Annual Report 2011

From April 1,2010 to March 31,2011

DAISHINKU CORP.

Annual Report

Consolidated Balance Sheets

DAISHINKU CORP. and Consolidated Subsidiaries

	(Millions of yen)		*(Thousands of U.S. dollars) (note 3)*
	March 31,		*March 31,*
	2011	2010	*2011*
ASSETS			
Current assets:			
Cash and cash equivalents (Note 2 (c), 9)	¥11,599	¥12,660	*$139,751*
Short-term investments (Note 4)	49	112	*593*
Trade notes and accounts receivable	9,871	10,164	*118,927*
Inventories (Note 7)	8,063	7,365	*97,143*
Deferred income taxes (Note 16)	42	34	*509*
Other current assets	1,450	1,294	*17,460*
Allowance for doubtful accounts	(62)	(90)	*(747)*
Total current assets	31,012	31,539	*373,636*
Investments and other assets:			
Investment securities (Notes 4, 9)	1,187	1,114	*14,305*
Deferred income taxes (Note 16)	30	10	*356*
Other assets	849	954	*10,233*
Total investments and other assets	2,066	2,078	*24,894*
Property, plant and equipment, at cost:（Note8）			
Land (Note 9)	5,629	5,667	*67,815*
Buildings and structures (Note 9)	17,649	18,011	*212,643*
Machinery and equipment (Note 9)	45,651	44,297	*550,010*
Construction in progress	748	196	*9,011*
Total property, plant and equipment	69,677	68,171	*839,479*
Less: accumulated depreciation	(45,247)	(44,056)	*(545,142)*
Property, plant and equipment, net	24,430	24,115	*294,337*
Total assets	¥57,508	¥57,732	*$692,867*

The accompanying notes are an integral part of these financial statements.

	(Millions of yen)		*(Thousands of U.S. dollars) (note 3)*
	March 31,		*March 31,*
	2011	2010	*2011*
LIABILITIES AND NET ASSETS			
Current liabilities:			
Short-term borrowings (Note 9)	¥4,167	¥4,003	*$50,207*
Current portion of long -term debt (Note 9)	3,089	2,957	*37,217*
Trade notes and accounts payable	2,092	2,817	*25,206*
Accounts payable	1,280	1,200	*15,418*
Accrued income taxes	215	153	*2,590*
Accrued employees' bonuses	513	268	*6,178*
Reserve for directors' and corporate auditors' bonuses	10	-	*120*
Other current liabilities	868	771	*10,459*
Total current liabilities	12,234	12,169	*147,395*
Long-term liabilities:			
Long-term debt (Note 9)	9,707	9,636	*116,946*
Retirement benefits to employees (Note 10)	1,579	1,495	*19,029*
Deferred income taxes (Note 14)	514	615	*6,195*
Long-term accounts payable	1,093	1,127	*13,165*
Asset retirement obligations	24	-	*289*
Other long-term liabilities	81	134	*976*
Total long-term liabilities	12,998	13,007	*156,600*
Total liabilities	25,232	25,176	*303,995*
Commitments and contingent liabilities (Note11)			
Net Assets(Note 12)**:**			
Shareholders' equity			
Common stock:			
Authorized: 79,479,000 shares			
Issued: 45,246,212 shares at March 31, 2011 and 2010	19,345	19,345	*233,071*
Additional paid-in capital	12,414	12,414	*149,561*
Retained earnings	812	724	*9,788*
Less: treasury stock, at cost: 3,783,500 shares at March 31, 2011 and 3,763,459 shares at March 31, 2010	(1,518)	(1,510)	*(18,293)*
Total shareholders' equity	31,053	30,973	*374,127*
Accumulated other comprehensive income (loss)			
Net unrealized holding gains(losses) on available-for-sale securities	(115)	41	*(1,384)*
Foreign currency translation adjustments	(2,161)	(1,280)	*(26,032)*
Total accumulated other comprehensive income(loss)	(2,276)	(1,239)	*(27,416)*
Minority interests	3,499	2,822	*42,161*
Total net assets	32,276	32,556	*388,872*
Total liabilities and net assets	¥57,508	¥57,732	*$692,867*

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Income

DAISHINKU CORP. and Consolidated Subsidiaries

	(Millions of yen)		*(Thousands of U.S. dollars) (note 3)*
	For the years ended March 31,		*For the year ended March 31,*
	2011	2010	*2011*
Net sales	¥37,983	¥31,978	*$457,627*
Cost of sales	30,281	25,087	*364,827*
Gross profit	7,702	6,891	*92,800*
Selling, general and administrative Expenses (Note 13)	6,277	5,664	*75,630*
Operating income	1,425	1,227	*17,170*
Other income (expenses):			
Interest and dividend income	47	66	*567*
Subsidy Income	252	-	*3,033*
Insurance received	52	60	*622*
Interest expenses	(385)	(403)	*(4,634)*
Foreign currency exchange gain(loss), net	(583)	(342)	*(7,023)*
Gain(Loss) on sales or disposal of property, plant and equipment, net	(4)	(23)	*(48)*
Reversal of impairment loss	115		*1,382*
Gain on sales of investment securities	-	197	-
Impairment loss on fixed assets (Note 8)	-	(47)	-
Loss on devaluation of investment securities	-	(1)	-
Loss on sales of investment securities	-	(31)	-
Loss on adjustment for changes of accounting standard for asset retirement obligations	(10)	-	*(123)*
Other, net	31	(1)	*378*
Income before income taxes and minority interests	940	702	*11,324*
Income taxes (Note 14):			
Current	333	291	*4,007*
Deferred	(81)	18	*(975)*
	252	309	*3,032*
Income before minority interests	688	393	*8,292*
Minority interests	263	159	*3,170*
Net income	¥425	¥234	*$5,122*

	(Yen)		*(Dollars)*
Net income per share (Note 17)			
-Basic	¥10.25	¥5.64	*$0.12*
-Diluted		-	
Cash dividends per share	4.00	5.00	*0.05*

