Financial Data 2011

Year Ended March 31, 2011

Innovator in Electronics

Index

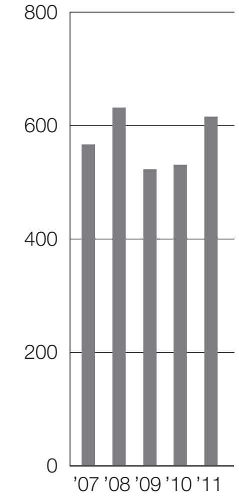
Financial Data Section

Internal Control Section

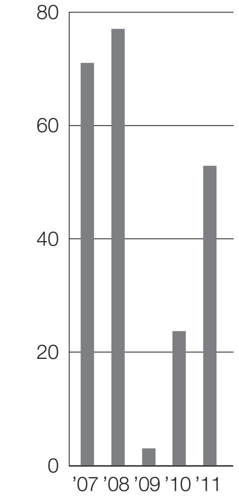
Financial Data

Murata Manufacturing Co., Ltd. and Subsidiaries
Years ended March 31, 2007–2011

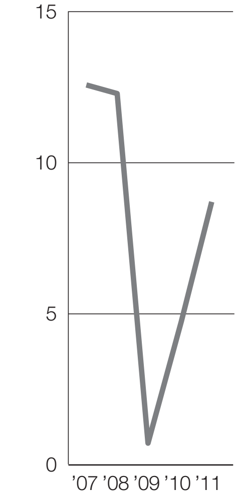
Net sales
(Billions of yen)



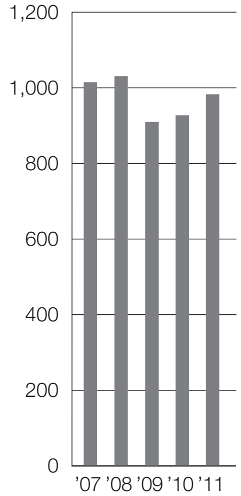
Net income
(Billions of yen)



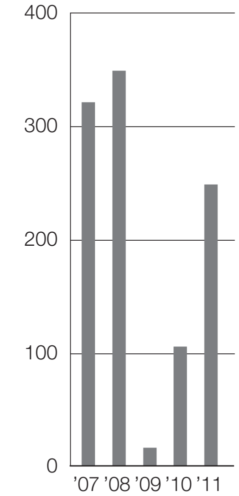
Return on net sales
(%)



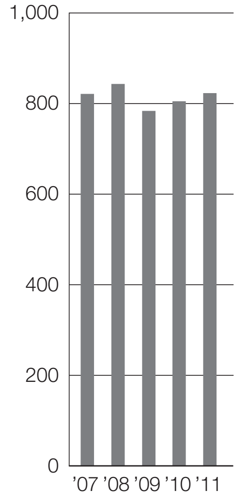
Total assets
(Billions of yen)



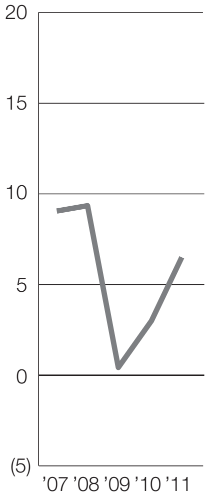
Diluted earnings per share[*1] (Yen)



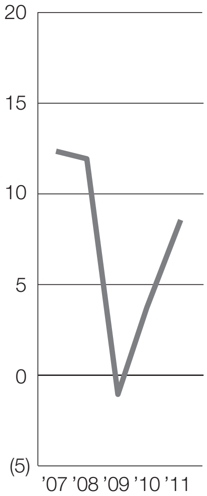
Shareholders’ equity
(Billions of yen)



Return on equity (ROE) (%)

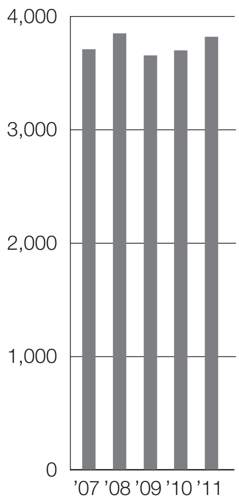


Income (loss) before Tax on total assets (ROA) (%)

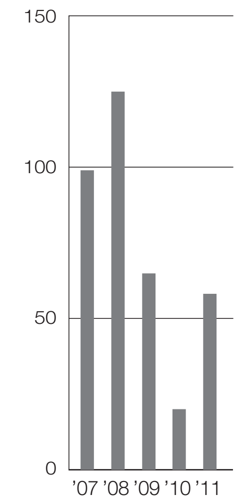


*1 Based on the average number of common shares outstanding and common equivalent shares outstanding such as those related to stock options.

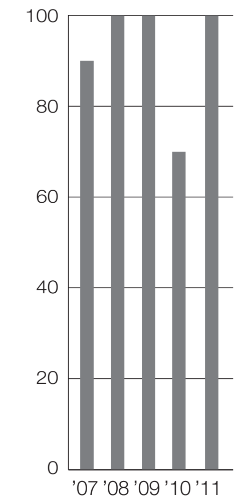
Shareholders’ equity per share[*2] (Yen)



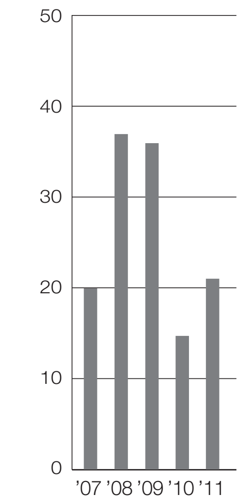
Capital investment
(Billions of yen)



Dividend per share
(Yen)



Total return[*3]
(Billions of yen)



*2 Based on the number of common shares outstanding at term-end.
*3 Total of Dividend payments and Share buyback.

Production, Order and Backlog by Product

Murata Manufacturing Co., Ltd. and Subsidiaries
Year ended March 31, 2011

	Millions of yen	Component ratio	Ratio against the previous year	Thousands of U.S. dollars
	2011			
Production by Product		%	%	
Capacitors	¥235,039	36.6	32.1	$2,831,795
Piezoelectric Components	92,071	14.3	12.3	1,109,289
Other Components	121,317	18.9	25.6	1,461,651
Components Total	448,427	69.8	25.8	5,402,735
Communication Modules	140,975	22.0	12.1	1,698,494
Power Supplies and Other Modules	52,388	8.2	10.9	631,181
Modules Total	193,363	30.2	11.8	2,329,675
Total	¥641,790	100.0	21.2	$7,732,410

*1 Figures are based on production quantity and sales price to customers.
*2 Exclusive of consumption taxes
*3 The tables by product indicate production, order and backlog of electronic components and related products.
*4 The production in capacitors for this year has increased drastically compared to the previous year. This is because of production growth of major electronic devices and increased number of components per device.

	Millions of yen	Component ratio	Ratio against the previous year	Thousands of U.S. dollars
	2011			
Order by Product		%	%	
Capacitors	¥219,577	35.2	9.9	$2,645,506
Piezoelectric Components	87,548	14.0	0.4	1,054,795
Other Components	118,716	19.0	13.4	1,430,313
Components Total	425,841	68.2	8.7	5,130,614
Communication Modules	146,138	23.4	17.1	1,760,699
Power Supplies and Other Modules	52,711	8.4	7.8	635,073
Modules Total	198,849	31.8	14.5	2,395,772
Total	¥624,690	100.0	10.5	$7,526,386

*1 Figures are based on order quantity and sales price to customers.
*2 Exclusive of consumption taxes

	Millions of yen	Component ratio	Ratio against the previous year	Thousands of U.S. dollars
	2011			
Backlog by Product		%	%	
Capacitors	¥28,133	34.9	(6.2)	$338,952
Piezoelectric Components	10,741	13.3	11.5	129,410
Other Components	14,489	17.9	13.6	174,566
Components Total	53,363	66.1	1.9	642,928
Communication Modules	22,353	27.7	54.2	269,313
Power Supplies and Other Modules	4,968	6.2	4.7	59,855
Modules Total	27,321	33.9	42.0	329,168
Total	¥80,684	100.0	12.7	$972,096

*1 Figures are based on backlog quantity and sales price to customers.
*2 Exclusive of consumption taxes
*3 The backlog in communication modules for this year has increased drastically compared to the previous year. This is because of the increased demand and the large order for wireless LAN modules for smartphones.

Capital Investment

Murata Manufacturing Co., Ltd. and Subsidiaries
Year ended March 31, 2011

1) Capital Investment for the fiscal year ended March 2011 amounted to ¥56,752 million ($683,759 thousand). Major capital investment included expansion and rationalization of production facilities, construction of buildings and expansion of R&D facilities.

2) Major property, plant and equipment on book value basis

2011	Millions of yen				
	Land	Buildings	Machinery and equipment	Construction in progress	Total
Parent Company					
Plant, Office and other					
Head Office in Kyoto	¥ 157	¥ 1,081	¥1,678	¥ 332	¥ 3,250
Yokaichi Plant in Shiga	468	5,658	5,161	1,431	12,720
Yasu Plant in Shiga	7,014	18,776	7,864	1,411	35,067
Yokohama Technical Center in Kanagawa	2,654	1,830	228	5	4,719
Other	7,322	1,158	313	137	8,931

2011	Millions of yen				
	Land	Buildings	Machinery and equipment	Construction in progress	Total
Domestic subsidiaries					
Company Name					
Fukui Murata Manufacturing Co., Ltd	¥2,025	¥ 9,997	¥16,048	¥1,885	¥29,955
Kanazawa Murata Manufacturing Co., Ltd..	3,501	10,886	12,885	1,597	28,869
Izumo Murata Manufacturing Co., Ltd.	1,384	10,429	11,209	2,480	25,502
Murata Land & Building Co., Ltd.	4,734	10,566	16	–	15,316
Okayama Murata Manufacturing Co., Ltd.	–	5,948	5,165	532	11,645
Toyama Murata Manufacturing Co., Ltd.	1,610	3,014	3,842	292	8,758

2011	Millions of yen				
	Land	Buildings	Machinery and equipment	Construction in progress	Total
Foreign subsidiaries					
Company Name					
Wuxi Murata Electronics Co., Ltd.	–	¥4,083	¥7,380	¥5,987	¥17,450
Shenzhen Murata Technology Co., Ltd.	–	2,154	2,999	614	5,767
Murata Electronics Singapore (Pte.) Ltd.	–	3,080	2,306	–	5,386
Murata Electronics (Thailand), Ltd.	¥266	909	2,248	1,324	4,747
Murata (China) Investment Co., Ltd.	–	2,325	274	–	2,599

Liquidity in hand

Murata Manufacturing Co., Ltd. and Subsidiaries
March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Cash and cash equivalents at end of year	**¥ 63,020**	¥108,777	**$ 759,277**
Short-term investments with the original maturities over three months	**21,305**	21,897	**256,687**
Available-for-sale securities (Governmental and Private debt securities)	**298,487**	230,168	**3,596,229**
Long-term deposits	**6,000**	–	**72,289**
Liquidity in hand	**¥388,812**	¥360,842	**$4,684,482**

