.8	
Return on equity	**10.8**	10.9	1.7	6.1	12.6	
Asset turnover (times)	**1.60**	1.68	1.43	1.70	1.72	
Current ratio	**133.1**	135.3	148.5	137.3	124.2	
Equity ratio	**30.5**	31.8	39.4	33.4	28.9	
Debt to equity ratio (times)	**0.59**	0.45	0.25	0.26	0.24	

Notes: 1. U.S. dollar figures have been converted from Japanese yen, for convenience only, at the rate of ¥82.19 to U.S.$1.
2. Minority interests in equity have been excluded from equity when key ratio is calculated.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

PERFORMANCE

Our nation's economy during the fiscal year under review gradually showed signs of recovery such as demand for reconstruction from the Great East Japan Earthquake and a rally in production and exports due to the restored supply chains of many corporations. However, uncertainty for the future continued to prevail with such concerns as the lingering aftereffects of the nuclear accident, the disturbance in the production activity of Japan-affiliated companies in Thailand caused by heavy floods, the lingering debt crisis in Europe, the hike of crude oil prices and the continuing yen appreciation.

Under such circumstances, through concerted sales activities conducted by directors, executive officers and employees of the DJK Group, orders received for the fiscal year under review increased ¥27,463 million, or 24.0% year on year, to ¥141,778 million, and consolidated net sales increased ¥17,422 million, or 16.1%, to ¥125,502 million. As to profitability, operating income increased ¥854 million, or 20.1%, to ¥5,098 million. Net income edged up ¥194 million, or 8.0%, to ¥2,643 million, reflecting the reporting of an evaluation loss on stock holdings related to listed shares.

Performance by business segment was as follows.

(1) Plant & Energy Business

As sales from major projects, including fertilizer plant facilities overseas through leading engineering companies, were recorded, net sales increased ¥7,821 million, or 41.7%, to ¥26,589 million, and segment income (operating income) increased ¥177 million, or 16.3%, to ¥1,270 million.

(2) Electronics Business

Sales of electronic parts-mounted equipment, circuit board printer and various testing equipment to manufacturers of IT and digital devices mainly in China, South Korea and Thailand performed well. As a result, net sales increased ¥8,533 million, or 25.0%, to ¥42,695 million, and segment income (operating income) increased ¥327 million, or 15.7%, to ¥2,417 million.

(3) Industrial Machinery Business

Although demand for automated assembly lines, automated processing equipment and lithium ion battery manufacturing equipment intended for the automobile industry was favorable, sales for the projects for which orders had already been received decreased. As a result, net sales decreased ¥1,314 million, or 3.8%, to ¥33,139 million, and segment income (operating income) declined ¥190 million, or 8.0%, to ¥2,198 million.

(4) Overseas Company

In addition to the recovery in demand for manufacturing equipment intended for the electronic and vehicle equipment-related industries in the United States, sales of manufacturing equipment to manufacturers of IT and digital devices and vehicle equipment were favorable in Asia. As a result, net sales increased ¥3,170 million, or 18.4%, to ¥20,387 million, and segment income (operating income) increased ¥642 million, or 84.3%, to ¥1,405 million.

FINANCIAL POSITION

As of March 31, 2012, total assets amounted to ¥83,759 million, increasing ¥10,436 million, or 14.2%, year on year. Current assets increased ¥9,975 million, or 15.1%, to ¥75,821 million, and fixed assets increased ¥461 million, or 6.2%, to ¥7,937 million.

The increase in current assets can be mainly attributed to such factors as the increase in notes and accounts receivable-trade and advance payments accompanying the recovery in demand for capital investments. The increase in fixed assets can be mainly attributed to such factors as the increase in the book value of investment securities, which resulted from the rise in the share price of relevant stocks, and the equity participation in the newly established Shiragane Plating Technology (Changzhou) Co., Ltd.

Total liabilities amounted to ¥57,591 million, increasing ¥8,046 million, or 16.2%, from the previous fiscal year. Current liabilities increased ¥8,299 million, or 17.1%, to ¥56,965 million, whereas long-term liabilities decreased ¥253 million, or 28.9%, to ¥625 million.

The main factors of the increase in current liabilities were the increase in notes and accounts payable-trade accompanying the increase in sales and the proceeds from short-term bank loans. The main factors of the decrease in long-term liabilities were the decrease in liability for retirement benefits for directors and corporate auditors, which resulted from the final payment of retirement benefits for directors and corporate auditors, and the repayment of long-term debt.

Total equity amounted to ¥26,167 million, increasing ¥2,390 million, or 10.1%, from the previous fiscal year. The main factor of this increase in total equity was the reporting of net income of ¥2,643 million despite the payment of dividends. As a result, the equity ratio became 30.5%, which is 1.3 percentage points lower than the 31.8% of the previous fiscal year.

Operating Activities

Net cash used in operating activities totaled ¥1,661 million, a decrease of ¥2,352 million from net cash provided by operating activities in the previous fiscal year. This is mainly attributed to the increase in notes and accounts receivable-trade and the increase in advance payments accompanying the recovery in demand for capital investments despite the recording of income before income taxes and minority interests and the increase in notes and accounts payable-trade.

Investing Activities

Net cash used in investing activities totaled ¥274 million, increasing ¥122 million from the previous fiscal year. The principal cash outflows were the acquisition of property, plant and equipment and the acquisition of investment securities.

Financing Activities

Net cash provided by financing activities totaled ¥3,692 million, decreasing ¥865 million from the previous fiscal year. The principal cash inflows were due to short-term bank loans.

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, and lease services of various types of machinery and fixtures, which it sells domestically, imports, and exports. Overseas, the Group is accelerating its business development under the 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.

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. The proportion of overseas sales to the consolidated net sales in the fiscal year under review was 52.0%, drastically up from 41.5% in the previous fiscal year. 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 continue to 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 and made progress with the reduction of interest-bearing debt. Nevertheless, the consolidated interest-bearing debt of the Company and its subsidiaries at March 31, 2012, amounted to ¥14,942 million mainly due to the increase in advances from customers accompanying sales growth. 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, 2012, the total sales receivables of the Company and its consolidated subsidiaries amounted to ¥43,037 million, or 51.4% 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 reinforce and expand its operating revenue base by proactively developing 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; factories; 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.