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Comprehensive Income

DAISHINKU CORP. and Consolidated Subsidiaries

	(Millions of yen)	*(Thousands of U.S. dollars) (note 3)*
	For the years ended March 31,	*For the year ended March 31,*
	2011	*2011*
Income before minority interests	¥688	*$8,292*
Other comprehensive income(loss)		
Unrealized holding loss on available-for-sale securities	(156)	*(1,880)*
Foreign currency translation adjustments	(993)	*(11,968)*
Total other comprehensive loss, net	(1,149)	*(13,848)*
Comprehensive income (loss)	¥(461)	*$(5,556)*
Total comprehensive income attributable to:		
Shareholders of DAISHINKU Corporation	¥(611)	*$(7,365)*
Minority shareholders of consolidated subsidiaries	150	*1,809*

Consolidated Statements of Changes in Net Assets

DAISHINKU CORP. and Consolidated Subsidiaries

	(Millions of yen)		*(Thousands of U.S. dollars) (note 3)*
	For the years ended March 31,		*For the year ended March 31,*
	2011	2010	*2011*
Shareholders' equity			
Common stock			
Balance at March 31, 2010	19,345	19,345	*233,071*
Changes of items during the period	-	-	-
Total changes of items during the period	-	-	-
Balance at March 31, 2011	19,345	19,345	*233,071*
Additional paid –in capital			
Balance at March 31, 2010	12,414	12,414	*149,561*
Changes of items during the period			
Disposal of treasury stock	-	(0)	-
Total changes of items during the period	-	(0)	-
Balance at March 31, 2011	12,414	12,414	*149,561*
Retained earnings			
Balance at March 31, 2010	724	616	*8,727*
Changes of items during the period			
Dividends from surplus	(373)	(126)	*(4,498)*
Effect of the changes in the reporting period of subsidiary	36	-	*437*
Net income	425	234	*5,122*
Total changes of items during the period	88	108	*1,061*
Balance at March 31, 2011	812	724	*9,788*
Treasury stock			
Balance at March 31, 2010	(1,510)	(1,406)	*(18,190)*
Changes of items during the period			
Acquisition of treasury stock	(8)	(105)	*(103)*
Disposal of treasury stock	-	1	-
Total changes of items during the period	(8)	(104)	*(103)*
Balance at March 31, 2011	(1,518)	(1,510)	*(18,293)*
Total shareholders' equity			
Balance at March 31, 2010	30,973	30,969	*373,169*
Changes of items during the period			
Dividends from surplus	(373)	(126)	*(4,498)*
Effect of the changes in the reporting period of subsidiary	36	-	*437*
Net income	425	234	*5,122*
Acquisition of treasury stock	(8)	(105)	*(103)*
Disposal of treasury stock	-	1	-
Total changes of items during the period	80	4	*958*
Balance at March 31, 2011	31,053	30,973	*374,127*

Consolidated Statements of Changes in Net Assets

DAISHINKU CORP. and Consolidated Subsidiaries

	(Millions of yen)		*(Thousands of U.S. dollars) (note 3)*
	For the years ended March 31,		*For the year ended March 31,*
	2011	2010	*2011*
Accumulated other comprehensive income			
Net unrealized holding gains(losses) on available-for-sale securities			
Balance at March 31, 2010	41	(54)	*495*
Changes of items during the period			
Net changes of items other than shareholders' equity	(156)	95	*(1,879)*
Total changes of items during the period	(156)	95	*(1,879)*
Balance at March 31, 2011	(115)	41	*(1,384)*
Foreign currency translation adjustment			
Balance at March 31, 2010	(1,280)	(1,655)	*(15,424)*
Changes of items during the period			
Net changes of items other than shareholders' equity	(881)	375	*(10,608)*
Total changes of items during the period	(881)	375	*(10,608)*
Balance at March 31, 2011	(2,161)	(1,280)	*(26,032)*
Accumulated other comprehensive income			
Balance at March 31, 2010	(1,239)	(1,709)	*(14,929)*
Changes of items during the period			
Net changes of items other than shareholders' equity	(1,037)	470	*(12,487)*
Total changes of items during the period	(1,037)	470	*(12,487)*
Balance at March 31, 2011	(2,276)	(1,239)	*(27,416)*
Minority interest			
Balance at March 31, 2010	2,822	2,561	*34,001*
Changes of items during the period			
Net changes of items other than shareholders' equity	677	261	*8,160*
Total changes of items during the period	677	261	*8,160*
Balance at March 31, 2011	3,499	2,822	*42,161*
Total net assets			
Balance at March 31, 2010	32,556	31,821	*392,241*
Changes of items during the period			
Dividends from surplus	(373)	(126)	*(4,498)*
Effect of the changes in the reporting period of subsidiaries	36	-	*437*
Net income	425	234	*5,122*
Acquisition of treasury stock	(8)	(105)	*(103)*
Disposal of treasury stock	-	1	*-*
Net changes of items other than shareholders' equity	(360)	731	*(4,327)*
Total changes of items during the period	(280)	735	*(3,369)*
Balance at March 31, 2011	32,276	32,556	*388,872*

