2011

INABATA

Financial Statements

KPMG

Independent Auditors' Report

To the Board of Directors of Inabata & Co., Ltd.:

We have audited the accompanying consolidated balance sheets of Inabata & Co., Ltd. (the "Company") and consolidated subsidiaries as of March 31, 2011 and 2010, the related consolidated statements of income and comprehensive income for the year ended March 31, 2011, statement of income for the year ended March 31, 2010, and statements of changes in net assets and cash flows for each of the years then ended expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall 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 financial position of Inabata & Co., Ltd. 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.

Without qualifying our opinion, we draw attention to Note 14 to the consolidated financial statements, in which the comprehensive income for the year ended March 31, 2010 is disclosed.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2011 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

Osaka, Japan
June 24, 2011

INABATA & CO., LTD. AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
ASSETS			
Current assets:			
Cash and time deposits (Notes 13 and 16)	¥ 16,560	¥ 5,464	$ 199,158
Receivables:			
Trade notes and accounts (Note 16):			
Unconsolidated subsidiaries and affiliates	1,955	2,383	23,512
Sumitomo Chemical Company, Limited	3,148	3,526	37,859
Other	120,939	119,730	1,454,468
Other	2,362	3,160	28,406
Allowance for doubtful receivables (Note 16)	(466)	(991)	(5,604)
	127,938	127,808	1,538,641
Merchandise and finished goods	26,552	22,115	319,327
Work in Process	556	427	6,687
Raw materials and supplies	2,471	2,052	29,717
Deferred tax assets (Note 7)	722	1,067	8,683
Other	2,993	3,899	35,995
Total current assets	177,792	162,832	2,138,208
Investments and long-term receivables:			
Investment securities (Notes 5, 8 and 16):			
Unconsolidated subsidiaries and affiliates	3,447	3,182	41,455
Other	35,083	38,716	421,924
Long-term loans receivables (Note 16):			
Unconsolidated subsidiaries and affiliates	11	156	132
Other	1,399	1,927	16,825
Other	6,772	7,670	81,443
Allowance for doubtful receivables (Note 16)	(3,293)	(4,322)	(39,603)
	43,419	47,329	522,176
Property and equipment:			
Land	1,946	1,910	23,403
Buildings and structures	11,804	12,279	141,960
Machinery and equipment	13,041	13,654	156,837
Construction in progress	109	12	1,311
Other	2,728	2,875	32,809
	29,628	30,730	356,320
Less accumulated depreciation	(19,682)	(19,943)	(236,705)
	9,946	10,787	119,615
Other assets			
Deferred tax assets (Note 7)	556	1,137	6,687
Intangible assets	6,560	7,880	78,894
	7,116	9,017	85,581
	¥ 238,273	¥ 229,965	$ 2,865,580

See accompanying Notes to Consolidated Financial Statements.

INABATA & CO., LTD. AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (CONTINUED)
March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
LIABILITIES AND NET ASSETS			
Current liabilities:			
Short-term loans (Notes 11 and 16)	¥ 45,344	¥ 41,538	$ 545,328
Payables:			
Trade notes and accounts (Note 16):			
Unconsolidated subsidiaries and affiliates	9,499	9,199	114,239
Sumitomo Chemical Company, Limited	6,902	6,903	83,007
Other	69,639	68,299	837,511
Accrued employees' bonuses	778	777	9,357
Other (Note 7)	1,849	1,085	22,237
	88,667	86,263	1,066,351
Income taxes and enterprise tax payable	1,689	665	20,313
Accrued expenses	1,372	1,495	16,500
Other current liabilities	4,123	2,143	49,584
Total current liabilities	141,195	132,104	1,698,076
Long-term liabilities:			
Long-term debt (Notes 11 and 16)	15,185	17,227	182,622
Severance and retirement benefits (Note 12)	431	406	5,183
Directors' retirement benefits	27	32	325
Deferred tax liabilities (Note 7)	7,407	9,594	89,080
Provision for loss on business liquidation (Note 10)	73	215	878
Provision for loss on debt guarantees	19	19	229
Other non-current liabilities	1,896	1,905	22,801
	25,038	29,398	301,118
Contingent liabilities (Note 19)			
Net assets (Note 17):			
Shareholders' equity			
Common stock:			
Authorized - 200,000,000 shares			
Issued - 65,159,227 shares in 2011			
and 65,159,227 shares in 2010	9,364	9,364	112,616
Capital surplus	7,708	7,708	92,700
Retained earnings	46,420	39,829	558,268
Treasury stock, at cost:			
290,633 shares in 2011 and 98,205 shares in 2010	(140)	(60)	(1,684)
Total shareholders' equity	63,352	56,841	761,900
Accumulated other comprehensive income			
Net unrealized holding gains on securities	13,174	15,059	158,437
Net unrealized holding gains on derivatives	38	31	457
Foreign currency translation adjustments	(5,225)	(4,126)	(62,839)
Total accumulated other comprehensive income	7,987	10,964	96,055
Minority interests	701	658	8,431
Total net assets	72,040	68,463	866,386
	¥ 238,273	¥ 229,965	$ 2,865,580

See accompanying Notes to Consolidated Financial Statements.

INABATA & CO., LTD. AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
Years ended March 31, 2011 and 2010

	Millions of yen 2011	Millions of yen 2010	Thousands of U.S. dollars (Note 1) 2011
Revenues:			
Net sales	¥ 469,091	¥ 410,783	$ 5,641,503
Cost and expenses:			
Cost of sales	437,342	383,215	5,259,675
Selling, general and administrative expenses (Note 9)	23,849	22,058	286,819
Operating income	7,900	5,510	95,009
Other income (expenses):			
Interest and dividend income	1,410	1,115	16,957
Interest expense (Note 11)	(874)	(959)	(10,511)
Gain on sale of investment securities	-	211	-
Loss on sale of noncurrent assets	-	(191)	-
Reversal of provision for loss on business liquidation	-	411	-
Reversal of allowance for doubtful receivables	766	145	9,212
Gain on sale of investment in subsidiaries and affiliates	3,200	-	38,485
Provision for allowance for doubtful receivables	-	(206)	-
Equity in losses of unconsolidated subsidiaries and affiliates	(512)	(1,370)	(6,158)
Gain on foreign exchange	254	70	3,055
Loss on disposal of noncurrent assets	(1,577)	-	(18,966)
Loss on valuation of investment securities	(266)	(783)	(3,199)
Provision for loss on business liquidation	-	(47)	-
Loss on valuation of investment in subsidiaries and affiliates	-	(244)	-
Other, net	303	523	3,645
	2,704	(1,325)	32,520
Income before income taxes	10,604	4,185	127,529
Provision for income taxes (Note 7)			
Current	3,000	2,089	36,080
Deferred	200	198	2,405
	3,200	2,287	38,485
Income before minority interests	7,404	-	89,044
Minority interests	(172)	(136)	(2,069)
Net income	¥ 7,232	¥ 1,762	$ 86,975

Amounts per share:	Yen 2011	Yen 2010	U.S. dollars (Note 1)
Net income per share - basic	¥ 111.34	¥ 27.08	$ 1.34
Cash dividends per share applicable to the year	26.00	10.00	0.31

See accompanying Notes to Consolidated Financial Statements.

INABATA & CO., LTD. AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Years ended March 31, 2011 and 2010

	Millions of yen 2011	Millions of yen 2010	Thousands of U.S. dollars (Note 1) 2011
Income before minority interests	¥ 7,404	¥ -	$ 89,044
Other comprehensive income:			
Net unrealized holding gains on securities	(1,912)	-	(22,994)
Net unrealized holding gains on derivatives	6	-	72
Foreign currency translation adjustments	(1,194)	-	(14,360)
Share of other comprehensive income of affiliates accounted for using the equity method	118	-	1,419
Total other comprehensive income	(2,982)	-	(35,863)
Comprehensive income	¥ 4,422	¥ -	$ 53,181
Comprehensive income attributable to:			
Comprehensive income attributable to owners of the parent	¥ 4,255	¥ -	$ 51,173
Comprehensive income attributable to minority interests	167	-	2,008

See accompanying Notes to Consolidated Financial Statements.

