

**Consolidated Financial Statements
as of March 31,2011**

NIKKI CO.,LTD.

Consolidated Financial Statements

(1) Consolidated balance sheets

(in thousands of yen)

Accounts	Current Fiscal Year (As of March 31,2010)		Prior Fiscal Year (As of March 31,2011)		Increase Decrease(Δ)
	Amounts	Ratio (%)	Amounts	Ratio (%)	
Assets					
Current assets					
Cash and deposits	740,755		1,358,227		617,471
Notes and accounts receivable-trade	1,620,909		1,667,116		46,206
Merchandise and finished goods	405,651		384,659		Δ 20,992
Work in process	828,461		837,928		9,467
Raw materials and supplies	24,293		35,423		11,129
Short-term loans receivable	1,231		769		Δ 461
Other	159,531		60,902		Δ 98,629
Allowance for doubtful accounts	Δ 6,311		Δ 6,131		179
Total current assets	3,774,523	39.5	4,338,894	46.3	564,370
Noncurrent assets					
Property, plant and equipment					
Buildings and structures, net	2,167,219		2,042,354		Δ 124,864
Machinery, equipment and vehicles, net	1,348,351		1,161,595		Δ 186,755
Land	195,116		191,321		Δ 3,795
Lease assets, net	381,378		322,469		Δ 58,909
Construction in progress	198,664		48,935		Δ 149,729
Other, net	211,541		203,771		Δ 7,769
Total property, plant and equipment	4,502,272	47.1	3,970,448	42.3	Δ 531,823
Intangible assets	171,702	1.8	96,843	1.0	Δ 74,859
Investments and other assets					
Investment securities	1,090,474		964,500		Δ 125,973
Long-term loans receivable	5,291		4,440		Δ 851
Other	6,548		5,130		Δ 1,417
Total investments and other assets	1,102,314	11.5	974,071	10.3	Δ 128,242
Total noncurrent assets	5,776,289	60.5	5,041,363	53.7	Δ 734,925
Total assets	9,550,812	100.0	9,380,257	100.0	Δ 170,554

(in thousands of yen)

Accounts	Current Fiscal Year (As of March 31,2010)		Prior Fiscal Year (As of March 31,2011)		Increase Decrease(Δ)
	Amounts	Ratio (%)	Amounts	Ratio (%)	
Liabilities					
Current liabilities					
Notes and accounts payable-trade	1,093,475		1,043,976		Δ 49,498
Short-term loans payable	1,570,669		1,543,282		Δ 27,387
Accrued expenses	338,176		288,507		Δ 49,668
Income taxes payable	1,496		13,565		12,069
Provision for bonuses	111,178		121,850		10,672
Other	167,434		329,905		162,470
Total current liabilities	3,282,429	34.4	3,341,087	35.6	58,657
Noncurrent liabilities					
Long-term loans payable	1,039,950		816,440		Δ 223,510
Lease obligations	381,966		292,765		Δ 89,201
Deferred tax liabilities	269,534		221,618		Δ 47,915
Provision for retirement benefits	1,663,013		1,573,449		Δ 89,564
Provision for directors' retirement benefits	82,396		96,265		13,868
Provision for environmental measures	7,352		7,352		—
Long-term lease deposited	731,735		731,735		—
Other	30,287		27,679		Δ 2,607
Total noncurrent liabilities	4,206,235	44.0	3,767,305	40.2	Δ 438,929
Total liabilities	7,488,665	78.4	7,108,393	75.8	Δ 380,272
Net assets					
Shareholders' equity					
Capital stock	500,000		500,000		—
Capital surplus	49,674		49,674		—
Retained earnings	1,273,290		1,591,244		317,953
Treasury stock	Δ 295,286		Δ 295,424		Δ 137
Total shareholders' equity	1,527,679	16.0	1,845,495	24.7	317,816
Accumulated other comprehensive income					
Valuation difference on available-for-sale securities	392,875		323,032		Δ 69,842
Foreign currency translation adjustment	Δ 72,430		Δ 132,871		Δ 60,440
Total accumulated other comprehensive income	320,444	3.4	190,161	2.0	Δ 130,282
Minority Interests	214,023	2.2	236,206	2.5	22,183
Total net assets	2,062,147	21.6	2,271,864	24.2	209,717
Total liabilities and net assets	9,550,812	100.0	9,380,257	100.0	Δ 170,554