Consolidated Balance Sheets

Murata Manufacturing Co., Ltd. and Subsidiaries
March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 2)
ASSETS	**2011**	2010	**2011**
Current assets:			
Cash	**¥ 48,880**	¥ 66,688	**$ 588,916**
Short-term investments	**35,445**	63,986	**427,048**
Marketable securities (Note 3)	**66,121**	32,793	**796,639**
Notes and accounts receivable:			
Trade notes	**1,447**	2,088	**17,434**
Trade accounts	**122,852**	109,942	**1,480,145**
Allowance for doubtful notes and accounts	**(996)**	(1,021)	**(12,000)**
Inventories (Note 4)	**110,450**	89,216	**1,330,723**
Deferred income taxes (Note 9)	**19,743**	17,378	**237,867**
Prepaid expenses and other	**8,291**	7,071	**99,891**
Total current assets	**412,233**	388,141	**4,966,663**
Property, plant and equipment:			
Land	**44,125**	43,829	**531,627**
Buildings	**274,188**	272,070	**3,303,470**
Machinery and equipment	**586,831**	570,701	**7,070,253**
Construction in progress	**22,607**	12,162	**272,373**
Total	**927,751**	898,762	**11,177,723**
Accumulated depreciation	**(643,763)**	(613,497)	**(7,756,181)**
Net property, plant and equipment	**283,988**	285,265	**3,421,542**
Investments and other assets:			
Investments (Note 3)	**244,609**	207,958	**2,947,096**
Deferred income taxes (Note 9)	**9,680**	9,654	**116,627**
Other (Notes 6 and 16)	**37,998**	37,772	**457,807**
Total investments and other assets	**292,287**	255,384	**3,521,530**
Total assets	**¥988,508**	¥928,790	**$11,909,735**

See notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen 2011	Millions of yen 2010	Thousands of U.S. dollars (Note 2) 2011
Current liabilities:			
Short-term borrowings (Note 5)	**¥ 7,841**	¥ 5,476	**$ 94,470**
Trade notes payable	**–**	777	**–**
Trade accounts payable	**33,598**	28,861	**404,795**
Accrued payroll and bonuses	**22,663**	20,351	**273,048**
Income taxes payable	**24,623**	3,226	**296,663**
Accrued expenses and other (Note 6)	**21,864**	20,055	**263,422**
Total current liabilities	**110,589**	78,746	**1,332,398**
Long-term liabilities:			
Long-term debt (Note 5)	**1,047**	11	**12,614**
Termination and retirement benefits (Note 6)	**53,755**	46,496	**647,651**
Deferred income taxes (Note 9)	**767**	1,812	**9,241**
Other	**1,206**	868	**14,530**
Total long-term liabilities	**56,775**	49,187	**684,036**
Commitments and contingent liabilities (Note 13)			
Shareholders' equity (Notes 8 and 18):			
Common stock (authorized 581,000,000 shares in 2011 and 2010; issued 225,263,592 shares in 2011 and 2010)	**69,377**	69,377	**835,867**
Capital surplus	**102,396**	102,388	**1,233,687**
Retained earnings	**733,862**	698,613	**8,841,711**
Accumulated other comprehensive income (loss):			
Unrealized gains on securities	**2,535**	3,132	**30,542**
Pension liability adjustments (Note 6)	**(422)**	3,167	**(5,084)**
Unrealized losses on derivative instruments	**(34)**	(300)	**(410)**
Foreign currency translation adjustments	**(38,511)**	(27,446)	**(463,988)**
Total accumulated other comprehensive loss	**(36,432)**	(21,447)	**(438,940)**
Treasury stock, at cost 10,630,041 shares in 2011 and 10,633,763 shares in 2010	**(48,059)**	(48,074)	**(579,024)**
Total shareholders' equity	**821,144**	800,857	**9,893,301**
Total liabilities and shareholders' equity	**¥988,508**	¥928,790	**$11,909,735**

Consolidated Statements of Income

Murata Manufacturing Co., Ltd. and Subsidiaries
Years ended March 31, 2011, 2010 and 2009

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2011	2010	2009	**2011**
Net sales	**¥617,954**	¥530,819	¥523,946	**$7,445,229**
Operating costs and expenses:				
Cost of sales	**415,059**	382,877	398,112	**5,000,711**
Selling, general and administrative	**85,632**	79,563	95,289	**1,031,711**
Research and development	**39,778**	41,649	46,832	**479,253**
Total operating costs and expenses	**540,469**	504,089	540,233	**6,511,675**
Operating income (loss)	**77,485**	26,730	(16,287)	**933,554**
Other income (expenses):				
Interest and dividend income	**4,502**	3,254	4,061	**54,241**
Interest expense	**(48)**	(67)	(478)	**(578)**
Foreign currency exchange gain (loss)	**(827)**	1,443	1,396	**(9,964)**
Other-net	**950**	3,298	989	**11,446**
Other income (expenses)-net	**4,577**	7,928	5,968	**55,145**
Income (loss) before income taxes	**82,062**	34,658	(10,319)	**988,699**
Income taxes (Note 9)	**28,570**	9,901	(13,907)	**344,217**
Net income	**¥ 53,492**	¥ 24,757	¥ 3,588	**$ 644,482**

Amounts per share (Note 11):	Yen			U.S. dollars (Note 2)
Basic earnings per share	**¥249.23**	¥115.35	¥ 16.48	**$3.00**
Diluted earnings per share	**¥249.23**	¥115.35	¥ 16.48	**$3.00**
Cash dividends per share	**¥ 85.00**	¥ 85.00	¥100.00	**$1.02**

See notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Murata Manufacturing Co., Ltd. and Subsidiaries
Years ended March 31, 2011, 2010 and 2009

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2011	2010	2009	**2011**
Net income	**¥53,492**	¥24,757	¥ 3,588	**$644,482**
Other comprehensive income (loss), net of tax (Note 12):				
Unrealized gains (losses) on securities	**(597)**	2,788	(2,610)	**(7,193)**
Pension liability adjustments	**(3,589)**	8,095	(5,573)	**(43,241)**
Unrealized gains (losses) on derivative instruments	**266**	290	(606)	**3,205**
Foreign currency translation adjustments	**(11,065)**	(1,158)	(17,771)	**(133,313)**
Other comprehensive income (loss)	**(14,985)**	10,015	(26,560)	**(180,542)**
Comprehensive income (loss)	**¥38,507**	¥34,772	¥(22,972)	**$463,940**

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

Murata Manufacturing Co., Ltd. and Subsidiaries
Years ended March 31, 2011, 2010 and 2009

	Number of common shares issued	Millions of yen				
		Common stock	Capital surplus	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock
Balance at March 31, 2008	225,263,592	¥69,377	¥102,403	¥710,453	¥ (4,902)	¥(33,101)
Purchases of treasury stock at cost						(15,025)
Disposal of treasury stock			(15)			66
Net income				3,588		
Cash dividends,¥100.00 per share				(21,942)		
Other comprehensive loss, net of tax					(26,560)	
Balance at March 31, 2009	225,263,592	69,377	102,388	692,099	(31,462)	(48,060)
Purchases of treasury stock at cost						(14)
Net income				24,757		
Cash dividends, ¥85.00 per share				(18,243)		
Other comprehensive income, net of tax					10,015	
Balance at March 31, 2010	**225,263,592**	**69,377**	**102,388**	**698,613**	**(21,447)**	**(48,074)**
Purchases of treasury stock at cost						**(18)**
Exercise of stock options			**8**			**33**
Net income				**53,492**		
Cash dividends,¥85.00 per share				**(18,243)**		
Other comprehensive loss, net of tax					**(14,985)**	
Balance at March 31, 2011	**225,263,592**	**¥69,377**	**¥102,396**	**¥733,862**	**¥(36,432)**	**¥(48,059)**

	Thousands of U.S. dollars (Note 2)				
	Common stock	Capital surplus	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock
Balance at March 31, 2010	**$835,867**	**$1,233,590**	**$8,417,024**	**$(258,398)**	**$(579,205)**
Purchases of treasury stock at cost					**(217)**
Exercise of stock options		**97**			**398**
Net income			**644,482**		
Cash dividends, $1.02 per share			**(219,795)**		
Other comprehensive loss, net of tax				**(180,542)**	
Balance at March 31, 2011	**$835,867**	**$1,233,687**	**$8,841,711**	**$(438,940)**	**$(579,024)**

Consolidated Statements of Cash Flows

Murata Manufacturing Co., Ltd. and Subsidiaries
Years ended March 31, 2011, 2010, and 2009

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2011	2010	2009	**2011**
Operating activities:				
Net income	**¥ 53,492**	¥ 24,757	¥ 3,588	**$ 644,482**
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	**61,795**	69,896	80,978	**744,518**
Losses on sales and disposals of property, plant and equipment	**344**	181	411	**4,145**
Impairment losses on long-lived assets	**–**	–	506	**–**
Impairment losses on goodwill	**–**	–	9,777	**–**
Provision for termination and retirement benefits, less payments	**1,863**	3,970	1,039	**22,446**
Deferred income taxes	**(933)**	2,608	(18,341)	**(11,241)**
Changes in assets and liabilities:				
Decrease (increase) in trade notes and accounts receivable	**(17,798)**	(28,870)	39,183	**(214,434)**
Decrease (increase) in inventories	**(23,062)**	4,616	18,189	**(277,855)**
Decrease (increase) in prepaid expenses and other	**(1,301)**	16,563	(14,540)	**(15,675)**
Increase (decrease) in trade notes and accounts payable	**4,249**	9,259	(23,012)	**51,193**
Increase (decrease) in accrued payroll and bonuses	**2,403**	2,954	(4,953)	**28,952**
Increase (decrease) in income taxes payable	**21,425**	2,178	(10,973)	**258,132**
Increase (decrease) in accrued expenses and other	**3,409**	(369)	(7,528)	**41,072**
Other-net	**(276)**	(440)	2,197	**(3,325)**
Net cash provided by operating activities	**105,610**	107,303	76,521	**1,272,410**
Investing activities:				
Capital expenditures	**(56,752)**	(22,868)	(65,427)	**(683,759)**
Payment for purchases of marketable securities, investments and other	**(122,057)**	(159,411)	(21,575)	**(1,470,566)**
Maturities and sales of marketable securities, investments and other	**49,991**	86,712	84,664	**602,301**
Decrease (increase) in long-term deposits	**(6,000)**	1,000	3,000	**(72,289)**
Decrease (increase) in short-term investments	**592**	687	(19,338)	**7,132**
Other	**227**	619	570	**2,735**
Net cash used in investing activities	**(133,999)**	(93,261)	(18,106)	**(1,614,446)**
Financing activities:				
Net increase (decrease) in short-term borrowings	**2,758**	(3,977)	(6,821)	**33,229**
Proceeds from long-term debt	**1,053**	–	–	**12,686**
Dividends paid	**(18,243)**	(18,243)	(21,942)	**(219,795)**
Other	**(129)**	(159)	(15,051)	**(1,554)**
Net cash used in financing activities	**(14,561)**	(22,379)	(43,814)	**(175,434)**
Effect of exchange rate changes on cash and cash equivalents	**(2,807)**	(388)	(7,235)	**(33,819)**
Net increase (decrease) in cash and cash equivalents	**(45,757)**	(8,725)	7,366	**(551,289)**
Cash and cash equivalents at beginning of year	**108,777**	117,502	110,136	**1,310,566**
Cash and cash equivalents at end of year	**¥ 63,020**	¥108,777	¥117,502	**$ 759,277**
Additional cash flow information:				
Interest paid	**¥ 48**	¥ 70	¥ 534	**$ 578**
Income taxes paid (refund)	**8,164**	(11,349)	32,571	**98,361**
Additional cash and cash equivalents information:				
Cash	**¥ 48,880**	¥ 66,688	¥ 46,296	**$ 588,916**
Short-term investments	**35,445**	63,986	93,790	**427,048**
Short-term investments with the original maturities over three months	**(21,305)**	(21,897)	(22,584)	**(256,687)**
Cash and cash equivalents at end of year	**¥ 63,020**	¥108,777	¥117,502	**$ 759,277**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Murata Manufacturing Co., Ltd. and Subsidiaries

1. Summary of Significant Accounting Policies

(a) Nature of operations

Murata Manufacturing Co., Ltd. (the "Company") and subsidiaries (together the "Companies") are engaged in the development, manufacture and sale of electronic components (Components and Modules) in numerous countries, with Japan, North America and certain other Asian and European countries as its primary markets. Components consist of capacitors, piezoelectric components and other components. Modules consist of communication modules, power supplies and other modules. The Companies' products are sold mainly to electronics companies for use as components in telecommunication, computer, audio, video, automotive electronics and other electronic products.

