

The Nisshin OilliO Group, Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements Years Ended March 31, 2011 and 2010

1. SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

The following is a summary of the significant accounting and reporting policies adopted by The Nisshin OilliO Group, Ltd. (the "Company") and consolidated subsidiaries in the preparation of the consolidated financial statements.

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

Under Japanese GAAP, a consolidated statement of comprehensive income is required from the fiscal year ended March 31, 2011 and has been presented herein. Accordingly, accumulated other comprehensive income is presented in the consolidated balance sheet and the consolidated statement of changes in equity. Information with respect to other comprehensive income for the year ended March 31, 2010 is disclosed in Note 14. In addition, "net income before minority interests" is disclosed in the consolidated statement of income from the year ended March 31, 2011.

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 2010 consolidated financial statements to conform to the classifications used in 2011.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which 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 ¥83 to \$1, the approximate rate of exchange at March 31, 2011. 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.

- b. Principles of Consolidation*—The consolidated financial statements as of March 31, 2011 include the accounts of the Company and its 17 (19 in 2010) significant subsidiaries (collectively, the "Group").

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

Investments in 5 (7 in 2010) associated companies are accounted for by the equity method. Investments in the remaining 9 unconsolidated subsidiaries and 6 associated companies (9 subsidiaries and 6 associated companies in 2010) 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.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary/associated company at the date of acquisition. Goodwill is reported in the consolidated balance sheet as investments and other assets and/or long-term liabilities and is amortized using the straight-line method over five years.

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

- c. ***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 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 the equity; (c) expensing capitalized development costs of R&D; (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting; (e) recording the prior years' effects of changes in accounting policies in the income statement where retrospective adjustments to financial statements have been incorporated; and (f) exclusion of minority interests from net income, if included.
- d. ***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 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 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 the equity; (3) expensing capitalized development costs of R&D; (4) cancellation of the fair value model accounting for property, plant and equipment and investment properties and incorporation of the cost model accounting; (5) recording the prior years' effects of changes in accounting policies in the income statement where retrospective adjustments to the financial statements have been incorporated; and (6) exclusion of minority interests from net income, if contained. This standard was applicable to equity method of accounting for fiscal years beginning on or after April 1, 2010.

The Company applied this accounting standard effective April 1, 2010.

- e. Business Combinations*—In December 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No. 21, "Accounting Standard for Business Combinations." Major accounting changes under the revised accounting standard are as follows:
- (1) The revised standard requires accounting for business combinations only by the purchase method, and the pooling of interests method of accounting is no longer allowed.
 - (2) The previous accounting standard accounts for research and development costs to be charged to income as incurred. Under the revised standard, in-process research and development (IPR&D) costs acquired in a business combination are capitalized as an intangible asset.
 - (3) The previous accounting standard accounts for a bargain purchase gain (negative goodwill) to be systematically amortized within 20 years. Under the revised standard, the acquirer recognizes a bargain purchase gain in profit or loss on the acquisition date after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed with a review of such procedures used.

ASBJ Statement No. 21 was applicable to business combinations undertaken on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or after April 1, 2009. The Company applied this accounting standard effective April 1, 2010.

- f. Translation of Foreign Currency Accounts*—Foreign currency transactions are translated into Japanese yen using the exchange rate in effect at the date of each transaction or at the applicable exchange rates under forward exchange contracts.

Gains or losses from foreign currency transactions are included in net income or loss.

- g. 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" as a separate component of equity. Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate.

- h. 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, assets purchased under agreement to resell and bond funds, all of which mature or become due within three months of the date of acquisition.
- i. Marketable Securities and Investment Securities*—All securities are classified as available-for-sale securities and are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. The cost of securities sold is determined based on the moving-average method. Non-marketable available-for-sale securities are stated at cost determined by the moving-average method. For other-than-temporary declines in fair value, non-marketable available-for-sale securities are reduced to net realizable value by a charge to income.
- j. Allowance for Doubtful Receivables*—The allowance for doubtful receivables is stated in amounts considered to be appropriate based on the Company's past credit loss experience and an evaluation of potential losses in the receivables outstanding.

- k. **Inventories**—Inventories are stated at the lower of cost, determined by the average method for finished products, and by the first-in, first-out method for raw materials, or net selling value.
- l. **Property, Plant and Equipment**—Property, plant and equipment are stated at cost less accumulated depreciation.

Depreciation of property, plant and equipment, except for building and lease assets, of the Company and its consolidated domestic subsidiaries is computed by the declining-balance method over the estimated useful lives of the assets, while the straight-line method is applied to buildings and lease assets of those companies and to the property, plant and equipment of consolidated foreign subsidiaries.

The range of useful lives is from 5 to 50 years for buildings and structures and from 4 to 16 years for machinery and equipment. The useful lives for lease assets are the terms of the respective leases.

Ordinary maintenance and repairs are charged to income as incurred. Major replacements and improvements are capitalized.

- m. **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 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.
- n. **Asset Retirement Obligations**—In March 2008, the ASBJ published a new accounting standard for asset retirement obligations, 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 the 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 the 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. This standard is effective for fiscal years beginning on or after April 1, 2010, with early adoption permitted for fiscal years beginning on or before March 31, 2010.

- o. 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 is effective for fiscal years beginning on or after April 1, 2008, with early adoption permitted for fiscal years beginning on or after April 1, 2007.

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were to be capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the notes 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 be measured at the obligations under finance leases less interest expense at the transition date and recorded as acquisition cost of lease assets.

The Company applied the revised accounting standard effective April 1, 2008. In addition, the Company accounted for leases which existed at the transition date and which do not transfer ownership of the leased property to the lessee as acquisition cost of lease assets measured at the obligations under finance leases less interest expense at the transition date.