INABATA & CO., LTD. AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
Year ended March 31, 2011

	Thousands	Millions of yen								
		Shareholders' equity				Accumulated other comprehensive income				
	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized holding gains on securities	Net unrealized holding gains on derivatives	Foreign currency translation adjustments	Minority interests	Total
Balance at March 31, 2010	65,159	¥ 9,364	¥ 7,708	¥ 39,829	¥ (60)	¥ 15,059	¥ 31	¥ (4,126)	¥ 658	¥ 68,463
Effect of changes in accounting policies applied to foreign subsidiaries	-	-	-	-	-	-	-	-	-	-
Net income	-	-	-	7,232	-	-	-	-	-	7,232
Cash dividends paid - ¥26 per share	-	-	-	(774)	-	-	-	-	-	(774)
Treasury stock, net	-	-	-	-	(80)	-	-	-	-	(80)
Change in scope of consolidation	-	-	-	-	-	-	-	-	-	-
Change in scope of equity method	-	-	-	133	-	-	-	-	-	133
Net changes in items other than shareholders' equity	-	-	-	-	-	(1,885)	7	(1,099)	43	(2,934)
Balance at March 31, 2011	65,159	¥ 9,364	¥ 7,708	¥ 46,420	¥ (140)	¥ 13,174	¥ 38	¥ (5,225)	¥ 701	¥ 72,040

	Thousands of U.S. dollars (Note 1)								
	Shareholders' equity				Accumulated other comprehensive income				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized holding gains on securities	Net unrealized holding gains on derivatives	Foreign currency translation adjustments	Minority interests	Total
Balance at March 31, 2010	$ 112,616	$ 92,700	$ 479,002	$ (722)	$ 181,106	$ 373	$ (49,621)	$ 7,913	$ 823,367
Effect of changes in accounting policies applied to foreign subsidiaries	-	-	-	-	-	-	-	-	-
Net income	-	-	86,975	-	-	-	-	-	86,975
Cash dividends paid - $0.313 per share	-	-	(9,308)	-	-	-	-	-	(9,308)
Treasury stock, net	-	-	-	(962)	-	-	-	-	(962)
Change in scope of consolidation	-	-	-	-	-	-	-	-	-
Change in scope of equity method	-	-	1,599	-	-	-	-	-	1,599
Net changes in items other than shareholders' equity	-	-	-	-	(22,669)	84	(13,218)	518	(35,285)
Balance at March 31, 2011	$ 112,616	$ 92,700	$ 558,268	$ (1,684)	$ 158,437	$ 457	$ (62,839)	$ 8,431	$ **866,386**

See accompanying Notes to Consolidated Financial Statements.

INABATA & CO., LTD. AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS (CONTINUED)
Year ended March 31, 2010

	Thousands	Millions of yen								
		Shareholders' equity				Accumulated other comprehensive income				
	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized holding gains on securities	Net unrealized holding gains on derivatives	Foreign currency translation adjustments	Minority interests	Total
Balance at March 31, 2009	65,159	¥ 9,364	¥ 7,708	¥ 38,951	¥ (52)	¥ 11,685	¥ 15	¥ (4,958)	¥ 887	¥ 63,600
Effect of changes in accounting policies applied to foreign subsidiaries	-	-	-	-	-	-	-	-	-	0
Net income	-	-	-	1,762	-	-	-	-	-	1,762
Cash dividends paid - ¥10 per share	-	-	-	(651)	-	-	-	-	-	(651)
Treasury stock, net	-	-	-	-	(8)	-	-	-	-	(8)
Change in scope of consolidation	-	-	-	(233)	-	-	-	-	-	(233)
Change in scope of equity method	-	-	-	-	-	-	-	-	-	0
Net changes in items other than shareholders' equity	-	-	-	-	-	3,374	16	832	(229)	3,993
Balance at March 31, 2010	65,159	¥ 9,364	¥ 7,708	¥ 39,829	¥ (60)	¥ 15,059	¥ 31	¥ (4,126)	¥ 658	¥ 68,463

See accompanying Notes to Consolidated Financial Statements.

INABATA & CO., LTD. AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended March 31, 2011 and 2010

	Millions of yen 2011	Millions of yen 2010	Thousands of U.S. dollars (Note 1) 2011
Cash flows from operating activities:			
Income before income taxes	¥ 10,604	¥ 4,185	$ 127,529
Adjustments to reconcile net income before income taxes to cash provided by operating activities:			
Depreciation and amortization	2,526	2,386	30,379
Allowance for doubtful receivables	(1,504)	813	(18,088)
Interest and dividend income	(1,410)	(1,115)	(16,957)
Interest expense	874	959	10,511
Equity in losses (earnings) of unconsolidated subsidiaries and affiliates, less dividends	512	1,370	6,158
Increase (decrease) in provision for loss on business liquidation	(128)	(1,385)	(1,539)
Increase (decrease) in provision for loss on debt guarantees	-	(263)	-
Loss on disposal of noncurrent assets	1,577	-	18,966
Loss (gain) on sale of noncurrent assets	-	191	-
Loss (gain) on sale of investment securities	-	(211)	-
Loss (gain) on sale of investment in subsidiaries and affiliates	(3,200)	-	(38,485)
Loss on valuation of investment securities	266	783	3,199
Loss on valuation of investment in subsidiaries and affiliates	-	244	-
Decrease (increase) in receivables	(4,616)	(20,389)	(55,514)
Decrease (increase) in inventories	(6,420)	3,723	(77,210)
Decrease (increase) in other current assets	1,584	3,711	19,050
Increase (decrease) in payables	4,402	16,878	52,940
Increase (decrease) in other current liabilities	3,477	(2,640)	41,816
Other - net	1,359	(250)	16,343
Subtotal	9,903	8,990	119,098
Interest and dividends received	1,418	1,121	17,054
Interest paid	(875)	(1,037)	(10,523)
Income taxes paid	(1,950)	(3,098)	(23,452)
Net cash provided by (used in) operating activities	8,496	5,976	102,177
Cash flows from investing activities:			
Payments for time deposit	(896)	(447)	(10,776)
Proceeds from time deposit	542	67	6,518
Purchase of short term investment securities	(0)	(18)	(0)
Acquisitions of property and equipment	(1,347)	(1,317)	(16,200)
Proceeds from sale of property and equipment	124	298	1,491
Acquisitions of intangible assets	(1,858)	(3,724)	(22,345)
Payments for purchase of investment securities	(608)	(780)	(7,312)
Proceeds from sale of investment securities	130	444	1,563
Payments for purchase of investment in subsidiaries	(110)	(311)	(1,323)
Proceeds from sale of investment in subsidiaries	10	33	120
Proceeds from sale of shares of subsidiaries excluded from the consolidation scope (Note 13)	3,190	-	38,364
Net decrease (increase) in short-term loans receivable	(965)	(146)	(11,606)
Long-term loans receivable advanced	(16)	(14)	(192)
Proceeds from collection of long-term loans receivable	386	280	4,642
Other - net	(19)	106	(227)
Net cash provided by (used in) investing activities	(1,437)	(5,529)	(17,283)

See accompanying Notes to Consolidated Financial Statements.

INABATA & CO., LTD. AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
Years ended March 31, 2011 and 2010

	Millions of yen 2011	Millions of yen 2010	Thousands of U.S. dollars (Note 1) 2011
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	¥ 4,662	¥ (7,312)	$ 56,067
Proceeds from long-term debt	1,175	3,100	14,131
Repayment of long-term debt	(949)	(1,503)	(11,413)
Dividends paid	(781)	(651)	(9,393)
Dividends paid to minority interests	(78)	(43)	(938)
Other - net	(48)	3	(577)
Net cash provided by (used in) financing activities	3,981	(6,406)	47,877
Effects of foreign exchange rates on cash and cash equivalents	(276)	174	(3,319)
Net increase (decrease) in cash and cash equivalents	10,764	(5,785)	129,452
Cash and cash equivalents at beginning of year	5,014	11,181	60,301
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	-	68	-
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	-	(450)	-
Cash and cash equivalents at end of year (Note 13)	¥ 15,778	¥ 5,014	$ 189,753

See accompanying Notes to Consolidated Financial Statements.

INABATA & CO., LTD. AND CONSOLIDATED SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of presenting consolidated financial statements

The accompanying consolidated financial statements of INABATA & CO., LTD. ("the Company") have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law 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.

The accounts of consolidated overseas subsidiaries are prepared in accordance with mainly either International Financial Reporting Standards or U.S. generally accepted accounting principles, with adjustments for the specified six items as applicable.