(b) Basis of financial statements

The consolidated financial statements, stated in Japanese yen, reflect certain adjustments, not recorded on the books of account, to present these statements in accordance with accounting principles generally accepted in the United States.

The Companies adopt Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 105, "Generally Accepted Accounting Principles" in the United States of America.

The principal adjustments to amounts recorded in the Companies' books of account include the measurement of net periodic cost for defined benefit retirement plans, the accrual of compensated absences, accounting for derivatives, and the provision for deferred income taxes relating to these adjustments.

(c) Principles of consolidation

The consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries. All significant intercompany items have been eliminated in consolidation.

(d) Short-term investments, cash and cash equivalents

Short-term investments include time deposits which may be withdrawn on demand without diminution of principal, and commercial paper which is a highly-liquid investment.

The Companies consider cash and short-term investments with original maturities of three months or less as cash and cash equivalents.

(e) Marketable securities and investments

Under ASC320, "Investment - Debt and Equity Securities", the Companies classify all debt securities and marketable equity securities as available-for-sale and carry them at fair value with a corresponding recognition of the net unrealized holding gain or loss (net of tax) as a separate component of shareholders' equity. Gains and losses on sales of investments are computed on an average cost basis. Equity securities that do not have a readily determinable fair value are recorded at average cost (See Note 3). The Companies review the fair value of their marketable securities and investments on a regular basis to determine if the fair value of any individual investment has declined below its cost and amortized cost and if such decline is other than temporary. A determination of whether a decline in fair value represents an other than temporary impairment is based on criteria that include the extent to which the securities' carrying value exceeds its fair value, the duration of the market decline, and the Companies' requirement and intent to sell the investment. Losses from other-than-temporary impairments, if any, are charged to income as incurred.

(f) Inventories

Inventories are stated at the lower of cost, which is determined principally by the average cost method, or market.

(g) Property, plant and equipment

Property, plant and equipment is stated at cost. Depreciation of property, plant and equipment has been principally computed using the declining-balance method (straight-line method for certain overseas subsidiaries) based upon the estimated useful lives of the assets. The range of useful lives is principally from 10 to 50 years for buildings and from 4 to 8 years for machinery and equipment.

(h) Termination and retirement benefits

Termination and retirement benefits are accounted for in accordance with ASC715, “Compensation - Retirement benefits”.

(i) Revenue recognition

The Companies recognize revenue when persuasive evidence of an arrangement including title transfer exists, delivery has occurred, the sales price to the customer is fixed or determinable, and collectability is reasonably assured.

(j) Advertising expenses

Advertising costs are expensed as incurred. Advertising expenses for the years ended March 31, 2011, 2010 and 2009 were ¥2,234 million ($26,916 thousand), ¥1,964 million and ¥2,536 million, respectively.

(k) Taxes on Income

The Companies follow the provisions of ASC740, “Income Taxes” to account for income taxes. Under ASC740, deferred tax assets and liabilities are computed based on the differences between the financial statement and the income tax bases of assets and liabilities using the enacted tax rates. Deferred income tax expenses and credits are based on the change in the deferred tax assets and liabilities from period to period. A valuation allowance is established, when necessary, to reduce deferred tax assets to the amounts expected to be realized. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date.

Regarding undistributed earnings of subsidiaries, the Companies recognize deferred tax liabilities for the taxable portion of future dividends receivable under the current tax system. The Companies recognize no deferred tax liability for the non-taxable portion because of the tax system which treats almost all dividends receivable the Company received from subsidiaries as non-taxable for tax calculation.

The Companies account for uncertainty in income taxes in accordance with ASC740. ASC740 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return.

(l) Earnings per share

The Companies account for earnings per share in accordance with ASC260, “Earnings per share”. Diluted earnings per share reflects the potential dilution from potential shares outstanding such as shares issuable upon the exercise of stock options. A reconciliation of the numerator and denominator of the basic and diluted earnings per share computation is included in Note 11.

(m) Fair value measurements

The Companies account for fair value measurements in accordance with ASC820, “Fair value measurements and disclosures”. ASC820 clarifies the definitions of fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements.

(n) Derivatives

The Companies account for their derivative instruments and hedging activities in accordance with ASC815, “Derivatives and Hedging”. These standards establish accounting and reporting standards for derivative instruments and for hedging activities, and require that an entity recognize all derivatives as either assets or liabilities in the balance sheet and measure those instruments at fair value.

The Companies have forward exchange contracts and commodity swap contracts as derivatives. On the date the derivative contract is entered into, the Companies designate the derivative as a hedge of forecasted foreign currency and material procurement cash flows. The Companies formally document all relationships between hedging instruments and hedged items, as well as their risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives that are designated as foreign currency cash flow hedges to specific assets and liabilities in the consolidated balance sheet or to specific forecasted transactions.

Regarding forward exchange contracts, the Companies consider all hedges to be highly effective in offsetting changes in cash flows of hedged items, because the currencies and terms of them correspond to those of hedged items.

Regarding commodity swap contracts, the Companies consider the hedges to be highly effective in expecting to offset changes in cash flows of hedged items, because the changes of raw material market prices that compose material purchase prices correspond to those of hedged items.

Changes in fair value of a derivative that is highly effective and that is designated and qualifies as a foreign currency and material procurement cash flow hedge are recorded in other comprehensive income (loss), until earnings are affected by the variability in cash flows of the designated hedged item.

(o) Stock-based Compensation

The Company accounts for stock-based awards to employees in accordance with ASC718, "Compensation - Stock compensation", using the modified prospective application. ASC718 requires companies to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. The cost is recognized over the period during which an employee is required to provide service in exchange for the award on or after the effective date. There were no stock-based compensations for the years ended March 31, 2011, 2010 and 2009.

(p) Shipping and Handling costs

Shipping and Handling costs which are included in selling, general and administrative expenses for the years ended March 31, 2011, 2010 and 2009 were ¥5,280 million ($63,614 thousand), ¥4,828 million and ¥5,086 million, respectively.

(q) Consideration given by a vendor to a customer

The Companies account for consideration given to a customer as a reduction of revenue in accordance with ASC605-50, "Customer payments and incentives". ASC605-50 defines the income statement classification of consideration given by a vendor to a customer or reseller of the vendor's products.

(r) Impairment or Disposal of Long-Lived Assets

The Companies account for impairment or disposal of long-lived assets and discontinued operations in accordance with ASC360,"Property, plant, and equipment". This statement applies to all long-lived assets. The Companies' long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the estimated undiscounted future cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount exceeds the fair value of the assets. If the Companies determine to dispose of assets, depreciation estimates for the assets shall be revised to reflect those remaining useful lives. Assets classified as held for sale shall be measured at the lower of its carrying amount or fair value less cost to sell.

Except for idle long-lived assets and long-lived assets to be disposed of by sale, long-lived assets are aggregated into asset groups based on product category.

The Companies recognized ¥506 million of impairment losses in selling, general and administrative expenses for the year ended March 31, 2009.

In the year ended March 31, 2009, the Company entered into sales agreement of certain idle long-lived assets located in Japan and recognized ¥506 million of impairment losses. Impairment losses consist of ¥237 million for building and ¥269 million for land. Net realizable values of these long-lived assets were determined at fair value less cost to sell, which were equal with the price contracted by the sales agreement.

(s) Goodwill and other intangible assets

The Companies account for goodwill and other intangible assets in accordance with ASC350, "Intangibles - Goodwill and other". In accordance with this statement, goodwill is not amortized and is instead tested at least annually for impairment. Intangible assets that have finite useful lives will continue to be amortized over their useful lives.

And also this statement requires that an intangible asset that is determined to have indefinite useful life is not amortized but is instead tested at least annually for impairment until its useful life is determined to be no longer indefinite.

(t) Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(u) Reclassifications

Certain items in prior years' financial statements have been reclassified to conform to the 2011 presentation.

2. Translation of Japanese Yen Amounts into U.S. Dollar Amounts

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for convenience of readers outside of Japan and have been made at the rate of ¥83 to $1, the approximate rate of exchange at March 31, 2011. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at the above or any other rate.

3. Marketable Securities and Investments

The cost and amortized cost, gross unrealized gains, gross unrealized losses and fair value for available-for-sale securities by major security type, at March 31, 2011 and 2010 were as follows:

	Millions of yen			
	2011			
	Cost and Amortized cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Governmental debt securities	¥ 2,524	¥ 15	–	¥ 2,539
Private debt securities	294,216	2,221	¥489	295,948
Equity securities	7,818	2,788	134	10,472
Investment trusts	600	5	–	605
Total available-for-sale securities	¥305,158	¥5,029	¥623	¥309,564

	Millions of yen			
	2010			
	Cost and Amortized cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Governmental debt securities	¥ 4,528	¥ 61	–	¥ 4,589
Private debt securities	223,922	2,249	¥592	225,579
Equity securities	5,275	3,574	–	8,849
Investment trusts	600	10	–	610
Total available-for-sale securities	¥234,325	¥5,894	¥592	¥239,627

	Thousands of U.S. dollars			
	2011			
	Cost and Amortized cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Governmental debt securities	$ 30,409	$ 181	–	$ 30,590
Private debt securities	3,544,771	26,760	$5,892	3,565,639
Equity securities	94,193	33,590	1,614	126,169
Investment trusts	7,229	60	–	7,289
Total available-for-sale securities	$3,676,602	$60,591	$7,506	$3,729,687

The fair value and gross unrealized losses for available-for-sale securities by major security type and length of time that individual securities have been in a continuous unrealized loss position, at March 31, 2011 and 2010 were as follows:

	Millions of yen			
	2011			
	Less than 12 months		12 months or longer	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Private debt securities	¥77,141	¥421	¥10,565	¥68
Equity securities	599	134	–	–
Total	¥77,740	¥555	¥10,565	¥68

	Millions of yen			
	2010			
	Less than 12 months		12 months or longer	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Private debt securities	¥63,598	¥528	¥5,630	¥64
Total	¥63,598	¥528	¥5,630	¥64

	Thousands of U.S. dollars			
	2011			
	Less than 12 months		12 months or longer	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Private debt securities	$929,410	$5,073	$127,289	$819
Equity securities	7,217	1,614	–	–
Total	$936,627	$6,687	$127,289	$819

The Companies did not recognize other-than-temporary impairment loss on debt securities which have a fair value below amortized cost as of March 31, 2011, (1) as the Companies don't intend to and (2) more likely than not won't be required to sell such securities before the recovery of amortized cost and (3) as the issuers of the securities have favorable credit ratings.