All other leases are accounted for as operating leases.

- 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. Construction Contracts*—Construction revenue and construction costs should be recognized by the percentage-of-completion method, if the outcome of a construction contract can be estimated reliably. When total construction revenue, total construction costs, and the stage of completion of the contract at the balance sheet date can be reliably measured, the outcome of a construction contract can be estimated reliably. If the outcome of a construction contract cannot be reliably estimated, the completed-contract method should be applied. When it is probable that the total construction costs will exceed total construction revenue, an estimated loss on the contract should be immediately recognized by providing for a loss on construction contracts.
- r. Income Taxes*—The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently-enacted tax laws to the temporary differences.
- s. Retirement and Pension Plans*—The Company and its domestic consolidated subsidiaries have an unfunded retirement benefit plan for all eligible employees. The amounts of the retirement benefits are, in general, determined on the basis of length of service and conditions under which the termination occurs. In addition to the unfunded plan, the Company has non-contributory and contributory funded pension plan.

The liability for retirement benefits is based on the projected benefit obligations and plan assets at the balance sheet date. The net periodic benefit costs, based on an actuarial computation of current and future employee benefits, are charged to income.

Retirement allowances for directors and corporate auditors are recorded to state the liability for retirement benefits at the amount that would be required if all directors and corporate auditors retired at each balance sheet date.

- t. **Research and Development**—Costs relating to research and development activities are charged to income as incurred.
- u. **Derivatives and Hedging Activities**—The Group uses a variety of derivative financial instruments, including foreign currency forward contracts, commodity futures and interest rate swaps as a means of hedging exposure to foreign currency, price and interest rate risks. The Group does not enter into derivatives for trading or speculative purposes.

All derivatives are recognized as either assets or liabilities and measured at fair value, with gains or losses recognized in the consolidated statements of income.

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.

Foreign currency forward contracts are utilized to hedge foreign currency exposures in the importation of raw materials from overseas suppliers. Trade payables denominated in foreign currencies are translated at the contracted rates if the forward contracts qualify for hedge accounting.

Commodity futures are utilized to hedge transactions in inventories and trading commitments. These futures which qualify for hedge accounting are measured at market value at the balance sheet date and the unrealized gains or losses are deferred until maturity as equity.

Interest rate swaps are utilized to hedge interest rate exposures of long-term debt. These swaps, which qualify for hedge accounting, are measured at market value at the balance sheet date and the unrealized gains or losses are deferred until maturity as equity.

- v. **Per Share Data**—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 is not disclosed because the Company does not issue dilutive securities.

Cash dividends per share shown in the consolidated statements of income have been presented on an accrual basis and include, dividends approved or to be approved after March 31, but applicable to each fiscal year ended March 31.

- w. **Appropriations of Retained Earnings**—Appropriations of retained earnings are reflected in the consolidated financial statements for the following year on shareholders' approval.

x. ***New Accounting Pronouncements***

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, a new policy is applied retrospectively unless the revised accounting standards include specific transitional provisions. When the revised accounting standards include specific transitional provisions, an entity shall comply with the specific transitional provisions. (2) Changes in presentation—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.

2. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2011 and 2010 consisted of the following:

	<u>Millions of Yen</u>		<u>Thousands of U.S. Dollars</u>
	<u>2011</u>	<u>2010</u>	<u>2011</u>
Current—Government and corporate bonds	¥ 3,725	¥ 3,919	\$ 44,880
Non-current:			
Marketable equity securities	¥ 10,524	¥ 11,595	\$ 126,795
Government and corporate bonds	1,212	1,679	14,602
Trust fund investments and other	<u>50</u>	<u>58</u>	<u>603</u>
Total	<u>¥ 11,786</u>	<u>¥ 13,332</u>	<u>\$ 142,000</u>

The costs and aggregate fair values of marketable and investment securities at March 31, 2011 and 2010 were as follows:

	<u>Millions of Yen</u>			<u>Fair Value</u>
	<u>Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	
Securities classified as available-for-sale:				
Equity securities	¥ 7,347	¥ 3,013	¥ 1,104	¥ 9,256
Debt securities	6,544	9	1,616	4,937
Other	51			51

	Millions of Yen			Fair Value
	2010			
	Cost	Unrealized Gains	Unrealized Losses	
Securities classified as available-for-sale:				
Equity securities	¥ 8,063	¥ 3,553	¥ 1,512	¥ 10,104
Debt securities	6,745	11	1,158	5,598
Other	51			51

	Thousands of U.S. Dollars			Fair Value
	2011			
	Cost	Unrealized Gains	Unrealized Losses	
Securities classified as available-for-sale:				
Equity securities	\$ 88,518	\$ 36,301	\$ 13,301	\$ 111,518
Debt securities	78,843	109	19,470	59,482
Other	614			614

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2010 were as follows. The similar information for 2011 is disclosed in Note 11.

<u>March 31, 2010</u>	<u>Millions of Yen</u> <u>Carrying Amount</u>
Available-for-sale—Equity securities	¥ 1,499
Investments in subsidiaries	346
Investments in associated companies	<u>1,890</u>
Total	<u>¥ 3,735</u>

Proceeds from sales of available-for-sale securities for the year ended March 31, 2010 were ¥36 million. Gross realized gains on these sales, computed on the moving-average cost basis, were ¥21 million for the year ended March 31, 2010.

