

**Consolidated Financial Statements
as of March 31,2010**

NIKKI CO.,LTD.

Consolidated Financial Statements

(1) Consolidated balance sheets

(in thousands of yen)

Accounts	Prior Fiscal Year (As of March 31,2009)		Current Fiscal Year (As of March 31,2010)		Increase Decrease(Δ)
	Amounts	Ratio (%)	Amounts	Ratio (%)	
Assets					
I . Current assets					
1 .Cash and deposits	1,126,909		740,755		Δ 386,153
2. Notes and accounts receivable-trade	1,460,502		1,620,909		160,406
3. Merchandise and finished goods	549,172		405,651		Δ 143,521
4.Work in process	846,113		828,461		Δ 17,652
5.Raw materials and supplies	33,636		24,293		Δ 9,342
6. Short-term loans receivable	1,552		1,231		Δ 321
7. Other	120,663		159,531		38,868
8. Allowance for doubtful accounts	Δ 5,781		Δ 6,311		Δ 530
Total current assets	4,132,770	42.9	3,774,523	39.5	Δ 358,246
II . Noncurrent assets					
1. Property, plant and equipment					
(1) Buildings and structures, net	2,303,529		2,167,219		Δ 136,310
(2) Machinery, equipment and vehicles, net	1,482,646		1,348,351		Δ 134,295
(3) Land	216,783		195,116		Δ 21,667
(4)Lease assets, net	179,433		381,378		201,945
(5)Construction in progress	90,029		198,664		108,635
(6) Other, net	309,313		211,541		Δ 97,771
Total property, plant and equipment	4,581,735	48.0	4,502,272	47.1	Δ 79,463
2. Intangible assets					
Total intangible assets	205,425	2.1	171,702	1.8	Δ 33,723
3. Investments and other assets					
(1) Investment securities	692,311		1,090,474		398,162
(2) Long-term loans receivable	6,522		5,291		Δ 1,231
(3)Other	5,786		6,548		762
Total investments and other assets	704,620	7.3	1,102,314	11.5	397,693
Total noncurrent assets	5,491,782	57.1	5,776,289	60.5	284,506
Total assets	9,624,552	100.0	9,550,812	100.0	Δ 73,739

(in thousands of yen)

Accounts	Prior Fiscal Year (As of March 31,2009)		Current Fiscal Year (As of March 31,2010)		Increase
	Amounts	Ratio (%)	Amounts	Ratio (%)	Decrease(Δ)
Liabilities					
I . Current liabilities					
1. Notes and accounts payable-trade	992,179		1,093,475		101,295
2. Short-term loans payable	1,377,600		1,570,669		193,069
3. Accrued expenses	521,943		338,176		Δ 183,767
4. Income taxes payable	7,373		1,496		Δ 5,877
5. Provision for bonuses	153,952		111,178		Δ 42,773
6. Other	138,311		167,434		29,122
Total current liabilities	3,191,361	33.2	3,282,429	34.4	91,068
II . Noncurrent liabilities					
1.Long-term loans payable	812,400		1,039,950		227,550
2.Lease obligations	188,649		381,966		193,317
3. Deferred tax liabilities	107,548		269,534		161,985
4.Provision for retirement benefits	1,882,639		1,663,013		Δ 219,625
5. Provision for directors' retirement benefits	68,651		82,396		13,745
6.Provision for environmental measures	-		7,352		7,352
7.Security	731,735		731,735		-
8. Other	32,864		30,287		Δ 2,577
Total noncurrent liabilities	3,824,488	39.7	4,206,235	44.0	381,746
Total liabilities	7,015,850	72.9	7,488,665	78.4	472,815
Net assets					
I . Shareholders' equity					
1. Capital stock	500,000		500,000		-
2. Capital surplus	49,674		49,674		-
3. Retained earnings	2,121,240		1,273,290		Δ 847,949
4.Treasury stock	Δ 295,270		Δ 295,286		Δ 15
Total shareholders' equity	2,375,644	24.7	1,527,679	16.0	Δ 847,964
II . Valuation and translation adjustments					
1. Valuation difference on available-for-sale securities	156,698		392,875		236,176
2.Foreign currency translation adjustment	Δ 81,825		Δ 72,430		9,394
Total Valuation and translation adjustments	74,873	0.8	320,444	3.4	245,570
III . Minority Interests					
	158,184		214,023		55,838
Total net assets	2,608,702	27.1	2,062,147	21.6	Δ 546,555
Total liabilities and net assets	9,624,552	100.0	9,550,812	100.0	Δ 73,739