The aggregate carrying amounts of equity securities at March 31, 2011 and 2010, which were valued at cost, were ¥1,166 million ($14,048 thousand) and ¥1,124 million, respectively.

Of these, at March 31, 2011 and 2010, equity securities of ¥1,143 million ($13,771 thousand) and ¥1,118 million, respectively, were not evaluated for impairment because (a) the Companies did not identify any events or changes in circumstances that might have a significant adverse effect on the fair value of the securities and (b) the Companies determined that it was not practicable to estimate the fair value of the securities.

Contractual maturities of debt securities (Governmental and private debt securities) as of March 31, 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Within one year	¥ 65,719	¥ 66,121	$ 791,795	$ 796,639
After one year through five years	231,021	232,366	2,783,385	2,799,590
After five years	–	–	–	–
Total	¥296,740	¥298,487	$3,575,180	$3,596,229

Information related to sales of available-for-sale securities was as follows:

	Millions of yen			Thousands of U.S. dollars
	2011	2010	2009	**2011**
Proceeds from sales	**¥6**	–	¥4,526	**$72**
Gross realized gains	**2**	–	47	**24**
Gross realized losses	**–**	–	–	**–**

4. Inventories

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

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Finished products	**¥ 52,189**	¥37,167	**$ 628,783**
Work-in-process	**32,030**	31,165	**385,904**
Materials and supplies	**26,231**	20,884	**316,036**
Total	**¥110,450**	¥89,216	**$1,330,723**

5. Short-Term Borrowings and Long-Term Debt

Short-Term Borrowings at March 31, 2011 and 2010 consisted of the following:

	Millions of yen	Weighted-Average Interest Rate	Millions of yen	Weighted-Average Interest Rate	Thousands of U.S. dollars
	2011		2010		**2011**
Bank loans	**¥7,841**	**0.7%**	¥5,476	0.6%	**$94,470**

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

	Millions of yen	Weighted-Average Interest Rate	Millions of yen	Weighted-Average Interest Rate	Thousands of U.S. dollars
	2011		2010		**2011**
Unsecured bank loans, due 2018	**¥1,038**	**0.8%**	–	–	**$12,506**
Other	**10**	**3.5**	¥13	3.5%	**120**
Total	**1,048**	**0.9**	13	3.5	**12,626**
Less: Portion due within one year	**1**	**3.8**	2	3.8	**12**
Total	**¥1,047**	**0.8%**	¥11	3.5%	**$12,614**

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

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2012	¥ 1	$ 12
2013	1	12
2014	157	1,891
2015	209	2,518
2016	208	2,506
2017 and thereafter	472	5,687
Total	¥1,048	$12,626

6. Termination and Retirement Benefits

The Companies sponsor termination and retirement benefit plans which cover most employees. Benefits are primarily based on the employee's position and assessment of performance or the employee's years of service, with some plans also considering compensation and other factors. If the termination is involuntary or caused by death, the employee or their beneficiary is usually entitled to greater payments than in the case of voluntary termination.

The Companies fund a portion of the obligation under these plans. The general funding policy is to contribute amounts computed in accordance with accepted actuarial methods.

The Companies have several termination and retirement plans, some partially funded and administered by independent trustees, others unfunded and administered by the Companies. These plans usually provide lump sum termination and retirement benefits and are paid at the earlier of the employee's termination or the mandatory retirement age although periodic payments are available under certain conditions.

The following table summarizes the financial status of the termination and retirement plans and the amounts recognized in the financial statements at March 31:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Change in benefit obligation:			
Benefit obligation at beginning of year	**¥103,666**	¥105,006	**$1,248,988**
Service cost	**6,148**	6,448	**74,072**
Interest cost	**2,207**	2,018	**26,590**
Amendments	**–**	(2,582)	**–**
Actuarial loss	**3,168**	(3,448)	**38,169**
Benefits paid	**(1,479)**	(1,432)	**(17,819)**
Settlement paid	**(1,541)**	(2,344)	**(18,566)**
Benefit obligation at end of year	**112,169**	103,666	**1,351,434**
Change in plan assets:			
Fair value of plan assets at beginning of year	**58,840**	50,467	**708,916**
Actual return on plan assets	**(661)**	6,686	**(7,964)**
Employer contribution	**3,204**	3,525	**38,602**
Benefits paid	**(1,479)**	(1,432)	**(17,819)**
Settlement paid	**(348)**	(406)	**(4,193)**
Fair value of plan assets at end of year	**59,556**	58,840	**717,542**
Funded status at end of year	**¥ (52,613)**	¥ (44,826)	**$ (633,892)**
Amounts recognized in the consolidated balance sheet consist of:			
Long-term receivables, advances and other	**¥ 1,691**	¥ 2,745	**$ 20,373**
Accrued expenses and other	**(549)**	(1,075)	**(6,614)**
Termination and retirement benefits	**(53,755)**	(46,496)	**(647,651)**
Net amount recognized	**¥ (52,613)**	¥ (44,826)	**$ (633,892)**
Accumulated benefit obligation at end of year	**¥107,397**	¥ 99,202	**$1,293,940**

Accumulated benefit obligations for all of the Companies' termination and retirement plans were in excess of their plan assets at March 31, 2011 and 2010.

Amounts recognized in accumulated other comprehensive loss (income) at March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Actuarial loss	**¥20,940**	¥17,145	**$252,289**
Prior service benefit	**(20,181)**	(22,405)	**(243,144)**
Pension liability adjustments, before tax	**¥ 759**	¥ (5,260)	**$ 9,145**

Net periodic benefit cost for the years ended March 31:

	Millions of yen			Thousands of U.S. dollars
	2011	2010	2009	**2011**
Service cost	**¥6,148**	¥ 6,448	¥ 6,528	**$74,072**
Interest cost	**2,207**	2,018	1,973	**26,590**
Expected return on plan assets	**(1,464)**	(1,004)	(1,163)	**(17,638)**
Amortization of prior service benefit	**(2,224)**	(2,120)	(1,988)	**(26,795)**
Recognized actuarial loss	**1,574**	3,949	2,134	**18,964**
Net periodic benefit cost	**¥6,241**	¥ 9,291	¥ 7,484	**$75,193**

Other amounts recognized in other comprehensive loss (income) for the years ended March 31:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Prior service benefit due to amendments	**–**	¥ (2,582)	**–**
Actuarial loss	**¥5,369**	(9,175)	**$64,687**
Amortization of prior service benefit	**2,224**	2,120	**26,795**
Recognized actuarial loss	**(1,574)**	(3,949)	**(18,964)**
Total recognized in other comprehensive loss (income), before tax ...	**¥6,019**	¥(13,586)	**$72,518**

The estimated prior service benefit and net loss for the termination and retirement benefit plans that will be amortized from accumulated other comprehensive income (loss) into net periodic benefit cost over the next fiscal year are a gain of ¥2,224 million ($26,795 thousand) and a loss of ¥2,099 million ($25,289 thousand), respectively.

Termination and retirement benefits, accounted for in accordance with ASC715, "Compensation-Retirement benefits" are provided at the amount incurred during the period, which is based on the estimated present value of the projected benefit obligation less the fair value of plan assets at the end of the period. The overfunded or underfunded status of a defined benefit postretirement plan is recognized as an asset or liability in its statement of financial position, with an adjustment to accumulated other comprehensive income (loss).

The unrecognized prior service benefit due to certain plan amendments is being amortized on a straight-line basis over the average remaining service period of employees. In the year ended March 31, 2010, domestic subsidiaries changed from qualified pension plans to defined benefit retirement plans, and amended termination and retirement benefit plans. As a result of these changes and amendments, the benefit obligation decreased by ¥2,582 million during the year ended March 31, 2010.

The unrecognized actuarial gains and losses in excess of 10% of the larger of the projected benefit obligation or plan assets are being amortized over five years.

The following assumptions were utilized to calculate the actuarial present value of the benefit obligation as of March 31:

	2011	2010
Discount rate...	**2.1%**	2.2%

The following assumptions were utilized to calculate net periodic benefit cost for the years ended March 31:

	2011	2010	2009
Discount rate...	**2.2%**	2.0%	2.0%
Expected long-term rate of return on plan assets...............................	**2.5%**	2.0%	2.0%

The Companies determined the discount rate based on a risk-free rate estimated considering the long-term rate of return on Japanese Government Bonds and the rate of returns on other high-quality fixed-income investments. The Companies determined the expected long-term rate of return on plan assets, based on the historical performance of various invested asset categories, as well as the long-term rate of return on Japanese Government Bonds.

Compensation increase rate is not used in the calculation of benefit obligation and net periodic benefit cost under the point system.

Plan assets are invested for the purpose of achieving a sufficient rate of return to maintain pension plan assets for future payment of benefits to plan participants. Considering the expected rate of return on invested assets, a related standard deviation, and a related correlation coefficient, the Companies believe the current asset allocation is adequate for purposes of meeting investment objectives. For achieving the expected rate of return on plan assets on a mid-term to long-term basis, the Companies select optimal investing institutions by invested asset category and entrust the investment of plan assets to them. The Companies revise the asset allocation when and to the extent considered necessary. The asset allocation of the Company's plan assets which account for most of plan assets at March 31, 2010 consists of 25% of equity securities, 63% of debt securities and life insurance company general accounts, and 12% of other.