The information of available-for-sale securities which were sold during the year ended March 31, 2011 was as follows:

<u>March 31, 2011</u>	<u>Millions of Yen</u>	
	<u>Proceeds</u>	<u>Realized Gains</u> <u>Realized Losses</u>
Available-for-sale—Equity securities	¥ 36	¥ 29

<u>March 31, 2011</u>	<u>Thousands of U.S. Dollars</u>		
	<u>Proceeds</u>	<u>Realized Gains</u>	<u>Realized Losses</u>
Available-for-sale—Equity securities	\$ 434		\$ 349

The impairment losses on available-for-sale equity securities for the years ended March 31, 2011 and 2010 were ¥1,665 million (\$20,060 thousand) and ¥21 million, respectively.

As of March 31, 2011, the following assets were pledged as collateral to secure trade accounts payables of ¥3 million (\$36 thousand):

	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
Equity securities	¥ 83	\$ 1,000

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

Short-term bank loans at March 31, 2011 and 2010 consisted of bank overdrafts, loans on deed and notes to banks. The average interest rates applicable to the short-term bank loans as of March 31, 2011 and 2010 were 2.8% and 2.4%, respectively.

Long-term debt as of March 31, 2011 and 2010 consisted of the following:

	<u>Millions of Yen</u>		<u>Thousands of U.S. Dollars</u>
	<u>2011</u>	<u>2010</u>	<u>2011</u>
1.0% unsecured bonds due 2010		¥ 5,000	
1.4% unsecured bonds due 2012	¥ 5,000	5,000	\$ 60,241
1.8% unsecured bonds due 2014	10,000	10,000	120,482
1.3% unsecured bonds due 2011	5,000	5,000	60,241
1.5% unsecured bonds due 2013	5,000	5,000	60,241
1.2% unsecured bonds due 2010		200	
1.5% unsecured bonds due 2011	10	30	120
Loans from banks, due through 2016 with interest rates ranging from 0.5% to 4.6% (2011) and from 0.5% to 4.4% (2010):			
Collateralized	1,285	2,448	15,482
Unsecured	8,736	9,705	105,254
Obligations under finance leases	715	828	8,614
Total	<u>35,746</u>	<u>43,211</u>	<u>430,675</u>
Less current portion	<u>(6,630)</u>	<u>(7,851)</u>	<u>(79,880)</u>
Long-term debt, less current portion	<u>¥ 29,116</u>	<u>¥ 35,360</u>	<u>\$ 350,795</u>

The aggregate annual maturities of long-term debt as of March 31, 2011 were as follows:

<u>Year Ending March 31</u>	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
2012	¥ 6,630	\$ 79,880
2013	7,525	90,663
2014	6,791	81,819
2015	14,314	172,458
2016 and thereafter	<u>486</u>	<u>5,855</u>
Total	<u>¥ 35,746</u>	<u>\$ 430,675</u>

The carrying amounts of assets pledged as collateral for short-term bank loans of ¥1,894 million (\$22,819 thousand) and the above collateralized long-term debt of ¥1,285 million (\$15,482 thousand) at March 31, 2011 were as follows:

	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
Land	¥ 2,185	\$ 26,325
Buildings and structures	1,968	23,711
Machinery and equipment	<u>6</u>	<u>72</u>
Total	<u>¥ 4,159</u>	<u>\$ 50,108</u>

4. RETIREMENT AND PENSION PLANS

The Company and its domestic consolidated subsidiaries have severance payment plans for employees, directors and corporate auditors. The contributory funded defined benefit plan, which is 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. According to the enactment of the Defined Benefit Pension Plan Law in April 2002, the Company applied for an exemption from obligation to pay benefits for future employee services related to the substitutional portion which would result in the transfer of pension obligations and related assets to the government by another subsequent application, and also applied for transfer of the substitutional portion of past pension obligations to the government and obtained approval by the Ministry of Health, Labour and Welfare.

The Company thereafter transferred the substitutional portion of the pension obligations and related assets to the government on February 6, 2006, and recognized ¥79 million as other income for the difference between the balance of the retirement benefit liabilities brought forward and the amount actually transferred for the year ended March 31, 2006.

The liability (assets) for employees' retirement benefits at March 31, 2011 and 2010 consisted of the following:

	<u>Millions of Yen</u>		<u>Thousands of</u>
	<u>2011</u>	<u>2010</u>	<u>U.S. Dollars</u>
Projected benefit obligation	¥ 18,931	¥ 18,842	\$ 228,084
Fair value of plan assets	(12,168)	(12,550)	(146,602)
Unrecognized prior service cost	1,082	1,206	13,036
Unrecognized actuarial loss	(7,819)	(7,180)	(94,205)
Prepaid pension expense	<u>1,104</u>	<u>832</u>	<u>13,301</u>
Net liability	<u>¥ 1,130</u>	<u>¥ 1,150</u>	<u>\$ 13,614</u>

The components of net periodic benefit costs for the years ended March 31, 2011 and 2010 are as follows:

	<u>Millions of Yen</u>		<u>Thousands of</u>
	<u>2011</u>	<u>2010</u>	<u>U.S. Dollars</u>
Service cost	¥ 820	¥ 864	\$ 9,880
Interest cost	367	358	4,421
Expected return on plan assets	(695)	(500)	(8,373)
Amortization of prior service cost	(124)	(124)	(1,494)
Recognized actuarial loss	673	711	8,108
Amortization of transitional obligation	<u> </u>	<u>20</u>	<u> </u>
Net periodic benefit costs	<u>¥ 1,041</u>	<u>¥ 1,329</u>	<u>\$ 12,542</u>

Assumptions used for the years ended March 31, 2011 and 2010 are set forth as follows:

	<u>2011</u>	<u>2010</u>
Discount rate	2.2%	2.2%
Expected rate of return on plan assets	5.7%	4.9%
Amortization period of prior service cost	14–17 years	14–17 years
Recognition period of actuarial gain	14–17 years	14–17 years
Amortization period of transitional obligation— One subsidiary (Settsu Oil Mills Co., Ltd.)		10 years

Retirement allowances for directors and corporate auditors are paid subject to approval of the shareholders.

