New Japan Radio Co., Ltd.
and Consolidated Subsidiaries

Consolidated Financial Statements
for the Year Ended March 31, 2012,
and Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of New Japan Radio Co., Ltd.:

We have audited the accompanying consolidated balance sheet of New Japan Radio Co., Ltd. and consolidated subsidiaries as of March 31, 2012, and the related consolidated statements of operations, 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 New Japan Radio 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.

June 26, 2012

New Japan Radio Co., Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheet
March 31, 2012

ASSETS	Millions of Yen 2012	Millions of Yen 2011	Thousands of U.S. Dollars (Note 1) 2012
CURRENT ASSETS:			
Cash and cash equivalents (Note 15)	¥ 608	¥ 4,541	$ 7,403
Notes and accounts receivable:			
Trade notes (Note 15)	1,083	999	13,174
Trade accounts (Notes 5 and 15)	8,867	10,206	107,881
Unconsolidated subsidiaries	2	4	31
Other	404	303	4,916
Allowance for doubtful accounts		(1)	
Inventories (Notes 4 and 5)	11,938	13,837	145,248
Deferred tax assets (Note 7)	13	41	155
Other current assets	168	175	2,042
Total current assets	23,083	30,105	280,850
PROPERTY, PLANT, AND EQUIPMENT (Note 5):			
Land	224	225	2,724
Buildings and structures	25,770	25,764	313,543
Machinery and equipment	62,115	62,810	755,748
Furniture and fixtures	12,034	11,871	146,416
Lease assets	106	87	1,290
Construction in progress	480	371	5,836
Total	100,729	101,128	1,225,557
Accumulated depreciation	(90,952)	(90,695)	(1,106,605)
Net property, plant, and equipment	9,777	10,433	118,952
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 3, 5 and 15)	239	297	2,904
Investments in unconsolidated subsidiaries	13	13	164
Intangibles	205	290	2,492
Deposits	304	357	3,699
Deferred tax assets (Note 7)	47	41	568
Other assets	98	107	1,197
Allowance for doubtful accounts	(78)	(112)	(946)
Total investments and other assets	828	993	10,078
TOTAL	¥ 33,688	¥ 41,531	$ 409,880

LIABILITIES AND EQUITY	Millions of Yen 2012	Millions of Yen 2011	Thousands of U.S. Dollars (Note 1) 2012
CURRENT LIABILITIES:			
Short-term borrowings (Notes 5 and 15)	¥ 5,650	¥ 808	$ 68,739
Current portion of long-term debt (Notes 5, 14 and 15)	1,587	1,518	19,310
Notes and accounts payable:			
Trade accounts (Note 15)	3,905	4,917	47,514
Construction and other	1,089	1,635	13,248
Income taxes payable	18	210	217
Accrued expenses	2,522	3,017	30,688
Deferred tax liabilities (Note 7)	42	53	511
Provision for business structure improvement	936		11,389
Other current liabilities	373	265	4,535
Total current liabilities	16,122	12,423	196,151
LONG-TERM LIABILITIES:			
Long-term debt (Notes 5, 14 and 15)	8,015	9,323	97,512
Liability for retirement benefits (Note 6)	6,628	7,658	80,639
Provision for environmental measures	19	21	232
Asset retirement obligations (Note 17)	54	58	666
Deferred tax liabilities (Note 7)	51	79	618
Other long-term liabilities	390	389	4,752
Total long-term liabilities	15,157	17,528	184,419
CONTINGENT LIABILITIES (Note 14)			
EQUITY (Note 8):			
Common stock—authorized, 138,000,000 shares; issued, 39,131,000 shares in 2012 and 2011	5,220	5,220	63,512
Additional paid-in capital	5,224	5,224	63,559
Retained earnings	(7,148)	1,950	(86,973)
Treasury stock—at cost, 7,610 shares in 2012 and 6,781 shares in 2011	(4)	(3)	(43)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	55	85	672
Deferred loss on derivatives under hedge accounting		(1)	
Foreign currency translation adjustments	(938)	(895)	(11,417)
Total equity	2,409	11,580	29,310
TOTAL	¥ 33,688	¥ 41,531	$ 409,880

See notes to consolidated financial statements.

New Japan Radio Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Operations
Year Ended March 31, 2012

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	2012
NET SALES	¥ 40,273	¥ 45,613	$ 489,996
COST OF SALES (Note 9)	37,506	37,269	456,326
Gross profit	2,767	8,344	33,670
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES (Note 9)	6,868	7,583	83,568
Operating (loss) income	(4,101)	761	(49,898)
OTHER INCOME (EXPENSES):			
Interest and dividend income	7	35	82
Interest expense	(254)	(272)	(3,091)
Foreign exchange gains (losses)	43	(120)	528
Proceeds from sales of property, plant, and equipment	1		16
Loss on sales and disposals of property, plant, and equipment	(30)	(28)	(365)
Gain on sales of waste	102	113	1,248
Gain on sales of investment securities	3	771	31
Employment adjustment subsidy	248	242	3,018
Commission for syndicate loan	(184)	(46)	(2,235)
Business structure improvement expenses (Note 10)	(4,847)	(565)	(58,976)
Loss on adoption of accounting standard for asset retirement obligations		(34)	
Losses from a natural disaster (Note 11)		(139)	
Other—net (Note 12)	15	18	178
Other expenses—net	(4,896)	(25)	(59,566)
(LOSS) INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	(8,997)	736	(109,464)
INCOME TAXES (Note 7):			
Current	92	234	1,130
Deferred	9	8	109
Total income taxes	101	242	1,239
NET (LOSS) INCOME BEFORE MINORITY INTERESTS	(9,098)	494	(110,703)
NET (LOSS) INCOME	¥ (9,098)	¥ 494	$ (110,703)

(Continued)

New Japan Radio Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Operations
Year Ended March 31, 2012

	Yen		U.S. Dollars
	2012	2011	2012
PER SHARE OF COMMON STOCK—Basic net (loss) income (Notes 2.u and 20)	¥ (232.56)	¥ 12.65	$ (2.83)

See notes to consolidated financial statements.