The three broadlevels of input used to measure fair value are more fully described in Note 14. The fair values of the Companies' plan assets at March 31, 2011 were as follows:

	Millions of yen			
	Fair value measurements			
	Level 1	Level 2	Level 3	Total
Equity securities				
Stocks	¥1,066	–	–	¥ 1,066
Pooled funds	–	¥18,035	–	18,035
Debt Securities				
Governmental debt securities	6,466	–	–	6,466
Private debt securities	–	121	–	121
Pooled funds	–	15,825	–	15,825
Life insurance company general accounts	–	12,358	–	12,358
Other				
Pooled funds	–	–	¥4,580	4,580
Other	–	1,105	–	1,105
Total	¥7,532	¥47,444	¥4,580	¥59,556

	Thousands of U.S. dollars			
	Fair value measurements			
	Level 1	Level 2	Level 3	Total
Equity securities				
Stocks	$12,843	–	–	$ 12,843
Pooled funds	–	$217,289	–	217,289
Debt Securities				
Governmental debt securities	77,904	–	–	77,904
Private debt securities	–	1,458	–	1,458
Pooled funds	–	190,663	–	190,663
Life insurance company general accounts	–	148,892	–	148,892
Other				
Pooled funds	–	–	$55,181	55,181
Other	–	13,312	–	13,312
Total	$90,747	$571,614	$55,181	$717,542

The fair values of the Companies' plan assets in level 3 for the year ended March 31, 2011 were as follows:

	Millions of yen	Thousands of U.S. dollars
	Other Pooled funds	Other Pooled funds
Beginning balance	¥1,434	$17,277
Actual Return on Plan Assets		
Relating to assets still held at the reporting date	183	2,205
Relating to assets sold during the period	(12)	(145)
Purchases, maturities and sales	2,975	35,844
Transfers in and/or out of Level 3	–	–
Ending balance	¥4,580	$55,181

The fair values of the Companies' plan assets at March 31, 2010 were as follows:

	Millions of yen			
	Fair value measurements			
	Level 1	Level 2	Level 3	Total
Equity securities				
Stocks	¥ 3,204	¥ 18	–	¥ 3,222
Pooled funds	–	16,461	–	16,461
Debt Securities				
Governmental debt securities	9,422	200	–	9,622
Private debt securities	–	885	–	885
Pooled funds	–	9,797	–	9,797
Life insurance company general accounts	–	14,764	–	14,764
Other				
Pooled funds	–	–	¥1,434	1,434
Other	–	2,655	–	2,655
Total	¥12,626	¥44,780	¥1,434	¥58,840

The fair values of the Companies' plan assets of level 3 for the year ended March 31, 2010 were as follows:

	Millions of yen
	Other Pooled funds
Beginning balance	¥1,228
Actual Return on Plan Assets	
Relating to assets still held at the reporting date	226
Relating to assets sold during the period	(2)
Purchases, maturities and sales	(18)
Transfers in and/or out of Level 3	–
Ending balance	¥1,434

Stocks

Stocks contain marketable equity securities and nonmarketable equity securities. Marketable equity securities are measured by the market approach using quoted prices in active markets; they are classified within level 1. At March 31, 2011 and 2010, this class consists of 100% Japanese stocks.

Stocks include common stock of the Company in the amounts of ¥7 million ($84 thousand) (0.01% of total plan assets) and ¥59 million (0.10% of total assets) at March 31, 2011 and 2010, respectively.

Governmental debt securities

Governmental debt securities contain government bonds and local government bonds. Government bonds are measured by the market approach using quoted prices in active markets; they are classified within level 1. Local government bonds are measured by the market approach using quoted prices for identical or similar assets in markets that are not active; they are classified within level 2. At March 31, 2011, this class consists of 59% Japanese governmental debt securities and 41% foreign governmental debt securities. At March 31, 2010, this class consists of 55% Japanese governmental debt securities and 45% foreign governmental debt securities.

Private debt securities

Private debt securities are measured by the market approach using quoted prices for identical or similar assets in markets that are not active; they are classified within level 2. At March 31, 2011, this class consists of 100% foreign private debt securities. At March 31, 2010, this class consists of 100% Japanese private debt securities.

Pooled funds

Pooled funds are measured to distribute the fair values of pooled fund assets by units of shares.

Pooled funds (equity securities) mainly contain marketable equity securities. Pooled funds (equity securities) are measured by the market approach using inputs other than quoted prices that are observable for the assets; they are classified within level 2. At March 31, 2011, this class consists of 30% Japanese pooled funds (equity securities) and 70% foreign pooled funds (equity securities). At March 31, 2010, this class consists of 45% Japanese pooled funds (equity securities) and 55% foreign pooled funds (equity securities).

Pooled funds (debt securities) mainly contain government bonds and local government bonds. Pooled funds (debt securities) are measured by the market approach using inputs other than quoted prices that are observable for the assets; they are classified within level 2. At March 31, 2011, this class consists of 42% Japanese pooled funds (debt securities) and 58% foreign pooled funds (debt securities). At March 31, 2010, this class consists of 32% Japanese pooled funds (debt securities) and 68% foreign pooled funds (debt securities).

Pooled funds (other) are measured by the income approach using inputs that are not unobservable for the assets; they are classified within level 3.

Life insurance company general accounts

Life insurance company general accounts are investments in general accounts of life insurance companies. Life insurance company general accounts guarantee principal and certain rates of return, and they are measured by the market approach using inputs other than quoted prices that are observable for the assets; they are classified within level 2.

The Companies expect to contribute ¥5,497 million ($66,229 thousand) to their defined benefit plans in the year ending March 31, 2011.

The future benefit payments are expected as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2012	¥ 2,821	$ 33,988
2013	2,893	34,855
2014	2,948	35,518
2015	3,681	44,349
2016	3,856	46,458
2017-2021	21,582	260,024

7. Stock-based Compensation

For the year ended March 31, 2006, the Company authorized the grant of options to purchase common stock of the Company to employees of the Company and its subsidiaries under a fixed stock option plan.

Under the above plan, the exercise price of the option exceeds the market price of the Company's common stock on the date of grant and the options expire six years after the date of grant.

Generally, the options granted become fully vested and exercisable after two years.

A summary of the Company's fixed stock option plan activity and related information for the year ended March 31, 2011 was as follows:

		Yen	Years	Millions of yen
	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Fixed Options				
Outstanding at beginning of year	98,100	¥5,720		
Granted	–	–		
Exercised	(7,200)	5,686		
Forfeited	(600)	5,738		
Expired	(32,200)	5,789		
Outstanding at end of year	58,100	¥5,686	0.33	¥18
Options exercisable at end of year	58,100	¥5,686	0.33	¥18

	U.S. dollars	Thousands of U.S. dollars
	Weighted-Average Exercise Price	Aggregate Intrinsic Value
Fixed Options		
Outstanding at beginning of year	$68.92	
Granted	–	
Exercised	68.51	
Forfeited	69.13	
Expired	69.75	
Outstanding at end of year	$68.51	$217
Options exercisable at end of year	$68.51	$217

The Company has not granted any options during the years ended March 31, 2011 and 2010.

No options were exercised during the year ended March 31, 2010. The total intrinsic value of options exercised during the year ended March 31, 2011 was ¥2 million ($24 thousand). Cash proceeds from option exercises under the Company's stock option plans for the year ended March 31, 2011 was ¥41 million ($495 thousand).

As of March 31, 2011, there was no unrealized compensation expense.

8. Shareholders' Equity

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below;

(a) Dividends

Under the Corporate Law, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting, if companies meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation. The Board of Directors of such company may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation.

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

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

The amount available for dividends under the Corporate Law was ¥218,041 million ($2,627,000 thousand) as of March 31, 2011, based on the amount recorded in the parent company's general books of account.

(b) Increases / decreases and transfer of common stock, reserve and surplus

The Corporate Law requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Corporate Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation of such threshold. The Corporate Law also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury stock and treasury stock acquisition rights

The Corporate Law also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula.

Under the Corporate Law, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of equity.

The Corporate Law also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

9. Income Taxes

The provision for income taxes for the years ended March 31, 2011, 2010 and 2009, consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	2011	2010	2009	**2011**
Current	**¥29,503**	¥7,293	¥ 4,434	**$355,458**
Deferred	**(933)**	2,608	(18,341)	**(11,241)**
Provision for income taxes	**¥28,570**	¥9,901	¥(13,907)	**$344,217**

A revised income tax act was enacted during the year ended March 31, 2009, and it treats dividends received from foreign subsidiaries after April 1, 2009 as non-taxable income for tax calculation. The provision for income tax-deferred for the year ended March 31, 2009 included a credit of ¥19,736 million for the effect of the change on deferred income taxes (non-current liability).

The effective income tax rates of the Company and subsidiaries differ from the normal Japanese statutory rates as follows for the years ended March 31:

	2011	2010	2009
Normal Japanese statutory rates	**40.4%**	40.4%	(40.4)%
Increase (decrease) in taxes resulting from:			
Tax credits	**(4.9)**	(4.1)	(2.1)
Permanently non-deductible items	**(0.0)**	(1.4)	5.9
Impairment loss on goodwill	**–**	–	34.2
Foreign earnings taxed at different rates	**(2.2)**	(7.1)	2.7
Effect of reversal of deferred tax liabilities by a change in tax laws	**–**	–	(191.3)
Other-net	**1.5**	0.8	56.2
Effective tax rates	**34.8%**	28.6%	(134.8)%

The approximate effects of temporary differences and tax loss carryforwards that gave rise to deferred tax balances at March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Deferred tax assets:			
Intercompany profits	**¥ 3,318**	¥ 1,589	**$ 39,976**
Termination and retirement benefits	**21,037**	17,552	**253,458**
Enterprise taxes	**1,696**	567	**20,434**
Compensated absences	**2,138**	2,113	**25,759**
Inventory valuation	**2,336**	2,109	**28,145**
Tangible and intangible assets	**9,526**	10,249	**114,771**
Accrued bonuses	**5,894**	5,089	**71,012**
Other temporary differences	**7,383**	10,322	**88,951**
Tax loss carryforwards	**3,717**	5,601	**44,783**
Total	**57,045**	55,191	**687,289**
Valuation allowance	**(6,106)**	(7,597)	**(73,566)**
Total	**¥50,939**	¥47,594	**$613,723**
Deferred tax liabilities:			
Undistributed earnings of foreign subsidiaries	**¥ 7,512**	¥ 7,598	**$ 90,506**
Marketable securities and investments adjustments	**704**	1,089	**8,482**
Tangible and intangible assets	**7,458**	5,939	**89,856**
Other temporary differences	**6,709**	7,810	**80,831**
Total	**¥22,383**	¥22,436	**$269,675**

The total valuation allowance decreased ¥1,491 million ($17,964 thousand) for the year ended March 31, 2011 and increased ¥392 million for the year ended March 31, 2010.

Based upon the level of historical taxable income and projections for future taxable income over the periods which the net deductible temporary differences are expected to reverse, management believes it is more likely than not that the Companies will realize the benefits of these deferred tax assets, net of existing valuation allowances at March 31, 2011 and 2010.

The Company and subsidiaries have tax loss carryforwards for each of the corporate and local taxes approximating ¥11,069 million ($133,361 thousand) and ¥6,168 million ($74,313 thousand), respectively, available to reduce future taxable income at March 31, 2011, which will expire substantially in the period from 2012 to 2027.

A reconciliation of the beginning and ending amount of unrecognized tax benefits at March 31 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Balance at beginning of year	**¥66**	¥97	**$795**
Additions based on tax positions related to the current year	**1**	–	**12**
Reductions for tax positions of prior years	**(6)**	(26)	**(72)**
Settlements	**–**	(0)	**–**
Other	**(7)**	(5)	**(84)**
Balance at end of year	**¥54**	¥66	**$651**

Total amount of unrecognized tax benefits, if recognized, would reduce the effective tax rate.

The Japanese tax authority completed the audit of the consolidated income tax of the Company and the domestic subsidiaries which adopt the consolidated taxation system for the years before 2006. And the tax authorities completed the tax audit of the major foreign subsidiaries for the years before 2002. The Companies believe unrecognized tax benefits are reasonably estimated, but unrecognized tax benefits will change as a result of the tax examination. As of March 31, 2011, the Companies did not anticipate the material change of unrecognized tax benefits in the next 12 months.