The Group recorded a liability for its unfunded retirement allowance plan covering all of its directors and corporate auditors of ¥1,151 million (\$13,867 thousand) and ¥1,018 million for the years ended March 31, 2011 and 2010, respectively.

5. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥2,226 million (\$26,819 thousand) and ¥2,329 million for the years ended March 31, 2011 and 2010, respectively.

6. 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. The Company meets all the above criteria.

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

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

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

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the amount of 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.

7. INCOME TAXES

The Company and its domestic consolidated subsidiaries are subject to Japanese national and local income taxes, which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 40.6% for the years ended March 31, 2011 and 2010.

The tax effects of significant temporary differences and tax loss carryforwards, which resulted in deferred tax assets and liabilities at March 31, 2011 and 2010 are as follows:

	<u>Millions of Yen</u>		<u>Thousands of</u>
	<u>2011</u>	<u>2010</u>	<u>U.S. Dollars</u>
			<u>2011</u>
Deferred tax assets:			
Liability for retirement benefits	¥ 2,464	¥ 2,512	\$ 29,687
Tax loss carryforwards	1,111	1,760	13,386
Accrued expenses	1,587	1,390	19,120
Inventories	288	77	3,470
Impairment loss on long-lived assets	408	648	4,916
Other	1,882	1,181	22,674
Less valuation allowance	<u>(1,448)</u>	<u>(2,522)</u>	<u>(17,446)</u>
Total	<u>6,292</u>	<u>5,046</u>	<u>75,807</u>
Deferred tax liabilities:			
Gain on securities transferred of the retirement benefit trust fund	(1,602)	(1,324)	(19,301)
Property, plant and equipment	(3,684)	(4,132)	(44,386)
Unrealized gain on available-for-sale securities	(109)	(362)	(1,313)
Other	<u>(3,432)</u>	<u>(2,064)</u>	<u>(41,349)</u>
Total	<u>(8,827)</u>	<u>(7,882)</u>	<u>(106,349)</u>
Net deferred tax liabilities	<u>¥ (2,535)</u>	<u>¥ (2,836)</u>	<u>\$ (30,542)</u>

Deferred tax assets (liabilities) at March 31, 2011 and 2010 were disclosed as follows:

	<u>Millions of Yen</u>		<u>Thousands of</u>
	<u>2011</u>	<u>2010</u>	<u>U.S. Dollars</u>
			<u>2011</u>
Current assets—Deferred tax assets	¥ 2,233	¥ 1,574	\$ 26,904
Investments and other assets—Deferred tax assets	883	614	10,639
Current liabilities—Deferred tax liabilities	(425)		(5,120)
Long-term liabilities—Deferred tax liabilities	<u>(5,226)</u>	<u>(5,024)</u>	<u>(62,965)</u>
Total	<u>¥ (2,535)</u>	<u>¥ (2,836)</u>	<u>\$ (30,542)</u>

A reconciliation between the normal effective statutory tax rate and the actual effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 31, 2011 and 2010 is as follows:

	<u>2011</u>	<u>2010</u>
Normal effective statutory tax rate	40.6 %	40.6 %
Expenses not deductible for income tax purposes	0.7	3.1
Per capita levy of corporate tax	2.0	0.6
Elimination of intercompany dividends	11.0	1.9
Amortization of goodwill	10.7	3.8
Difference from effective statutory tax rate of consolidated subsidiaries	(12.3)	(4.1)
Equity in earnings (loss) of associated companies	(0.7)	(0.6)
Reversal of valuation allowance	(26.9)	
Unrecognized deferred taxes	5.6	1.4
Research and development expenses deductible for income taxes	(3.4)	(1.0)
Tax reduction from investment in facilities	(12.8)	(5.0)
Other—net	<u>(9.4)</u>	<u>(2.8)</u>
Actual effective tax rate	<u>5.1 %</u>	<u>37.9 %</u>

8. RELATED PARTY DISCLOSURES

Transactions of the Company with affiliated companies for the years ended March 31, 2011 and 2010 were as follows:

	<u>Millions of Yen</u>		<u>Thousands of U.S. Dollars</u>
	<u>2011</u>	<u>2010</u>	<u>2011</u>
Sales	¥ 57,904	¥ 58,193	\$ 697,639
Purchases	51,574	49,660	621,373
Rental expense	114	107	1,373
Rental income	17	16	205

The balances due to or from these affiliated companies at March 31, 2011 and 2010 were as follows:

	<u>Millions of Yen</u>		<u>Thousands of U.S. Dollars</u>
	<u>2011</u>	<u>2010</u>	<u>2011</u>
Trade accounts receivable	¥ 11,231	¥ 11,626	\$ 135,313
Other asset		224	
Trade accounts payable	7,441	7,302	89,651

9. LEASES

The Group leases certain machinery, computer equipment and other assets.

Total lease payments for the years ended March 31, 2011 and 2010 were ¥307 million (\$3,699 thousand) and ¥310 million, respectively.

10. COMMITMENTS AND CONTINGENT LIABILITIES

The Group was contingently liable at March 31, 2011, for guarantees of employee's housing loans, totaling ¥416 million (\$5,012 thousand).

The Group had the committed borrowing facility with a domestic banking group totaling ¥40,089 million (\$483,000 thousand), of which the used portion was ¥500 million (\$6,024 thousand) and the unused portion was ¥39,589 million (\$476,976 thousand), at March 31, 2011.

At March 31, 2011, the Company transferred its trade accounts receivable of ¥2,430 million (\$29,277 thousand) to factoring companies.

11. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) *Group Policy for Financial Instruments*

The Group uses financial instruments, mainly long-term debt including bank loans and bonds, based on its capital financing plan. Short-term bank loans are used to fund ongoing operations. Derivatives are used, not for speculative purposes, but to manage exposure to financial risks as described in Note 12.

(2) *Nature and Extent of Risks Arising from Financial Instruments*

Receivables such as trade notes and trade accounts are exposed to customer credit risk. Marketable and investment securities, mainly 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 generally less than one year.

A portion of bank loans, bonds and lease obligations are exposed to market risks from changes in variable interest rates, and those risks are mitigated by using derivatives of interest rate swaps.

Derivatives mainly include forward foreign currency contracts, commodities futures and interest rate swaps, which are used to manage exposure to market risks from changes in foreign currency exchange rates of receivables and payables, from changes in commodity price and from changes in interest rates of bank loans and bonds. Please see Note 12 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 terms and balances of major customers by each business administration department to identify the default risk of customers in the early stages. With respect to held-to-maturity financial investment, the Group manages its exposure to credit risk by limiting its funding to high credit rating bonds in accordance with its internal guidelines. Please see Note 12 for the detail about derivatives.

The maximum credit risk exposure of financial assets is limited to their carrying amounts as of March 31, 2011.

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. In addition, when foreign currency trade receivables and payables are expected from forecasted transactions, forward foreign currency contracts may be used under the limited contract term of two years.

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

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

Basic principles of derivative transactions are approved at management meeting based on internal guidelines which prescribe the authority and the limit for each transaction. Reconciliation of the transaction and balances with customers is made, and the transaction data has been monitored by the internal audit department.

(4) 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 12 for the detail for fair value of derivatives.

(a) Fair value of financial instruments

<u>March 31, 2011</u>	<u>Millions of Yen</u>		
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
Cash and cash equivalents	¥ 16,126	¥ 16,126	
Receivables	56,941		
Allowance for doubtful receivables	(14)		
Net	<u>56,927</u>	<u>56,927</u>	
Marketable and investment securities	<u>14,243</u>	<u>14,243</u>	
Total	<u>¥ 87,296</u>	<u>¥ 87,296</u>	
Short-term bank loans	¥ 19,879	¥ 19,879	
Current portion of long-term debt	6,630	6,630	
Payables	44,001	44,001	
Long-term debt	<u>34,126</u>	<u>34,731</u>	<u>¥ 605</u>
Total	<u>¥ 104,636</u>	<u>¥ 105,241</u>	<u>¥ 605</u>
Derivatives	<u>¥ 1,977</u>	<u>¥ 1,977</u>	

<u>March 31, 2010</u>	Millions of Yen		
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Unrealized Gain/Loss</u>
Cash and cash equivalents	¥ 22,665	¥ 22,665	—
Receivables	45,779		
Allowance for doubtful receivables	(18)		
Net	<u>45,761</u>	<u>45,761</u>	—
Marketable and investment securities	<u>15,752</u>	<u>15,752</u>	—
Total	<u>¥ 84,178</u>	<u>¥ 84,178</u>	—
Short-term bank loans	¥ 8,632	¥ 8,632	
Current portion of long-term debt	7,851	7,863	¥ 12
Payables	37,061	37,061	
Long-term debt	<u>35,361</u>	<u>35,960</u>	<u>599</u>
Total	<u>¥ 88,905</u>	<u>¥ 89,516</u>	<u>¥ 611</u>
Derivatives	<u>¥ 600</u>	<u>¥ 600</u>	—

<u>March 31, 2011</u>	Thousands of U.S. Dollars		
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Unrealized Gain/Loss</u>
Cash and cash equivalents	\$ 194,289	\$ 194,289	—
Receivables	686,036		
Allowance for doubtful receivables	(169)		
Net	<u>685,867</u>	<u>685,867</u>	—
Marketable and investment securities	<u>171,602</u>	<u>171,602</u>	—
Total	<u>\$ 1,051,759</u>	<u>\$ 1,051,759</u>	—
Short-term bank loans	\$ 239,506	\$ 239,506	
Current portion of long-term debt	79,880	79,880	
Payables	530,133	530,133	
Long-term debt	<u>411,157</u>	<u>418,446</u>	<u>\$ 7,289</u>
Total	<u>\$ 1,260,676</u>	<u>\$ 1,267,965</u>	<u>\$ 7,289</u>
Derivatives	<u>\$ 23,819</u>	<u>\$ 23,819</u>	—

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 equity instruments, and at the quoted price obtained from the financial institution for certain debt instruments. The information on the fair value of marketable and investment securities by classification is included in Note 2.

Receivables and Payables

The carrying values of receivables and payables approximate fair value because of their short maturities.

Short-Term Bank Loans and Long-Term Debt

The fair values of short-term bank loans and long-term debt are determined by discounting the cash flows related to the debt at the Group's assumed corporate borrowing rate.

The fair values of floating rate debt that apply interest rate swaps which qualify for hedge accounting and meet specific matching criteria as means for hedging, are determined by discounting the cash flows related to the debt including interest rate swaps as a unit at the Group's assumed corporate borrowing rate.

Derivatives

The information on the fair value of derivatives is included in Note 12.