Consolidated Statements of Cash Flows

DAISHINKU CORP. and Consolidated Subsidiaries

	(Millions of yen)		*(Thousands of U.S. dollars) (note 3)*
	For the years ended March 31,		*For the year ended March 31*
	2011	2010	*2011*
OPERATING ACTIVITIES:			
Income(loss) before income taxes and minority interests	¥940	¥702	*$11,324*
Adjustments for			
Depreciation and amortization	3,748	3,232	*45,162*
Impairment loss on fixed assets	-	47	*-*
Allowance for doubtful accounts, net	(24)	34	*(291)*
Increase (decrease) in accrued directors' and corporate auditors' bonuses	10	-	*120*
Increase (decrease) in provision for bonuses	247	(261)	*2,981*
Retirement benefits to employees, net	87	79	*1,051*
Asset retirement obligations	10	-	*123*
(Gain)Loss on sales or disposal of property, plant and equipment, net	4	23	*48*
Interest and dividend income	(47)	(66)	*(567)*
Interest expenses	385	403	*4,634*
Foreign currency exchange gains , net	(128)	283	*(1,538)*
Loss on devaluation of investment securities	-	1	*-*
Gain on sales of investment securities	-	(166)	*-*
Reversal of impairment loss	(115)	-	*(1,382)*
Changes in assets and liabilities:			
Decrease(increase) in trade notes and accounts receivable	(182)	(1,859)	*(2,196)*
Decrease(Increase) in inventories	(1,008)	(84)	*(12,139)*
Increase(decrease) in trade notes and accounts payable	(344)	430	*(4,147)*
Other-net	(180)	164	*(2,181)*
Sub-total	3,403	2,962	*41,002*
Interest and dividends-received	47	65	*567*
Interest-paid	(368)	(411)	*(4,439)*
Income taxes-paid	(241)	(347)	*(2,897)*
Proceeds from refund of income taxes	-	47	*-*
Net cash provided by operating activities	2,841	2,316	*34,233*
INVESTING ACTIVITIES:			
Decrease(Increase) in short-term investments, net	50	141	*601*
Payments for purchase of property, plant and equipment	(5,277)	(2,204)	*(63,578)*
Proceeds from sales of property, plant and equipment	657	179	*7,917*
Proceeds from redemption of securities	-	387	*-*
Payments for purchase of shares of consolidated subsidiary	(257)	(7)	*(3,093)*
Other-net	(168)	(56)	*(2,030)*
Net cash used in investing activities	(4,995)	(1,560)	*(60,183)*
FINANCING ACTIVITIES:			
Increase(Decrease) in short-term borrowings	400	497	*4,816*
Proceeds from long -term debt	3,955	4,374	*47,652*
Repayments of long-term debt	(3,520)	(4,563)	*(42,404)*
Cash dividends-paid	(375)	(128)	*(4,513)*
Proceeds from payment by minority shareholders	791	30	*9,526*
Other- net	(117)	(185)	*(1,409)*
Net cash (used in) financing activities	1,134	25	*13,668*
Effect of exchange rate changes on cash and cash equivalents	(92)	(184)	*(1,113)*
Net increase (decrease) in cash and cash equivalents	(1,112)	597	*(13,395)*
Cash and Cash equivalents at beginning of year	12,660	12,063	*152,531*
Effect of the changes in the fiscal year-end of consolidated subsidiary	51	-	*615*
Cash and cash equivalents at end of year	¥11,599	¥12,660	*$139,751*

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared based on the accounts maintained by Daishinku Corp. (the "Company") and its consolidated subsidiaries. The Company and its domestic subsidiaries have maintained their accounts and records in accordance with the provisions set forth in the Japanese Corporate Law and the Securities and Exchange Law, and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards and are compiled from the consolidated financial statements prepared by the Company as required by the Securities and Exchange Law of Japan. Overseas consolidated subsidiaries maintain their records in conformity with accounting principles and practices generally accepted in their respective countries. In general, no adjustments to the accounts of overseas consolidated subsidiaries have been reflected in the accompanying consolidated financial statements to present them in conformity with Japanese accounting principles and practices followed by the Company as allowed under accounting principles generally accepted in Japan.

Certain items presented in the consolidated financial statements filed with the Director of the Kanto Finance Bureau have been reclassified for the convenience of readers outside Japan.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its significant subsidiaries. Investments in certain subsidiaries which are not consolidated and in affiliates are, due to immaterial, accounted for at cost.

Generally, shareholdings in companies of more than 50% fall into the category of subsidiaries and shareholdings in companies of between 20% and 50% fall into the category of affiliates. However, shareholdings of between 40% and 50% may also fall into the category of subsidiaries, if the Company either substantially controls the investee company or has significant influence and relationship with the investees, respectively.

All significant intercompany accounts and transactions and unrealized inter-company profits are eliminated upon consolidation. The excess of the investment cost over the fair value of underlying net equity in subsidiaries and affiliates which are consolidated or accounted for by the equity method at the date of an acquisition is amortized on a straight-line basis within mainly five years or less.

TIANJIN KDS CORP., HARMONY ELECTRONICS CORP., HARMONY ELECTRONICS (Shen Zhen) Co., Ltd.， HARMONY ELECTRONICS (Thailand) Co., Ltd and HARMONY ELECTRONICS (Suzhou) Co., Ltd. use a fiscal year ending December 31. DAISHINKU （H.K）LTD., DAISHINKU（AMERICA）CORP., DAISHINKU (SINGAPORE) PTE. LTD., DAISHINKU（DEUTSCHLAND）GmbH. and SHANGHAI DAISHINKU INTERNATIONAL TRADING Co., Ltd. use a fiscal year ending March 31.

PT.KDS INDONESIA., has changed its year-end from December 31st to March 31st or performed a hard close as of March 31st, which was effective in the year end March 31st, 2011. Due to the changes to the fiscal year-end of this subsidiary, gains that arouse during the period from January 1 to March 31,2011 are presented as "Effect of the change in the reporting period of subsidiary " in the accompanying Consolidated Statements of Changes in Net Assets, while increase of cash and cash equivalents is presented as " Effect of changes in the fiscal year-end of consolidated subsidiary" in the accompanying Consolidated Statements of Cash Flows.

(b) TRANSLATION OF FOREIGN CURRENCIES

All monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. Resulting gains and losses are included in net profit or loss for the period when incurred.

Assets and liabilities of the overseas consolidated subsidiaries are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. The shareholders' equity at the beginning of the year is translated into Japanese yen at the historical rates. Differences in yen amounts arising from the use of different rates are presented as "Foreign currency translation adjustments" in the net assets and included in minority interests in the net assets.

(c) CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the consolidated financial statements are composed of cash in hand, bank deposits that may be withdrawn on demand and highly liquid investments purchased with initial maturities of three months or less and which present a low risk of fluctuation in value.

(d) SHORT-TERM INVESTMENTS AND INVESTMENT SECURITIES

All securities held by the Company and its consolidated subsidiaries are classified into Available-for-sale securities.

Available-for-sale securities with readily determinable fair values are stated at fair value. Net unrealized gains or losses on these securities are reported as a separate item in the valuation and translation adjustments in the net assets at a net-of-tax amount.

Available-for-sale securities without readily determinable fair values are stated at cost, except as stated in the paragraph below.