CONSOLIDATED BALANCE SHEET

DAIICHI JITSUGYO CO., LTD. AND CONSOLIDATED SUBSIDIARIES
March 31, 2012

	Millions of yen		Thousands of U.S. Dollars (Note 1)
ASSETS	**2012**	2011	**2012**
Current assets:			
Cash and cash equivalents (Note 14)	**¥ 13,604**	¥11,878	**$ 165,524**
Time deposits (Note 14)		468	
Receivables (Note 14) :			
Notes receivable	**3,596**	5,684	**43,757**
Accounts receivable	**39,097**	32,227	**475,699**
Unconsolidated subsidiaries and associated companies	**165**	386	**2,012**
Other	**1,883**	1,006	**22,918**
Lease investment assets (Note 13)	**227**	339	**2,769**
Inventories (Note 4)	**9,157**	8,945	**111,419**
Deferred tax assets (Note 10)	**715**	480	**8,709**
Accounts prepaid	**7,056**	4,156	**85,855**
Other current assets	**428**	341	**5,208**
Allowance for doubtful accounts	**(112)**	(69)	**(1,364)**
Total current assets	**75,821**	65,846	**922,510**
Property, plant and equipment (Note 5):			
Land	**610**	458	**7,432**
Buildings and structures	**1,093**	1,181	**13,301**
Machinery and equipment	**491**	474	**5,980**
Furniture and fixtures	**723**	568	**8,798**
Leased assets (Note 13)	**709**	919	**8,626**
Construction in progress	**1**	9	**21**
Total	**3,629**	3,612	**44,161**
Accumulated depreciation	**(1,844)**	(1,946)	**(22,447)**
Net property, plant and equipment	**1,784**	1,666	**21,713**
Investment and other assets:			
Investment securities (Notes 3 and 14)	**3,866**	3,691	**47,049**
Investment in and advances to unconsolidated subsidiaries and associated companies	**1,279**	1,070	**15,572**
Long-term deposits	**535**	527	**6,515**
Deferred tax assets (Note 10)	**75**	230	**921**
Other assets	**728**	586	**8,866**
Allowance for doubtful accounts	**(333)**	(296)	**(4,058)**
Total investment securities and other assets	**6,153**	5,810	**74,867**
TOTAL	**¥ 83,759**	¥73,322	**$1,019,091**

See notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. Dollars (Note 1)
LIABILITIES AND EQUITY	**2012**	2011	**2012**
Current liabilities:			
Short-term bank loans (Notes 6 and 14)	**¥ 14,731**	¥10,239	**$ 179,241**
Current portion of long-term debt (Notes 6 and 14)	**152**	151	**1,854**
Payables (Note 14) :			
Notes payable	**931**	635	**11,330**
Accounts payable	**28,292**	26,786	**344,232**
Unconsolidated subsidiaries and associated companies	**969**	1,127	**11,801**
Other	**24**	59	**293**
Income taxes payable	**1,702**	1,456	**20,709**
Accrued expenses	**1,219**	1,087	**14,836**
Advances received	**7,891**	6,862	**96,009**
Allowance for after-sales service	**579**		**7,044**
Other current liabilities	**471**	257	**5,742**
Total current liabilities	**56,965**	48,665	**693,096**
Long-term liabilities:			
Long-term debt (Notes 6 and 14)		152	
Liability for retirement benefits (Note 7)	**283**	666	**3,450**
Deferred tax liabilities (Note 10)	**67**	3	**822**
Other long-term liabilities	**274**	56	**3,340**
Total long-term liabilities	**625**	879	**7,613**
Commitments and contingent liabilities (Notes 15 and 16)			
Equity (Notes 8, 9 and 19)			
Common stock, authorized, 160,000,000 shares; issued, 55,432,000 shares in 2012 and 57,432,000 shares in 2011	**5,105**	5,105	**62,112**
Capital surplus	**3,786**	3,789	**46,066**
Stock acquisition rights	**100**	94	**1,227**
Retained earnings	**18,063**	17,013	**219,777**
Treasury stock — at cost, 2,866,941 shares in 2012 and 5,218,210 shares in 2011	**(1,214)**	(2,210)	**(14,770)**
Accumulated other comprehensive income (loss) :			
Unrealized gain on available-for-sale securities	**343**	89	**4,180**
Deferred gain on derivatives under hedge accounting	**(0)**	25	**(5)**
Foreign currency translation adjustments	**(577)**	(531)	**(7,028)**
Total	**25,607**	23,375	**311,560**
Minority interests	**560**	401	**6,821**
Total equity	**26,167**	23,777	**318,381**
TOTAL	**¥ 83,759**	¥73,322	**$1,019,091**

CONSOLIDATED STATEMENT OF INCOME

DAIICHI JITSUGYO CO., LTD. AND CONSOLIDATED SUBSIDIARIES
Year ended March 31, 2012

	Millions of yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	**2012**
Net sales	**¥125,502**	¥108,079	**$1,526,977**
Cost of sales	**108,689**	92,855	**1,322,414**
Gross profit	**16,813**	15,224	**204,562**
Selling, general and administrative expenses (Notes 11 and 12)	**11,714**	10,981	**142,532**
Operating income	**5,098**	4,243	**62,030**
Other income (expenses):			
Interest and dividend income	**149**	141	**1,823**
Interest expense	**(91)**	(67)	**(1,112)**
Purchase discount	**238**	230	**2,899**
Loss on sales on property, plant and equipment	**(2)**	(12)	**(31)**
Valuation loss on investment securities	**(227)**	(2)	**(2,767)**
Loss on liquidation of subsidiaries and affiliates	**(246)**		**(2,998)**
Impairment loss (Note 5)		(59)	
Other – net	**43**	(211)	**527**
Other (expenses) income – net	**(136)**	19	**(1,659)**
Income before income taxes and minority interests	**4,961**	4,262	**60,370**
Income taxes (Note 10):			
Current	**2,270**	1,992	**27,623**
Deferred	**(134)**	(261)	**(1,638)**
Total income taxes	**2,135**	1,731	**25,985**
Net income before minority interests	**2,826**	2,531	**34,385**
Minority interests in net income	**183**	83	**2,227**
Net income	**¥ 2,643**	¥ 2,448	**$ 32,157**

	Yen		U.S. Dollars (Note 1)
Per share of common stock (Notes 2.r and 18)			
Basic net income	**¥ 50.55**	¥ 46.90	**$ 0.62**
Diluted net income	**50.33**	46.89	**0.61**
Cash dividends applicable to the year	**14.00**	13.00	**0.17**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

DAIICHI JITSUGYO CO., LTD. AND CONSOLIDATED SUBSIDIARIES
Year ended March 31, 2012

	Millions of yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	**2012**
Net income before minority interests	**¥ 2,826**	¥2,531	**$ 34,385**
Other comprehensive income (Note 17) :			
Unrealized gain (loss) on available-for-sale securities	**254**	(186)	**3,096**
Deferred (loss) gain on derivatives under hedge accounting	**(26)**	29	**(318)**
Foreign currency translation adjustment	**(46)**	(214)	**(560)**
Share of other comprehensive income in associates		(0)	
Total other comprehensive income (loss)	**182**	(371)	**2,217**
Comprehensive income (Note 17)	**¥ 3,008**	¥2,159	**$ 36,602**
Total comprehensive income attributable to (Note 17) :			
Owners of the parent	**¥ 2,849**	¥2,090	**$ 34,671**
Minority interests	**158**	69	**1,931**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