The accompanying consolidated financial statements have been reformatted and translated into English (with some expanded descriptions) from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law. Certain supplementary information included in the statutory Japanese language consolidated financial statements is not presented in the accompanying consolidated financial statements.

The translations of the Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2011, which was ¥83.15 to U.S. $1.00. These translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

2. Summary of significant accounting policies

(a) Consolidation

The consolidated financial statements include the accounts of the Company and its 51 (53 in 2010) significant domestic and foreign subsidiaries (together "the Companies"), the management of which is controlled by the Company. Investments in unconsolidated subsidiaries and affiliates are, with minor exceptions, accounted for by the equity method. The Company has 2 (0 in 2010) unconsolidated subsidiaries and 10 (9 in 2010) affiliates accounted for by the equity method. Intercompany transactions and accounts have been eliminated.

Prior to April 1, 2010, in the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries attributable to the shares acquired by the Company are evaluated using the fair value at the time the Company acquired the shares. The value of the assets and liabilities of the subsidiaries attributable to the minority shareholders are determined using the financial statements of the subsidiaries. The difference between the investment cost and the value of the net assets of the subsidiaries acquired is, with minor exceptions, amortized on the straight-line basis over a period of five years.

The new accounting standards require that the Company change the above-mentioned accounting policies. Therefore, effective April 1, 2010, in the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are evaluated using the fair value at the time the Company acquired control of the respective subsidiary. The excess of investment cost over the value of the net assets of the subsidiary acquired is, with minor exceptions, amortized on the straight-line basis over a period of five years.

All consolidated subsidiaries have fiscal years ending on December 31. Significant transactions taking place between December 31 and March 31, the fiscal year-end of the Company, are reflected in the consolidated financial statements.

(b) Cash and cash equivalents

In preparing the consolidated statements of cash flows, cash on hand, readily available deposits and short-term highly liquid investments with maturities not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

(c) Allowance for doubtful receivables

An allowance for doubtful receivables is provided to cover possible losses on collection. With respect to normal trade accounts receivable, the allowance is stated at an amount based on the actual rate of bad debts in the past. For certain doubtful receivables, the uncollectible amount has been individually estimated. With respect to doubtful receivables of overseas consolidated subsidiaries, the allowance is determined by estimates of management.

(d) Securities

Equity securities issued by subsidiaries and affiliates which are not consolidated or accounted for using the equity method are stated at moving average cost.

Available-for-sale equity securities with available fair market values are stated at the average fair market value for the last month of the year. Non-equity available-for-sale securities with available fair market values are stated at fair market value on the last day of the year. Unrealized gains and unrealized losses on these securities are reported, net of applicable income taxes, as a separate component of net assets. Realized gains and losses on the sale of such securities are computed using moving average cost. Other securities with no available fair market values are also stated at moving average cost.

(e) Derivative transactions and hedge accounting

Derivatives are generally stated at fair value.

If a derivative financial instrument is used as a hedge and a meets certain hedging criteria, the Companies defer recognition of gain or loss resulting from change in the fair value of the derivative financial instrument until the related loss or gain on the hedged item is recognized.

However, in cases where forward foreign exchange contracts are used as hedges and meet certain hedging criteria, forward foreign exchange contracts, currency swap contracts and hedged items are accounted for in the following manner:

If a forward foreign exchange contract or a currency swap contract is executed to hedge an existing foreign currency receivable or payable,

(1) the difference, if any, between the Japanese yen amount of the hedged foreign currency receivable or payable translated using the spot rate at the inception date of the contract and the book value of the receivable or payable is recognized in the income statement in the period which includes the inception date, and

(2) the discount or premium on the contract (that is, the difference between the Japanese yen amount of the contract translated using the contracted forward rate or swap rate and that translated using the spot rate at the inception date of the contract) is recognized over the term of the contract.

If a forward foreign exchange contract is executed to hedge a future transaction denominated in a foreign currency, the future transaction will be recorded using the contracted forward rate, and no gain or loss on the forward foreign exchange contract is recognized.

(f) Inventories

Inventories of the Company and its consolidated domestic subsidiaries, other than real estate held for sale, are mainly stated at the lower of cost determined by the moving average method or net realizable value. Real estate held for sale is stated at the lower of cost determined by the specific identification method or net realizable value.

(Change in method of inventory valuation)

Inventories (other than real estate held for sale) of the Company were previously valued at cost using the First-in First-out (FIFO) method (recorded on the balance sheet as the lower of cost value or net realizable value). However, starting from the fiscal year commencing April 1, 2010, inventories are now stated at cost, using the moving average method (recorded on the balance sheet as the lower of cost value or net realizable value). This change is aimed at making the Company's inventory valuation and calculation of periodic income more appropriate by leveling off the impact of price fluctuations on the income statement and resulted from a review of accounting methods in introducing a new basic information system. Effects of this change on the consolidated financial statements for the year ended March 31, 2011 are insignificant.

(g) Property and equipment

Property and equipment are carried at cost and depreciated mainly by the declining balance method (straight-line method for certain subsidiaries) over the estimated useful life of the asset. However, buildings acquired after April 1, 1998 are depreciated using the straight-line method.

(h) Leased assets

Property and equipment capitalized under finance leases are depreciated by the straight-line method over the term of the respective lease.

(i) Intangible assets

Intangible assets are depreciated mainly by the straight-line method. Software is depreciated by the straight-line method over its estimated useful life.

(j) Goodwill

Goodwill is depreciated by the straight-line method over five years.

And negative goodwill which occurred before March 31, 2010 is depreciated by the straight-line method over five years.

(k) Income taxes

Income taxes comprise corporation tax, prefectural and municipal inhabitants taxes and enterprise tax. The Companies recognize the tax effects of temporary differences between the carrying amounts of assets and liabilities for tax purposes and financial reporting purposes. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

(l) Translation of foreign currencies

Receivables and payables denominated in foreign currencies are translated into Japanese yen at year-end exchange rates.

Financial statements of overseas subsidiaries are translated into Japanese yen at year-end exchange rates, except for net asset accounts, which are translated at historical exchange rates. The resulting translation adjustments are presented separately in the consolidated financial statements as foreign currency translation adjustments and in minority interests.

(m) Retirement benefits

The Companies provide retirement payment plans and funded non-contributory pension plans under which all eligible employees are entitled to benefits based on the level of wages and salaries at the time of retirement or termination, length of service and certain other factors. The Companies sometime make additional payments that are not based on the amounts obtained by actuarial calculations. The Company has employee retirement benefit trusts for both plans.

The Companies provide for employees' severance and retirement benefits based on the estimated amounts of projected benefit obligation and the fair value of plan assets at the end of the year. Actuarial differences and prior service costs are mainly recognized in expenses using the straight-line method within the average of the estimated remaining service years of employees commencing with the following period.

Directors, corporate auditors and executive officers of certain subsidiaries receive retirement payments based on established guidelines similar to the employees' retirement benefit plan, subject to shareholders' approval. Retirement benefits provided for directors and corporate auditors are sufficient to cover stipulated benefits arising from services performed as of the balance sheet date.

Through the year ended March 31, 2011, a provision for retirement allowances for these officers of the Company's subsidiaries had been made at an estimated amount based on the Company's internal rules for retirement allowances.

(n) Accrued employees' bonuses

The Company and certain subsidiaries accrue amounts for employees' bonuses based on estimated amounts to be paid in the subsequent period.

(o) Reclassifications

Certain reclassifications of the accompanying consolidated financial statements as of and for the year ended March 31, 2010 have been made to conform to the 2011 presentation.

(p) Amounts per share

Computations of net income per share of common stock are based on the weighted average number of shares outstanding during each period.

Cash dividends per share represent the cash dividends proposed by the Board of Directors as applicable to the respective fiscal years together with the interim cash dividends paid.

3. Changes in accounting policies

(a) Partial Amendments to Accounting Standard for Retirement Benefits (Part3)

Effective from the year ended March 31, 2010, the Company and consolidated domestic subsidiaries (the "domestic companies") adopted "Partial Amendments to Accounting Standard for Retirement Benefits (Part3)" (Accounting Standards Board of Japan ("ASBJ") Statement No.19 issued on July 31, 2008).

There was no effect as a result of the adoption on the consolidated financial statements for the year ended March 31, 2010.