(Concluded)

New Japan Radio Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Comprehensive Income
Year Ended March 31, 2012

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	2012
NET (LOSS) INCOME BEFORE MINORITY INTERESTS	¥ (9,098)	¥ 494	$ (110,703)
OTHER COMPREHENSIVE (LOSS) INCOME (Note 13):			
Unrealized loss on available-for-sale securities	(30)	(109)	(359)
Deferred gain on derivatives under hedge accounting	1		7
Foreign currency translation adjustments	(43)	(130)	(530)
Total other comprehensive loss	(72)	(239)	(882)
COMPREHENSIVE (LOSS) INCOME	¥ (9,170)	¥ 255	$ (111,585)
TOTAL COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO—Owners of the parent	¥ (9,170)	¥ 255	$ (111,585)

See notes to consolidated financial statements.

New Japan Radio Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Changes in Equity
Year Ended March 31, 2012

	Thousands	Millions of Yen							
						Accumulated Other Comprehensive Income			
	Issued Number of Shares of Common Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock— At Cost	Unrealized Gain on Available-for-Sale Securities	Deferred (Loss) Gain on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Total Equity
BALANCE, APRIL 1, 2010	39,131	¥ 5,220	¥ 5,224	¥ 1,456	¥ (3)	¥ 194	¥ (1)	¥ (765)	¥ 11,325
Net income				494					494
Net decrease in unrealized gain on available-for-sale securities						(109)			(109)
Deferred gain on derivatives under hedge accounting									
Net decrease in foreign currency translation adjustments								(130)	(130)
Increase in treasury stock (276 shares)									
BALANCE, MARCH 31, 2011	39,131	5,220	5,224	1,950	(3)	85	(1)	(895)	11,580
Net loss				(9,098)					(9,098)
Net decrease in unrealized gain on available-for-sale securities						(30)			(30)
Deferred gain on derivatives under hedge accounting							1		1
Net decrease in foreign currency translation adjustments								(43)	(43)
Increase in treasury stock (829 shares)					(1)				(1)
BALANCE, MARCH 31, 2012	39,131	¥ 5,220	¥ 5,224	¥ (7,148)	¥ (4)	¥ 55		¥ (938)	¥ 2,409

	Thousands of U.S. Dollars (Note 1)							
					Accumulated Other Comprehensive Income			
	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock— At Cost	Unrealized Gain on Available-for-Sale Securities	Deferred (Loss) Gain on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Total Equity
BALANCE, MARCH 31, 2011	$ 63,512	$ 63,559	$ 23,730	$ (42)	$ 1,031	$ (7)	$ (10,887)	$ 140,896
Net loss			(110,703)					(110,703)
Net decrease in unrealized gain on available-for-sale securities					(359)			(359)
Deferred gain on derivatives under hedge accounting						7		7
Net decrease in foreign currency translation adjustments							(530)	(530)
Increase in treasury stock (829 shares)				(1)				(1)
BALANCE, MARCH 31, 2012	$ 63,512	$ 63,559	$ (86,973)	$ (43)	$ 672		$ (11,417)	$ 29,310

See notes to consolidated financial statements.

New Japan Radio Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Cash Flows
Year Ended March 31, 2012

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	2012
OPERATING ACTIVITIES:			
(Loss) income before income taxes and minority interests	¥ (8,997)	¥ 736	$ (109,464)
Adjustments for:			
Income taxes paid	(360)	(152)	(4,384)
Depreciation and amortization	3,548	3,296	43,163
Loss on sales and disposals of property, plant, and equipment	30	28	365
Loss on adoption of accounting standard for asset retirement obligations		34	
Gain on sales of investment securities	(3)	(771)	(31)
Changes in assets and liabilities:			
(Decrease) increase in allowance for doubtful accounts	(35)	2	(425)
Decrease in liability for retirement benefits	(1,030)	(259)	(12,532)
Decrease in provision for environmental measures	(2)		(19)
Increase (decrease) in interest payable	5	(2)	54
(Decrease) increase in commission for syndicate loan payable	(16)	3	(200)
Decrease in notes and accounts receivable	1,235	256	15,022
Decrease (increase) in inventories	1,866	(327)	22,707
(Decrease) increase in notes and accounts payable	(993)	37	(12,080)
Business structure improvement expenses	1,154		14,036
Other—net	(404)	664	(4,910)
Total adjustments	4,995	2,809	60,766
Net cash (used in) provided by operating activities	(4,002)	3,545	(48,698)
INVESTING ACTIVITIES:			
Purchases of property, plant, and equipment	(3,436)	(2,331)	(41,804)
Proceeds from sales of property, plant, and equipment	33	4	402
Purchases of investment securities	(1)	(15)	(17)
Proceeds from sales of investment securities	6	1,935	71
Other—net	(79)	149	(960)
Net cash used in investing activities	(3,477)	(258)	(42,308)
FORWARD	¥ (7,479)	¥ 3,287	$ (91,006)

(Continued)

New Japan Radio Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Cash Flows
Year Ended March 31, 2012

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	2012
FORWARD	¥ (7,479)	¥ 3,287	$ (91,006)
FINANCING ACTIVITIES:			
Net change in short-term borrowings	4,851	(407)	59,017
Proceeds from long-term debt	8,220	500	100,012
Repayments of long-term debt	(9,487)	(1,490)	(115,427)
Repurchase of treasury stock	(1)		(1)
Cash dividends paid			(1)
Other—net	(29)	(14)	(354)
Net cash provided by (used in) financing activities	3,554	(1,411)	43,246
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(8)	(40)	(92)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(3,933)	1,836	(47,852)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	4,541	2,705	55,255
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 608	¥ 4,541	$ 7,403

See notes to consolidated financial statements.

(Concluded)

1. BASIS OF PRESENTATION OF 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 New Japan Radio 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 U.S.$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.

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 eight significant (nine in 2011) subsidiaries (together, the "Companies").

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 Company has the ability to exercise significant influence are accounted for by the equity method.

Investments in two unconsolidated subsidiaries (two in 2011) are accounted for on the cost basis. The effect on the consolidated financial statements of not applying the equity method is immaterial.