(2) Consolidated statements of income

(in thousands of yen)

Accounts	Current Fiscal Year From April 1, 2009 To March 31,2010		Prior Fiscal Year From April 1, 2010 To March 31,2011		Increase Decrease(Δ)
		Ratio (%)		Ratio (%)	
Net Sales	6,602,863	100.0	8,040,101	100.0	1,437,238
Cost of Sales	6,295,994	95.4	6,357,817	79.1	61,823
Gross Profit	306,869	4.6	1,682,284	20.9	1,375,414
Selling,general administrative expenses	1,286,669	19.5	1,116,228	13.9	Δ 170,441
Operating Income	Δ 979,800	Δ 14.8	566,056	7.0	1,545,856
Non-operating income					
Interest income	3,180		1,434		Δ 1,746
Dividends income	16,917		24,178		7,260
Royalty income	1,113		3,132		2,018
Subsidy income	17,258		—		Δ 17,258
Other	33,762		13,450		Δ 20,312
Total non-operating income	72,234	1.1	42,196	0.5	Δ 30,037
Non-operating expenses					
Interest expenses	92,963		89,151		Δ 3,812
Foreign exchange losses	70,959		94,235		23,275
Other	945		28,985		28,039
Total non-operating income	164,868	2.5	212,371	2.6	47,503
Ordinary income	Δ 1,072,434	Δ 16.2	395,880	4.9	1,468,315
Extraordinary income					
Gain on sales of noncurrent assets	215,705		1,005		Δ 214,700
Reversal of allowance for doubtful accounts	—		479		479
Other	20,740		—		Δ 20,740
Total extraordinary income	236,446	3.6	1,485	0.0	Δ 234,961
Extraordinary loss					
Loss on sales and retirement of noncurrent assets	4,760		9,766		5,006
Loss on valuation of investment securities	—		8,216		8,216
Special retirement expenses	12,767		—		Δ 12,767
Provision for environmental measures	7,352		—		Δ 7,352
Loss on cancellation of lease contracts	4,073		—		Δ 4,073
Total extraordinary loss	28,953	0.4	17,982	0.2	Δ 10,971
Income before income taxes	Δ 864,941	Δ 13.1	379,383	4.7	1,244,325
Income taxes-current	Δ 24,876		20,420		45,296
Total income taxes-current	Δ 24,876		20,420		45,296
Income before minority interests	—		358,963	4.5	358,963
Minority interests in income	5,602		41,009		35,407
Net income	Δ 845,667	Δ 12.8	317,953	4.0	1,163,621

(3) Statement of Comprehensive Income

(in thousands of yen)

Accounts	Current Fiscal Year From April 1, 2009 To March 31,2010		Prior Fiscal Year From April 1, 2010 To March 31,2011	
		Ratio (%)		Ratio (%)
Income before minority interests	—		358,963	
Other comprehensive income				
Valuation difference on available-for-sale securities	—		△ 69,842	
Foreign currency translation adjustment	—		△ 79,219	
Total Other comprehensive income	—		△ 149,061	
Comprehensive income	—		209,902	
(Comprehensive income attributable to)				
Comprehensive income attributable to owners of the parent	—		187,671	
Comprehensive income attributable to minority interests	—		22,230	

(4) Consolidated statement of changes in net assets

(in thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31,2010	500,000	49,674	1,273,290	△ 295,286	1,527,679
Changes of items during the period					
Net income	—	—	317,953	—	317,953
Purchase of treasury stock	—	—	—	△ 137	△ 137
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes of items during the period	—	—	317,953	△ 137	317,916
Balance as of March 31,2011	500,000	49,674	1,591,244	△ 295,424	1,845,495