When the market price of available-for-sale securities falls below 50% of the price of the securities at the time of acquisition, a realized loss is recognized with the new cost basis being the current market price. If the market price falls 30% or more but less than 50%, a judgment is made about the likelihood of a recovery in price and decision is taken whether to write down to fair value.

(e) INVENTORIES

Inventories are mainly stated at cost determined by the average method. (The write-downs of inventories due to decreased profitability shall be recognized as cost of sales, in the case that the net selling value falls below the acquisition cost at the end of period, in the same manner as if these inventories were stated at the lower of cost or market.)

(f) PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

Property, plant and equipment are stated at cost. Depreciation is principally computed by the declining-balance method (excluding buildings acquired on or after April 1, 1998, for which the straight-line method is applied), except that the foreign consolidated subsidiaries mainly compute depreciation by the straight-line method.

The principal estimated useful lives used for computing depreciation are as follows:

Building and structures	3 to 60 years
Machinery and equipment	2 to17 years

The cost of maintenance, repairs and minor renewals is charged to income when incurred; major renewals and betterments are capitalized.

(g) ALLOWANCE FOR DOUBTFUL ACCOUNTS

The allowance for doubtful accounts is computed based on historical write-off experience from a certain reference period plus estimated uncollectible amounts based on the analysis of individual accounts.

(h) ACCRUED EMPLOYEES' BONUSES

Accrued employees' bonuses are provided for the estimated amounts which the Company is obligated to pay to employees after the fiscal year-end, based on services provided during the current period.

(i) RETIREMENT BENEFITS AND PENSION PLAN

The provision for retirement benefits represents the estimated present value of projected benefit obligations in excess of the fair value of the plan assets at the balance sheet date. Unrecognized prior service costs are amortized based on the straight-line method over a period of ten years beginning at the date of adoption of the plan amendment. Unrecognized actuarial gains and losses are amortized based on the straight-line method over a period of ten years starting from the beginning of the subsequent year.

(j) FINANCE LEASES

Leases that transfer substantially all the risks and rewards of ownership of the assets are accounted for as capital leases. Leases that do not transfer ownership of the assets at the end of the lease term are accounted for as operating leases, in accordance with accounting principles and practices generally accepted in Japan.

(k) RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses are charged to income when incurred.

(l) INCOME TAXES

The provision for income taxes is computed based on income before income taxes and minority interests 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 basis of assets and liabilities.

(m) DERIVATIVES AND HEDGE ACCOUNTING

Derivative instruments are recognized as either assets or liabilities at their respective fair values at the date of contract, and gains and losses arising from changes in fair value are recognized in earnings in the corresponding fiscal period. If certain hedging criteria are met, such gains and losses are deferred and accounted for as assets or liabilities.

For interest rate swaps, if certain hedging criteria are met, interest rate swaps are not recognized at their fair values as an alternative method under Japanese accounting standards. The amounts received or paid for such interest rate swap arrangements are charged or credited to income as incurred.

(n) NET INCOME PER SHARE

Net income per share is computed based on the weighted average number of shares of common stock outstanding during each fiscal period.

(o) RECLASSIFICATIONS

Certain reclassifications of previously reported amounts have been made to conform with current classifications.

(p)CHANGES OF ACCOUNTING FOR ASSET RETIREMENT OBLIGATIONS

Effective April 1, 2010, the Company adopted "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No.18, March 31, 2008) and "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No.21, March 31,2008).

As a result of this adoption, operating income and income before income taxes and minority interests decreased by ¥2 million ($30 thousand) and by ¥13 million ($153 thousand), respectively, for the year ended March 31, 2011.

COMPREHENSIVE INCOME ABSTRACT

Effective the year ended 31st March 2011, the Company and its domestic consolidated subsidiaries have adopted "Accounting Standard for presentation of comprehensive income (ASBJ Statement No.25. June 30, 2010)". As a result, Valuation and translation adjustments" and "Total of valuation and translation adjustments, "which had been disclosed as components of net assets in consolidated balance sheets in prior years, have been presented as "Accumulated other comprehensive income (loss)" and "Total accumulated other comprehensive income (loss),"respectively.

3. U.S. DOLLAR AMOUNTS

The United States dollar amounts are included solely for convenience and represent translations of Japanese yen amounts, as a matter of arithmetical computation only, at the rate of ¥83= US$1, the exchange rate prevailing on March 31, 2011. This translation should not be construed as a representation that Japanese yen amounts have been, could have been or could be realized or converted into United States dollars at the above or any other rate.

4. SHORT-TERM INVESTMENTS AND INVESTMENT SECURITIES

Short-term investments and investment securities at March 31, 2011 and 2010 were as follows:

	(Millions of yen)		*(Thousands of U.S. dollars)*
	March 31,		*March 31,*
	2011	2010	*2011*
Short-term investments			
Time deposits	¥49	¥112	*$593*
Other	-	-	-
Total	¥49	¥112	*$593*
Investment securities:			
Marketable equity securities and investment trust	¥1,127	¥1,077	*$13,587*
Investment in unconsolidated subsidiaries	60	37	*718*
Other	-	-	-
Total	¥1,187	¥1,114	*$14,305*

Information regarding marketable securities at March 31, 2011 and 2010 is as follows:

	(Millions of yen)			
	March 31,			
	2011			
	Cost	Gross unrealized gains	Gross unrealized losses	Fair value
Equity securities	¥3,109	¥98	¥213	¥2,994
Others	-	-	-	-
Total	¥3,109	¥98	¥213	¥2,994

	(Millions of yen)			
	March 31,			
	2010			
	Cost	Gross unrealized gains	Gross unrealized losses	Fair value
Equity securities	¥4,371	¥156	¥85	¥4,442
Others	-	-	-	-
Total	¥4,371	¥156	¥85	¥4,442

	(Thousands of U.S. dollars)			
	March 31,			
	2011			
	Cost	*Gross unrealized gains*	*Gross unrealized losses*	*Fair value*
Equity securities	*$37,461*	*$1,178*	*$2,562*	*$36,077*
Others	-	-	-	-
Total	*$37,461*	*$1,178*	*$2,562*	*$36,077*

5. FAIR VALUES OF FINANCIAL INSTRUMENTS

For financial instruments, amounts recorded on the consolidated balance sheet and fair values as of March 31, 2011, and the differences between the two were as follows. It should be noted that financial instruments for which it is considered extremely difficult to assets fair values are not included in the following table.