(2) Consolidated statements of income

(in thousands of yen)

Accounts	Prior Fiscal Year From April 1, 2008 To March 31,2009			Current Fiscal Year From April 1, 2009 To March 31,2010			Increase Decrease(△)
	Ammounts		Ratio (%)	Ammounts		Ratio (%)	
I. Net Sales		8,972,279	100.0		6,602,863	100.0	△ 2,369,415
II. Cost of Sales		7,912,627	88.2		6,295,994	95.4	△ 1,616,633
Gross Profit		1,059,651	11.8		306,869	4.6	△ 752,782
III. Selling,general administrative expenses		1,554,647	17.3		1,286,669	19.5	△ 267,977
Operating Income		△ 494,995	△ 5.5		△ 979,800	△ 14.8	△ 484,804
IV. Non-operating income							
1. Interest income	7,236			3,180			
2. Dividends income	45,127			16,917			
3. Royalty income	7,216			1,113			
4.Subsidy income	—			17,258			
5. Foreign exchange gains	13,732			—			
6.Other	33,692	107,004	1.2	33,762	72,234	1.1	△ 34,770
V. Non-operating expenses							
1. Interest expenses	47,299			92,963			
2. Foreign exchange losses	—			70,959			
3.Other	2,188	49,487	0.6	945	164,868	2.5	115,381
Ordinary income		△ 437,477	△ 4.9		△ 1,072,434	△ 16.2	△ 634,957
VI. Extraordinary income							
1. Gain on sales of noncurrent assets	20			215,705			
2. Reversal of allowance for doubtful accounts	1,815			—			
3. Other	—	1,835	0.0	20,740	236,446	3.6	234,611
VII. Extraordinary loss							
1.Loss on sales and retirement of noncurrent assets	29,530			4,760			
2.Loss on valuation of investment securities	29,926			—			
3.Special retirement expenses	35,877			12,767			
4.Provision for environmental measures	—			7,352			
5.Loss on cancellation of lease contracts	—	95,333		4,073	28,953		△ 66,379
Income before income taxes		△ 530,976	△ 5.9		△ 864,941	△ 13.1	△ 333,965
Income taxes-current	7,360			△ 24,876			
Income taxes for prior periods	△ 28,013			—			
Income taxes deferred	1,428	△ 19,223	1.4	—	△ 24,876	△ 0.2	△ 5,653
Minority interests in income		△ 34,325	△ 0.4		5,602	0.1	39,927
Net income		△ 477,427	△ 5.3		△ 845,667	△ 12.8	△ 368,239

(3) Consolidated statement of changes in net assets

From April 1, 2009 to March 31, 2010

(in thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2009	500,000	49,674	2,121,240	△ 295,270	2,375,644
Changes of items during the period					
Employee encouragement welfare fund	—	—	△ 2,281	—	△ 2,281
Net income	—	—	△ 845,667	—	△ 845,667
Purchase of treasury stock	—	—	—	△ 15	△ 15
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes of items during the period	—	—	△ 847,949	△ 15	△ 847,964
Balance as of March 31, 2010	500,000	49,674	1,273,290	△ 295,286	1,527,679

	Valuation and translation adjustments			Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total valuation and translation adjustments		
Balance as of March 31, 2009	376,073	△ 75,364	300,708	189,737	3,006,377
Changes of items during the period					
Employee encouragement welfare fund	—	—	—	—	△ 2,281
Net income	—	—	—	—	△ 845,667
Purchase of treasury stock	—	—	—	—	△ 15
Net changes of items other than shareholders' equity	16,802	2,933	19,735	24,285	44,021
Total changes of items during the period	16,802	2,933	19,735	24,285	△ 803,943
Balance as of March 31, 2010	392,875	△ 72,430	320,444	214,023	2,202,433

(4) Consolidated statement of cash flows

From April 1,2009 to March 31,2010

(in thousands of yen)