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

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

c. ***Cash and 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 that mature within three months of the date of acquisition.

d. ***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 rate at the balance sheet date. Foreign exchange gains and losses from translation are recognized in the consolidated statement of operations to the extent that they are not hedged by forward exchange contracts.

e. ***Foreign Currency Financial Statements***—Financial statements of consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date for all balance sheet accounts except for equity, which is translated at the historical exchange rate.

Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income as a separate component of equity.

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

f. ***Marketable and Investment Securities***—All marketable securities the Companies own are classified as available-for-sale securities and are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported as a separate component of equity. The cost of securities sold is determined based on the moving-average method.

Nonmarketable available-for-sale securities are stated at cost determined by the moving-average method.

For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

g. ***Inventories***—Merchandise and finished goods are stated at the lower of cost, determined by the moving-average method, or net selling value. Raw materials and supplies are stated at the lower of cost, determined by the average method, or net selling value. Work in process is stated at the lower of cost, determined by the average method or using the specific identification method, or net selling value.

h. ***Property, Plant, and Equipment***—Property, plant, and equipment are stated at cost.

Depreciation of property, plant, and equipment of the Companies is computed by the declining-balance method at rates based upon the usage of the assets over the estimated useful lives of the assets, while the straight-line method is applied to buildings acquired after April 1, 1998, and lease assets of the Company and its domestic subsidiaries.

Estimated useful lives are as follows:

Buildings and structures	2 to 60 years
Machinery and equipment	2 to 17 years
Furniture and fixtures	2 to 20 years

The useful lives for lease assets are the terms of the respective leases.

i. ***Long-Lived Assets***—The Companies review their long-lived assets for impairment whenever events or changes in circumstances 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 at 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.

j. ***Intangibles***—Intangibles are carried at cost, less accumulated amortization, which is calculated by the straight-line method principally over 3 to 10 years.

k. ***Retirement Benefits***—Since April 1, 2007, the Company has a cash balance pension plan covering employees with 20 years or more of service or employees retiring over the age of 55 with 15 years or more of service.

The Companies account for the liability for retirement benefits based on projected benefit obligations and plan assets at the balance sheet date.

The Companies deal with accounting process according to partial termination of retirement plans, because the decrease in retirement benefit obligation which is due to the implementation of the voluntary retirement programs corresponds to a substantial number of employees specified in "Accounting for Transfer between Retirement Benefit Plans" (ASBJ Guidance No. 1).

As a result, the Companies recorded amortization of unrecognized actuarial loss resulting from mass retirement made by carrying out the voluntary retirement of ¥287 million ($3,496 thousand) included in business structure improvement expenses.

l. ***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.

m. ***Allowance for Doubtful Accounts***—The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the Companies' past credit loss experience and an evaluation of potential losses in the receivables outstanding.

n. ***Provision for Business Structure Improvement***—Provision for business structure improvement is provided at a reasonable estimate of the amount required to carry out business structure restructuring.

o. ***Provision for Environmental Measures***—Provision for environmental measures is provided at an estimate of the amount required to dispose of PCB (polychlorinated biphenyl) waste under the law concerning special measures for PCB waste.

p. ***Bonuses to Directors and Corporate Auditors***—Bonuses to directors and corporate auditors are accrued in the year to which such bonuses are attributable.

q. ***Research and Development Costs***—Research and development costs are charged to income as incurred.

r. ***Income Taxes***—The provision for income taxes is computed based upon pretax income included in the consolidated statement of operations. 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.

The Companies file a tax return under the consolidated corporate-tax system, which allows companies to base tax payments on the combined profits or losses of the Company and its wholly owned domestic subsidiaries.

s. ***Leases***—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 by recognizing lease assets and lease obligations in the balance sheet. In addition, the revised accounting standard permits leases which existed at the transition date and did not transfer ownership of the leased property to the lessee to be accounted for as operating lease transactions.

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

All other leases are accounted for as operating leases.

t. ***Derivative Financial Instrument***—The Companies use derivative financial instrument to manage their exposures to fluctuations in foreign exchange and interest rates. Foreign exchange forward contracts are utilized by the Companies to reduce foreign currency exchange risk. Derivative transactions entered into by the Companies have been made in accordance with internal policies that regulate the authorization and credit limit amount. The Companies do not enter into derivatives for trading or speculative purposes.

Derivative financial instrument 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 operations or (2) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on the derivatives are deferred until maturity of the hedged transactions.

The following summarizes derivative financial instrument used by the Company and its foreign subsidiaries for hedging purposes and the corresponding items hedged:

Hedging Instrument	Hedged Item
Foreign currency forward contracts	Forecasted transactions

The foreign currency forward contracts employed to hedge foreign exchange exposures to export sales are measured at fair value and the unrealized gains/losses are recognized in income. The foreign exchange forward contracts applied to forecasted transactions are also measured at fair value, but the unrealized gains/losses are deferred until the underlying transactions are completed.

u. ***Per Share Information***—Basic net income (loss) per share is computed by dividing net income (loss) available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits. The average number of common shares used in the computation was 39,123,848 shares and 39,124,256 shares for 2012 and 2011, respectively.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised 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 operations are dividends applicable to the respective years including dividends to be paid after the end of the year.

v. ***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.

w. ***New Accounting Pronouncements***

Accounting Standard for Retirement Benefits—On May 17, 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998 with effective date of April 1, 2000, and the other related practical guidance, being followed by partial amendments from time to time through 2009.

Major changes are as follows:

(*a*) *Treatment in the balance sheet*

Under the current requirements, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are not recognized in the balance sheet, and the difference between retirement benefit obligations and plan assets (hereinafter, "deficit or surplus"), adjusted by such unrecognized amounts, are recognized as a liability or asset.

Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss shall be recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and the deficit or surplus shall be recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

(*b*) *Treatment in the statement of income and the statement of comprehensive income (or the statement of income and comprehensive income)*

The revised accounting standard would not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts would be recognized in profit or loss over a certain period no longer than the expected average remaining working lives of the employees. However, actuarial gains and losses and past service costs that arose in the current period and yet to be recognized in profit or loss shall be included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments.