The Companies classify interest and penalties related to unrecognized tax benefits in income taxes in the consolidated statement of income. Accrued interest and penalties in the consolidated balance sheet as of March 31, 2011, and interest and penalties in the consolidated statement of income for the year ended March 31, 2011 are not material.

10. Foreign Operations

Net sales and Shareholders' equity of foreign subsidiaries were as follows:

	Millions of yen			Thousands of U.S. dollars
	2011	2010	2009	**2011**
Net sales	**¥442,283**	¥359,814	¥339,815	**$5,328,711**
Shareholders' equity	**164,621**	156,700	151,495	**1,983,386**

11. Amounts per Share

A reconciliation of the basic and diluted earnings per share computation was as follows:

	Millions of yen			Thousands of U.S. dollars
	2011	2010	2009	**2011**
Net income	**¥53,492**	¥24,757	¥3,588	**$644,482**

	Numbers of shares		
	2011	2010	2009
Average common shares outstanding	**214,629,452**	214,631,432	217,761,262
Dilutive effect of stock options	**–**	–	–
Diluted common shares outstanding	**214,629,452**	214,631,432	217,761,262

	Yen			U.S. dollars
	2011	2010	2009	**2011**
Earnings per share:				
Basic	**¥249.23**	¥115.35	¥16.48	**$3.00**
Diluted	**249.23**	115.35	16.48	**3.00**

12. Comprehensive Income

The changes in the components of accumulated other comprehensive income (loss), including the before- and net-of-tax components of other comprehensive income (loss), were as follows:

	Millions of yen		
	2011		
	Before-Tax Amount	Tax (Expense) or Benefit	Net-of-Tax Amount
Unrealized gains (losses) on securities:			
Unrealized holding losses arising during period	¥ (642)	¥ 194	¥ (448)
Reclassification adjustment for gains included in net income	(250)	101	(149)
	(892)	295	(597)
Pension liability adjustment:			
Pension liability adjustment arising during period	(5,369)	2,167	(3,202)
Reclassification adjustment for gains included in net income	(650)	263	(387)
	(6,019)	2,430	(3,589)
Unrealized gains (losses) on derivative instruments:			
Unrealized holding gains arising during period	3,065	(1,237)	1,828
Reclassification adjustment for gains included in net income	(2,620)	1,058	(1,562)
	445	(179)	266
Foreign currency translation adjustments	(11,405)	340	(11,065)
Other comprehensive loss	¥(17,871)	¥2,886	¥(14,985)

	Millions of yen		
	2010		
	Before-Tax Amount	Tax (Expense) or Benefit	Net-of-Tax Amount
Unrealized gains (losses) on securities:			
Unrealized holding gains arising during period	¥ 4,413	¥(1,625)	¥ 2,788
Reclassification adjustment for losses included in net income	0	(0)	0
	4,413	(1,625)	2,788
Pension liability adjustment:			
Pension liability adjustment arising during period	11,757	(4,752)	7,005
Reclassification adjustment for losses included in net income	1,829	(739)	1,090
	13,586	(5,491)	8,095
Unrealized gains (losses) on derivative instruments:			
Unrealized holding gains arising during period	3,119	(1,260)	1,859
Reclassification adjustment for gains included in net income	(2,637)	1,068	(1,569)
	482	(192)	290
Foreign currency translation adjustments	(1,057)	(101)	(1,158)
Other comprehensive income	¥17,424	¥(7,409)	¥10,015

	Millions of yen		
	2009		
	Before-Tax Amount	Tax (Expense) or Benefit	Net-of-Tax Amount
Unrealized gains (losses) on securities:			
Unrealized holding losses arising during period ...	¥ (6,878)	¥ 2,778	¥ (4,100)
Reclassification adjustment for losses included in net income	2,499	(1,009)	1,490
	(4,379)	1,769	(2,610)
Pension liability adjustment:			
Pension liability adjustment arising during period	(9,498)	3,838	(5,660)
Reclassification adjustment for losses included in net income	146	(59)	87
	(9,352)	3,779	(5,573)
Unrealized gains (losses) on derivative instruments:			
Unrealized holding losses arising during period ...	(300)	118	(182)
Reclassification adjustment for gains included in net income	(711)	287	(424)
	(1,011)	405	(606)
Foreign currency translation adjustments	(16,715)	(1,056)	(17,771)
Other comprehensive loss	¥(31,457)	¥ 4,897	¥(26,560)

	Thousands of U.S. dollars		
	2011		
	Before-Tax Amount	Tax (Expense) or Benefit	Net-of-Tax Amount
Unrealized gains (losses) on securities:			
Unrealized holding losses arising during period ...	$ (7,735)	$ 2,337	$ (5,398)
Reclassification adjustment for gains included in net income	(3,012)	1,217	(1,795)
	(10,747)	3,554	(7,193)
Pension liability adjustment:			
Pension liability adjustment arising during period..........................	(64,687)	26,108	(38,578)
Reclassification adjustment for gains included in net income..............	(7,831)	3,169	(4,663)
	(72,518)	29,277	(43,241)
Unrealized gains (losses) on derivative instruments:			
Unrealized holding gains arising during period	36,928	(14,904)	22,024
Reclassification adjustment for gains included in net income	(31,566)	12,747	(18,819)
	5,362	(2,157)	3,205
Foreign currency translation adjustments	(137,410)	4,097	(133,313)
Other comprehensive loss	$(215,313)	$34,771	$(180,542)

13. Commitments and Contingent Liabilities

Outstanding commitments at March 31, 2011 and 2010 for the purchase of property, plant and equipment approximated ¥10,317 million ($124,301 thousand) and ¥3,670 million, respectively.

At March 31, 2011 and 2010, the Companies were contingently liable for trade accounts receivable discounted and transferred to banks of ¥137 million ($1,651 thousand) and ¥338 million, respectively, which were accounted for as sales when discounted and transferred.

14. Fair value measurements

The Companies account for fair value measurements in accordance with ASC820, "Fair value measurements and disclosures". ASC820 clarifies the definitions of fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements.

ASC820 prioritizes the inputs used to measure fair value into the three broad levels, and classifies the fair value hierarchy.

Level 1: Quoted prices for identical assets or liabilities in active markets

Level 2: Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the assets or liabilities

Level 3: Inputs that are unobservable for the assets or liabilities

Assets and liabilities measured at fair value on a recurring basis at March 31, 2011 were as follows:

	Millions of yen			
	Fair value measurements			
	Level 1	Level 2	Level 3	Total
Assets				
Available-for-sale securities..				
Governmental debt securities ..	¥ 2,037	¥ 502	–	¥ 2,539
Private debt securities	–	294,959	¥989	295,948
Equity securities	10,472	–	–	10,472
Investment trusts............	–	605	–	605
Derivatives				
Forward exchange contracts ...	–	32	–	32
Commodity swap contracts ...	–	12	–	12
Liabilities				
Derivatives				
Forward exchange contracts ...	–	92	–	92

	Thousands of U.S. dollars			
	Fair value measurements			
	Level 1	Level 2	Level 3	Total
Assets				
Available-for-sale securities				
Governmental debt securities...	$ 24,542	$ 6,048	–	$ 30,590
Private debt securities	–	3,553,723	$11,916	3,565,639
Equity securities	126,169	–	–	126,169
Investment trusts	–	7,289	–	7,289
Derivatives				
Forward exchange contracts ...	–	386	–	386
Commodity swap contracts ...	–	145	–	145
Liabilities				
Derivatives				
Forward exchange contracts ...	–	1,108	–	1,108

Assets measured at fair value of level 3 on a recurring basis for the year ended March 31, 2011 were as follows:

	Millions of yen	Thousands of U.S. dollars
	Available-for-sale securities Private debt securities	Available-for-sale securities Private debt securities
Beginning balance	¥1,870	$22,530
Total gains and losses (realized/unrealized)		
Included in consolidated statements of income as other income (expenses)	271	3,265
Included in other comprehensive income (loss), before tax...	(152)	(1,831)
Purchases, maturities and sales		
Purchases	–	–
Maturities and Sales	(1,000)	(12,048)
Transfers in and/or out of Level 3	–	–
Ending balance...	¥ 989	$11,916
The amount of unrealized gains or losses relating to assets still held at the reporting date, included in consolidated statements of income as other income (expenses)	¥ 271	$ 3,265

Assets and liabilities measured at fair value on a recurring basis at March 31, 2010 were as follows:

	Millions of yen			
	Fair value measurements			
	Level 1	Level 2	Level 3	Total
Assets				
Available-for-sale securities..				
Governmental debt securities ..	¥3,067	¥ 1,522	–	¥ 4,589
Private debt securities	–	223,709	¥1,870	225,579
Equity securities	8,849	–	–	8,849
Investment trusts	–	610	–	610
Derivatives				
Forward exchange contracts ...	–	10	–	10
Liabilities				
Derivatives				
Forward exchange contracts ...	–	860	–	860

Assets measured at fair value of level 3 on a recurring basis for the year ended March 31, 2010 were as follows:

	Millions of yen
	Available-for-sale securities Private debt securities
Beginning balance	¥1,221
Total gains and losses (realized/unrealized)	
Included in consolidated statements of income as other income (expense)	(1)
Included in other comprehensive income (loss), before tax	650
Purchases, sales and settlements	–
Transfers in and/or out of Level 3	–
Ending balance	¥1,870
The amount of unrealized gains or losses relating to assets still held at the reporting date, included in consolidated statements of income as other income (expenses)	¥ (1)

Available-for-sale securities

Japanese government bonds and marketable equity securities are measured by the market approach using quoted prices in active markets; they are classified within level 1. Governmental debt securities other than Japanese government bonds, private debt securities, and investment trusts are measured by the market approach using quoted prices for identical or similar assets in markets that are not active; they are classified within level 2. Certain of private debt securities are measured by the income approach using inputs that are unobservable for the assets; they are classified within level 3.

Derivatives

Forward exchange contracts and commodity swap contracts are measured by the market approach using marketable data of observable foreign exchange rates, swap rates, commodity prices and others; they are classified within level 2.

15. Financial Instruments and Concentration of Credit Risk

In the normal course of its business, the Companies invest in various financial assets and incur various financial liabilities.

Financial Assets and Liabilities

(1) Cash, short-term investments, notes and accounts receivable, short-term borrowings, notes and accounts payable and long-term debt

Fair value approximates carrying amounts indicated in the balance sheets at March 31, 2011 and 2010.

(2) Marketable securities and Investments

Fair value is primarily based on quoted market prices or estimated using discounted cash flow analysis, based on the market interest rates currently available to the Companies for instruments with similar terms and maturities. The fair values of marketable securities and investments are presented in Note 3.

(3) Long-term receivables, advances and other assets

Fair value is primarily based on dealer quotes for the same or similar instruments. The fair values of applicable long-term receivables, advances and other assets at March 31, 2011 and 2010 were ¥38,053 million ($458,470 thousand) and ¥37,786 million compared with carrying amounts of ¥37,998 million ($457,807 thousand) and ¥37,772 million, respectively.

Derivatives

The Companies entered into forward exchange contracts in order to hedge the foreign currency risk, commodity swap contracts in order to hedge the material purchase price fluctuation risk caused by raw material market price fluctuations, and designated as cash flow hedges. In addition, the Companies had no forward exchange contracts and commodity swap contracts not designated as hedges. The exposure to credit risk is minimal since the counterparties are major financial institutions. The Companies do not anticipate nonperformance by any of the counterparties.