	Prior Fiscal Year From April 1, 2008 To March 31,2009	Current Fiscal Year From April 1, 2009 To March 31,2010	Increase Decrease(Δ)
I . Net cash provided by (used in) operating activities			
Income before income taxes	△ 530,976	△ 864,941	△ 333,965
Depreciation and amortization	837,645	750,833	△ 86,812
Increase (decrease) in provision for retirement benefits	△ 64,073	△ 219,626	△ 155,553
Increase (decrease) in provision for directors' retirement benefits	△ 7,168	13,742	20,911
Increase (decrease) in allowance for doubtful accounts	△ 1,815	830	2,645
Increase (decrease) in provision for bonuses	△ 38,732	△ 42,773	△ 4,041
Interest and dividends income	△ 52,363	△ 20,098	32,265
Interest expenses	47,299	92,963	45,664
Loss (gain) on valuation of investment securities	29,724	—	△ 29,924
Loss (gain) on sales and retirement of noncurrent assets	29,510	△ 210,945	△ 240,455
Decrease (increase) in notes and accounts receivable-trade	605,479	△ 157,391	△ 762,870
Decrease (increase) in inventories	51,113	177,439	126,325
Decrease (increase) in other current assets	95,367	△ 4,858	△ 100,225
Increase (decrease) in notes and accounts payable-trade	△ 497,410	111,686	609,096
Increase (decrease) in other current liabilities	△ 102,891	△ 188,210	△ 85,319
Amortization of long-term prepaid expenses	△ 92	—	92
Increase (decrease) in other noncurrent liabilities	—	5,801	5,801
subtotal	400,615	△ 555,549	△ 956,165
Interest and dividends income received	52,363	20,098	△ 32,265
Interest expenses paid	△ 46,353	△ 95,594	△ 49,241
Income taxes paid	17,797	△ 12,887	△ 30,684
Net cash provided by (used in) operating activities	424,423	△ 643,932	△ 1,068,355

(in thousands of yen)

	Prior Fiscal Year From April 1, 2008 To March 31,2009	Current Fiscal Year From April 1, 2009 To March 31,2010	Increase Decrease(Δ)
II Net cash provided by (used in) investing activities			
Payments into time deposits	Δ 7,200	Δ 7,200	—
Proceeds from withdrawal of time deposits	73,317	54,200	Δ 19,117
Proceeds from sales of investment securities	521	—	Δ 521
Payments of loans receivable	Δ 2,000	—	2,000
Collection of loans receivable	5,685	1,547	Δ 4,138
Proceeds from return of deposit	5,971	—	Δ 5,971
Purchase of property, plant and equipment	Δ 471,939	Δ 496,125	Δ 24,185
Proceeds from sales of property, plant and equipment	216	281,556	281,340
Purchase of intangible assets	Δ 15,188	Δ 54,635	Δ 39,446
Other investment payment	Δ 26	Δ 745	Δ 718
Other investment income	3,338	165	Δ 3,173
Net cash provided by (used in) investing activities	Δ 407,303	Δ 221,236	186,067
III Net cash provided by (used in) financing activities			
Repayments of lease obligations	Δ 21,444	Δ 76,851	Δ 55,407
Net increase (decrease) in short-term loans payable	113,588	91,669	Δ 21,919
Proceeds from long-term loans payable	950,000	500,000	Δ 450,000
Repayment of long-term loans payable	Δ 687,642	Δ 171,050	516,592
Redemption of bonds	Δ 100,000	—	100,000
Purchase of treasury stock	Δ 925	Δ 15	910
Cash dividends paid to minority shareholders	Δ 7,935	—	7,935
Proceeds from sale and lease back transactions	—	174,700	174,700
Other	Δ 740	Δ 998	Δ 258
Net cash provided by (used in) financing activities	244,899	517,452	272,553
IV Net increase (decrease) in cash and cash equivalents	Δ 99,417	5,912	105,329
V Increase and decrease in cash and cash equivalents	162,601	Δ 341,803	Δ 504,404
VI Cash and cash equivalents at the start of the period	803,143	965,744	162,601
VII Cash and cash equivalents at the end of the period	965,744	623,941	Δ 341,803