This accounting standard and the guidance are effective for the end of annual periods beginning on or after April 1, 2013, with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Company expects to apply the revised accounting standard from the end of the annual period beginning on April 1, 2013, and is in the process of measuring the effects of applying the revised accounting standard for the year ending March 31, 2014.

3. MARKETABLE AND INVESTMENT SECURITIES

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

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Noncurrent:			
Marketable equity securities	¥ 232	¥ 290	$ 2,819
Trust fund investments and other	7	7	85
Total	¥ 239	¥ 297	$ 2,904

The cost and aggregate fair values of marketable and investment securities at March 31, 2012 and 2011 were as follows:

	Millions of Yen			
	2012			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale—Equity securities	¥ 142	¥ 99	¥ 9	¥ 232

	Millions of Yen			
	2011			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale—Equity securities	¥ 144	¥ 150	¥ 4	¥ 290

	Thousands of U.S. Dollars			
	2012			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale—Equity securities	$ 1,728	$ 1,205	$ 114	$ 2,819

Proceeds from the sale of available-for-sale equity securities for the years ended March 31, 2012 and 2011, were ¥6 million ($71 thousand) and ¥1,935 million, respectively. Gross realized gain on this sale, computed on the moving average cost basis for the years ended March 31, 2012 and 2011, were ¥3 million ($31 thousand) and ¥771 million, respectively.

The impairment losses on available-for-sale equity securities for the years ended March 31, 2012 and 2011, were ¥0 million ($2 thousand) and ¥5 million, respectively.

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	¥ 41	¥ 56	$ 496
Finished goods	3,927	4,138	47,775
Work in process	5,468	7,095	66,536
Raw materials	1,471	1,476	17,895
Supplies	1,031	1,072	12,546
Total	¥ 11,938	¥ 13,837	$ 145,248

5. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 2012 and 2011, consisted of notes to banks. The weighted-average interest rates applicable to the short-term borrowings as of March 31, 2012 and 2011, were 0.87% and 1.57%, 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 2016 with interest rates ranging from 1.74% to 5.97% (2012) and from 1.74% to 5.97% (2011):			
Collateralized*	¥ 8,830	¥ 9,997	$ 107,434
Unsecured	702	802	8,538
Obligations under finance leases	70	42	850
Total	9,602	10,841	116,822
Less current portion	(1,587)	(1,518)	(19,310)
Long-term debt, less current portion	¥ 8,015	¥ 9,323	$ 97,512

* Includes long-term debt under syndicate loan contracts of ¥8,220 million ($100,012 thousand) and ¥9,000 million at March 31, 2012 and 2011, respectively.

Annual maturities of long-term debt, excluding obligations under finance leases (see Note 14) at March 31, 2012, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2013	¥ 1,564	$ 19,032
2014	7,685	93,498
2015	173	2,104
2016	110	1,339
Total	¥ 9,532	$ 115,973

The carrying amounts of assets pledged as collateral for short-term borrowings and long-term debt at March 31, 2012 and 2011, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Trade accounts*[2]	¥ 4,276	¥ 3,852	$ 52,030
Finished goods*[2]	3,229	2,969	39,293
Work in process*[2]	4,052	5,473	49,297
Raw materials and supplies*[2]	1,411	1,489	17,170
Buildings*[1]	2,995	3,371	36,436
Land*[1]	140	140	1,706
Marketable and investment securities*[3]	189	282	2,294
Total	¥ 16,292	¥ 17,576	$ 198,226

2012

*[1] The Company took out a mortgage on the above buildings and land for ¥610 million ($7,422 thousand) long-term debt, and a joint revolving mortgage that has maximum amount of ¥6,500 million ($79,085 thousand) for ¥8,220 million ($100,012 thousand) long-term debt.

*[2] The Company took out a revolving mortgage on the above current assets "Trade accounts, Finished goods, Work in process, Raw materials and supplies" for ¥8,220 million ($100,012 thousand) long-term debt.

*[3] The Company created a revolving pledge on the above marketable and investment securities for ¥8,220 million ($100,012 thousand) long-term debt.

2011

*[1] The Company took out a mortgage on the above buildings and land for ¥950 million long-term debt, and a joint revolving mortgage that has a maximum amount of ¥6,650 million for ¥9,000 million long-term debt.

*[2] The Company took out a revolving mortgage on the above current assets "Trade accounts, Finished goods, Work in process, Raw materials and supplies" for ¥9,000 million long-term debt.

*[3] The Company created a revolving pledge on the above marketable and investment securities for ¥9,047 million long-term debt.

In order to flexibly source funds for its operations, the Company entered into a term-loan contract for ¥8,220 million ($100,012 thousand) with six banks (a lead bank being Mizuho Corporate Bank Ltd.) by the syndication method on March 27, 2012.

These contracts have certain debt covenants consisting of the following:

(1) At the end of each fiscal year, the total amount of equity excluding deferred tax assets and foreign currency translation adjustments shown in each balance sheet of the Companies must equal or exceed 70% of the total amount of equity at the end of March 31, 2012.

(2) Operating income and ordinary income in the consolidated statement of operations must not be negative for two consecutive fiscal years from March 31, 2012.

In addition, the Company must keep its Cash Management Service ("CMS") contract with Nisshinbo Holdings Inc. (the "parent company") and the parent company must maintain a designated ratio of the stock holdings.

CMS Contract

The Company participated in a CMS transaction provided by its parent company to raise necessary funds timely. The amount of loan account under the CMS contract as of March 31, 2012, is ¥5,351 million ($65,101 thousand) short-term borrowings.

6. RETIREMENT BENEFITS

The Company and its domestic subsidiaries maintain pension plans for their employees. The plans provide for lump-sum payments to terminated employees who have two years or more of continuous service.

Since April 1, 2007, the Company had a cash balance pension plan covering employees with 20 years or more of service or employees retiring over the age of 55 with 15 years or more of service.

Certain foreign subsidiaries have a contributory funded pension plan covering only employees who have one year or more of continuous service.

Retirement allowances for employees are determined on the basis of length of service and current basic salary at the time of termination. If the termination is involuntary, the employee is usually entitled to greater payments than in the case of voluntary termination.