Forward exchange contracts

The Company mainly sold to foreign subsidiaries on a yen basis. Foreign subsidiaries had forward exchange contracts to purchase transactions on a yen basis. Foreign subsidiaries had forward exchange contracts against a percentage of various sales and supply transactions, accounts receivable and accounts payable, which transactions are expected to occur within the next six months.

Changes in the fair value of forward exchange contracts are reported in accumulated other comprehensive income (loss). These amounts are subsequently reclassified into earnings through foreign currency exchange gain (loss) in the same period that the hedged items affect earnings. Substantially all unrealized gains or losses on derivatives included in accumulated other comprehensive income (loss) at the end of the year are expected to be recognized in earnings within the next six months.

The Companies consider all hedges to be highly effective in offsetting the change of foreign currency, account receivable and account payable, sales and supply transaction in the future.

Commodity swap contracts

The Companies had commodity swap contracts against a percentage of material procurement which transactions are expected to occur within the next six months.

Changes in the fair value of commodity swap contracts are reported in accumulated other comprehensive income (loss). These amounts are subsequently reclassified into earnings through cost of sales in the same period that the hedged items affect earnings. Substantially all unrealized gains or losses on derivatives included in accumulated other comprehensive income (loss) at the end of the year are expected to be recognized in earnings within the next eight months.

The Companies consider the hedges to be highly effective in expecting to offset the changes of material purchase prices of hedged material procurements in the future.

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Notional amounts:			
Forward exchange contracts	**¥49,538**	¥39,517	**$596,843**
Commodity swap contracts...........	**398**	–	**4,795**

The fair value of forward exchange contracts and commodity swap contracts designated as hedges for the year ended March 31, 2011 and 2010 was as follows.

	Millions of yen			
	2011			
	Account	Fair value	Account	Fair value
Forward exchange contracts	Prepaid expenses and other	¥32	Accrued expenses and other	¥92
Commodity swap contracts	Prepaid expenses and other	12	Accrued expenses and other	–

	Millions of yen			
	2010			
	Account	Fair value	Account	Fair value
Forward exchange contracts	Prepaid expenses and other	¥10	Accrued expenses and other	¥860

	Thousands of U.S. dollars			
	2011			
	Account	Fair value	Account	Fair value
Forward exchange contracts	Prepaid expenses and other	$386	Accrued expenses and other	$1,108
Commodity swap contracts	Prepaid expenses and other	145	Accrued expenses and other	–

Forward exchange contracts and commodity swap contracts designated as hedges recognized in consolidated statements of income and other comprehensive income (loss) for the year ended March 31, 2011 and 2010 were as follows.

Cash flow hedges	Millions of yen 2011 Amounts recognized in other comprehensive income (loss), before tax (Effective Portion)	Reclassification adjustment from accumulated other comprehensive income (loss) to consolidated statements of income, before tax (Effective Portion)	
	Before-Tax Amount	Account	Before-Tax Amount
Forward exchange contracts	¥3,053	Foreign currency exchange gain (loss)	¥(2,620)
Commodity swap contracts	12	Cost of sales	–

Cash flow hedges	Millions of yen 2010 Amounts recognized in other comprehensive income (loss), before tax (Effective Portion)	Reclassification adjustment from accumulated other comprehensive income (loss) to consolidated statements of income, before tax (Effective Portion)	
	Before-Tax Amount	Account	Before-Tax Amount
Forward exchange contracts	¥3,119	Foreign currency exchange gain (loss)	¥(2,637)

Cash flow hedges	Thousands of U.S. dollars 2011 Amounts recognized in other comprehensive income (loss), before tax (Effective Portion)	Reclassification adjustment from accumulated other comprehensive income (loss) to consolidated statements of income, before tax (Effective Portion)	
	Before-Tax Amount	Account	Before-Tax Amount
Forward exchange contracts	$36,783	Foreign currency exchange gain (loss)	$(31,566)
Commodity swap contracts	145	Cost of sales	–

Concentration of Credit Risk

A significant portion of the Companies' sales is dependent upon and concentrated in the electronics industry, especially telecommunications equipment. The Companies generally extend credit to their customers, therefore, collection of receivables could be affected by developments in the electronics industry. However, the Companies closely monitor extensions of credit and have never experienced significant credit losses.

16. Goodwill and other intangible assets

Intangible assets other than goodwill, at March 31, 2011 and 2010 are as follows.

	Millions of yen		
	2011		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortized intangible assets			
Software	¥21,934	¥ 7,539	¥14,395
Patents	4,241	2,203	2,038
Other	15,037	7,407	7,630
Total	¥41,212	¥17,149	¥24,063
Unamortized intangible assets			¥ 258

	Millions of yen		
	2010		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortized intangible assets			
Software	¥22,412	¥ 5,860	¥16,552
Patents	4,353	1,767	2,586
Other	14,929	5,140	9,789
Total	¥41,694	¥12,767	¥28,927
Unamortized intangible assets			¥ 243

	Thousands of U.S. dollars		
	2011		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortized intangible assets			
Software	$264,265	$ 90,831	$173,434
Patents	51,096	26,542	24,554
Other	181,169	89,241	91,928
Total	$496,530	$206,614	$289,916
Unamortized intangible assets			$ 3,108

Intangible assets other than goodwill acquired during the year ended March 31, 2011 totaled ¥1,271 million ($15,313 thousand) and primarily consist of software ¥841 million ($10,133 thousand). The weighted average useful life for software is 9.24 years.

Total amortization expenses of intangible assets during the years ended March 31, 2011 and 2010 amounted to ¥5,777 million ($69,602 thousand) and ¥4,394 million, respectively. The estimated amortization expenses for intangible assets for the next five years are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2012	¥5,153	$62,084
2013	4,424	53,301
2014	3,865	46,566
2015	3,049	36,735
2016	1,734	20,892

The changes in the carrying amount of goodwill of each operating segment for the years ended March 31, 2011 and 2010 are as follows:

	Millions of yen		
	2011		
	Components	Modules	Total
Balance of beginning year			
Acquisition cost	¥760	¥10,942	¥11,702
Accumulated impairment losses	(760)	(9,017)	(9,777)
Net carrying amounts	–	1,925	1,925
Increase (decrease) in goodwill resulting from			
Goodwill acquired during year	–	–	–
Impairment losses	–	–	–
Balance of ending year			
Acquisition cost	760	10,942	11,702
Accumulated impairment losses	(760)	(9,017)	(9,777)
Net carrying amounts	–	¥ 1,925	¥ 1,925

	Millions of yen		
	2010		
	Components	Modules	Total
Balance of beginning year			
Acquisition cost	¥760	¥10,942	¥11,702
Accumulated impairment losses	(760)	(9,017)	(9,777)
Net carrying amounts	–	1,925	1,925
Increase (decrease) in goodwill resulting from			
Goodwill acquired during year	–	–	–
Impairment losses	–	–	–
Balance of ending year			
Acquisition cost	760	10,942	11,702
Accumulated impairment losses	(760)	(9,017)	(9,777)
Net carrying amounts	–	¥ 1,925	¥ 1,925

	Thousands of U.S. dollars		
	2011		
	Components	Modules	Total
Balance of beginning year			
Acquisition cost	$9,157	$131,831	$140,988
Accumulated impairment losses	(9,157)	(108,638)	(117,795)
Net carrying amounts	–	23,193	23,193
Increase (decrease) in goodwill resulting from			
Goodwill acquired during year	–	–	–
Impairment losses	–	–	–
Balance of ending year			
Acquisition cost	9,157	131,831	140,988
Accumulated impairment losses	(9,157)	(108,638)	(117,795)
Net carrying amounts	–	$ 23,193	$ 23,193

17. Segment Information

On March 31, 2010, the Companies adopted ASC280, “Segment Reporting”.

1) Operating Segment Information

The Companies mainly develop, manufacture and sell electronic components and related products.

Operating segments of the Companies are classified based on the nature of products and the Companies recognized Components segment, Modules segment and Others.

Operating Segment Information for the years ended March 31, 2011, 2010 and 2009 was as follows:

	Millions of yen			Thousands of U.S. dollars
	2011	2010	2009	**2011**
Components				
Sales to:				
Unaffiliated customers	**¥424,850**	¥359,369	¥360,201	**$5,118,675**
Intersegment	**9,740**	10,636	8,542	**117,349**
Total revenue	**434,590**	370,005	368,743	**5,236,024**
Segment income	**90,739**	49,954	24,641	**1,093,241**
Assets	**293,806**	277,801	311,032	**3,539,831**
Depreciation and amortization	**45,337**	53,341	62,351	**546,229**
Expenditure for long-lived assets	**48,330**	24,545	54,389	**582,289**
Modules				
Sales to:				
Unaffiliated customers	**¥190,772**	¥169,444	¥161,571	**$2,298,458**
Intersegment	**490**	666	429	**5,903**
Total revenue	**191,262**	170,110	162,000	**2,304,361**
Segment income (loss)	**15,900**	6,142	(10,350)	**191,566**
Assets	**55,795**	54,740	57,539	**672,229**
Depreciation and amortization	**6,312**	8,557	11,051	**76,048**
Expenditure for long-lived assets	**4,740**	4,580	8,030	**57,108**
Others				
Sales to:				
Unaffiliated customers	**¥ 2,332**	¥ 2,006	¥ 2,174	**$ 28,096**
Intersegment	**26,175**	9,903	25,971	**315,362**
Total revenue	**28,507**	11,909	28,145	**343,458**
Segment income	**3,183**	859	1,476	**38,349**
Assets	**10,233**	8,034	7,620	**123,289**
Depreciation and amortization	**1,778**	1,856	1,952	**21,422**
Expenditure for long-lived assets	**2,321**	1,418	2,739	**27,964**
Corporate and eliminations				
Sales to:				
Unaffiliated customers	**–**	–	–	**–**
Intersegment	**¥(36,405)**	¥ (21,205)	¥ (34,942)	**$ (438,614)**
Total revenue	**(36,405)**	(21,205)	(34,942)	**(438,614)**
Corporate expenses	**(32,337)**	(30,225)	(32,054)	**(389,602)**
Assets	**628,674**	588,215	533,136	**7,574,386**
Depreciation and amortization	**8,368**	6,142	5,624	**100,819**
Expenditure for long-lived assets	**2,273**	1,183	4,358	**27,386**

Consolidated				
Sales to:				
Unaffiliated customers...	**¥617,954**	¥530,819	¥523,946	**$ 7,445,229**
Intersegment................	**–**	–	–	**–**
Total revenue...................	**617,954**	530,819	523,946	**7,445,229**
Operating income (loss)....	**77,485**	26,730	(16,287)	**933,554**
Assets.............................	**988,508**	928,790	909,327	**11,909,735**
Depreciation and amortization ...	**61,795**	69,896	80,978	**744,518**
Expenditure for long-lived assets	**57,664**	31,726	69,516	**694,747**

*1 Major products and businesses included in the operating segments.
(1) Components : Capacitors, Piezoelectric Components
(2) Modules : Communication Modules, Power Supplies
(3) Others : Machinery manufacturing, welfare services, personnel services, education and training services, sales of software
*2 Intersegment transactions are based on market prices.
*3 Segment income (loss) for each operating segments represents net sales, less related costs. Corporate expenses represent expenses of headquarters functions and fundamental researches.
*4 Assets for operating segments are composed of inventories and fixed assets used in business. The other assets are included in Corporate and eliminations.
*5 Expenditure for long-lived assets are composed of that for property, plant and equipment, and intangible assets.
*6 Segment loss of ¥10,350 million on modules segment for the year ended March 31, 2009 includes impairment loss on goodwill of ¥9,017 million.