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

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	<u>2011</u>	<u>2010</u>	<u>2011</u>
Investments in equity instruments that do not have a quoted market price in an active market	¥ 3,762	¥ 3,735	\$ 45,325

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

<u>March 31, 2011</u>	Millions of Yen			
	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Receivables	¥ 56,941			
Investment securities—Available-for-sale securities with contractual maturities	<u>3,725</u>	<u>¥ 664</u>	<u> </u>	<u>¥ 599</u>
Total	<u>¥ 60,666</u>	<u>¥ 664</u>	<u> </u>	<u>¥ 599</u>

	Thousands of U.S. Dollars			
	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
<u>March 31, 2011</u>				
Receivables	\$ 686,036			
Investment securities—Available-for-sale securities with contractual maturities	<u>44,880</u>	<u>\$ 8,000</u>	<u> </u>	<u>\$ 7,217</u>
Total	<u>\$ 730,916</u>	<u>\$ 8,000</u>	<u> </u>	<u>\$ 7,217</u>

Please see Note 3 for annual maturities of long-term debt.

12. DERIVATIVES

The Group enters into foreign exchange forward contracts to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies. Forward exchange contracted amounts which are assigned to associated assets and liabilities and are reflected on the consolidated balance sheet at year-end are not subject to the disclosure of market value information.

The Group enters into commodity futures in the normal course of business to determine the cost corresponding to the selling price, which is based on the forward delivery contract. The Group enters into interest rate swap agreements as a means of managing their interest rate exposure and profit or loss on redemption of bonds.

The Group also enters into agreements for certain derivative financial instruments as a part of their above-mentioned trading activities.

Derivatives are subject to market risk and credit risk. Market risk is the exposure created by potential volatility in market conditions, including interest and foreign exchange rates. Credit risk is the possibility that a loss may result from a counterparty's failure to perform according to the terms and conditions of the contract.

Derivative transactions entered into by the Group have been made in accordance with internal policies, which regulate limits of positions, and establishment of the opposite position to reduce risk. Derivative transactions in a loss position that exceed certain predetermined thresholds are reversed. The execution of these transactions is reviewed by the internal audit department.

Derivative Transactions to Which Hedge Accounting Is Not Applied at March 31, 2011 and 2010

	Millions of Yen			
	Contract Amount	Contract Due after One Year	Fair Value	Unrealized Gain (Loss)
<u>March 31, 2011</u>				
Foreign currency swap	¥ 11,367	¥ 11,367	¥ (580)	¥ (580)
Interest rate swap (fixed rate payment, floating rate receipt)	500		(4)	(4)

Millions of Yen				
<u>March 31, 2010</u>	<u>Contract Amount</u>	<u>Contract Amount Due after One Year</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
Interest rate swap (fixed rate payment, floating rate receipt)	¥ 700	¥ 700	¥ (11)	¥ (11)
Thousands of U.S. Dollars				
<u>March 31, 2011</u>	<u>Contract Amount</u>	<u>Contract Amount Due after One Year</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
Foreign currency swap	\$ 136,952	\$ 136,952	\$ (6,988)	\$ (6,988)
Interest rate swap (fixed rate payment, floating rate receipt)	6,024		(48)	(48)

Derivative Transactions to Which Hedge Accounting Is Applied at March 31, 2011 and 2010

Millions of Yen				
<u>March 31, 2011</u>	<u>Hedged Item</u>	<u>Contract Amount</u>	<u>Contract Amount Due after One Year</u>	<u>Fair Value</u>
Foreign currency forward contracts:				
Selling:				
U.S.\$	Receivables	¥ 13,970	¥ 380	¥ 13,650
Euro	Receivables	1,599		1,527
Buying:				
U.S.\$	Payables	30,039	16,039	30,625
Euro	Payables	3,303		3,589
Commodity futures contracts:				
Selling	Receivables	2,977		3,118
Buying	Payables	8,902		10,342
<u>March 31, 2010</u>				
Foreign currency forward contracts:				
Selling:				
U.S.\$	Payables	¥ 650		¥ 663
Canada\$	Payables	178		183
Buying:				
U.S.\$	Payables	17,421	¥5,889	18,265
Euro	Payables	1,825		1,825
Canada\$	Payables	188		197
Commodity futures contracts:				
Selling	Payables	11,553		12,524
Buying	Payables	9,795		10,545

		Thousands of U.S. Dollars		
<u>March 31, 2011</u>	<u>Hedged Item</u>	<u>Contract Amount</u>	<u>Contract Amount Due after One Year</u>	<u>Fair Value</u>
Foreign currency forward contracts:				
Selling:				
U.S.\$	Receivables	\$ 168,313		\$ 164,458
Euro	Receivables	19,265	\$ 4,578	18,398
Buying:				
U.S.\$	Payables	361,916	193,241	368,976
Euro	Payables	39,795		43,241
Commodity futures contracts:				
Selling	Receivables	35,867		37,566
Buying	Payables	107,253		124,602

		Millions of Yen		
<u>March 31, 2011</u>	<u>Hedged Item</u>	<u>Contract Amount</u>	<u>Contract Amount Due after One Year</u>	<u>Fair Value</u>
Interest rate swaps (fixed rate payment, floating rate receipt)				
	Long-term debt	¥ 1,240	¥ 1,000	* ¹
Interest rate option trading				
	Long-term debt	120	120	* ¹

		Millions of Yen		
<u>March 31, 2010</u>	<u>Hedged Item</u>	<u>Contract Amount</u>	<u>Contract Amount Due after One Year</u>	<u>Fair Value</u>
Interest rate swaps (fixed rate payment, floating rate receipt)				
	Long-term debt	¥ 2,085	¥ 1,980	* ¹
Interest rate option trading				
	Long-term debt	160	160	* ¹

		Thousands of U.S. Dollars		
<u>March 31, 2011</u>	<u>Hedged Item</u>	<u>Contract Amount</u>	<u>Contract Amount Due after One Year</u>	<u>Fair Value</u>
Interest rate swaps (fixed rate payment, floating rate receipt)				
	Long-term debt	\$ 14,940	\$ 12,048	* ¹
Interest rate option trading				
	Long-term debt	1,446	1,446	* ¹

*¹ The above interest rate swaps and interest rate option trading 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 is recognized and included in interest expense or income. In addition, the fair value of such interest rate swaps in Note 11 is included in that of the hedged items (i.e., long-term debt).