DAIICHI JITSUGYO CO., LTD. AND CONSOLIDATED SUBSIDIARIES
Year ended March 31, 2012

	Thousands	Millions of yen										
							Accumulated other comprehensive income (loss)					
	Number of shares of common stock outstanding	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock	Unrealized gain on available-for-sale securities	Deferred gain on derivatives under hedge accounting	Foreign currency translation adjustments	Total	Minority interests	Total equity
BALANCE, APRIL 1, 2010	52,119	¥5,105	¥3,789	¥34	¥15,087	¥(2,222)	¥276	¥(3)	¥(317)	¥21,749	¥332	¥22,082
Net income					2,448					2,448		2,448
Cash dividends, ¥10.00 per share					(521)					(521)		(521)
Purchase of treasury stock	(19)					(6)				(6)		(6)
Disposal of treasury stock	114		(0)			18				17		17
Net change in the year				59			(186)	29	(214)	(312)	69	(243)
BALANCE, MARCH 31, 2011	52,213	¥5,105	¥3,789	¥94	¥17,013	(¥2,210)	¥89	¥25	(¥531)	¥23,375	¥401	¥23,777
Net income					2,643					2,643		2,643
Cash dividends, ¥14.00 per share					(732)					(732)		(732)
Purchase of treasury stock	(8)					(3)				(3)		(3)
Disposal of treasury stock	360		(3)		(13)	152				135		135
Retirement of treasury stock					(847)	847						
Net change in the year				6			254	(26)	(46)	188	158	347
BALANCE, MARCH 31, 2012	**52,595**	**¥5,105**	**¥3,786**	**¥100**	**¥18,063**	**¥(1,214)**	**¥343**	**¥(0)**	**¥(577)**	**¥25,607**	**¥560**	**¥26,167**

	Thousands of U.S. Dollars (Note 1)										
						Accumulated other comprehensive income (loss)					
	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock	Unrealized gain on available-for-sale securities	Deferred gain on derivatives under hedge accounting	Foreign currency translation adjustments	Total	Minority interests	Total equity
BALANCE, MARCH 31, 2011	$62,112	$46,107	$1,147	$207,000	$(26,891)	$1,084	$312	$(6,467)	$284,405	$4,890	$289,295
Net income				32,157					32,157		32,157
Cash dividends, $0.17 per share				(8,910)					(8,910)		(8,910)
Purchase of treasury stock					(40)				(40)		(40)
Disposal of treasury stock		(41)		(162)	1,885				1,651		1,651
Retirement of treasury stock				(10,306)	10,306						
Net change in the year			79			3,096	(318)	(560)	2,297	1,931	4,228
BALANCE, MARCH 31, 2012	**$62,112**	**$46,066**	**$1,227**	**$219,777**	**$(14,770)**	**$4,180**	**$(5)**	**$(7,028)**	**$311,560**	**$6,821**	**$318,381**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

DAIICHI JITSUGYO CO., LTD. AND CONSOLIDATED SUBSIDIARIES
Year ended March 31, 2012

	Millions of yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	**2012**
Operating activities:			
Income before income taxes and minority interests	**¥ 4,961**	¥ 4,262	**$ 60,370**
Adjustments for:			
Income taxes – paid	**(2,011)**	(722)	**(24,476)**
Depreciation and amortization	**353**	356	**4,305**
Impairment loss		59	
Changes in operating assets and liabilities:			
Increase in allowance for after-sales service	**579**		**7,044**
Loss on liquidation of subsidiaries and affiliates	**246**		**2,998**
Increase in notes and accounts receivable – trade	**(4,754)**	(7,155)	**(57,848)**
Increase in advance payments to suppliers	**(2,925)**	(1,579)	**(35,595)**
Increase in inventories	**(228)**	(4,637)	**(2,779)**
Increase in notes, acceptance and accounts payable – trade	**1,632**	6,230	**19,866**
Increase in advances from customers	**1,073**	3,740	**13,061**
Other – net	**(588)**	134	**(7,165)**
Total adjustments	**(6,623)**	(3,572)	**(80,590)**
Net cash (used in) provided by operating activities	**(1,661)**	690	**(20,220)**
Investing activities:			
Acquisition of property, plant and equipment	**(352)**	(129)	**(4,293)**
Proceeds from sales of property, plant and equipment	**6**	38	**74**
Acquisition of marketable and investment securities	**(350)**	(421)	**(4,265)**
Payments of loans receivable	**(20)**	(250)	**(244)**
Collection of loans receivable	**12**	39	**156**
Other – net	**430**	326	**5,238**
Net cash used in investing activities	**(274)**	(396)	**(3,335)**
Financing activities:			
Increase in short-term bank loans – net	**4,480**	5,227	**54,507**
Repayment of long-term debt	**(151)**	(151)	**(1,847)**
Dividends paid	**(731)**	(522)	**(8,904)**
Other – net	**95**	4	**1,164**
Net cash provided by financing activities	**3,692**	4,557	**44,921**
Foreign currency translation adjustments on cash and cash equivalents	**(30)**	(92)	**(365)**
Net increase in cash and cash equivalents	**1,726**	4,759	**21,000**
Cash and cash equivalents, beginning of year	**11,878**	7,118	**144,524**
Cash and cash equivalents, end of year	**¥13,604**	¥11,878	**$165,524**

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DAIICHI JITSUGYO CO., LTD. AND CONSOLIDATED SUBSIDIARIES
Year ended March 31, 2012

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 the 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 2011 consolidated financial statements to conform to the classifications used in 2012.

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 translations 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 ¥82.19 to $1, the approximate rate of exchange at March 31, 2012. 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.

Amounts of less than one million yen and one thousand U.S. dollars have been rounded down to the nearest million and thousand in the presentation of the accompanying consolidated financial statements. The Company applies this method in annual reports in and after 2011. As a result, the totals in yen and U.S. dollars do not necessarily agree with the sum of the individual amounts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation

The consolidated financial statements as of March 31, 2012 include the accounts of the Company and its 13 significant (13 in 2011) 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.

An investment in 2 (1 in 2011) associated companies 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.

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 also 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) exclusion of minority interests from net income, if contained.

c. Unification of Accounting Policies Applied to Foreign Associated Companies for the Equity Method

In March 2008, the ASBJ issued ASBJ Statement No. 16, "Accounting Standard for Equity Method of Accounting for Investments." The new standard requires adjustments to be made to conform the associate's accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate's financial statements are used in applying the equity method unless it is impracticable to determine such adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States of America tentatively may be used in applying the equity method if the following items are adjusted 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 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; and (5) exclusion of minority interests from net income, if contained in net income.

d. 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.

e. 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.

f. 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, for which there is 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.

g. 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.

h. 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.

i. 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.