	Accumulated other comprehensive income			Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total Accumulated other comprehensive		
Balance as of March 31,2010	392,875	△ 72,430	320,444	214,023	2,062,147
Changes of items during the period					
Net income	—	—	—	—	317,953
Purchase of treasury stock	—	—	—	—	△ 137
Net changes of items other than shareholders' equity	△ 69,842	△ 60,440	△ 130,282	22,183	△ 108,098
Total changes of items during the period	△ 69,842	△ 60,440	△ 130,282	22,183	209,717
Balance as of March 31,2011	323,032	△ 132,871	190,161	236,206	2,271,864

(5) Consolidated statement of cash flows

(in thousands of yen)

	Current Fiscal Year From April 1, 2009 To March 31,2010	Prior Fiscal Year From April 1, 2010 To March 31,2011	Increase Decrease(Δ)
Net cash provided by (used in) operating activities			
Income before income taxes	△ 864,941	379,383	1,244,325
Depreciation and amortization	750,833	718,564	△ 32,268
Increase (decrease) in provision for retirement benefits	△ 219,626	△ 87,595	132,031
Increase (decrease) in provision for directors' retirement benefits	13,742	13,898	156
Increase (decrease) in allowance for doubtful accounts	830	△ 479	△ 1,310
Increase (decrease) in provision for bonuses	△ 42,773	11,160	53,933
Interest and dividends income	△ 20,098	△ 25,613	△ 5,514
Interest expenses	92,963	89,151	△ 3,812
Loss (gain) on valuation of investment securities	—	8,216	8,216
Loss (gain) on sales and retirement of noncurrent assets	△ 210,945	8,760	219,706
Decrease (increase) in notes and accounts receivable-trade	△ 157,391	△ 55,477	101,913
Decrease (increase) in inventories	177,439	△ 46,442	△ 223,881
Decrease (increase) in other current assets	△ 4,858	85,273	90,132
Increase (decrease) in notes and accounts payable-trade	111,686	△ 79,884	△ 191,571
Increase (decrease) in other current liabilities	△ 188,210	29,810	218,020
Increase (decrease) in other noncurrent liabilities	5,801	△ 1,550	△ 7,352
subtotal	△ 555,549	1,047,176	1,602,726
Interest and dividends income received	20,098	25,613	5,514
Interest expenses paid	△ 95,594	△ 89,111	6,483
Income taxes paid	△ 12,887	△ 13,843	△ 956
Net cash provided by (used in) operating activities	△ 643,932	969,834	1,613,767

(in thousands of yen)

	Current Fiscal Year From April 1, 2009 To March 31,2010	Prior Fiscal Year From April 1, 2010 To March 31,2011	Increase Decrease(Δ)
Net cash provided by (used in) investing activities			
Payments into time deposits	Δ 7,200	Δ 7,225	Δ 25
Proceeds from withdrawal of time deposits	54,200	49,240	Δ 4,960
Collection of loans receivable	1,547	1,312	Δ 234
Purchase of property, plant and equipment	Δ 496,125	Δ 147,009	349,116
Proceeds from sales of property, plant and equipment	281,556	7,619	Δ 273,937
Purchase of intangible assets	Δ 54,635	Δ 370	54,265
Deposit income the land transfer contract	—	47,500	47,500
Other investment payment	Δ 745	Δ 165	579
Other investment income	165	339	173
Net cash provided by (used in) investing activities	Δ 221,236	Δ 48,758	172,477
Net cash provided by (used in) financing activities			
Repayments of lease obligations	Δ 76,851	Δ 89,012	Δ 12,160
Net increase (decrease) in short-term loans payable	91,669	Δ 41,667	Δ 133,336
Proceeds from long-term loans payable	500,000	35,000	Δ 465,000
Repayment of long-term loans payable	Δ 171,050	Δ 244,230	Δ 73,180
Purchase of treasury stock	Δ 15	Δ 137	Δ 121
Proceeds from sale and lease back transactions	174,700	—	Δ 174,700
Other	Δ 998	Δ 1,027	Δ 29
Net cash provided by (used in) financing activities	517,452	Δ 341,074	Δ 858,527
Effect of exchange rate change on cash and cash equivalents	5,912	84,443	78,531
Increase and decrease in cash and cash equivalents	Δ 341,803	664,445	1,006,249
Cash and cash equivalents at the start of the period	965,744	623,941	Δ 341,803
Cash and cash equivalents at the end of the period	623,941	1,288,386	664,445