<u>March 31, 2011</u>	<u>Hedged Item</u>	<u>Millions of Yen</u>		
		<u>Contract Amount</u>	<u>Contract Amount Due after One Year</u>	<u>Fair Value</u>
Foreign currency forward contracts— Buying—U.S.\$	Payables	¥ 4,681		*2
<u>March 31, 2010</u>				
Foreign currency forward contracts— Buying—U.S.\$	Payables	¥ 6,435		*2

<u>March 31, 2011</u>	<u>Hedged Item</u>	<u>Thousands of U.S. Dollars</u>		
		<u>Contract Amount</u>	<u>Contract Amount Due after One Year</u>	<u>Fair Value</u>
Foreign currency forward contracts— Buying—U.S.\$	Payables	\$ 56,398		*2

*2 The above foreign currency forward contracts which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but trade payables denominated in a foreign currency are translated at the contracted rates. In addition, the fair value of such foreign currency forward contracts in Note 11 is included in that of the hedged items (i.e., payables).

13. LOSS FROM A NATURAL DISASTER

The Group recognized loss related to Great East Japan Earthquake that struck on March 11, 2011.

The components of "Loss from a natural disaster" for the fiscal year ended March 31, 2011 was as follows:

<u>March 31, 2011</u>	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
Loss on disposal of obsolete inventories and write-down	¥ 713	\$ 8,590
Restoration and repair costs	267	3,217
Other	<u>321</u>	<u>3,868</u>
Total	<u>¥ 1,301</u>	<u>\$ 15,675</u>

14. COMPREHENSIVE INCOME

For the Year Ended March 31, 2010

Total comprehensive income for the year ended March 31, 2010 was the following:

	<u>Millions of Yen</u> <u>2010</u>
Total comprehensive income attributable to:	
Owners of the parent	¥ 7,767
Minority interests	<u>1,418</u>
Total comprehensive income	<u>¥ 9,185</u>

Other comprehensive income for the year ended March 31, 2010 consisted of the following:

	<u>Millions of Yen</u> <u>2010</u>
Other comprehensive income:	
Unrealized gain on available-for-sale securities	¥ 836
Deferred gain on derivatives under hedge accounting	1,857
Foreign currency translation adjustments	281
Share of other comprehensive income in associates	<u>72</u>
Total other comprehensive income	<u>¥ 3,046</u>

15. SUBSEQUENT EVENTS

a. Appropriation of Retained Earnings

The following appropriation of retained earnings at March 31, 2011 was approved at the Company's shareholders meeting held on June 28, 2011:

	<u>Millions of Yen</u>	<u>Thousands of</u> <u>U.S. Dollars</u>
Year-end cash dividends, ¥5.00 (\$0.06) per share	¥ 861	\$ 10,373

b. Repurchase of Treasury Stock

At the Board of Directors meeting held on May 10, 2011, the Board resolved to repurchase up to a maximum of 10,000,000 shares of treasury stock (aggregate amount of ¥5,000 million (\$60,240 thousand)) for the period from May 11, 2011 to March 31, 2012 through stock exchange markets.

16. SEGMENT INFORMATION

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

This new accounting standard does not have an impact on the Company's reportable segments.

The segment information for the year ended March 31, 2010 under the revised accounting standard is also disclosed hereunder as required.

(1) Description of reportable segments

The Group's reporting segments are the components of the Group for which separate financial information is available. These segments are subject to periodic examination by the Company's Board of Directors to decide how to allocate resources and assess performance.

The Company has divisional groups by product in its headquarters organization, and each divisional group operates globally based on its comprehensive domestic and foreign strategies. Therefore, the Company establishes reportable segments based on such product division, consisted of "Oils and Meal," "Healthy Foods and Soy Protein," and "Fine Chemicals."

The main products of each segment are described below.

Oils and meal:	Oils and meal segment consists of food products for home and food service use, as well as edible oils and fats for processed food manufacturers.
Healthy foods and soy protein:	Healthy foods and soy protein segment consists of therapeutic foods, health foods, and foods taken in liquid form.
Fine chemicals:	Fine chemicals segment consists of cosmetics and toiletries, chemical products, middle chain fatty acids, lecithin and tocopherol (Vitamin E).
Other:	Other consists of real estate leasing, management and mediation services, packaging services, customs-related business, warehousing, restaurant management, sports facility management, marine products, sales promotions, engineering, accident and liability insurance, and computing-related services.

(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 to those disclosed in Note 1, "Significant Accounting and Reporting Policies."

Intersegment sales and transfers are based, for the most part, on prevailing market prices.