	March 31, 2011					
	(Millions of yen)			*(Thousands of U.S. dollars)*		
	Amounts on consolidated balance sheet	Fair Value	Difference	*Amounts on consolidated balance sheet*	*Fair Value*	*Difference*
(1)Cash and cash equivalent	¥11,599	¥11,599	-	*$139,751*	*$139,751*	-
(2)Trade notes and accounts receivable	9,871	9,871	-	*118,927*	*118,927*	-
(3)Short-term investment	49	49	-	*593*	*593*	-
(4)Investment securities	1,128	1,128		*13,588*	*13,588*	-
Assets total	22,647	22,647	-	*272,859*	*272,859*	-
(1)Trade notes and accounts payable	2,092	2,092	-	*25,206*	*25,206*	-
(2)Short-term borrowings	4,167	4,167	-	*50,207*	*50,207*	-
(3) Accounts payable	1,280	1,190	(90)	*15,418*	*14,340*	*(1,078)*
(4)Long-term debt	12,795	12,874	79	*154,163*	*155,113*	*950*
(5)Long-term accounts payable	1,093	981	(112)	*13,165*	*11,816*	*(1,349)*
Liabilities total	21,427	21,304	(123)	*258,159*	*256,682*	*(1,477)*
Derivative transactions(*)	(17)	(17)	-	*(210)*	*(210)*	-

*Derivative assets and (liabilities) are on a net basis.

Assets

(1) Cash and cash equivalents, (2) Trade notes and accounts receivable, and (3) Short-term investment

The book value is used as the fair value for these items, as their fair values approximate their book values due to the short maturity of these instruments.

(4) Investment securities

The fair value of equity securities equals quoted market price, if available.

Information on securities by category is described in Note 4.

Liabilities

(1) Trade notes and accounts payable, and (2) Short-term borrowings

The book value is used as the fair value for these items, as their fair values approximate their book values due to the short maturity of these instruments.

(3) Long-term debt

The fair value of long-term borrowings is based on the present value of the total amount including principal and interest, discounted by the expected interest rate to be applied if similar new loans with a similar remaining period were entered into. Variable interest rate for long-term borrowings is hedged by interest rate swap contract and accounted for as debt with interest rate. The fair value of long-term borrowings with variable interest is reasonably based on the present value of the total of principal, interest and net cash flow of interest rate swap contract discounted by reasonably estimated interest rate to be applied if similar new loans with a similar remaining period were entered into.

Unlisted equity securities (for which the amount recorded in the consolidated balance sheet was ¥60 million ($718 thousand)) are not included in

"Short-term investment securities and investment securities" in the table above, since it is considered extremely difficult to assess their fair values due to the unavailability of market prices and the fact that their future cash flows cannot be estimated.

6. DERIVATIVE TRANSACTIONS

1. Derivative transactions that do not adopt hedge accounting

(1) Currency-related derivatives

	(Millions of yen)			
	March 31, 2011			
	Contract amounts			
Off-market transactions	Total	Due after one year	Fair value	Realized gain (losses)
Forward foreign exchange contracts:				
Selling US dollar	¥1,078	-	¥18	¥18
Total	¥1,078	-	¥18	¥18

	(Thousands of U.S. dollars)			
	March 31, 2011			
	Contract amounts			
Off-market transactions	*Total*	*Due after one year*	*Fair value*	*Realized gain (losses)*
Forward contracts:				
Selling US dollar	*$12,987*	-	*$220*	*$220*
Total	*$12,987*	-	*$220*	*$220*

Note: Fair value is based on information provided by financial institutions at the end of the fiscal year.

(2)Interest –related transactions

	(Millions of yen)			
	March 31, 2011			
	Contract amounts			
Off-market transactions	Total	Due after one year	Fair value	Realized gain (losses)
Interest rate swaps:				
Receive variable / Pay fixed	¥42	-	¥1	¥1
Total	¥42	-	¥1	¥1

	(Thousands of U.S. dollars)			
	March 31, 2011			
	Contract amounts			
Off-market transactions	*Total*	*Due after one year*	*Fair value*	*Realized gain (losses)*
Interest rate swaps:				
Receive variable / Pay fixed	*$501*	-	*$10*	*$10*
Total	*$501*	-	*$10*	*$10*

2. Derivative transactions that adopt hedge accounting

Interest rate-related derivatives

			(Millions of yen)		
			March 31, 2011		
			Contract amounts		
Hedge accounting method	Type	Main hedge item	Total	Due after one year	Fair values
Interest rate swaps	Receive variable / Pay fixed	Long-term loans payable	¥2,415	¥1,985	Note2
Total			¥2,415	¥1,985	

			(Thousands of U.S. dollars)		
			March 31, 2011		
			Contract amounts		
Hedge accounting method	*Type*	*Main hedge item*	*Total*	*Due after one year*	*Fair values*
Interest rate swaps	*Receive variable/ Pay fixed*	*Long-term loans payable*	*$29,096*	*$23,916*	*Note2*
Total			*$29,096*	*$23,916*	

Note

1. Fair value is based on information provided by financial institutions at the end of the fiscal year.
2. Since these interest rate swaps that are subject to special treatment accounted for with long-term loans payable, which are hedged items, their fair value is included in the fair value of said long-term loans payable.