(b) Accounting Standard for Equity Method of Accounting for Investments

Effective from the year ended March 31, 2011, "Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No.16 issued on March 10, 2008) and "Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method" (Practical Issues Task Force No. 24 issued on March 10, 2008) have been applied.

There was no effect as a result of the adoption on the consolidated financial statements for the year ended March 31, 2011.

(c) Accounting Standard for Business Combinations, etc.

Effective from the year ended March 31, 2011, "Accounting Standard for Business Combinations" (ASBJ Statement No.21 issued on December 26, 2008), "Accounting Standard for Consolidated Financial Statements (ASBJ Statement No.22 issued on December 26, 2008), "Partial amendments to Accounting Standard for Research and Development Costs" (ASBJ Statement No.23 issued on December 26, 2008), "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No.7 issued on December 26, 2008), "Revised Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No.16 issued on December 26, 2008) and "Revised Practical Solution on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No.10 issued on December 26, 2008) have been applied.

There was no material effect as a result of the adoption on the consolidated financial statements for the year ended March 31, 2011.

(d) Accounting Standards for Asset Retirement Obligations

Effective April 1, 2010, the Company and its consolidated domestic subsidiaries adopted "Accounting Standards for Asset Retirement Obligations" (ASBJ Statement No.18 issued on March 31, 2008) and "Guidance on Accounting Standards for Assets Retirement Obligations" (ASBJ Guidance No. 21, issued on March 31, 2008).

There was no effect as a result of the adoption on the consolidated financial statements for the year ended March 31, 2011.

4. Changes in presentation

(Consolidated statements of income)

Effective from the year ended March 31, 2011, "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22 issued on December 26, 2008) and "Cabinet Office Ordinance for Partial Revision of the Regulation for Terminology, Forms and Preparation of Financial Statements" (Cabinet Office Ordinance No.5 issued on March 24, 2009) have been applied.

As a consequence, a new line item has been presented on the consolidated statements of income as "Income before minority interests".

5. Securities

(a) The following summarizes information on securities with available fair values as of March 31, 2011 and 2010.

(1) Trading securities:
At March 31, 2011 and 2010, there were no trading securities with fair market values.

(2) Available-for-sale securities as of March 31, 2011 and 2010:
Securities with book values (fair values) exceeding acquisition costs:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Equity securities:			
Acquisition costs	¥ 5,732	¥ 5,850	$ 68,936
Book values	28,315	31,698	340,529
Differences	¥ 22,583	¥ 25,848	$ 271,593
Bonds:			
Acquisition costs	¥ 100	¥ 100	$ 1,203
Book values	100	100	1,203
Differences	¥ 0	¥ 0	$ 0

Securities with book values (fair values) not exceeding acquisition costs:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Equity securities:			
Acquisition costs	¥ 3,030	¥ 3,206	$ 36,440
Book values	2,380	2,588	28,623
Differences	¥ (650)	¥ (618)	$ (7,817)
Bonds:			
Acquisition costs	¥ 969	¥ 969	$ 11,654
Book values	968	968	11,642
Differences	¥ (1)	¥ (1)	$ (12)
Others:			
Acquisition costs	¥ 33	¥ 37	$ 397
Book values	33	37	397
Differences	¥ -	¥ -	$ -

(b) The following table summarizes information on available-for-sale securities sold in the year ended March 31, 2011 and 2010:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Total sales of available-for-sale securities	¥ 22	¥ 400	$ 265
Amount of related gains	6	211	72
Amount of related losses	0	-	0

(c) The loss on the write-down of investment securities and investment in subsidiaries and affiliates as of March 31, 2011 and 2010:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Available-for-sale securities	¥ 266	¥ 783	$ 3,199
Investment in subsidiaries and affiliates	-	244	-

The Companies recognize impairment loss when, at the end of the period, the fair value of marketable and investment securities is reduced to less than 50% of the acquisition cost. A loss may also be recognized when the fair market value declines less than 50% but more than 30% if necessary, considering the possibility of market value recovery and other factors.

6. Derivative financial instruments and hedging transactions

The Companies enter into forward foreign exchange contracts, interest rate swap transactions, and currency swap transactions to control risks related to foreign currencies and interest rates. Forward foreign exchange contracts and currency swap contracts are used to hedge the risk of fluctuations in foreign currency exchange rates with respect to monetary receivables and payables denominated in foreign currencies. Interest rate swap contracts are used to convert variable rates to fixed rates with respect to borrowings. The Companies use derivative transactions in connection with managing their market risk and not for speculation or dealing purposes.

The Companies minimize the credit risk exposure of these derivative transactions by using only highly rated financial institutions as counterparties. The derivative transactions are entered into by the finance and accounting divisions in accordance with risk management policies and rules approved by the Board of Directors, which receives periodic reports on the results of the derivative transactions.

In sum, the companies use forward foreign exchange contracts to hedge future transactions denominated in foreign currencies and currency swap transactions to hedge foreign currency monetary assets and liabilities.

With regard to forward foreign exchange contracts and currency swap contracts, the Companies do not evaluate the hedge effectiveness if the significant terms of the hedging instruments and those of the hedged items were the same, and the risk of change in foreign exchange rates was effectively hedged.

(a) Derivative transactions for which hedge accounting is not applied

Currency related

		March 31, 2011			
		Millions of yen			
Classification	Type of derivative transaction	Contracted amount	Contracted amount over 1 year	Fair value	Recognized gains (losses)
Non-market transaction	Forward foreign exchange contracts:				
	Selling:				
	S.G. dollars	¥ 82	¥ -	¥ (0)	¥ (0)
	Japanese yen	30	-	(1)	(1)
	Buying:				
	U.S. dollars	244	-	0	0
	S.G. dollars	56	-	1	1
	Japanese yen	363	-	12	12
	Total	¥ 775	¥ -	¥ 12	¥ 12

		March 31, 2011			
		Thousands of U.S. dollars			
Classification	Type of derivative transaction	Contracted amount	Contracted amount over 1 year	Fair value	Recognized gains (losses)
Non-market transaction	Forward foreign exchange contracts:				
	Selling:				
	S.G. dollars	$ 986	-	(0)	(0)
	Japanese yen	361	-	(12)	(12)
	Buying:				
	U.S. dollars	2,934	-	0	0
	S.G. dollars	673	-	12	12
	Japanese yen	4,367	-	144	144
	Total	$ 9,321	$ -	$ 144	$ 144

		March 31, 2010			
		Millions of yen			
Classification	Type of derivative transaction	Contracted amount	Contracted amount over 1 year	Fair value	Recognized gains (losses)
Non-market transaction	Forward foreign exchange contracts:				
	Selling:				
	U.S. dollars	¥ 10	¥ -	¥ (0)	¥ (0)
	S.G. dollars	85	-	(0)	(0)
	Japanese yen	34	-	0	0
	Buying:				
	U.S. dollars	275	-	1	1
	S.G. dollars	53	-	(0)	(0)
	Japanese yen	502	-	(14)	(14)
	Total	¥ 959	¥ -	¥ (13)	¥ (13)

Fair values are based on year-end forward rates and prices presented by principal financial institutions at March 31, 2011 and 2010, respectively.