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	¥ 15,085	¥ 16,002	$ 183,543
Fair value of plan assets	(7,710)	(6,816)	(93,806)
Unrecognized actuarial loss	(747)	(1,528)	(9,098)
Net liability	¥ 6,628	¥ 7,658	$ 80,639

The components of net periodic benefit costs are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Service cost	¥ 851	¥ 802	$ 10,351
Interest cost	319	312	3,885
Expected return on plan assets	(195)	(174)	(2,372)
Recognized actuarial loss	261	192	3,170
Net periodic benefit costs	¥ 1,236*	¥ 1,132	$ 15,034

* In addition to above, ¥3,847 million ($46,803 thousand) of a premium on retirement benefits resulting from voluntary retirement and ¥287 million ($3,496 thousand) of amortization of unrecognized actuarial loss resulting from mass retirement made by carrying out the voluntary retirement are included in business structure improvement expenses for the year ended March 31, 2012.

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

	2012	2011
Discount rate	2.0%	2.0%
Expected rate of return on plan assets	2.9%	2.9%
Recognition period of actuarial gain/loss	15 years	15 years
Amortization period of prior service cost	1 year	1 year

7. 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 40.4% for the years ended March 31, 2012 and 2011.

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

	Millions of Yen 2012	Millions of Yen 2011	Thousands of U.S. Dollars 2012
Current			
Deferred tax assets:			
Inventories	¥ 255	¥ 337	$ 3,103
Accrued bonuses	292	412	3,552
Accrued enterprise tax	1	50	15
Provision for business structure improvement	366		4,453
Others	152	121	1,848
Valuation allowance	(1,045)	(879)	(12,720)
Total	21	41	251
Offset with deferred tax liabilities	(8)		(96)
Net deferred tax assets	¥ 13	¥ 41	$ 155
Deferred tax liabilities:			
Inventories	¥ 39	¥ 53	$ 479
Accrued enterprise tax	11		128
Total	50	53	607
Offset with deferred tax assets	(8)		(96)
Net deferred tax liabilities	¥ 42	¥ 53	$ 511
Noncurrent			
Deferred tax assets:			
Liability for retirement benefits	¥ 2,307	¥ 3,136	$ 28,068
Tax loss carryforwards	7,336	4,197	89,261
Others	114	168	1,384
Valuation allowance	(9,701)	(7,452)	(118,030)
Total	56	49	683
Offset with deferred tax liabilities	(9)	(8)	(115)
Net deferred tax assets	¥ 47	¥ 41	$ 568
Deferred tax liabilities:			
Undistributed earnings of subsidiaries	¥ 18	¥ 17	$ 222
Unrealized gain on available-for-sale securities	34	61	419
Others	8	9	92
Total	60	87	733
Offset with deferred tax assets	(9)	(8)	(115)
Net deferred tax liabilities	¥ 51	¥ 79	$ 618

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of operations for the year ended March 31, 2012, with the corresponding figures for 2011 is as follows:

	2012	2011
Normal effective statutory tax rate	40.4 %	40.4 %
Taxation on per capita basis	(0.2)	2.3
Expenses not deductible for income tax purposes	1.2	(4.3)
Lower income tax rates applicable to income in certain foreign countries	0.2	(0.9)
Valuation allowance	(26.9)	(0.3)
Effect of tax rate change	(14.7)	
Others—net	(1.1)	(4.4)
Actual effective tax rate	(1.1) %	32.8 %

On December 2, 2011, new tax reform laws were enacted in Japan, which changed the normal effective statutory tax rate from approximately 40.4% to 37.8% effective for the fiscal years beginning on or after April 1, 2012 through March 31, 2015, and to 35.4% afterwards. The effect of this change was to decrease deferred tax assets and deferred tax liabilities in the consolidated balance sheet as of March 31, 2012, by ¥4 million ($54 thousand) and ¥8 million ($98 thousand) and to increase deferred income taxes and unrealized gain on available-for-sale securities in the consolidated statement of operations for the year then ended by ¥0 million ($2 thousand) and ¥4 million ($46 thousand), respectively.

At March 31, 2012, the Companies had tax loss carryforwards aggregating approximately ¥19,967 million ($242,933 thousand), which are available to be offset against taxable income of the Companies in future years. These tax loss carryforwards, if not utilized, will expire as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2013	¥ 118	$ 1,436
2014	145	1,768
2015	159	1,927
2016	299	3,639
2017 and thereafter	19,246	234,163
Total	¥ 19,967	$ 242,933

8. EQUITY

Japanese companies are 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. However, the Company cannot do so because it does not meet all the above criteria.

The Companies Act permits companies to distribute dividends-in-kind (noncash assets) to shareholders subject to certain limitations 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. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥4,769 million ($58,025 thousand) and ¥4,811 million for the years ended March 31, 2012 and 2011, respectively.

10. BUSINESS STRUCTURE IMPROVEMENT EXPENSES

The Company approved resolutions to carry out business structure restructuring at the Board of Directors meeting held on August 30, 2011. Business structure improvement expenses accounted for in the consolidated statement of operations consist of the following:

	Millions of Yen	Thousands of U.S. Dollars
	2012	2012
A premium on retirement benefits resulting from voluntary retirement	¥ 3,348	$ 40,729
Provision for business structure improvement	936	11,389
Amortization of unrecognized actual loss resulting from mass retirement made by carrying out the voluntary retirement	287	3,496
Impairment loss	173	2,103
Others	103	1,259
Total	¥ 4,847	$ 58,976

Assets that the Company decided to sell were reduced from book value to sale value, according to dissolution of NJR Chichibu Co., Ltd. as of March 31, 2012.

Impairment losses accounted for as business structure improvement expenses consist of ¥127 million ($1,541 thousand) of buildings and structures, and ¥46 million ($562 thousand) of leasehold right.