7. INVENTORIES

Inventories at March 31, 2011 and 2010 consisted of the following:

	(Millions of yen)		*(Thousands of U.S. dollars)*
	March 31,		*March 31,*
	2011	2010	*2011*
Finished goods	¥2,593	¥2,461	*$31,234*
Materials and supplies	2,264	1,992	*27,281*
Work in process	3,206	2,912	*38,628*
	¥8,063	¥7,365	*$97,143*

8. LEASES

The following pro forma amounts represent the acquisition costs, accumulated depreciation, accumulated impairment losses and net book value of the leased assets at March 31, 2011 and 2010, if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

	(Millions of yen)			
	March 31,			
	2011			
	Acquisition costs	Accumulated depreciation	Accumulated impairment losses	Net book value
Machinery and equipment	¥881	¥663	¥0	¥218

	(Millions of yen)			
	March 31,			
	2010			
	Acquisition costs	Accumulated depreciation	Accumulated impairment losses	Net book value
Machinery and equipment	¥2,073	¥1,627	¥13	¥433

	(Thousands of U.S. dollars)			
	March 31,			
	2011			
	Acquisition costs	*Accumulated depreciation*	*Accumulated impairment losses*	*Net book value*
Machinery and equipment	*$10,617*	*$7,985*	*$5*	*$2,627*

The future lease payments for financing leases at March 31, 2011 and 2010 were as follows:

	(Millions of yen)		*(Thousands of U.S. dollars)*
	March 31,		*March 31,*
	2011	2010	*2011*
Due within one year	¥148	¥239	*$1,780*
Due after one year	82	230	*988*
Future lease payments	¥230	¥469	*$2,768*
Leased assets impairment account	¥0	¥14	*$5*

Lease payments relating to finance leases accounted for as operating leases in Japan in the accompanying consolidated financial statements amounted to ¥248 million ($2,991 thousand), and ¥465 million for the years ended March 31, 2011 and 2010,respectively.

Future lease payments for non-cancelable operating leases as a lessee at March 31, 2011 and 2010 were as follows:

	(Millions of yen)		*(Thousands of U.S. dollars)*
	March 31,		*March 31,*
	2011	2010	*2011*
Due within one year	¥19	¥64	*$226*
Due after one year	11	23	*138*
Future lease payments	¥30	¥87	*$364*

9. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings consisted principally of bank loans with a weighted average interest rate of 1.7% and 1.6% at March 31, 2011 and 2010, respectively.

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

	(Millions of yen)		*(Thousands of U.S. dollars)*
	March 31,		*March 31,*
	2011	2010	*2011*
Loans principally from banks, due from 2011 to 2019, with weighted average interest of 1.3% and 1.8% at March 31, 2011 and 2010, respectively.	¥12,796	¥12,593	*$154,163*
Less; current portion	(3,089)	(2,957)	*(37,217)*
	¥9,707	¥9,636	*$116,946*

The aggregate annual maturities of long-term debt at March 31, 2012were as follows:

	(Millions of yen)	*(Thousands of U.S. dollars)*
Year ending March 31,		
2012	¥3,089	*$37,217*
2013	2,656	*32,004*
2014	4,401	*53,029*
2015	1,399	*16,857*
2016 and thereafter	1,251	*15,056*
	¥12,796	*$154,163*

The following assets were pledged as collateral for bonds and loans principally from banks at March 31, 2011 and 2010:

	(Millions of yen)		*(Thousands of U.S. dollars)*
	March 31,		*March 31,*
	2011	2010	*2011*
Deposit	¥49	¥112	*$593*
Land	396	406	*4,767*
Buildings and structures	340	362	*4,096*
Machinery and equipment	118	234	*1,424*
Investments in securities	47	52	*569*
	¥950	¥1,166	*$11,449*

Short-term borrowings and long-term debt with pledged assets at March 31, 2011 and 2010 were as follows:

	(Millions of yen)		*(Thousands of U.S. dollars)*
	March 31,		*March 31,*
	2011	2010	*2011*
Short-term borrowings	¥477	¥599	*$5,751*
Current portion of long –term debt	454	397	*5,464*
Long-term debt	857	829	*10,330*
	¥1,788	¥1,825	*$21,545*

10. RETIREMENT BENEFITS TO EMPLOYEES

The Company and a consolidated subsidiary have defined benefit pension plans. The plans comprise funded pension plans and unfunded pension plans. Additionally the Company has a defined contribution plan.

The benefit obligation, plan assets and funded status of the Company and a consolidated subsidiary at March 31, 2011 and 2010 were as follows:

	(Millions of yen)		*(Thousands of U.S. dollars)*
	March 31,		*March 31,*
	2011	2010	*2011*
Benefit obligation at end of year	¥3,817	¥3,596	*$45,998*
Fair value of plan assets at end of year	(1,999)	(1,856)	*(24,089)*
Funded status:	1,818	1,740	*21,909*
Benefit obligation in excess of plan assets			
Unrecognized prior service cost	69	90	*831*
Unrecognized actuarial gain	(322)	(350)	*(3,876)*
Advance pension expense	14	15	*165*
Accrued pension liability recognized in the balance sheet	¥1,579	¥1,495	*$19,029*

Severance and pension costs of the Company and a consolidated subsidiary and assumptions used in the calculation of the benefit obligations were as follows:

	(Millions of yen)		*(Thousands of U.S. dollars)*
	March 31,		*March 31,*
	2011	2010	*2011*
Service costs	¥179	¥178	*$2,160*
Interest costs	86	88	*1,037*
Expected return on plan assets	(38)	(34)	*(460)*
Amortization:			
Prior service costs	(22)	(17)	*(264)*
Actuarial losses	54	72	*648*
Net periodic benefit costs	259	287	*3,121*
Contribution to defined contribution pension plan	79	78	*947*
Total	¥338	¥365	*$4,068*
Discount rate	2.0%	2.0%	*2.0%*
Expected rate of return on plan assets	2.0%	2.0%	*2.0%*

11. COMMITMENTS AND CONTINGENT LIABILITIES

Contingent liabilities at March 31, 2011 and 2010 were as follows:

	(Millions of yen)		*(Thousands of U.S. dollars)*
	March 31,		*March 31,*
	2011	2010	*2011*
Trade notes endorsed	¥86	¥136	*$1,032*

12. NET ASSETS

The Japanese Corporation Law ("the Law") became effective on May 1, 2006, replacing the Japanese Commercial Code ("the Code").

Under the Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock.. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital.

Under the Law, in cases where dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in-capital and legal earnings reserve must be set aside as additional paid–in-capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Under the Code, companies were required to set aside an amount equal to at least 10% of cash dividends and other cash appropriations as legal earnings reserve until the total of legal earnings reserve and additional paid-in capital equaled 25% of common stock.