Effective June 23, 2011, the Company terminated its unfunded retirement allowance plan for all directors and corporate auditors. The outstanding balance of retirement allowances for directors and corporate auditors as of March 31, 2011 was reclassified to the long-term liabilities in the year ended March 31, 2012.

Retirement benefits for directors and corporate auditors of 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.

j. Asset Retirement Obligations
In March 2008, the ASBJ published ASBJ Statement No. 18 "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No. 21 "Guidance on Accounting Standard for Asset Retirement Obligations". Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

k. 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.

l. Research and Development Costs
Research and development costs are charged to income as incurred.

m. 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 was effective for fiscal years beginning on or after April 1, 2008.

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions 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 continue to be accounted for as operating lease transactions.

The Company applied the revised accounting standard effective April 1, 2008. In addition, the Company continues to account 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 was effective for fiscal years beginning on or after April 1, 2008.

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were treated as sales. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if sold" information was disclosed in the note to the lessor's financial statements. The revised accounting standard requires that all finance leases that are deemed to transfer ownership of the leased property to the lessee be recognized as lease receivables, and that all finance leases that are not deemed to transfer ownership of the leased property to the lessee be recognized as investments in lease. The Company applied the revised accounting standard effective April 1, 2008.

n. Bonuses to Directors and Corporate Auditors
Bonuses to directors and corporate auditors are accrued at the year-end to which such bonuses are attributable.

o. Income Taxes
The provision for income taxes is computed based on the pretax income included in the consolidated statement 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.

p. 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 consolidated statement of income to the extent that they are not hedged by forward exchange contracts.

q. 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 are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity.

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

r. 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 : (1) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statement of income and (2) for derivatives used for hedging purposes, if such 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 fair value and the unrealized gains/losses are deferred until maturity of the hedged transaction. Forward contracts applied for forecasted (or committed) transactions are also measured at 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.

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 agreement is recognized and included in interest expense or income.

s. 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 statement of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

t. Accounting Changes and Error Corrections
In December 2009, the 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, the 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.

3. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Non-current:			
Marketable equity securities	**¥ 3,462**	¥ 3,288	**$ 42,128**
Government and corporate bonds	**14**	14	**178**
Other	**389**	388	**4,741**
Total	**¥ 3,866**	¥ 3,691	**$ 47,049**

The 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, 2012 and 2011 were as follows:

	Millions of yen			
March 31, 2012	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale: Equity securities	**¥2,928**	**¥994**	**¥460**	**¥3,462**
Held-to-Maturity	**14**	**0**		**15**
March 31, 2011				
Securities classified as:				
Available-for-sale: Equity securities	¥3,136	¥888	¥736	¥3,288
Held-to-Maturity	14	1		15

	Thousands of U.S. Dollars			
March 31, 2012	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale: Equity securities	**$ 35,630**	**$ 12,106**	**$ 5,608**	**$ 42,128**
Held-to-Maturity	**178**	**7**		**186**

4. INVENTORIES

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

	Millions of yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Merchandise and finished products	**¥7,951**	¥7,826	**$ 96,739**
Work in process	**905**	817	**11,020**
Raw materials and supplies	**300**	300	**3,659**
Total	**¥9,157**	¥8,945	**$111,419**

5. LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment as of March 31, 2011. As a result, the Group recognized an impairment loss of ¥59 million as other expense for one building due to a plan to dismantle it.

Although the building was being used as a company residence earlier, it had been an idle asset at March 31, 2011 and was dismantled in 2011. The book value of the building was written down to the memorandum value and ¥59 million was recorded as an impairment loss.

No impairment loss was recognized in 2012.

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

Short-term bank loans at March 31, 2012 and 2011 consisted of notes to bank and bank overdrafts. The annual interest rates applicable to the short-term bank loans ranged from 0.63% to 1.50% and 0.68 % to 1.54% at March 31, 2012 and 2011, respectively.

Long-term debt at March 31, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Loans from banks and other financial institutions, due serially to 2014 with interest rates ranging from 1.53% to 1.75% (2012) and from 1.53% to 1.75% (2011):			
Unsecured	**¥ 152**	¥ 304	**$ 1,854**
Less current portion	**(152)**	(151)	**(1,854)**
Long-term debt, less current portion		¥ 152	

Annual maturities of long-term debt as of March 31, 2012 were as follows:

Year ending March 31:	Millions of yen	Thousands of U.S. Dollars
2013	**¥152**	**$1,854**
Total	**¥152**	**$1,854**

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, 2012 were as follows:

	Millions of yen	Thousands of U.S. Dollars
Maximum amount of the loan commitment	**¥ 10,000**	**$121,699**
Amount loaned	**10,000**	**121,699**
Unused credit balance		

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 severance premium 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 ¥32 million ($391 thousand) and ¥297 million at March 31, 2012 and 2011, 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, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Projected benefit obligation	**¥(2,843)**	¥ (2,701)	**$ (34,600)**
Fair value of plan assets	**1,495**	1,306	**18,199**
Unrecognized actuarial gain	**774**	677	**9,428**
Unrecognized prior service cost	**321**	346	**3,911**
Net liability	**¥ (251)**	¥ (369)	**$ (3,058)**

The components of net periodic benefit costs for the years ended March 31, 2012 and 2011 are as follows:

	Millions of yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Service cost	**¥206**	¥172	**$2,515**
Interest cost	**51**	43	**623**
Expected return on plan assets	**(32)**	(33)	**(397)**
Amortization of prior service cost	**24**	2	**302**
Recognized actuarial loss	**88**	76	**1,082**
Premium severance pay	**32**	69	**392**
Net periodic benefit costs	**¥371**	¥330	**$4,521**

Assumptions used for the years ended March 31, 2012 and 2011 are set forth as follows:

	2012	2011
Discount rate	**1.5%**	2.0%
Expected rate of return on plan assets	**1.5%**	2.5%
Amortization period of prior service cost	**14 years**	14 years
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 a Board of Directors, (2) having independent auditors, (3) having a 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 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, 2012 are as follows:

Stock Options	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2009 Stock Options	320 Persons	1,819,000 Shares	September 1, 2009	¥313 ($3.80)	From August 1, 2011 To July 31, 2016
2011 Stock Options	18 Persons	87,000 Shares	September 2, 2011	¥1 ($0.01)	From September 2, 2011 To September 1, 2041

The stock option activity is as follows:

For the year ended March 31, 2011	2002 Stock Options (Shares)	2009 Stock Options (Shares)
Non-vested		
March 31, 2010 — Outstanding		1,794,000
Granted		
Canceled		(10,000)
Vested		
March 31, 2011 — Outstanding		1,784,000
Vested		
March 31, 2010 — Outstanding	155,000	
Vested		
Exercised	(110,000)	
Canceled	(45,000)	
March 31, 2011 — Outstanding		
Exercise price	¥153 ($1.84)	¥313 ($3.76)
Average stock price at exercise	¥274 ($3.29)	
Fair value price at grant date		¥ 64 ($0.76)