11. LOSSES FROM A NATURAL DISASTER

Losses from a natural disaster for the year ended March 31, 2011, represent losses from the Great East Japan Earthquake consisting of the following:

	Millions of Yen
	2011
Expenses to restore the damaged assets to original state	¥ 19
Fixed cost during the suspension of operations	120
Total	¥ 139

12. OTHER INCOME (EXPENSES)—OTHER—NET

Other income (expenses)—other—net consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Loss on damages	¥ (22)	¥ (23)	$ (271)
Gain on damages	3	54	34
Gain on sales of property, plant, and equipment	1	1	16
Other—net	33	(14)	399
Total	¥ 15	¥ 18	$ 178

13. 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 loss on available-for-sale securities:		
Losses arising during the year	¥ (54)	$ (655)
Reclassification adjustments to profit or loss	(2)	(29)
Amount before income tax effect	(56)	(684)
Income tax effect	26	325
Total	¥ (30)	$ (359)
Deferred gain on derivatives under hedge accounting:		
Gains arising during the year	¥ 100	$ 1,211
Reclassification adjustments to profit or loss	(99)	(1,204)
Total	¥ 1	$ 7
Foreign currency translation adjustments—		
Adjustments arising during the year	¥ (43)	$ (530)
Total	¥ (43)	$ (530)
Total other comprehensive income	¥ (72)	$ (882)

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.

14. LEASES

The Company and domestic subsidiaries have several lease agreements relating to office space, computer equipment and circuit equipment. Total lease payments under finance lease agreements that do not transfer ownership of the leased property to the Company and domestic subsidiaries were ¥26 million ($311 thousand) and ¥61 million for the years ended March 31, 2012 and 2011, respectively.

Obligations under finance leases accounted for as long-term debt and future minimum payments under noncancelable operating leases at March 31, 2012 and 2011, were as follows:

	Millions of Yen				Thousands of U.S. Dollars	
	2012		2011		2012	
	Finance Leases	Operating Leases	Finance Leases	Operating Leases	Finance Leases	Operating Leases
Due within one year	¥ 23	¥ 126	¥ 14	¥ 132	$ 278	$ 1,539
Due after one year	47	624	28	717	572	7,586
Total	¥ 70	¥ 750	¥ 42	¥ 849	$ 850	$ 9,125

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 that do not transfer ownership 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 notes to the financial statements. The Companies applied ASBJ Statement No. 13 effective April 1, 2008, and continued to account for such leases as operating lease transactions. Pro forma information of leased property whose lease inception was before March 31, 2008, on an "as if capitalized" basis was as follows:

	Millions of Yen			Thousands of U.S. Dollars		
	2012			2012		
	Machinery and Equipment	Furniture and Fixtures	Total	Machinery and Equipment	Furniture and Fixtures	Total
Acquisition cost	¥ 4	¥ 41	¥ 45	$ 53	$ 499	$ 552
Accumulated depreciation	4	39	43	47	475	522
Net leased property		¥ 2	¥ 2	$ 6	$ 24	$ 30

	Millions of Yen			
	2011			
	Machinery and Equipment	Furniture and Fixtures	Other	Total
Acquisition cost	¥ 4	¥ 113	¥ 143	¥ 260
Accumulated depreciation	3	95	135	233
Net leased property	¥ 1	¥ 18	¥ 8	¥ 27

Obligations under finance leases as of March 31, 2012 and 2011, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Due within one year	¥ 3	¥ 25	$ 32
Due after one year		3	1
Total	¥ 3	¥ 28	$ 33

The imputed interest expense portion, which is computed using the interest method, is excluded from the above obligations under finance leases.

Depreciation expense and interest expense under finance leases for the years ended March 31, 2012 and 2011, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Depreciation expense	¥ 24	¥ 58	$ 294
Interest expense		1	3
Total	¥ 24	¥ 59	$ 297

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

15. FINANCIAL INSTRUMENTS

(1) *Group Policy for Financial Instruments*

The Company and its subsidiaries raise capital for its operations and capital investment by borrowing from major international financial institutions. Since the Company started to participate in CMS transaction provided by its parent company, it can raise necessary fund timely. 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*

(a) Receivables, such as trade notes and trade accounts are exposed to customer credit risk. Receivables in foreign currencies are exposed to the risk of fluctuation in foreign currency exchange rates.

(b) Marketable and investment securities, mainly equity instruments of customers and suppliers of the Companies, are exposed to the risk of market price fluctuations.

(c) Payment terms of payables, such as trade accounts, are less than one year. Such payables are exposed to liquidity risk. Although payables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates, those risks are netted against the balance of receivables denominated in the same foreign currency.

(d) Short-term borrowings are used for its operations. Long-term debt is used for capital investment and its ongoing operations. Maturities of bank loans are less than three years and eleven months after the balance sheet date. Such bank loans are exposed to liquidity risk, and a part of such bank loans are exposed to risk of changes in variable interest rates.

(e) Derivatives mainly include forward foreign currency contracts, which are used to manage exposures to changes in foreign currency exchange rates of receivables and forecasted transactions. Derivatives are exposed to the credit risk from default of contract.

Please see Note 16 for more detail about derivatives.

(3) *Risk Management for Financial Instruments*

(*a*) *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 Companies manage the credit risk from receivables on the basis of internal guidelines, which include monitoring of payment terms and balances of major customers and reviewing their credit condition regularly.

The Company enters into forward foreign currency contracts to the extent of actual demand and utilizes derivatives by major international financial institutions to mitigate risk default. Subsidiaries have no derivative transactions.

(*b*) *Market risk management*

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 by using forward foreign currency contracts to the extent necessary to actual demand.

Marketable and investment securities are managed by monitoring market values and the financial position of issuers on a regular basis and reviewing their equity holding condition in consideration of the relationship with the customers and suppliers.

(*c*) *Liquidity risk management*

Liquidity risk comprises the risk that the Company cannot meet its contractual obligations in full on maturity dates. The Company manages its liquidity risk by the adequate financial planning by the corporate accounting department. Subsidiaries manage their liquidity risks by the adequate financial planning.

(4) *Fair Values of Financial Instruments*

Fair values of financial instruments are based on quoted prices in active markets. If a quoted price is not available, another rational valuation technique is used instead.