(b) Derivative transactions for which hedge accounting is applied

Currency related

Method for hedge accounting	Type of derivative transaction	Major hedged item	March 31, 2011 Millions of yen Contracted amount	Contracted amount over 1 year	Fair value
Deferral hedge accounting	Forward foreign exchange contracts:				
	Selling:				
	U.S. dollars	Accounts receivable	¥ 673	¥ -	¥ (9)
	G.B. pound		0	-	(0)
	Euro		63	-	(2)
	Buying:				
	U.S. dollars	Accounts payable	3,615	-	18
	Euro		896	-	56
Allocation method for forward foreign exchange contracts, etc.	Forward foreign exchange contracts:				
	Selling:				
	U.S. dollars	Accounts receivable	¥ 4,652	¥ -	-
	G.B. pound		81	-	-
	Euro		428	-	-
	Swiss franc		4	-	-
	Japanese yen		62	-	-
	Buying:				
	U.S. dollars	Payables: Trade notes and accounts	1,861	-	-
	Euro	Accounts payable	114	-	-
	Japanese yen		3,484	-	-
	Currency swap contracts:	Long-term debt	1,805	1,805	-
	Total		¥ 17,738	¥ 1,805	¥ 63

Method for hedge accounting	Type of derivative transaction	Major hedged item	March 31, 2011 Thousands of U.S. dollars Contracted amount	Contracted amount over 1 year	Fair value
Deferral hedge accounting	Forward foreign exchange contracts:				
	Selling:				
	U.S. dollars	Accounts receivable	$ 8,094	$ -	$ (108)
	G.B. pound		0	-	(0)
	Euro		758	-	(24)
	Buying:				
	U.S. dollars	Accounts payable	43,476	-	216
	Euro		10,776	-	674
Allocation method for forward foreign exchange contracts, etc.	Forward foreign exchange contracts:				
	Selling:				
	U.S. dollars	Accounts receivable	$ 55,947	$ -	$ -
	G.B. pound		974	-	-
	Euro		5,147	-	-
	Swiss franc		48	-	-
	Japanese yen		746	-	-
	Buying:				
	U.S. dollars	Payables: Trade notes and accounts	22,380	-	-
	Euro	Accounts payable	1,371	-	-
	Japanese yen		41,900	-	-
	Currency swap contracts:	Long-term debt	21,708	21,708	-
	Total		$ 213,325	$ 21,708	$ 758

		March 31, 2010			
		Millions of yen			
Method for hedge accounting	Type of derivative transaction	Major hedged item	Contracted amount	Contracted amount over 1 year	Fair value
Deferral hedge accounting	Forward foreign exchange contracts:				
	Selling:				
	U.S. dollars	Accounts receivable	¥ 1,300	¥ -	¥ (30)
	Euro		55	-	(0)
	Swiss franc		0	-	(0)
	Poland zloty		1	-	(0)
	Buying:				
	U.S. dollars	Accounts payable	3,004	-	94
	G.B. pound		1	-	(0)
	Euro		809	-	(11)
Allocation method for forward foreign exchange contracts, etc.	Forward foreign exchange contracts:				
	Selling:				
	U.S. dollars	Accounts receivable	¥ 3,365	¥ -	-
	G.B. pound		154	-	-
	Euro		913	-	-
	Swiss franc		4	-	-
	Poland zloty		62	-	-
	Japanese yen		18	-	-
	Buying:				
	U.S. dollars	Payables: Trade notes and accounts	1,463	-	-
	G.B. pound	Accounts payable	0	-	-
	Euro		52	-	-
	Japanese yen		63	-	-
	Currency swap contracts:	Long-term debt	1,805	1,805	-
	Total		¥ 13,069	¥ 1,805	¥ 53

Fair values are based on year-end forward rates and prices presented by principal financial institutions at March 31, 2011 and 2010, respectively.

7. Income taxes

The Company and its domestic subsidiaries are subject to a number of taxes based on income, which, in the aggregate, indicate a statutory income tax rate in Japan of approximately 40.5% for both the years ended March 31, 2011 and 2010.

The following table summarizes the significant differences between the statutory tax rate and the effective tax rate for financial statement purposes:

	2011	2010
Statutory tax rate	40.5%	40.5%
Equity in losses of unconsolidated subsidiaries and affiliates	1.9	12.7
Nondeductible expenses	2.0	4.1
Dividend income, not taxable	(4.9)	(8.0)
Elimination of dividend income	3.6	7.2
Unrealized tax benefit on prior losses of consolidated subsidiaries	(5.7)	6.2
Foreign subsidiaries' tax rates	(7.5)	(9.5)
Other	0.3	1.5
Effective tax rate	30.2%	54.7%

Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Deferred tax assets:			
Bad debt expense	¥ 750	¥ 1,219	$ 9,020
Loss carryforwards	1,431	2,132	17,210
Severance and retirement benefits	377	416	4,534
Directors' retirement benefits	157	177	1,888
Unrealized profit on inventories	190	151	2,285
Unrealized profit on property and equipment	367	269	4,414
Depreciation	1,194	791	14,360
Write-down of golf club memberships	39	48	469
Write-down of investment securities	324	584	3,897
Write-down of inventories	143	170	1,720
Excess bonuses accrued	279	279	3,355
Enterprise tax payable	88	34	1,058
Provision for loss on business liquidation	8	49	96
Other	712	667	8,562
Total deferred tax assets	6,059	6,986	72,868
Valuation allowance	(2,765)	(3,406)	(33,253)
Net deferred tax assets	3,294	3,580	39,615
Deferred tax liabilities:			
Gain on securities contributed to employee retirement benefit trust	(876)	(876)	(10,535)
Net unrealized holding gains on securities	(8,426)	(9,903)	(101,335)
Other	(152)	(207)	(1,828)
Total deferred tax liabilities	(9,454)	(10,986)	(113,698)
Net deferred tax liabilities	¥ (6,160)	¥ (7,406)	$ (74,083)

Net deferred tax liabilities as of March 31, 2011 and 2010 were included in the consolidated balance sheets as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Deferred tax assets (current assets)	¥ 722	¥ 1,067	$ 8,683
Deferred tax assets (other assets)	556	1,137	6,687
Others (short-term liability)	(31)	(16)	(373)
Deferred tax liability (long-term liability)	(7,407)	(9,594)	(89,080)
Net deferred tax liabilities	¥ (6,160)	¥ (7,406)	$ (74,083)

8. Pledged assets

At March 31, 2011 and 2010, the following assets were pledged as security for trading transactions:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2010
Investment securities	¥ 4,625	¥ 5,355	$ 55,622

9. Research and development expenses

Research and development expenses included in selling, general and administrative expenses for the years ended March 31, 2011 and 2010 totaled ¥129 million ($1,551 thousand) and ¥126 million, respectively.

10. Provision for loss on business liquidation

The Company and its subsidiaries planned the restructuring of some consolidated subsidiaries, estimated the loss and recognized it as expense in this accounting period.

11. Short-term loans and long-term debt

Short-term loans at March 31, 2011 and 2010 consisted of bank loans bearing interest at average annual rates of 1.03% and 1.02%, respectively. Long-term loans due within one year at March 31, 2011 and 2010 consisted of bank loans bearing interest at average annual rates of 2.58% and 2.46%, respectively.

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

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Unsecured loans from banks and insurance companies due through 2017 with interest principally at 0.40% - 6.25%	¥ 18,201	¥ 18,155	$ 218,894
Less amounts due within one year	(3,016)	(928)	(36,272)
	¥ 15,185	¥ 17,227	$ 182,622

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

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2013	¥ 5,465	$ 65,725
2014	885	10,643
2015	6,905	83,043
2016	1,009	12,135
2017 and thereafter	921	11,076
	¥ 15,185	$ 182,622

The Company has commitment line contracts with four banks in the aggregate amount of ¥10,000 million ($120,265 thousand) in order to secure the efficient procurement of operating funds. At March 31, 2011, the total ¥10,000 million ($120,265 thousand) was unused and available.

12. Employees' severance and pension benefits

The liability for employees' severance and retirement benefits included in the liability section of the consolidated balance sheets as of March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Projected benefit obligation	¥ 6,948	¥ 6,988	$ 83,559
Fair value of pension assets	(6,783)	(6,971)	(81,576)
Unrecognized prior service cost	28	28	337
Unrecognized actuarial differences	(2,354)	(2,061)	(28,310)
Prepaid expense for pension assets	2,592	2,422	31,173
Liability for severance and retirement benefits	¥ 431	¥ 406	$ 5,183

Included in the consolidated statements of income for the years ended March 31, 2011 and 2010 was severance and retirement benefit expense comprising the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Service costs – benefits earned during the year	¥ 323	¥ (*1) 331	$ 3,885
Interest cost on projected benefit obligation	115	113	1,383
Expected return on plan assets	(154)	(133)	(1,852)
Amortization of actuarial differences	195	273	2,345
Amortization of prior service cost	(1)	(1)	(12)
Others	(*2) 87	(*2) 157	1,046
Severance and retirement benefit expense	¥ 565	¥ 740	$ 6,795

(*1) This amount includes ¥4 million for operating officers.

(*2) This amount includes payment to the defined contribution pension plan in the amount of ¥55 million ($661 thousand) in 2011 and ¥52 million in 2010 and payment to the mutual aid pension plan in the amount of ¥30 million ($361 thousand) in 2011 and ¥35 million in 2010.