(3) Information about sales, profit (loss), assets, liabilities and other items are as follows:

	Thousands of Yen							
	2011							
	Reportable Segment				Other	Total	Reconciliations	Consolidated
Oils and Meal	Healthy Foods and Soy Protein	Fine Chemicals	Total					
Sales:								
Sales to external customers	¥ 280,324	¥ 9,377	¥ 5,864	¥ 295,565	¥ 9,733	¥ 305,298		¥ 305,298
Intersegment sales or transfers	<u>1,626</u>	<u>97</u>	<u>69</u>	<u>1,792</u>	<u>14,395</u>	<u>16,187</u>	¥ (16,187)	
Total	<u>¥ 281,950</u>	<u>¥ 9,474</u>	<u>¥ 5,933</u>	<u>¥ 297,357</u>	<u>¥ 24,128</u>	<u>¥ 321,485</u>	<u>¥ (16,187)</u>	<u>¥ 305,298</u>
Segment profit	¥ 5,275	¥ (288)	¥ 428	¥ 5,415	¥ 1,552	¥ 6,967	¥ (1)	¥ 6,966
Segment assets	198,697	6,629	5,137	210,463	11,806	222,269	10,042	232,311
Other:								
Depreciation	5,496	204	113	5,813	454	6,267		6,267
Increase in property, plant and equipment and intangible assets	5,221	114	30	5,365	281	5,646		5,646
	Thousands of Yen							
	2010							
	Reportable Segment				Other	Total	Reconciliations	Consolidated
Oils and Meal	Healthy Foods and Soy Protein	Fine Chemicals	Total					
Sales:								
Sales to external customers	¥ 276,079	¥ 9,686	¥ 5,742	¥ 291,507	¥ 9,792	¥ 301,299		¥ 301,299
Intersegment sales or transfers	<u>1,229</u>	<u>77</u>	<u>51</u>	<u>1,357</u>	<u>15,225</u>	<u>16,582</u>	¥ (16,582)	
Total	<u>¥ 277,308</u>	<u>¥ 9,763</u>	<u>¥ 5,793</u>	<u>¥ 292,864</u>	<u>¥ 25,017</u>	<u>¥ 317,881</u>	<u>¥ (16,582)</u>	<u>¥ 301,299</u>
Segment profit	¥ 9,144	¥ (541)	¥ 166	¥ 8,769	¥ 1,684	¥ 10,453	¥ (18)	¥ 10,435
Segment assets	177,994	6,761	5,312	190,067	11,991	202,058	20,300	222,358
Other:								
Depreciation	5,827	197	158	6,182	476	6,658		6,658
Increase in property, plant and equipment and intangible assets	9,370	310	70	9,750	281	10,031		10,031

Thousands of U.S. Dollars								
2011								
Reportable Segment								
	Oils and Meal	Healthy Foods and Soy Protein	Fine Chemicals	Total	Other	Total	Reconciliations	Consolidated
Sales:								
Sales to external customers	\$ 3,377,398	\$ 112,976	\$ 70,650	\$ 3,561,024	\$ 117,265	\$ 3,678,289		\$ 3,678,289
Intersegment sales or transfers	19,590	1,169	831	21,590	173,434	195,024	\$ (195,024)	
Total	\$ 3,396,988	\$ 114,145	\$ 71,481	\$ 3,582,614	\$ 290,699	\$ 3,873,313	\$ (195,024)	\$ 3,678,289
Segment profit	\$ 63,554	\$ (3,470)	\$ 5,157	\$ 65,241	\$ 18,699	\$ 83,940	\$ (12)	\$ 83,928
Segment assets	2,393,940	79,867	61,892	2,535,699	142,241	2,677,940	120,988	2,798,928
Other:								
Depreciation	66,217	2,458	1,361	70,036	5,470	75,506		75,506
Increase in property, plant and equipment and intangible assets	62,904	1,373	361	64,638	3,386	68,024		68,024

(4) Information about geographical areas

(a) Sales

Millions of Yen			
2011			
Japan	Asia	Other	Total
¥ 226,104	¥ 54,361	¥ 24,833	¥ 305,298

Millions of Yen			
2010			
Japan	Asia	Other	Total
¥ 230,023	¥ 49,674	¥ 21,602	¥ 301,299

Thousands of U.S. Dollars			
2011			
Japan	Asia	Other	Total
\$ 2,724,145	\$ 654,952	\$ 299,192	\$ 3,678,289

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

(b) Property, plant and equipment

Millions of Yen			
2011			
Japan	Asia	Other	Total
¥ 62,036	¥ 11,825		¥ 73,861

Thousands of U.S. Dollars			
2011			
<u>Japan</u>	<u>Asia</u>	<u>Other</u>	<u>Total</u>
\$ 747,421	\$ 142,470		\$ 889,891

(5) Information about major customers

<u>Name of customers</u>	Millions of Yen	
	<u>Sales</u>	<u>2011</u> <u>Related Segment Name</u>
Mitsubishi Corporation	¥ 46,223	Oils and meal Healthy foods and soy protein Fine chemicals

<u>Name of customers</u>	Thousands of U.S. Dollars	
	<u>Sales</u>	<u>2011</u> <u>Related Segment Name</u>
Mitsubishi Corporation	\$ 556,904	Oils and meal Healthy foods and soy protein Fine chemicals

(6) Information about the amortization and balance of goodwill and amortization include negative goodwill by reportable segment

	Millions of Yen					
	2011					
	<u>Oils and Meal</u>	<u>Healthy Foods and Soy Protein</u>	<u>Fine Chemicals</u>	<u>Total</u>	<u>Other</u>	<u>Eliminations/Corporate</u> <u>Total</u>
Amortization of goodwill	¥ 840	¥ 90		¥ 930	¥ 0	¥ 930
Goodwill at March 31, 2011	200	66		266		266
Amortization of negative goodwill	6			6	2	8
Negative goodwill at March 31, 2011	15			15	7	22

	Thousands of U.S. Dollars					
	2011					
	<u>Oils and Meal</u>	<u>Healthy Foods and Soy Protein</u>	<u>Fine Chemicals</u>	<u>Total</u>	<u>Other</u>	<u>Eliminations/Corporate</u> <u>Total</u>
Amortization of goodwill	\$ 10,120	\$ 1,085		\$ 11,205	\$ 0	\$ 11,205
Goodwill at March 31, 2011	2,410	795		3,205		3,205
Amortization of negative goodwill	72			72	24	96
Negative goodwill at March 31, 2011	181			181	84	265

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