For the year ended March 31, 2012	2009 Stock Options (Shares)	2011 Stock Options (Shares)
Non-vested		
March 31, 2011 — Outstanding	1,784,000	
Granted		87,000
Canceled		
Vested	(1,784,000)	(87,000)
March 31, 2012 — Outstanding		
Vested		
March 31, 2011 — Outstanding		
Vested	1,784,000	87,000
Exercised	(360,000)	
Canceled	(2,000)	
March 31, 2012 — Outstanding	1,422,000	87,000
Exercise price	¥313 ($3.80)	¥ 1 ($0.01)
Average stock price at exercise	¥373 ($4.53)	
Fair value price at grant date	¥ 64 ($0.77)	¥333 ($4.05)

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, 2012 and 2011. Foreign consolidated subsidiaries are subject to income taxes of the countries in which they operate.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Deferred tax assets:			
Allowance for doubtful accounts	**¥ 132**	¥ 148	**$ 1,607**
Allowance for bonus payable	**251**	229	**3,054**
Pension and severance costs	**173**	271	**2,109**
Evaluation loss on investment securities	**109**	7	**1,327**
Impairment loss		24	
Allowance for after-sales service	**220**		**2,676**
Tax loss carry forwards	**163**	199	**1,990**
Other	**380**	401	**4,628**
Less valuation allowance	**(465)**	(467)	**(5,661)**
Total	**¥ 964**	¥ 814	**$ 11,732**
Deferred tax liabilities:			
Deferred gain on sales of property	**¥ (19)**	¥ (22)	**$ (234)**
Unrealized gain on available-for-sale securities	**(190)**	(61)	**(2,323)**
Other	**(31)**	(23)	**(383)**
Total	**¥ (241)**	¥ (107)	**$ (2,941)**
Net deferred tax assets	**¥ 722**	¥ 706	**$ 8,791**

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, 2012 and 2011 is as follows:

	2012	2011
Normal effective statutory tax rate	**40.7%**	40.9%
Expenses not deductible for income tax purposes	**3.8**	2.9
Exclusion from charges against revenue	**(1.1)**	(0.8)
Lower income tax rates applicable to income in certain foreign countries	**(3.5)**	(2.1)
Overseas income deductible for enterprise tax	**(0.2)**	(0.1)
Less valuation allowance	**1.2**	(0.9)
Decrease of deferred tax assets relating to the effective tax rate change	**1.3**	
Other-net	**0.8**	0.9
Actual effective tax rate	**43.0%**	40.6%

On December 2, 2011, new tax reform laws were enacted in Japan, which changed the normal effective statutory tax rate from approximately 41% to 38% effective for the fiscal years beginning on or after April 1, 2012 through March 31, 2015, and to 35% afterwards. The effect of this change was not material.

11. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the fiscal years ended March 31, 2012 and 2011 principally consisted of the following:

	Millions of yen		Thousands of U.S. Dollars
	2012	2011	2012
Salaries and fees	¥4,451	¥4,159	$54,158
Retirement benefit costs	325	289	3,961
Depreciation and amortization	165	155	2,012
Research and development costs	180	174	2,197
Rental expense	975	989	11,871

12. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income for the years ended March 31, 2012 and 2011 were ¥180 million ($2,197 thousand) and ¥174 million, respectively.

13. LEASES

(1) As Lessee

Total rental expenses including lease payments under finance leases for the years ended March 31, 2012 and 2011 were ¥670 million ($8,160 thousand) and ¥720 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	
	2012		2012	
	Finance Leases	Operating Leases	Finance Leases	Operating Leases
Due within one year	¥15	¥ 36	$192	$ 449
Due after one year	42	111	511	1,353
Total	¥57	¥148	$703	$1,802

Pro forma information of leased property whose lease inception was before March 31, 2008

ASBJ Statement No.13, "Accounting Standard for Lease Transactions" requires that all finance lease transactions 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 and whose lease inception was before March 31, 2008 to continue 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 was as follows:

	Millions of yen					
	2012			2011		
	Furniture and Fixtures	Others	Total	Furniture and Fixtures	Others	Total
Acquisition cost	¥12	¥8	¥20	¥24	¥48	¥72
Accumulated depreciation	10	7	18	19	42	61
Net leased property	¥ 1	¥0	¥ 1	¥ 5	¥ 5	¥11

	Thousands of U.S. Dollars		
	2012		
	Furniture and Fixtures	Others	Total
Acquisition cost	$148	$98	$247
Accumulated depreciation	126	96	223
Net leased property	$ 22	$ 1	$ 24

Obligations under finance leases:

	Millions of yen		Thousands of U.S. Dollars
	2012	2011	2012
Due within one year	¥2	¥ 9	$25
Due after one year	0	2	0
Total	¥2	¥11	$26

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

	Millions of yen		Thousands of U.S. Dollars
	2012	2011	2012
Depreciation expense	¥9	¥20	$111
Interest expense	0	0	1
Total	¥9	¥21	$112

Depreciation expense and interest expense, which are not reflected in the accompanying consolidated statement 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, 2012 and 2011 were ¥247 million ($3,006 thousand) and ¥268 million, respectively.

The net investments in lease are summarized as follows:

	Millions of yen		Thousands of U.S. Dollars
	2012	2011	2012
Gross lease receivables	¥252	¥376	$3,066
Unguaranteed residual values	8	25	100
Unearned interest income	(32)	(62)	(396)
Investments in lease, current	¥227	¥339	$2,769

Maturities of investment in lease for finance leases that were deemed 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
2013	¥ 90	$1,110
2014	67	815
2015	56	693
2016	37	456
Total	¥252	$3,066

The minimum rental commitments under noncancellable operating leases at March 31, 2012 were as follows:

	Millions of yen	Thousands of U.S. Dollars
	2012	2012
Due within one year	¥ 65	$ 791
Due after one year	96	1,173
Total	¥161	$1,965

14. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(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 is 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 rated bonds in accordance with 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, 2012.

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 month's sales volume, along with adequate financial planning by the corporate treasury department.

(4) Concentration of Credit Risk

There are no significant account receivables from any major customer of the Group as of March 31, 2012.