Under the Code, legal earnings reserve and additional paid-in capital could be used to eliminate or reduce a deficit by a resolution of the shareholders' meeting or could be capitalized by a resolution of the Board of Directors. Under the law, both of these appropriations generally require a resolution of the shareholders' meeting.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Code, however, additional paid-in capital and legal earnings reserve may be transferred to retained earnings by the resolution of the shareholders meeting as long as the total amount of legal earnings reserve and additional paid-in capital remained equal to or exceeded 25% of common stock. Under the law, all additional paid-in-capital and all legal earnings reserve may be transferred to other capital surplus and remained earnings, respectively, which are potentially available for dividends.

13. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses are included in selling, general and administrative expenses for the years ended March 31, 2011, and 2010 amounted to ¥1,933million ($23,288 thousand) and ¥1,590million respectively.

14. INCOME TAXES

Income taxes applicable to the Company and its domestic subsidiaries include (1) corporation tax, (2) enterprise tax and (3) inhabitants tax which, in the aggregate, result in an effective tax rate approximately equal to 40.6% for the years ended March 31, 2011, and 2010

Reconciliation between the Japanese statutory income tax rate and the effective tax rate was as follows.

	2011		2010	
Japanese statutory tax rate	40.6	%	40.6	%
Expenses not deductible for tax purposes	5.8		4.6	
Per capital inhabitant tax	2.2		2.9	
Valuation allowances	(72.1)		(30.6)	
Losses carried forward expired	62.7		-	
Income of foreign subsidiaries taxed at lower than statutory tax rates	(5.1)		2.3	
Undistributed profit of foreign subsidiaries	2.9		10.3	
Dividend income of foreign subsidiaries	-		6.3	
Others	(10.2)		7.6	
Effective income tax rate	26.8	%	44.0	%

The components of the deferred tax assets and deferred tax liabilities at March 31, 2011 and 2010 were as follows：

	(Millions of yen)		*(Thousands of U.S. dollars)*
	March 31,		*March 31,*
	2011	2010	*2011*
Deferred tax assets:			
Tax losses carried forward	¥1,106	¥1,902	*$13,325*
Write-down of inventories	455	495	*5,487*
Write-down of investment	14	14	*163*
Retirement benefits to employees	615	585	*7,409*
Write-down of property, plant and equipment	347	359	*4,178*
Other	601	427	*7,249*
Gross deferred tax assets	3,138	3,782	*37,811*
Less: valuation allowance	(3,028)	(3,699)	*(36,482)*
Total deferred tax assets	¥110	¥83	*$1,329*
Deferred tax liabilities:			
Net unrealized holding gains on other securities	¥(5)	¥(30)	*$(55)*
Depreciation of foreign subsidiaries	(146)	(150)	*(1,762)*
Temporary difference of investment in subsidiaries	(309)	(281)	*(3,729)*
Other	(97)	(199)	*(1,174)*
Gross deferred tax liabilities	(557)	(660)	*(6,720)*
Net deferred tax assets (liabilities)	¥(447)	¥(577)	*$(5,391)*

15. Comprehensive income

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

	(Millions of yen)
	For the year ended March 31
	2010
Other comprehensive income (loss)	
Unrealized holding loss on available-for-sale securities	¥95
Foreign currency translation adjustments	515
Total other comprehensive loss, net	¥610

	(Millions of yen)
	For the year ended March 31
	2010
Comprehensive income attributable to:	
Shareholders of DAISHINKU Corporation	¥704
Minority shareholders of consolidated subsidiaries	299
	¥1,003

16. SEGMENT INFORMATION

(1) Overview of reportable segments

Segments used for financial reporting are the Company's constituent units for which separate financial information is available and for which the Board of Directors performs periodic studies for the purpose of determining the allocation of resources and evaluating performance.

The Company undertakes production and sales activities in the quartz crystal. Within Japan, these operations are mainly handled by the Company. Overseas, operations are handled by DAISHINKU (AMERICA) CORP. in America, DAISHINKU (DEUTSULAND) GmbH in Europe, DAISHINKU (HK) LTD. and TIANJIN KDS CORP. in China, HARMONY ELECTRONICS CORP. and its subsidiaries in Taiwan, and DAISHINKU (SINGAPORE) PTE.LTD. and PT. KDS INDONESIA in Asia. These affiliates each operate as autonomous business units, forming comprehensive strategies in each region and developing business activities for the products and services they undertake.

Accordingly, the Company's basic production and sales structure comprises the six regional reportable segments of Japan, North America, Europe, China, Taiwan, and Asia.

(2) Calculation methods for net sales, profits/losses, assets, liabilities, and other items for each reportable segment

The accounting methods by reportable business segment herein are almost the same as the description of the "summary of significant accounting policies (Note 2)". Income by reportable business segment is stated on an operating income basis. Intersegment net sales and transfers are based on the values of transactions undertaken between third parties.

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

(Millions of yen)

	Japan	North-America	Europe	China	Taiwan	Asia	Total	Adjustment	Consolidated amount
Year ended March 31,2011									
Sales:									
Sales to outside customers	¥ 11,821	¥ 1,168	¥ 1,536	¥ 8,172	¥ 13,233	¥ 2,053	¥ 37,983	¥ -	¥ 37,983
Inter-segment sales	19,234	98	2	4,985	1,835	4,739	30,893	(30,893)	-
Total	31,055	1,266	1,538	13,157	15,068	6,792	68,876	(30,893)	37,983
Segment profit (loss)	¥ 1,031	¥ 60	¥ 18	¥ (643)	¥ 920	¥ 28	¥ 1,414	¥ 11	¥ 1,425
Segment assets	36,365	516	596	8,850	13,447	5,078	64,852	(7,344)	57,508
Others:									
Depreciation	1,430	2	1	703	702	716	3,554	(23)	3,531
Increase in tangible and Intangible fixed assets	2,577	-	2	883	1,171	940	5,573	-	5,573

(Thousands of U.S. dollars)

