



Annual Report 2012

For the year ended March 31, 2012



DAIKEN CORPORATION

Company Profile

Since the founding of the company in September 1945, the core focus of our business has been the development and provision of materials for residential housing and construction. Daiken's corporate activities cover a broad and diverse range, including the manufacturing and sales of materials for residential housing and construction as well as materials for industrial use. These activities have led Daiken to grow into one of the world's foremost comprehensive manufacturers of building materials.

Through its highly-motivated research and development, Daiken is continuously working with the latest materials, concepts and technologies. With a core of technological and material-supply capabilities for building materials, the very basis for the housing field in which Daiken specializes, Daiken shall continue to provide its customers with new generations of technologies and products.



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	<i>Millions of Yen and Thousands of U.S. Dollars</i>			
	2012	2011	2010	2012
Net sales	¥ 151,209	¥ 141,506	¥ 140,936	\$ 1,841,093
Operating income	4,542	4,349	3,010	55,302
Ordinary income	4,600	4,373	2,819	56,008
Net income	874	1,375	511	10,641
Net assets	36,949	36,839	36,663	449,884
Total assets	125,469	115,969	123,862	1,527,687

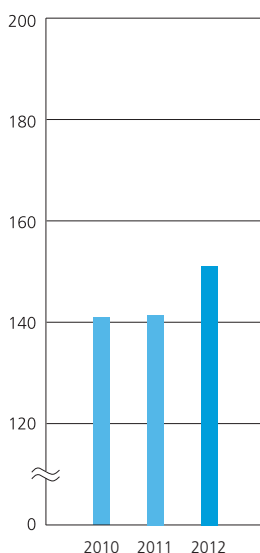
	<i>Yen and U.S. Dollars</i>			
Net income per share	¥ 6.97	¥ 10.88	¥ 4.01	\$ 0.08

Note: The translations into U.S. dollars are based on \$1= ¥82.13, the approximate exchange rate on March 31, 2012

Note: Net income per share is computed based upon the weighted average number of shares of common stock outstanding during each fiscal year.

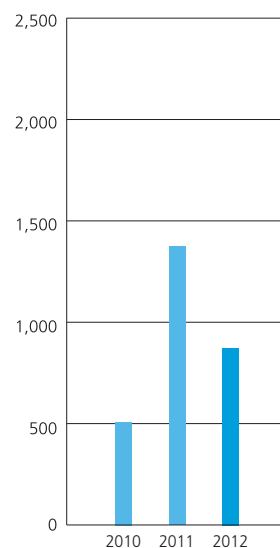
Net sales

(Billions of Yen)



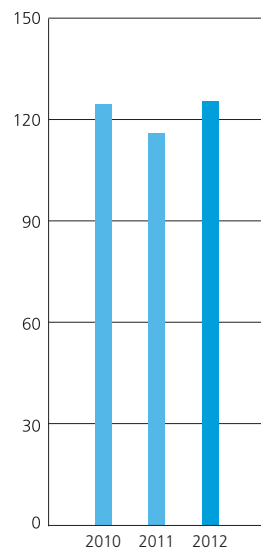
Net income

(Millions of Yen)



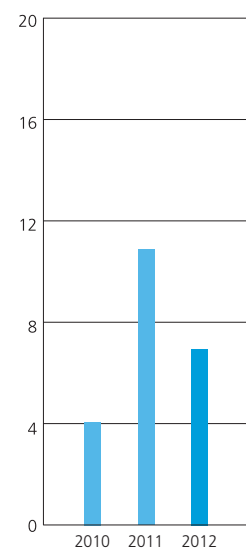
Total assets

(Billions of Yen)



Net income per share

(Yen)





Ryoji Sawaki
Representative Director, President
Chief Executive Officer

We herein present our shareholders and persons concerned a report on the consolidated business results for the Daiken Corporation in fiscal year 2011.

Business Progress and Results

In regard to the consolidated business results for the year in review, we achieved net sales totaling ¥151,209 million (an increase of 6.9% compared with the previous year), operating income of ¥4,542 million (an increase of 4.4% compared with the previous year), ordinary income of ¥4,600 million (an increase of 5.2% compared with the previous year) and a net income of ¥874 million (a decrease of 36.4% compared with the previous year).