The discount rate used by the Company at March 31, 2011 and 2010 was 1.6%. The rate of expected return on plan assets used by the Company at March 31, 2011 and 2010 was 3.0%. The estimated amount of all retirement benefits to be paid at future retirement dates is allocated equally to each service year using the estimated total number of service years. Actuarial differences are recognized in the income statement using the straight-line method over mainly 13 years beginning with the following term at March 31, 2011 and 2010. Prior service costs are recognized in the income statement using the straight-line method over 14 years at March 31, 2011 and 2010.

13. Note to consolidated statements of cash flows

(a) The reconciliation of cash and time deposits in the consolidated balance sheets and cash and cash equivalents in the consolidated statements of cash flows at March 31, 2011 and 2010 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Cash and time deposits in balance sheets	¥ 16,560	¥ 5,464	$ 199,158
Time deposits maturing after three months	(782)	(450)	(9,405)
Cash and cash equivalents in statements of cash flow	¥ 15,778	¥ 5,014	$ 189,753

(b) Assets and liabilities of the subsidiaries excluded from scope of consolidation

Assets and liabilities of the subsidiaries excluded from the scope of consolidation at the time the Company sold investment securities in the consolidated subsidiaries, the related sale price of shares and the proceeds (net) from the sale of the shares are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Current Assets	¥ 835	¥ -	$ 10,042
Fixed Assets	286	-	3,440
Current Liabilities	(746)	-	(8,972)
Long-term Liabilities	-	-	-
Gain on sales of shares	3,106	-	37,354
Sale price of sales of shares for the year	3,481	-	41,864
Cash and cash equivalents of the company excluded from the scope of consolidation	(291)	-	(3,500)
Proceeds from sale of shares of subsidiaries excluded from the scope of consolidation	¥ 3,190	¥ -	$ 38,364

14. Note to consolidated statements of comprehensive income

【Additional Information】

Effective from the year ended March 31, 2011, "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No.25, issued on June 30, 2010) and "Accounting Standard for Consolidated Financial Statements (ASBJ Statement No.22 issued on December 26, 2008) has been applied.

As a result of the adoption of these standards, the Company has presented the consolidated statement of comprehensive income in the consolidated financial statements for the fiscal year ended March 31, 2011.

The consolidated balance sheet and the consolidated statement of changes in net assets as of and for the fiscal year ended March 31, 2010 have been modified to conform with the new presentation rules of 2011.

(a) Comprehensive income for the fiscal year ended March 31, 2010 was as follow:

	Millions of yen 2010
Comprehensive income attributable to owners of the parent	¥ 5,984
Comprehensive income attributable to minority interests	41
Total	¥ 6,025

(b) Other comprehensive income for the fiscal year ended March 31, 2010 was as follow:

	Millions of yen 2010
Net unrealized holding gains on securities	¥ 3,367
Net unrealized holding gains on derivatives	16
Foreign currency translation adjustments	678
Share of other comprehensive income of associates accounted for using the equity method	66
Total	¥ 4,127

15. Segment information

1. General information about reportable segments

Inabata Group's reportable segments represent the group's component divisions for which separate financial information is available. This information is regularly evaluated by the Board of Directors in deciding how to allocate management resources and in assessing performance. Inabata Group is primarily engaged in the trading of merchandise, the manufacture and sale of various products and the provision of services in Japan and abroad and operates its business in line with a comprehensive strategy regarding merchandise, products and services for domestic and international markets. For effective business management purposes, Inabata Group has segmented its corporate sales and marketing functions into 5 divisions (reportable segments) based on merchandise, products and target markets/industries, namely: Information Technology, Housing and Construction, Chemicals, Plastics and Foodstuffs. Major merchandise, products and services covered by each reportable segment are as follows.

Information Technology:	Semiconductor manufacturing equipment
	Electronic materials, including parts
	Dyes for printing
	Raw materials for copying
Housing and Construction:	Lumber
	Composite materials
	Wooden building materials
	Residential housing equipment
Chemicals:	Pharmaceutical and agricultural chemicals and bulk raw materials
	Raw materials for insecticides
	Raw materials for toiletries
	Raw materials for plastic resin
	Dyestuffs
Plastics:	General purpose plastics
	Engineering plastics
Foodstuffs:	Raw and processed agricultural products
	Raw and processed marine products

2. Basis of measurement for reportable segment profit and loss, segment assets, segment liabilities and other material items

Accounting methods applied to the reportable business segments are generally the same as those described in the "Summary of significant accounting policies adopted in preparing the consolidated financial statements." Segmental income derives from operating income. Inter-segment profits and transfers are based on prevailing market prices.

3. Information about reported segment profit and loss, segment assets, segment liabilities and other material items for the years ended March 31, 2011 and 2010 was as follows:

Year ended March 31, 2011	Millions of yen							
	Information Technology	Housing and Construction	Chemicals	Plastics	Foodstuff	Other	Elimination and Corporate	Consolidated
Revenues:								
Outside customers	¥197,436	¥ 19,873	¥ 67,473	¥167,338	¥ 16,049	¥ 922	¥ -	¥ 469,091
Intersegment	-	-	802	-	-	-	(802)	-
Total	197,436	19,873	68,275	167,338	16,049	922	(802)	469,091
Segmental income (loss)	¥ 2,880	¥ (34)	¥ 1,578	¥ 3,142	¥ 117	¥ 217	¥ -	¥ 7,900
Total assets	¥ 71,445	¥ 7,830	¥ 29,320	¥ 72,515	¥ 6,040	¥ 2,464	¥ 48,659	¥ 238,273
Depreciation and amortization	¥ 595	¥ 102	¥ 420	¥ 1,263	¥ 136	¥ 10	¥ -	¥ 2,526
Amortization of goodwill	-	-	129	35	-	10	-	174
Investment in equity method	1,123	-	1,338	473	108	-	-	3,042
Increase of property and equipment and intangible assets	¥ 70	¥ 2	¥ 215	¥ 1,151	¥ 20	¥ 5	¥ 1,742	¥ 3,205

Year ended March 31, 2010	Millions of yen							
	Information Technology	Housing and Construction	Chemicals	Plastics	Foodstuff	Other	Elimination and Corporate	Consolidated
Revenues:								
Outside customers	¥176,775	¥ 17,552	¥ 58,214	¥140,376	¥ 16,241	¥ 1,625	¥ -	¥ 410,783
Intersegment	345	-	1,252	307	-	69	(1,973)	-
Total	177,120	17,552	59,466	140,683	16,241	1,694	(1,973)	410,783
Segmental income (loss)	¥ 2,435	¥ 17	¥ 635	¥ 2,230	¥ (51)	¥ 244	¥ -	¥ 5,510
Total assets	¥ 76,940	¥ 6,746	¥ 29,246	¥ 68,210	¥ 6,767	¥ 2,641	¥ 39,415	¥ 229,965
Depreciation and amortization	¥ 302	¥ 28	¥ 304	¥ 1,047	¥ 86	¥ 619	¥ -	¥ 2,386
Amortization of goodwill	4	-	142	67	-	12	-	225
Investment in equity method	1,512	-	969	98	-	-	-	2,579
Increase of property and equipment and intangible assets	¥ 124	¥ 1	¥ 361	¥ 835	¥ 112	¥ 24	¥ 3,584	¥ 5,041

Year ended March 31, 2010	Thousands of U.S. dollars							
	Information Technology	Housing and Construction	Chemicals	Plastics	Foodstuffs	Other	Elimination and Corporate	Consolidated
Revenues:								
Outside customers	$2,374,456	$ 239,002	$811,461	$2,012,483	$ 193,013	$ 11,087	$ -	$ 5,641,502
Intersegment	-	-	9,645	-	-	-	(9,645)	-
Total	2,374,456	239,002	821,106	2,012,483	193,013	11,087	(9,645)	5,641,502
Segmental income (loss)	$ 34,636	$ (409)	$ 18,978	$ 37,787	$ 1,407	$ 2,610	$ -	$ 95,009
Total assets	$ 859,230	$ 94,167	$ 352,616	$ 872,099	$ 72,640	$ 29,633	$ 585,195	$ 2,865,580
Depreciation and amortization	$ 7,156	$ 1,227	$ 5,051	$ 15,189	$ 1,636	$ 120	$ -	$ 30,379
Amortization of goodwill	-	-	1,552	421	-	120	-	2,093
Investment in equity method	13,506	-	16,090	5,689	1,299	-	-	36,584
Increase of property and equipment and intangible assets	$ 842	$ 24	$ 2,586	$ 13,842	$ 241	$ 60	$ 20,950	$ 38,545

Notes: 1. Classified as "Other" are business segments not included in reportable segments, such as leasing and real estate rental services.