(*a*) *Fair value of financial instruments*

	Millions of Yen		
	2012		
	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	¥ 608	¥ 608	
Notes and accounts receivable*[1]	9,950	9,950	
Investment securities	232	232	
Total	¥ 10,790	¥ 10,790	
Notes and accounts payable*[2]	¥ 3,905	¥ 3,905	
Short-term borrowings	5,650	5,650	
Long-term debt*[3]	9,532	9,537	¥ (5)
Total	¥ 19,087	¥ 19,092	¥ (5)
Derivatives*[4]	¥ (34)	¥ (34)	

	Millions of Yen		
	2011		
	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	¥ 4,541	¥ 4,541	
Notes and accounts receivable*[1]	11,204	11,204	
Investment securities	290	290	
Total	¥ 16,035	¥ 16,035	
Notes and accounts payable*[2]	¥ 4,917	¥ 4,917	
Short-term borrowings	808	808	
Long-term debt*[3]	10,799	10,832	¥ (33)
Total	¥ 16,524	¥ 16,557	¥ (33)
Derivatives*[4]	¥ (26)	¥ (26)	

	Thousands of U.S. Dollars		
	2012		
	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	$ 7,403	$ 7,403	
Notes and accounts receivable*[1]	121,055	121,055	
Investment securities	2,819	2,819	
Total	$ 131,277	$ 131,277	
Notes and accounts payable*[2]	$ 47,514	$ 47,514	
Short-term borrowings	68,739	68,739	
Long-term debt*[3]	115,973	116,040	$ (67)
Total	$ 232,226	$ 232,293	$ (67)
Derivatives*[4]	$ (413)	$ (413)	

*[1] Include trade notes and trade accounts and exclude unconsolidated subsidiaries and other receivables.

*[2] Include trade accounts and exclude construction and other payables.

*[3] Include current portion of long-term debt and exclude obligation under finance leases.

*[4] Net receivables and payables derived from derivative transactions are presented. Values in parenthesis show net liabilities.

Assets

Cash and Cash Equivalents

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

Notes and Accounts Receivable

The carrying values of notes and accounts receivable approximate fair value because of their short maturities. In addition, the fair value and the carrying value are presented after deducting the allowance for doubtful receivables.

Investment Securities

The fair values of investment securities are measured at the quoted market price of the stock exchange for the equity instruments. Fair value information for the investment securities by classification is included in Note 3.

Liabilities

Notes and Accounts Payable and Short-Term Borrowings

The carrying values of notes and accounts payable and short-term borrowings approximate fair value because of their short maturities.

Long-Term Debt

The fair value of long-term debt is determined by discounting cash flows related to the debt at the corporate borrowing rates that would presumably apply if similar borrowing were newly made.

Derivatives

Fair value information for derivatives is included in Note 16.

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

Investments in unconsolidated subsidiaries and investments in equity instruments that do not have a quoted market price in an active market at March 31, 2012 and 2011, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Investments in unconsolidated subsidiaries	¥ 13	¥ 13	$ 164
Investments in equity instruments that do not have a quoted market price in an active market	7	7	86

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

	Due in One Year or Less		
	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Cash and cash equivalents	¥ 608	¥ 4,541	$ 7,403
Notes and accounts receivable	9,950	11,204	121,055
Total	¥ 10,558	¥ 15,745	$ 128,458

Please see Note 5 for annual maturities of long-term debt.

16. DERIVATIVES

The Companies enter into foreign currency forward contracts to hedge foreign exchange risk associated with certain assets denominated in foreign currencies and forecasted transactions.

All derivative transactions are entered into hedge foreign currency exposures incorporated in financing activities. The Companies do not hold or issue derivatives for trading purposes.

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

Derivative transactions entered into by the Companies have been made in accordance with internal policies that regulate the authorization and credit limit amount.

Derivative Transactions to Which Hedge Accounting Is Not Applied at March 31, 2012 and 2011

	Millions of Yen		
	2012		
	Contract Amount	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts—Selling U.S.$	¥ 1,116	¥ (34)	¥ (34)

	Millions of Yen		
	2011		
	Contract Amount	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts—Selling U.S.$	¥ 1,471	¥ (25)	¥ (25)

	Thousands of U.S. Dollars		
	2012		
	Contract Amount	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts—Selling U.S.$	$ 13,573	$ (413)	$ (413)

17. ASSET RETIREMENT OBLIGATIONS

Asset retirement obligations are expenses for removing harmful materials (under the Ordinance on Prevention of Asbestos Hazards) used in buildings and expenses related to the obligation of restoration associated with real estate lease agreements for buildings.

Asset retirement obligations are calculated on the assumption of prospective useful lives of 3 years to 30 years and discount rates of 0.553% to 2.285%.

The changes in asset retirement obligations for the years ended March 31, 2012 and 2011, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Balance at beginning of year	¥ 58	¥ 57	$ 702
Reconciliation associated with passage of time	1	1	13
Balance at end of year	¥ 59	¥ 58	$ 715

18. 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) *Segment Information*

(*a*) *Description of reportable segments*

The Companies' 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 Companies. Therefore, the Companies' reportable segments consist of the industry "Microwave Tube and Rader Components," "Microwave Application Products" and "Semiconductors."

In industry "Microwave Tube and Rader Components" and "Microwave Application Products," each division is set up according to type of products. Each division manages business activities consistently, about R&D, design, manufacturing and sales of their products.

In industry "Semiconductors," headquarters and divisions are set up according to type of functions (R&D, design, manufacturing and sales). With playing each role, headquarters and divisions work as a unit under mutual cooperation.

"Microwave Tube and Rader Components" industry mainly manufactures microwave tube for government, public offices and manufacturers.

"Microwave Application Products" industry mainly manufactures components for satellite communications for telecommunications carriers.

"Semiconductors" industry mainly manufactures semiconductor devices for consumer products manufacturers.

(*b*) *Methods of measurement for the amounts of sales, profit (loss), assets 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."

Segment profit (loss) is the operating income (loss).

The Change of Method for Aggregating of Operating Expenses

Until previous fiscal year ended March 31, 2011, the Company presented R&D expenses in "Reconciliations." However, from the fiscal year ended March 31, 2012, the Company presented R&D expenses within each segment. This change is made to reflect each segment's responsibility due to the strengthening of subjective management R&D. The Company disclosed segment information for the year ended March 31, 2011, by this fiscal year's methods for aggregate operating expenses.