2) Geographic Information
Net sales are attributed to countries or areas based on customer locations.
Long-lived assets are composed of property, plant and equipment based on physical location.

Net sales

	Millions of yen			Thousands of U.S. dollars
	2011	2010	2009	**2011**
Japan...............................	**¥ 97,192**	¥100,922	¥116,924	**$1,170,988**
The Americas..................	**46,796**	38,758	43,918	**563,807**
Europe	**70,026**	56,981	58,013	**843,687**
Greater China..................	**297,095**	240,088	214,972	**3,579,458**
Asia and Others	**106,845**	94,070	90,119	**1,287,289**
Total	**¥617,954**	¥530,819	¥523,946	**$7,445,229**

Notes : Major countries and areas included in the segments other than Japan:
*1 The Americas : USA, Mexico
*2 Europe : Germany, Hungary, United Kingdom, France, Sweden
*3 Greater China : China, Taiwan
*4 Asia and Others : South Korea, Singapore

Long-lived assets

	Millions of yen			Thousands of U.S. dollars
	2011	2010	2009	**2011**
Japan...............................	**¥243,002**	¥252,163	¥294,464	**$2,927,735**
The Americas..................	**1,312**	1,518	1,664	**15,807**
Europe	**743**	776	828	**8,952**
Asia..................................	**38,931**	30,808	31,326	**469,048**
Total	**¥283,988**	¥285,265	¥328,282	**$3,421,542**

Notes : Major countries and areas included in the segments other than Japan:
*1 The Americas : USA
*2 Europe : Germany, United Kingdom, France, Italy, the Netherlands
*3 Asia : China, Singapore, Thailand

3) Information about Major Customers
There is a single external customer group more than 10% to consolidated sales for the year ended March 31, 2011. Consolidated sales to this customer group for the year ended March 31, 2011 are ¥64,740 million ($780,000 thousand) and are included in Components segment and Modules segment.

18. Subsequent Events

1. The Companies evaluated subsequent events by June 29, 2011, which is this financial report presentation day.

2. The ordinary general meeting of shareholders on June 29, 2011 resolved to pay a cash dividend of ¥50 ($0.60) per share to shareholders of record as of March 31, 2011, or a total of ¥10,732 million ($129,301 thousand).

Independent Auditors' Report

Deloitte.

Deloitte Touche Tohmatsu LLC
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To the Board of Directors and Shareholders of
Murata Manufacturing Co., Ltd.
Nagaokakyo-shi
Kyoto, Japan

We have audited the accompanying consolidated balance sheets of Murata Manufacturing Co., Ltd. and subsidiaries (the "Company") as of March 31, 2011 and 2010, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended March 31, 2011, all expressed in Japanese yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, such consolidated financial statements present fairly, in all material respects, the financial position of Murata Manufacturing Co., Ltd. and subsidiaries as of March 31, 2011 and 2010, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2011, in conformity with accounting principles generally accepted in the United States of America.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 2. Such U.S. dollar amounts are presented solely for the convenience of readers outside of Japan.

Deloitte Touche Tohmatsu LLC

June 29, 2011

Internal Control Section

NOTE TO READERS:

The Companies design and operate effective internal control over financial reporting, and prepare management's report on internal control over financial reporting under the Financial Instruments and Exchange Act of Japan.

The management's report on internal control over financial reporting of the Companies is audited in accordance with auditing standards for internal control over financial reporting generally accepted in Japan, and an opinion on management's report on internal control over financial reporting is expressed by Deloitte Touche Tohmatsu LLC.

Management's Report on Internal Control

NOTE TO READERS:

Following is an English translation of management's report on internal control over financial reporting filed under the Financial Instruments and Exchange Act of Japan. Readers should be aware that this report is presented merely as supplemental information.

Readers should be particularly aware of the differences between an assessment of internal control over financial reporting ("ICFR") under the Financial Instruments and Exchange Act ("ICFR under FIEA") and one conducted under the standards of the Public Company Accounting Oversight Board (United States) ("ICFR under PCAOB");

- In an assessment of ICFR under FIEA, there is detailed guidance on the scope of an assessment of ICFR, such as quantitative guidance on business location selection and/or account selection. In an assessment of ICFR under PCAOB, there is no such detailed guidance. Accordingly, regarding the scope of assessment of internal control over business processes, we selected locations and business units to be tested, and the companies whose combined sales and others volume reaches two thirds of total sales and others for the prior year on a consolidation basis were selected as "significant locations and/or business units."

(TRANSLATION)

MANAGEMENT'S REPORT ON INTERNAL CONTROL

1. Matters relating to the basic framework for internal control over financial reporting

Tsuneo Murata, President and Statutory Representative Director and Yoshitaka Fujita, Executive Deputy President and Statutory Representative Director are responsible for designing and operating effective internal control over financial reporting of our company (the "Company") and have designed and operated internal control over financial reporting of the consolidated financial statements in accordance with the basic framework for internal control set forth in "The Standards and Practice Standards for Management Assessment and Audit of Internal Control Over Financial Reporting" published by the Business Accounting Council.

The internal control is designed to achieve its objectives to the extent reasonable through the effective function and combination of its basic elements. Therefore, there is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

2. Matters relating to the scope of assessment, the basis date of assessment and the assessment procedures

Tsuneo Murata, President and Statutory Representative Director and Yoshitaka Fujita, Executive Deputy President and Statutory Representative Director performed the assessment of internal control over financial reporting as of March 31, 2011, which is the end of this fiscal year. The assessment was performed in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

In conducting this assessment, we evaluated internal controls which may have a material effect on our entire financial reporting on a consolidation basis ("entity-level controls") and based on the results of this assessment, we selected business processes to be tested. We analyzed these selected business processes, identified key controls that may have a material impact on the reliability of the Company's financial reporting, and assessed the design and operation of these key controls. These procedures have allowed us to evaluate the effectiveness of the internal controls of the Company.

We determined the required scope of assessment of internal control over financial reporting for the Company, as well as its consolidated subsidiaries, from the perspective of the materiality that may affect the reliability of their financial reporting. The procedures, methods and others to determine the scope are determined taking into account the materiality of quantitative and qualitative impacts on financial reporting. In light of the results of assessment of entity-level controls conducted for all locations and business units except for insignificant ones, we reasonably determined the scope of assessment of internal controls over business processes.

Regarding the scope of assessment of internal control over business processes, we selected locations and business units to be tested, and the companies whose combined sales and others volume reaches two thirds of total sales and others for the prior year on a consolidation basis were selected as "significant locations and/or business units". We included in the scope of assessment, at the selected significant locations and/or business units, business processes leading to sales, accounts receivable, inventories, and property, plant and equipment as significant accounts that may have a material impact on the business objectives of the Company. Further, in addition to selected significant locations and/or business units, we also selected individually for testing, as business processes having greater materiality, business processes relating to (i) greater likelihood of material misstatements and/or (ii) significant accounts involving estimates and the management's judgment and/or (iii) a business dealing with high-risk transactions, taking into account their impact on the financial reporting.

3. Matters relating to the results of the assessment

As a result of the assessment described above, as of the end of this fiscal year, we concluded that the Company's internal control over financial reporting of the consolidated financial statements was effectively maintained.

4. Additional matters

Not applicable.

5. Particular matters

Not applicable.

Tsuneo Murata
President
Statutory Representative Director
Murata Manufacturing Co., Ltd.

The above represents a translation, for convenience only, of the original report issued in the Japanese language.

NOTE TO READERS:

Following is an English translation of the Independent Auditors' Report filed under the Financial Instruments and Exchange Act of Japan. Readers should be aware that this report is presented merely as supplemental information.

Readers should be particularly aware of the differences between an audit of internal control over financial reporting ("ICFR") under the Financial Instruments and Exchange Act ("ICFR under FIEA") and one conducted under the standards of the Public Company Accounting Oversight Board (United States) ("ICFR under PCAOB");

- In an audit of ICFR under FIEA, the auditors express an opinion on management's report on ICFR, and do not express an opinion on the Company's ICFR directly. In an audit of ICFR under PCAOB, the auditors express an opinion on the Company's ICFR directly.
- In an audit of ICFR under FIEA, there is detailed guidance on the scope of an audit of ICFR, such as quantitative guidance on business location selection and/or account selection. In an audit of ICFR under PCAOB, there is no such detailed guidance. Accordingly, regarding the scope of assessment of internal control over business processes, the Company selected locations and business units to be tested, and the companies whose combined sales and others volume reaches two thirds of total sales and others for the prior year on a consolidation basis were selected as "significant locations and/or business units."

(TRANSLATION)

INDEPENDENT AUDITORS' REPORT
(filed under the Financial Instruments and Exchange Act of Japan)

June 29, 2011

To the Board of Directors of Murata Manufacturing Co., Ltd.

Deloitte Touche Tohmatsu LLC

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant: Akira Ishida

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant: Taizo Ando

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant: Kentaro Kurosawa

[Audit of Financial Statements]

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements included in the Financial Section, namely, the consolidated balance sheet and the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows, and consolidated supplementary schedules of Murata Manufacturing Co., Ltd. and subsidiaries (the "Company") for the fiscal year from April 1, 2010 to March 31, 2011. 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 audit.

We conducted our audit 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 audit provides 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 Murata Manufacturing Co., Ltd. and consolidated subsidiaries as of March 31, 2011, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

[Audit of Internal Control over Financial Reporting]

Pursuant to the second paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited management's report on internal control over financial reporting of Murata Manufacturing Co., Ltd. and subsidiaries as of March 31, 2011. The Company's management is responsible for designing and operating effective internal control over financial reporting and preparing its report on internal control over financial reporting. Our responsibility is to express an opinion on management's report on internal control over financial reporting based on our audit. There is a possibility that material misstatements will not completely be prevented or detected by internal control over financial reporting.

We conducted our audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether management's report on internal control over financial reporting is free of material misstatement. An audit includes examining, on a test basis, the scope, procedures and results of assessment of internal control made by management, as well as evaluating the overall presentation of the management's report on internal control over financial reporting. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, management's report on internal control over financial reporting referred to above, which represents that the internal control over financial reporting of Murata Manufacturing Co., Ltd. and subsidiaries as of March 31, 2011 is effectively maintained, presents fairly, in all material respects, the assessment of internal control over financial reporting in conformity with assessment standards for internal control over financial reporting generally accepted in Japan.

Our firm and the engagement partners do not have any financial interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

The above represents a translation, for convenience only, of the original report issued in the Japanese language and "Supplemental Schedules" referred to in this report are not included in the attached financial documents.

Murata
Manufacturing Co., Ltd.

Printed in Japan '11/6/1.0K