2. (1) Corporate assets included above in the elimination and corporate column in the amount of ¥48,659 million ($585,195 thousand) and ¥39,415 million for the years ended March 31, 2011 and 2010, respectively, are composed mainly of surplus funds (cash and deposits), long-term investment funds (investment securities, etc.) and assets pertaining to administrative functions of the Company.

(2) An increase in capital expenditure stated in the elimination and corporate column in the amount of ¥1,742 million ($20,950 thousand) and ¥3,584 million for the years ended March 31, 2011 and 2010, respectively, is attributable to the Company's administrative functions.

3. Segmental income or loss (-) has been adjusted to be consistent with operating income in the consolidated financial statements.

4. Change in accounting standards

(Change in method of inventory valuation)

Inventories (other than real estate held for sale) of the Company, Inabata & Co., Ltd., were previously valued at cost using the First-in First-out (FIFO) method (recorded on the balance sheet as the lower of cost value or net realizable value). However, starting from the fiscal year commencing April 1, 2010, inventories are now stated at cost, using the moving average method (recorded on the balance sheet as the lower of cost value or net realizable value). This change is aimed at making the Company's inventory valuation and calculation of periodic income more appropriate by leveling off the impact of price fluctuations on the income statement, and resulted from a review of accounting methods in introducing a new basic information system. Effects of this change on segmental income were insignificant.

[Related information]

For the fiscal year ended March 31, 2011 (From April 1, 2010 to March 31, 2011)

1. Information about geographic areas

(1) Revenues

Millions of yen						
Japan	Southeast Asia	Northeast Asia China	Northeast Asia Other	North America	Europe	Consolidated
¥ 233,612	¥ 73,607	¥ 75,734	¥ 54,662	¥ 11,871	¥ 19,605	¥ 469,091

Thousands of U.S dollars						
Japan	Southeast Asia	Northeast Asia China	Northeast Asia Other	North America	Europe	Consolidated
$ 2,809,523	$ 885,232	$ 910,812	$ 657,390	$ 142,766	$ 235,779	$ 5,641,502

Note: Sales amounts are based on customer locations and divided into countries and regions.

(2) Tangible fixed asset

Millions of yen							
Japan	Southeast Asia Thailand	Southeast Asia Other	Northeast Asia China	Northeast Asia Other	North America	Europe	Consolidated
¥ 5,285	¥ 997	¥ 1,558	¥ 1,384	¥ 20	¥ 53	¥ 649	¥ 9,946

Thousands of U.S. dollars							
Japan	Southeast Asia Thailand	Southeast Asia Other	Northeast Asia China	Northeast Asia Other	North America	Europe	Consolidated
$ 63,560	$ 11,990	$ 18,737	$ 16,645	$ 241	$ 637	$ 7,805	$ 119,615

2. Information on the amount of amortization and unamortized balance of goodwill by reportable segment

Year ended March 31, 2011	Millions of yen							
	Information Technology	Housing and Construction	Chemicals	Plastics	Foodstuff	Other	Elimination and Corporate	Consolidated
Goodwill:								
Amortization	¥ -	¥ -	¥ 129	¥ 35	¥ -	¥ 10	¥ -	¥ 174
Unamortized balance	-	-	68	44	-	5	-	117
Negative goodwill:								
Amortization	¥ -	¥ -	¥ -	¥ 85	¥ -	¥ -	¥ -	¥ 85
Unamortized balance	-	-	-	56	-	-	-	56

Year ended March 31, 2011	Thousands of U.S. dollars							
	Information Technology	Housing and Construction	Chemicals	Plastics	Foodstuff	Other	Elimination and Corporate	Consolidated
Goodwill:								
Amortization	$ -	$ -	$ 1,552	$ 421	$ -	$ 120	$ -	$ 2,093
Unamortized balance	-	-	818	529	-	60	-	1,407
Negative goodwill:								
Amortization	$ -	$ -	$ -	$ 1,022	$ -	$ -	$ -	$ 1,022
Unamortized balance	-	-	-	673	-	-	-	673

Note: Amounts stated in the "Other" column are related to the business of design, construction and sale of hoists and cranes.

(Additional information)

Effective from the year ended March 31, 2011, "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information"(ASBJ Statement No.17, issued on March 27,2009) and "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No. 20, issued on March 21, 2008) have been applied.

16. Financial Instruments

(Fair values of financial instruments)

Book values and fair values of the financial instruments on the consolidated balance sheet at March 31, 2011 and 2010 were as follows:

	Millions of yen		
	March 31, 2011		
	Book values	Fair Values	Differences
Cash and time deposits	¥ 16,560	¥ 16,560	¥ -
Receivables: trade notes and accounts	126,042		
Allowance for doubtful receivables (*1)	(246)		
	125,796	125,796	-
Trading securities and investment securities			
Available-for-sale securities	31,796	31,796	-
Long-term loans receivables	1,410	1,408	(2)
Total Assets	¥ 175,562	¥ 175,560	¥ (2)
Payables: trade note and accounts	¥ 86,041	¥ 86,041	¥ -
Short-term loans (*2)	45,344	45,344	-
Long-term debt	15,185	15,453	(268)
Total Liabilities	¥ 146,570	¥ 146,838	¥ (268)
Derivative transactions (*3)			
Derivative transactions for which hedge accounting is not applied	¥ 12	¥ 12	¥ -
Derivative transactions for which hedge accounting is applied	63	63	-
Total Derivative Transactions	¥ 75	¥ 75	¥ -

	Thousands of U.S. dollars		
	March 31, 2011		
	Book values	Fair Values	Differences
Cash and time deposits	$ 199,158	$ 199,158	$ -
Receivables: trade notes and accounts	1,515,839		
Allowance for doubtful receivables (*1)	(2,959)		
	1,512,880	1,512,880	-
Trading securities and investment securities			
Available-for-sale securities	382,394	382,394	-
Long-term loans receivables	16,957	16,933	(24)
Total Assets	$ 2,111,389	$ 2,111,365	$ (24)
Payables: trade note and accounts	$ 1,034,768	$ 1,034,768	$ -
Short-term loans (*2)	545,328	545,328	-
Long-term debt	182,622	185,845	(3,223)
Total Liabilities	$ 1,762,718	$ 1,765,941	$ (3,223)
Derivative transactions (*3)			
Derivative transactions for which hedge accounting is not applied	$ 144	$ 144	$ -
Derivative transactions for which hedge accounting is applied	758	758	-
Total Derivative Transactions	$ 902	$ 902	$ -

(*1) The balance of "Allowance for doubtful receivables" is deducted individually from the balances of receivables: trade notes and accounts.

(*2) Short-term loans include long-term debt due within one year amounted to ¥3,016 million ($36,272 thousand).

(*3) Net receivables and payables generated from derivative transactions are shown above. Items that represent net payables are shown in parentheses.

	Millions of yen		
	March 31, 2010		
	Book values	Fair Values	Differences
Cash and time deposits	¥ 5,464	¥ 5,464	¥ -
Receivables: trade notes and accounts	125,639		
Allowance for doubtful receivables (*1)	(254)		
	125,385	125,385	-
Trading securities and investment securities			
Available-for-sale securities	35,391	35,391	-
Long-term loans receivables	2,083		
Allowance for doubtful receivables (*1)	(13)		
	2,070	2,084	14
Total Assets	¥ 168,310	¥ 168,324	¥ 14
Payables: trade note and accounts	¥ 84,401	¥ 84,401	¥ -
Short-term loans (*2)	41,538	41,538	-
Long-term debt	17,227	17,562	(335)
Total Liabilities	¥ 143,166	¥ 143,501	¥ (335)
Derivative transactions (*3)			
Derivative transactions for which hedge accounting is not applied	¥ (13)	¥ (13)	¥ -
Derivative transactions for which hedge accounting is applied	53	53	-
Total Derivative Transactions	¥ 40	¥ 40	¥ -

(*1) The balance of "Allowance for doubtful receivables" is deducted individually from the balances of receivables: trade notes and accounts and long-term loans receivables.

(*2) Short-term loans include long-term debt due within one year amounted to ¥928 million.