(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, 2012	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and cash equivalents	**¥13,604**	**¥13,604**	
Receivables	**44,743**	**44,741**	**¥(1)**
Marketable and investment securities			
Held-to-maturity	**14**	**15**	**0**
Equity securities	**3,462**	**3,462**	
Total	**¥61,824**	**¥61,823**	**¥(1)**
Payables	**¥30,217**	**¥30,217**	**¥ 0**
Short-term bank loans	**14,731**	**14,731**	
Long-term debt	**152**	**152**	
Total	**¥45,102**	**¥45,101**	**¥ 0**

	Millions of yen		
At March 31, 2011	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and cash equivalents	¥11,878	¥11,878	
Time deposits	468	468	
Receivables	39,304	39,264	¥ (39)
Marketable and investment securities			
Held-to-maturity	14	15	1
Equity securities	3,288	3,288	
Total	¥54,954	¥54,915	¥ (38)
Payables	¥28,609	¥28,608	¥ 1
Short-term bank loans	10,239	10,239	
Long-term debt	304	301	2
Total	¥39,154	¥39,150	¥ 4

	Thousands of U.S. Dollars		
At March 31, 2012	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and cash equivalents	**$165,524**	**$165,524**	
Receivables	**544,388**	**544,363**	**$(24)**
Marketable and investment securities			
Held-to-maturity	**178**	**186**	**7**
Equity securities	**42,128**	**42,128**	
Total	**$752,220**	**$752,203**	**$(16)**
Payables	**$367,657**	**$367,651**	**$ 6**
Short-term bank loans	**179,241**	**179,241**	
Long-term debt	**1,854**	**1,854**	
Total	**$548,753**	**$548,747**	**$ 6**

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. Fair value information for 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 the procurement of raw 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.

Short-term bank loans and long- term debt

The fair values of short-term bank loans approximate fair value because of their short maturities. The fair values of 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) Carrying amount of financial instruments whose fair value cannot be reliably determined

At March 31, 2012	Millions of yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Investments in equity instruments that do not have a quoted market price in an active market	**¥1,669**	¥1,459	**$20,314**

(6) Maturity Analysis for Financial Assets and Securities with Contractual Maturities

	Millions of yen	
At March 31, 2012	Due in 1 year or less	Due after 1 year through 5 years
Cash and cash equivalents	**¥ 13,604**	
Receivables		**¥ 89**
Marketable and investment securities	**44,653**	
Government bonds		**15**
Total	**¥ 58,258**	**¥ 104**

	Thousands of U.S. Dollars	
At March 31, 2012	Due in 1 year or less	Due after 1 year through 5 years
Cash and cash equivalents	**$ 165,524**	
Receivables	**543,296**	**$ 1,091**
Marketable and investment securities		
Government bonds		**182**
Total	**$ 708,821**	**$ 1,274**

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 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.

Derivative Transactions to Which Hedge Accounting Is Not Applied

	Millions of yen			
At March 31, 2012	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain (Loss)
Foreign currency forward contracts:				
Selling				
U.S.$	**¥1,039**		**¥(9)**	**¥(9)**
S$	**64**		**(2)**	**(2)**
JP¥	**52**		**3**	**3**
THB	**0**		**(0)**	**(0)**
Buying				
JP¥	**1,491**		**(74)**	**(74)**
U.S.$	**52**		**1**	**1**
S$	**6**		**0**	**0**

	Millions of yen			
At March 31, 2011	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain (Loss)
Foreign currency forward contracts:				
Selling				
U.S.$	¥ 155		¥ (0)	¥ (0)
JP¥	37		(0)	(0)
S$	16	6	(0)	(0)
Buying				
JP¥	1,305	15	12	12
U.S.$	4		0	0
STG	3		(0)	(0)
THB	1		0	0
EURO	1		0	0

	Thousands of U.S. Dollars			
At March 31, 2012	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain (Loss)
Foreign currency forward contracts:				
Selling				
U.S.$	**$ 12,643**		**$ (117)**	**$ (117)**
S$	**779**		**(33)**	**(33)**
JP¥	**641**		**37**	**37**
THB	**8**		**(0)**	**(0)**
Buying				
JP¥	**18,140**		**(910)**	**(910)**
U.S.$	**643**		**13**	**13**
S$	**82**		**5**	**5**

Derivative Transactions to Which Hedge Accounting Is Applied

		Millions of yen		
At March 31, 2012	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Forecasted transactions				
Foreign currency forward contracts:				
Selling				
U.S.$	Receivables	**¥ 816**	**¥42**	**¥(32)**
THB	″	**73**		**(0)**
CHF	″	**30**		**(0)**
EURO	″	**22**		**(0)**
JP¥	″	**10**		**0**
S$	″	**4**		**(0)**
Buying				
EURO	Payables	**750**		**8**
U.S.$	″	**469**		**15**
DKK	″	**173**		**11**
STG	″	**103**		**(1)**
JP¥	″	**60**		**(2)**
THB	″	**41**		**2**
CHF	″	**28**		**(0)**
SEK	″	**11**		**(0)**
Assigned transactions				
Foreign currency forward contracts:				
Selling				
U.S.$	Receivables	**¥ 578**	**¥81**	Note2
EURO	″	**45**		Note2
THB	″	**36**		Note2
JP¥	″	**26**		Note2
STG	″	**3**		Note2
Buying				
U.S.$	Payables	**121**		Note2
SEK	″	**12**		Note2
EURO	″	**3**		Note2
DKK	″	**1**		Note2

		Millions of yen		
At March 31, 2011	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Forecasted transactions				
Foreign currency forward contracts:				
Selling				
U.S.$	Receivables	¥979	¥206	¥(2)
EURO	″	29		(1)
STG	″	4		0
SEK	″	1		(0)
S$	″	1		(0)
Buying				
U.S.$	Payables	443		(0)
DKK	″	409		12
EURO	″	110		5
CHF	″	46		2
STG	″	0		0
Assigned transactions				
Foreign currency forward contracts:				
Selling				
U.S.$	Receivables	¥1,020		Note2
EURO	″	21		Note2
STG	″	3		Note2
THB	″	2		Note2
Buying				
U.S.$	Payables	365		Note2
SEK	″	4		Note2
S$	″	3		Note2
THB	″	2		Note2
EURO	″	2		Note2

		Thousands of U.S. Dollars		
At March 31, 2012	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Forecasted transactions				
Foreign currency forward contracts:				
Selling				
U.S.$	Receivables	**$ 9,938**	**$ 518**	**$ (390)**
THB	″	**892**		**(5)**
CHF	″	**374**		**(2)**
EURO	″	**276**		**(4)**
JP¥	″	**131**		**1**
S$	″	**49**		**(5)**
Buying				
EURO	Payables	**9,135**		**106**
U.S.$	″	**5,708**		**189**
DKK	″	**2,105**		**143**
STG	″	**1,259**		**(12)**
JP¥	″	**741**		**(35)**
THB	″	**504**		**30**
CHF	″	**349**		**(1)**
SEK	″	**136**		**(0)**
Assigned transactions				
Foreign currency forward contracts:				
Selling				
U.S.$	Receivables	**$ 7,309**	**$ 987**	
EURO	″	**559**		
THB	″	**443**		
JP¥	″	**316**		
STG	″	**42**		
Buying				
U.S.$	Payables	**1,481**		
SEK	″	**152**		
EURO	″	**42**		
DKK	″	**17**		

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).