	Japan	North-America	Europe	China	Taiwan	Asia	Total	Adjustment	Consolidated amount
Year ended March 31,2011									
Sales:									
Sales to outside customers	$ 142,425	$ 14,073	$ 18,499	$ 98,461	$ 159,433	$ 24,736	$ 457,627	$ -	$ 457,627
Inter-segment sales	231,729	1,184	30	60,057	22,113	57,099	372,212	(372,212)	-
Total	374,154	15,257	18,529	158,518	181,546	81,835	829,839	(372,212)	457,627
Segment profit (loss)	$ 12,429	$ 719	$ 212	$ (7,743)	$ 11,083	$ 335	$ 17,035	$ 135	$ 17,170
Segment assets	438,129	6,216	7,177	106,624	162,017	61,181	781,344	(88,477)	692,867
Others:									
Depreciation	17,232	25	12	8,468	8,463	8,622	42,822	(275)	42,547
Increase in tangible and Intangible fixed assets	31,046	-	29	10,632	14,113	11,322	67,142	-	67,142

	Japan	North-America	Europe	China	Taiwan	Asia	Total	Adjustment	Consolidated amount
Year ended March 31,2010									
Sales:									
Sales to outside customers	¥ 12,025	¥ 1,110	¥ 1,331	¥ 5,519	¥ 9,919	¥ 2,074	¥ 31,978	¥ -	¥ 31,978
Inter-segment sales	14,755	1	1	3,955	1,561	4,109	24,382	(24,382)	-
Total	26,780	1,111	1,332	9,474	11,480	6,183	56,360	(24,382)	31,978
Segment profit (loss)	¥ 956	¥ (87)	¥ (46)	¥ (417)	¥ 555	¥ 256	¥ 1,217	¥ 10	¥ 1,227
Segment assets	37,501	512	552	9,702	12,466	5,535	66,268	(8,536)	57,732
Others:									
Depreciation	1,075	3	1	725	675	642	3,121	(106)	3,015
Increase in tangible and Intangible fixed assets	1,321	1	1	296	502	126	2,247	-	2,247

Note: 1.Effective for the year ended March 31, 2011, the Company adopted the "Accounting Standard for Segment Information" (ASBJ statement No.17, March 27, 2009) and "Guidance on Accounting Standard for Segment Information" (ASBJ Guidance No.20, March 21, 2008).

2. (1) Adjustments on segment profit (loss) are eliminations of transactions in intersegment transactions, amortization of goodwill, and other adjustments.

(2) Adjustments on segment assets are eliminations of receivables and payables in intersegment debtors and creditors, and other adjustments.

(3) Adjustment on depreciation is eliminations of transactions in intersegment transactions.

3. Segment profit (loss) is reconciled to operating income on the consolidated statements of income.

4. Major countries and regions located in areas outside of Japan, China and Taiwan are as follows:

(1) North-America: The United States

(2) Europe: Germany

(3) Asia: Singapore, Indonesia

(Related information)

(1) Information by products and services

Sales to external customers of individual products and services accounted for more than 90% of net sales reported on the Consolidated Statements of Income. The Company, therefore, has not provided information by product and service.

(2) Information by region

a. Sales

	Millions of Yen		*Thousands of U.S. dollars*	
Nets sales		2011		*2011*
Japan	¥	9,556	$	*115,131*
North-America		1,164		*14,021*
Europe		1,490		*17,950*
China		8,142		*98,098*
Taiwan		13,178		*158,767*
Asia		4,453		*53,660*
Total	¥	37,983	$	*457,627*

Note: Net sales are classified by country and region based on customer location.

b. Tangible assets

	Millions of Yen		*Thousands of U.S. dollars*	
		2011		*2011*
Japan	¥	12,528	$	*150,935*
North-America		49		*596*
Europe		3		*37*
China		3,657		*44,059*
Taiwan		5,573		*67,141*
Asia		2,620		*31,569*
Total	¥	24,430	$	*294,337*

(3) Information by major customer

	Sales		
	Millions of Yen	*Thousands of U.S. dollars*	
Name of customer	2011	*2011*	Related segment
FUTAIHUA INDUSTRIAL (SHENZHEN) CO., LTD.	¥ 3,990	$ *48,067*	Taiwan

(Loss on impairment of fixed assets by each reportable segment)

As there are no impairment losses, the disclosure of information on loss on impairment of fixed assets has been omitted.

(Amortization and remaining balance of goodwill by each reportable segment)

(Millions of yen)

	Japan	North-America	Europe	China	Taiwan	Asia	Total	Adjustment	Consolidated amount
Year ended March 31,2011									
Amortization	¥ -	-	-	-	-	-	-	¥ 167	¥ 167
Remaining balance	-	-	-	-	-	-	-	¥ 83	¥ 83

(Thousands of U.S. dollars)

	Japan	*North-America*	*Europe*	*China*	*Taiwan*	*Asia*	*Total*	*Adjustment*	*Consolidated amount*
Year ended March 31,2011									
Amortization	$ -	-	-	-	-	-	-	$ *2,010*	$ *2,010*
Remaining balance	-	-	-	-	-	-	-	$ *1,004*	$ *1,004*

(Negative goodwill by each reportable segment)

As there is no negative goodwill, the disclosure of information on negative goodwill has been omitted.

17. NET INCOME (LOSS) PER SHARE

The computation of net income (loss) per share for the year ended March 31, 2011 and 2010 is summarized as follows:

	(Millions of yen)		*(Thousands of U.S. dollars)*
	2011	2010	*2011*
Net income (loss)	¥425	¥234	*$5,122*
Bonuses to directors and corporate auditors		-	
Adjusted net income	¥425	¥234	*$5,122*
Basic weighted average number of shares outstanding	41,472,215	41,532,420	41,472,215
Basic earnings per share	¥10.25	¥5.64	*$0.12*

Report of Independent Auditors

To the Board of Directors of DAISHINKU CORP.

We have audited the accompanying consolidated balance sheets of DAISHINKU CORP. and consolidated subsidiaries as of March 31, 2011 and 2010, and the related consolidated statements of income, changes in net assets, and cash flows for the years then ended and consolidated statement of comprehensive income for the year ended March 31,2011, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of DAISHINKU CORP. and consolidated subsidiaries as of March 31, 2011 and 2010, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the reader, have been translated on the basis set forth in Note 3 to the accompanying consolidated financial statements.

Kasumigaseki Audit Corporation

Kasumigaseki Audit Corporation

Osaka, Japan

August 30, 2011