(*3) Net receivables and payables generated from derivative transactions are shown above. Items that represent net payables are shown in parentheses.

(a) Methods of calculating fair values of financial instruments and matters relating to securities and derivative transactions

Assets

(1) Cash and time deposits

Because Cash and time deposits are short-term and their book values approximate their fair values, these instruments are stated at book value.

(2) Receivables: trade notes and accounts

Because "Receivables: trade notes and accounts" are short-term and their book values approximate fair values, these instruments are stated at book value. The fair value of doubtful receivables is calculated using the amounts deemed recoverable because of collateral, guarantees, etc.

(3) Trading securities and investment securities

The fair value of equity securities is equivalent to the quoted market price, if available. The fair value of bonds is calculated using the present value as determined by discounting the total amount of principal and interest at a rate determined by taking into account the current maturity and credit risks. Because negotiable deposits are short-term and their book values approximate the fair value, these instruments are stated at book value. Please see Note 5 "Securities" for matters relating to trading securities and investment securities based on holding purpose.

(4) Long-term loans receivables

For long-term loans receivables at floating interest rates, market interest rates are reflected over a short period. As such, they are stated at book value because such amounts approximate fair value unless the borrower's credit status has become materially different after such loans were made. The fair value of long-term loans receivables at fixed interest rates is the present value of future cash flows of the receivables. The receivables are categorized into certain periods and divided into groups according to credit risk. Future cash flows are calculated for each group and discounted by a rate that is the sum of an appropriate index rate, such as the long-term prime rate, and the credit spread. The fair value of doubtful receivables is calculated using the amounts deemed recoverable because of collateral, guarantees, etc.

Liabilities

(1) Payables: trade notes and accounts and (2) Short-term loans

Because "Payables: trade notes and accounts" and short-term loans are short-term and their book value approximate fair value, these instruments are stated at book value.

(3) Long-term debt

The fair value of long-term debt is calculated by discounting the total amount of the principal and interest at a rate that is assumed to be applied when a similar loan is newly borrowed. A part of the long-term debt is subject to currency swaps. The fair value of these long-term debts is determined by discounting the future cash flows that were accounted for as a single item with the related currency swap, at the rate that is assumed to apply if a new similar loan was taken out.

Derivative Transactions

See Note 6 "Derivative financial instruments and hedging transactions".

(b) The following table summarizes book values of financial instruments with no available fair value as of March 31, 2011 and 2010:

	Book value		
	Millions of yen	Millions of yen	Thousands of U.S. dollars
	2011	2010	2011
Investments in subsidiaries and affiliates	¥ 3,447	¥ 3,182	$ 41,456
Available for sale securities			
Non-quoted equity securities	3,301	3,343	39,699
Others	18	19	216
Total	¥ 6,766	¥ 6,544	$ 81,371

The above items are not included in "Trading securities and investment securities" because, due to the absence of a market value, it is impossible to estimate future cash flows, thus making it extremely difficult to determine the fair value.

(c) Financial instruments with maturities were as follows:

	March 31, 2011			
	Millions of yen			
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Cash and time deposits	¥ 16,560	¥ -	¥ -	¥ -
Receivables: trade notes and accounts	126,042	-	-	-
Available-for-sale securities				
Bonds	-	100	969	-
Others	33	-	-	-
Long-term loans receivables	-	857	488	65
Total	¥ 142,635	¥ 957	¥ 1,457	¥ 65

	Thousands of U.S. dollars			
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Cash and time deposits	$ 199,158	$ -	$ -	$ -
Receivables: trade notes and accounts	1,515,839	-	-	-
Available-for-sale securities				
Bonds	-	1,202	11,654	-
Others	397	-	-	-
Long-term loans receivables	-	10,307	5,868	782
Total	$ 1,715,394	$ 11,509	$ 17,522	$ 782

	March 31, 2010			
	Millions of yen			
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Cash and time deposits	¥ 5,464	¥ -	¥ -	¥ -
Receivables: trade notes and accounts	125,639	-	-	-
Available-for-sale securities				
Bonds	-	100	968	-
Others	37	-	-	-
Long-term loans receivables	-	1,225	858	-
Total	¥ 131,140	¥ 1,325	¥ 1,826	¥ -

(d) Long-term loans and other debt bearing interest with maturities were as follows:

	March 31, 2011			
	Millions of yen			
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Short-term loans	¥ 45,344	¥ -	¥ -	¥ -
Long-term debt	-	14,264	921	-
Total	¥ 45,344	¥ 14,264	¥ 921	¥ -

	Thousands of U.S. dollars			
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Short-term loans	$ 545,328	$ -	$ -	$ -
Long-term debt	-	171,546	11,076	-
Total	$ 545,328	$ 171,546	$ 11,076	$ -

	March 31, 2010			
	Millions of yen			
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Short-term loans	¥ 41,538	¥ -	¥ -	¥ -
Long-term debt	-	15,310	1,917	-
Total	¥ 41,538	¥ 15,310	¥ 1,917	¥ -

17. Net assets

The Japanese Corporate Law (the "Law") became effective on May 1, 2006, replacing the Japanese Commercial Code (the "Code"). The Law is generally applicable to events and transactions occurring after April 30, 2006 and for fiscal years ending after that date.

Under 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, which is included in capital surplus.

Under the Law, in cases where a 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 Law, additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Code, however, on condition that the total amount of legal earnings reserve and additional paid-in capital remained equal to or exceeded 25% of common stock, they were available for distribution by resolution of the shareholders' meeting. Under the Law, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the nonconsolidated financial statements of the Company in accordance with Japanese laws and regulations.

18. Related party transactions

The Company is an affiliate of Sumitomo Chemical Company, Limited, which owned 21.3% and 21.3% of the Company's voting shares at March 31, 2011 and 2010, respectively.

Sumika Technology Co., Ltd. is a subsidiary of Sumitomo Chemical Company, Limited and Ulvac Coating Corporation and NOBEL NC CO., LTD are affiliates of the Company. As of March 31, 2011 and 2010, respectively the Company controlled 15% and 15% of the voting shares of Sumika Technology Co., Ltd, 35% and 35% of the voting shares of Ulvac Coating Corporation and 49% and 49% of the voting shares of NOBEL NC CO., LTD.

Significant transactions with related parties for the years ended March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Net sales:			
Sumitomo Chemical Company, Limited	¥ 10,085	¥ 8,557	$ 121,287
Sumika Technology Co., Ltd.	12,307	12,697	148,010
Purchases:			
Sumitomo Chemical Company, Limited	20,549	20,033	247,132
Ulvac Coating Corporation	3,306	4,576	39,759
Pledge of investment securities:			
Sumitomo Chemical Company, Limited	4,133	4,865	49,705
Debt guarantees:			
NOBEL NC CO., LTD	3,911	4,181	47,035
Allowance for doubtful receivables:			
Unconsolidated subsidiaries and affiliates	(*1) 150	(*2)1,029	1,804
Provision for loss on debt guarantees:			
Unconsolidated subsidiaries and affiliates	19	19	229

(*1) Reversal of allowance for doubtful receivables included that of the unconsolidated subsidiaries and affiliates in the amount of ¥8 million ($95 thousand) on the consolidated financial statements for the year ended March 31, 2011.

(*2) Provision for allowance for doubtful receivables included that of the unconsolidated subsidiaries and affiliates in the amount of ¥112 million on the consolidated financial statements for the year ended March 31, 2010 .

The Consolidated subsidiaries' significant transactions with related parties for the years ended March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Purchases:			
Sumika Technology Co., Ltd.	¥ 33,994	¥ 29,846	$ 408,827

19. Contingent liabilities

At March 31, 2011 and 2010, the Company and its consolidated subsidiaries were contingently liable as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
As endorsers of notes discounted or endorsed	¥ 46	¥ 22	$ 553
As guarantors of indebtedness of			
unconsolidated subsidiaries and affiliates	6,489	7,133	78,040
Others	1,532	424	18,424
	8,021	7,557	96,464
	¥ 8,067	¥ 7,579	$ 97,017

20. Subsequent events

Cash dividends

At the meeting of the Board of Directors of the Company held on May 11, 2011, an appropriation of nonconsolidated retained earnings for the year ended March 31, 2011 was duly approved as follows:

	Millions of yen	Thousands of U.S. dollars
Cash dividends - ¥19.00 ($0.229) per share	¥ 1,236	$ 14,865