		Millions of yen		
At March 31, 2012	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate swaps: (fixed rate payment, floating rate receipt)	**Long-term debt**	**¥32**		**Note**

		Millions of yen		
At March 31, 2011	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate swaps: (fixed rate payment, floating rate receipt)	Long-term debt	¥64	¥32	Note

		Thousands of U.S. Dollars		
At March 31, 2012	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate swaps: (fixed rate payment, floating rate receipt)	**Long-term debt**	**$ 394**		**Note**

The fair value of swap contracts assigned for Long-term debt is included in the fair value of Long-term debt disclosed in Note14. (5) (a).

16. CONTINGENT LIABILITIES

At March 31, 2012, the Group had the following contingent liabilities:

	Millions of yen	Thousands of U.S. Dollars
Guarantees and similar items of bank loans	¥ 17,852	$217

17. COMPREHENSIVE INCOME

The components of other comprehensive income for the year ended March 31, 2012 were as follows:

	Millions of yen	Thousands of U.S. Dollars
	2012	**2012**
Unrealized gain (loss) on available-for-sale securities:		
Gains arising during the year	**¥ 156**	**$ 1,899**
Reclassification adjustments to profit or loss	**227**	**2,767**
Amount before income tax effect	**383**	**4,666**
Income tax effect	**(129)**	**(1,570)**
Total	**¥ 254**	**$ 3,096**
Deferred gain (loss) on derivatives under hedge accounting:		
Gains arising during the year	**¥ (15)**	**$ (187)**
Reclassification adjustments to profit or loss	**(20)**	**(255)**
Amount before income tax effect	**(36)**	**(442)**
Income tax effect	**10**	**124**
Total	**¥ (26)**	**$ (318)**
Foreign currency translation adjustments:		
Adjustments arising during the year	**¥ (46)**	**$ (560)**
Total	**¥ (46)**	**$ (560)**
Total other comprehensive income	**¥ 182**	**$ 2,217**

The corresponding information for the year ended March 31, 2011 was not required under the accounting standard for presentation of comprehensive income as an exemption for the first year of adopting that standard and not disclosed herein.

18. NET INCOME PER SHARE

A reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2012 and 2011 is as follows:

	Millions of yen	Thousands of Shares	Yen	U.S. Dollars
Year ended March 31,2012	Net Income	Weighted-Average Shares	EPS	
Basic EPS				
Net income available to common shareholders	**¥2,643**	**52,284**	**¥50.55**	**$ 0.62**
Effect of dilutive securities				
Warrants		**229**		
Diluted EPS				
Net income for computation	**¥2,643**	**52,514**	**¥50.33**	**$ 0.61**
Year ended March 31,2011				
Basic EPS				
Net income available to common shareholders	¥2,448	52,198	¥46.90	$ 0.56
Effect of dilutive securities				
Warrants		10		
Diluted EPS				
Net income for computation	¥2,448	52,209	¥46.89	$ 0.56

19. SUBSEQUENT EVENTS

The following appropriations of retained earnings at March 31, 2012 were approved at the shareholders meeting of the Company and certain domestic consolidated subsidiaries held on June 26, 2012:

	Millions of yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥8.00 ($0.09) per share	¥420	$5,116

20. SEGMENT INFORMATION

Under ASBJ Statement No. 17, "Accounting Standard for Segment Information, Disclosures" and ASBJ Guidance No.20, "Guidance on Accounting Standard for Segment Information Disclosures", 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.

(1) Description of Reportable Segments

The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Group. Therefore, the Group consists of the Plant & Energy Business, Electronics Business, Industrial Machinery Business and Overseas Company.

- Plant & Energy Business : Energy development production, gas oil refining, chemical, engineering, construction, paper & pulp-related machinery and equipment
- Electronics Business : Electron, information and communication, electric, precise, optics, sound, musical instrument-related machinery and equipment
- Industrial Machinery Business : Plastics, rubber, automobile, steel, pharmaceutical, food-related machinery and equipment
- Overseas Company : Machinery and equipment which overseas branches and overseas subsidiaries handle

(2) Methods of Measurement for the Amounts of Sales, Profit (Loss), Assets, Liabilities and Other Items for Each Reportable Segment

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies".

(3) Information about Sales, Profit (Loss), Assets, Liabilities and Other Items

Millions of yen — **2012**

	Reportable segment: Plant & Energy Business	Electronics Business	Industrial Machinery Business	Overseas Company	Subtotal	Other	Total	Reconciliations	Consolidated
Sales									
Sales to external customers	**¥26,589**	**¥42,695**	**¥33,139**	**¥20,387**	**¥122,812**	**¥2,690**	**¥125,502**		**¥125,502**
Intersegment sales or transfers	**1,641**	**2,933**	**3,674**	**8,447**	**16,697**	**2,610**	**19,307**	**¥(19,307)**	
Total	**28,230**	**45,628**	**36,814**	**28,835**	**139,509**	**5,300**	**144,809**	**(19,307)**	**125,502**
Segment profit	**1,270**	**2,417**	**2,198**	**1,405**	**7,290**	**603**	**7,893**	**(2,795)**	**5,098**
Segment assets	**17,697**	**24,217**	**17,079**	**11,061**	**70,056**	**3,204**	**73,261**	**10,497**	**83,759**
Other:									
Depreciation	**19**	**32**	**70**	**51**	**174**	**166**	**340**	**13**	**353**
Investment in an equity method company			**332**	**227**	**560**		**560**		**560**
Increase in property, plant and equipment and intangible assets	**3**	**248**	**116**	**44**	**412**	**11**	**423**	**3**	**427**

Millions of yen — 2011

	Reportable segment: Plant & Energy Business	Electronics Business	Industrial Machinery Business	Overseas Company	Subtotal	Other	Total	Reconciliations	Consolidated
Sales									
Sales to external customers	¥18,767	¥34,161	¥34,454	¥17,217	¥104,601	¥3,478	¥108,079		¥108,079
Intersegment sales or transfers	1,854	2,307	2,856	4,081	11,099	2,234	13,334	¥(13,334)	
Total	20,621	36,469	37,310	21,299	115,700	5,713	121,414	(13,334)	108,079
Segment profit	1,092	2,089	2,388	762	6,333	563	6,896	(2,653)	4,243
Segment assets	11,889	18,826	20,107	8,522	59,346	3,747	63,093	10,228	73,322
Other:									
Depreciation	21	31	61	49	164	171	336	20	356
Impairment losses of assets								59	59
Investment in an equity method company			304		304		304		304
Increase in property, plant and equipment and intangible assets	7	17	58	56	140	231	371	10	381