(*c*) *Information about sales, profit (loss), assets and other items*

	Millions of Yen					
	2012					
	Reportable Segment					
	Microwave Tube and Rader Components	Microwave Application Products	Semiconductors	Total	Reconciliations	Consolidated
Sales to external customers	¥ 3,521	¥ 2,579	¥ 34,173	¥ 40,273		¥ 40,273
Segment profit (loss)	451	(95)	(2,706)	(2,350)	¥ (1,751)	(4,101)
Segment assets	2,962	1,465	28,385	32,812	876	33,688
Other:						
Depreciation	152	62	3,234	3,448	99	3,547
Capital expenditure	73	21	2,978	3,072	19	3,091

	Millions of Yen					
	2011					
	Reportable Segment					
	Microwave Tube and Rader Components	Microwave Application Products	Semiconductors	Total	Reconciliations	Consolidated
Sales to external customers	¥ 3,672	¥ 2,599	¥ 39,342	¥ 45,613		¥ 45,613
Segment profit (loss)	624	(28)	2,123	2,719	¥ (1,958)	761
Segment assets	3,720	1,569	31,429	36,718	4,813	41,531
Other:						
Depreciation	151	100	2,945	3,196	100	3,296
Capital expenditure	38	36	3,316	3,390	30	3,420

	Thousands of U.S. Dollars					
	2012					
	Reportable Segment					
	Microwave Tube and Rader Components	Microwave Application Products	Semiconductors	Total	Reconciliations	Consolidated
Sales to external customers	$ 42,842	$ 31,376	$ 415,778	$ 489,996		$ 489,996
Segment profit (loss)	5,481	(1,159)	(32,918)	(28,596)	$ (21,302)	(49,898)
Segment assets	36,035	17,821	345,362	399,218	10,662	409,880
Other:						
Depreciation	1,847	759	39,342	41,948	1,206	43,154
Capital expenditure	887	260	36,234	37,381	228	37,609

Notes: 1. The "Segment profit (loss)" reconciliations for the years ended March 31, 2012 and 2011, amounting to ¥1,751 million ($21,302 thousand) and ¥1,958 million, respectively, mainly consisted of administration expenses of the Companies.

2. The "Segment assets" reconciliations for the years ended March 31, 2012 and 2011, amounting to ¥876 million ($10,662 thousand) and ¥4,813 million, respectively, consisted primarily of funds held by the Company for investing purposes (cash, time deposits, marketable securities and investment securities) and assets held for administration of the Companies.

3. The "Depreciation" reconciliations for the years ended March 31, 2012 and 2011, amounting to ¥99 million ($1,206 thousand) and ¥100 million, respectively, mainly consisted of depreciation from assets held for administration of the Companies.

4. The "Capital expenditure" reconciliations for the years ended March 31, 2012 and 2011, amounting to ¥19 million ($228 thousand) and ¥30 million, respectively, mainly consisted of capital expenditure for administration of the Companies.

(2) ***Related Information***

(*a*) *Information about geographical areas*

	Millions of Yen				
	2012				
	Japan	China	Other Asia	Other	Total
Sales	¥ 23,759	¥ 6,404	¥ 6,284	¥ 3,826	¥ 40,273

	Millions of Yen				
	2011				
	Japan	China	Other Asia	Other	Total
Sales	¥ 25,943	¥ 7,753	¥ 7,572	¥ 4,345	¥ 45,613

	Thousands of U.S. Dollars				
	2012				
	Japan	China	Other Asia	Other	Total
Sales	$ 289,066	$ 77,914	$ 76,461	$ 46,555	$ 489,996

Note: Other Asia includes sales in Asia except for Japan and China.

(*b*) *Information about major customer*

	Millions of Yen			
	2012			
	Sales			
Name of Customer	Microwave Tube and Rader Components	Microwave Application Products	Semiconductors	Total
Mitsubishi Electric Corporation	¥ 242	¥ 51	¥ 6,723	¥ 7,016

Name of Customer	Millions of Yen 2011 Sales: Microwave Tube and Rader Components	Microwave Application Products	Semiconductors	Total
Mitsubishi Electric Corporation	¥ 178	¥ 61	¥ 6,539	¥ 6,778

Name of Customer	Thousands of U.S. Dollars 2012 Sales: Microwave Tube and Rader Components	Microwave Application Products	Semiconductors	Total
Mitsubishi Electric Corporation	$ 2,946	$ 615	$ 81,800	$ 85,361

(3) ***Information of Impairment Losses about Each Reportable Segment***

	Millions of Yen 2012: Microwave Tube and Rader Components	Microwave Application Products	Semiconductors	Corporate	Total
Impairment losses of assets			¥ 173		¥ 173

	Thousands of U.S. Dollars 2012: Microwave Tube and Rader Components	Microwave Application Products	Semiconductors	Corporate	Total
Impairment losses of assets			$ 2,103		$ 2,103

Note: On the consolidated statement of operations, impairment losses are included in business structure improvement expenses.

19. RELATED-PARTY TRANSACTIONS

(1) ***Parent Company***

Nisshinbo Holdings Inc.

(2) ***Related-Party Transactions***

Parent company

Transactions of the Company with parent company for the year ended March 31, 2012, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2012	2012
Lend money	¥ 340	$ 4,139
Receive interest	1	7
Borrow money	1,130	13,749
Pay interest	1	14

The balances due to or from parent company at March 31, 2012, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2012	2012
Short-term borrowings	¥ 5,351	$ 65,101

Note: Related to CMS offered by the parent company, the Company calculated the amount of transactions from average amount of every month. The interest rates are decided reasonably after taking the market rates.

Transactions with and balances due from and to related party for the year ended March 31, 2011, are not disclosed because they are immaterial.

20. NET INCOME PER SHARE

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 (Loss)	Weighted-Average Shares	EPS	
Basic EPS—Net loss available to common shareholders	¥ (9,098)	39,124	¥ (232.56)	$ 2.83
Year Ended March 31, 2011				
Basic EPS—Net income available to common shareholders	¥ 494	39,124	¥ 12.65	

Diluted EPS is not disclosed because the Companies did not issue dilutive securities for the years ended March 31, 2012 and 2011.

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