Thousands of U.S. Dollars — **2012**

	Reportable segment: Plant & Energy Business	Electronics Business	Industrial Machinery Business	Overseas Company	Subtotal	Other	Total	Reconciliations	Consolidated
Sales									
Sales to external customers	**$323,511**	**$519,468**	**$403,207**	**$248,058**	**$ 1,494,245**	**$ 32,731**	**$ 1,526,977**		**$ 1,526,977**
Intersegment sales or transfers	**19,966**	**35,694**	**44,712**	**102,778**	**203,151**	**31,756**	**234,908**	**$ (234,908)**	
Total	**343,477**	**555,163**	**447,919**	**350,836**	**1,697,397**	**64,488**	**1,761,885**	**(234,908)**	**1,526,977**
Segment profit	**15,458**	**29,408**	**26,744**	**17,095**	**88,706**	**7,337**	**96,043**	**(34,013)**	**62,030**
Segment assets	**215,329**	**294,656**	**207,803**	**134,583**	**852,373**	**38,992**	**891,365**	**127,725**	**1,019,091**
Other:									
Depreciation	**240**	**391**	**856**	**632**	**2,120**	**2,021**	**4,142**	**162**	**4,305**
Investment in an equity method company			**4,044**	**2,769**	**6,813**		**6,813**		**6,813**
Increase in property, plant and equipment and intangible assets	**39**	**3,019**	**1,412**	**545**	**5,017**	**140**	**5,157**	**47**	**5,204**

Notes: 1) Transfers between segments are made at arm's-length prices.
2) Segment profit is adjusted to ensure consistency with the operating income set forth in the consolidated statements of income.

1. Information about products and services

Information about products and services is omitted as it is presented in the description of reportable segments.

2. Information about geographical areas

(1) Sales

Millions of Yen						
2012						
Japan	China	Asia	North America	Europe	Other	Total
¥60,191	¥16,707	¥35,939	¥5,511	¥2,551	¥4,600	¥125,502

Notes: Sales are classified in countries or regions based on the location of customers.

(2) Property, plant and equipment

Millions of Yen			
2012			
Japan	Asia	Other	Total
¥1,655	¥85	¥43	¥1,784

3. Information about major customers

Information about major customers is omitted as no single external customer accounts for 10% or more of net sales in the consolidated statements of income.

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated balance sheet of Daiichi Jitsugyo Co., Ltd. and consolidated subsidiaries as of March 31, 2012, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in conformity with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements 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, 2012, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

Our audit 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 26, 2012

Member of
Deloitte Touche Tohmatsu Limited

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
411 (Non-consolidated)
1,008 (Consolidated)

Transfer Agent and Registrar
Tokyo Securities Transfer Agent Co., Ltd.

Major Shareholders

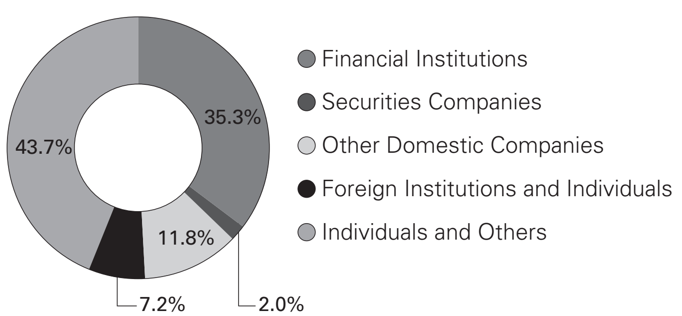
	(% of total)
Mizuho Corporate Bank, Ltd.	4.87
Sumitomo Mitsui Banking Corporation	4.86
Japan Trustee Services Bank, Ltd. (Trust Account)	4.80
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	3.55
Resona Bank, Limited.	3.22
Nipponkoa Insurance Co., Ltd.	2.89
Mitsubishi Heavy Industries, Ltd.	2.77

* 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:	55,432,000 shares
Number of shareholders:	8,152

Distribution of Ownership among Shareholders



Board of Directors (As of June 26, 2012)

Chairman & CEO
Kunihiro Yano*

President & COO
Koji Yamagata*

Senior Managing Director
Tatsuo Umemura

Managing Directors
Yukio Konishi
Yoshihide Yamanaka

Managing Director & CFO
Tohru Tsuda

Standing Statutory Auditor
Masakazu Fujinaga

Statutory Auditor
Isao Takesue

Outside Auditors
Tsuyoshi Terui
Toshihiko Matsumiya

Executive Officers (As of June 26, 2012)

Managing Executive Officers
Michiaki Sugiura
Aviation & Industrial Machinery Business Div.
Takanori Ogura
DAIICHI MECHA-TECH CORPORATION
Toru Takata
Plant & Energy Business Div.
Hiroshi Yoshida
SHANGHAI YISHI TRADING CO., LTD.
Junzo Takai
Administration & Accounting Div.
Mitsuru Yoshida
DAIICHI JITSUGYO VISWILL CO., LTD.

Executive Officers
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DAIICHI JITSUGYO (AMERICA), INC.
Shigeki Terakawa
Osaka Business Div.
Akira Kasamatsu
Electronic Systems Business Div.
Muneo Yamano
Plant & Energy Business Div.
Hitoshi Takasaki
DAIICHI JITSUGYO ASIA PTE. LTD.
Ryuichi Ninomiya
Nagoya Business Div.

(*:Representative Director)

Top commitment

The DJK Group is committed to fulfilling its social responsibilities globally in accordance with its management philosophy of contributing to social prosperity. The Group aims for corporate growth and the development of a sustainable society by focusing on environmental considerations, thorough legal compliance, and enhanced relations with stakeholders, while maintaining its role as part of the worldwide distribution channel of economic society.

A management outlook based on a keen awareness of social responsibility

1. Improving customer satisfaction through safe, high-quality products and services
2. Enhancing corporate governance; building and strengthening internal corporate systems
3. Promoting sales of eco-friendly products
4. Improving shareholder value
5. Disclosing information to stakeholders
6. Contributing to community activities

Example of Human Resources Development: Diversity Management

The DJK Group has more than 1,000 employees, and a wealth of human resources supports our business activities. DJK regularly offers training opportunities to local staff overseas to aggressively promote superior human resources regardless of gender, nationality, or social background. We are confident that a sense of group-wide unity and commitment to a corporate organization can be solidified by helping every local staffer understand his or her interests in DJK's corporate culture and the direction of its activities. For the DJK Group, which aims for further global development, the development of talented human resources represents an important issue and management intends to continuously address this essential task.

Example of Social Contribution Program: Co-sponsoring Robot Contests

As a general machinery trading company, DJK co-sponsors robot contests to help children understand Monozukuri technology. The contests offer occasions to become familiar with scientific technologies and serve as a venue for cultivating creativity and problem-solving abilities. Many DJK employees participate in the competition as volunteer staff to support such future-oriented children.

WRO™
World Robot Olympiad

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