With demand from the infrastructure recovery efforts in the Tohoku area affected by the earthquake coming to the fore, the outlook for the Japanese economy this fiscal year is dominated by the deceleration of economies overseas that began with the outbreak of the European crisis, as well as stagnating exports due to the continuing appreciation of the yen. As a result the overall picture is one of economic instability.

With regard to the housing market, the market has been supported by the demand from the recovery effort in the Tohoku region as well as the Recovery Support/Housing EcoPoint System. Despite this, in fiscal 2011 the number of new housing starts, with a total of 840,000 units (an increase of 2.7% on the previous year), is still transitioning at a low level.

Under these business conditions, the Daiken Group has decided to declare a “turnaround and make outstanding progress” policy and has taken a leap forward to actively proceed towards developing areas where growth is predicted, such as the remodeling market, markets overseas, the industrial materials market and the engineering market. Of these areas, in the overseas market we have expanded our supply of a range of door products produced by our consolidated subsidiary company Daiken Industries (Ningbo) Corporation (Zhejiang Province, China) for Japanese

businesses. Moreover, in the field of industrial materials, we have worked to expand sales of our eco-friendly base plate products (afforested timber plywood combined with special MDF), for which the primary raw material is MDF.

On the other hand, we have been striving to strengthen our corporate constitution towards reforming the company into an organization for growth that is capable of making a profit under severely challenging management circumstances, as well as working to reduce fixed costs across the Daiken Group as a whole, such as reducing our total personnel expenses and reforming our distribution system.

Issues and Policies for the Future

Looking forward at the prospects for the Japanese economy, there are signs of partial improvement in personal consumption and capital investment. Demand from the recovery effort is tangible, and it is expected that the economy will gradually recover. However, a number of factors continue to weigh on the economy, with export growth being hampered by the high yen and share prices continuing to be depressed, in addition to the restrictions on power supply due to the nuclear power station safety issue. The situation requires careful monitoring with regard to the direction that the Japanese economy could take as we move forward.

With regard to new housing starts, in addition to the demand for housing from the recovery efforts following the earthquake, which is expected to move into high gear, the government continues to support the industry with its preferential interest rate programs such as the Recovery Support/Housing EcoPoint System and Flat 35S, and as a result demand is expected to be solid going forward.

The Daiken Group wishes to contribute to the recovery effort following the earthquake by continuing to ensure a steady supply of building materials, centering on eco-materials, to the market. As the market experiences growth, we will strive to expand our sales by seizing this

turning point as an opportunity to introduce new products that focus on safety, peace of mind (earthquake resistance) and energy efficiency, as well as products for the elderly.

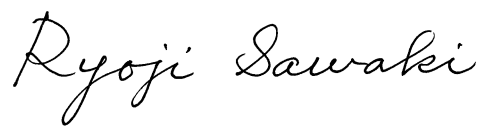
Furthermore, our mid-term management plan started in fiscal year 2011 and based on this plan, we will commit management resources to actively match expanding and growing markets, as we look to expand the scope of our business operations.

Moreover, we are working to expand our MDF business and to this end on March 26 we officially launched our business alliance with HOKUSHIN Co., Ltd. and we plan to develop MDF products together, as well as looking to reinforce our supply and sales operations.

Accordingly, for the consolidated business results projected for the fiscal year ending at the end of March 2013, our goal is to achieve net sales totaling ¥158,000 million, an operating income of ¥4,600 million, an ordinary income of ¥4,600 million, and a net income of ¥1,200 million.

We sincerely hope that we may continue to look forward to the support and encouragement of all of our shareholders and persons concerned.

September 2012



Ryoji Sawaki,
Representative Director, President
Chief Executive Officer

Housing Business

In regard to the consolidated business results in this field for the fiscal year in review, we achieved net sales totaling ¥80,257 million (an increase of 4.9% compared with the previous year) and an ordinary income of ¥1,959 million (a decrease of 37.5% compared with the previous year).

With regard to the interior materials business field, where our focus is on flooring materials, in May 2010 we entered into a collaborative business venture with Panasonic Electric Works Co., Ltd. (currently: Panasonic Corp.) and together we are working to promote eco-friendly flooring base materials, as well as looking to take the market to the next level. Furthermore, we are also actively participating in the Forestry Agency campaign to promote the use of domestically produced timber.

With regard to our home furnishings and equipment business, we have made progress by actively strengthening our constitution through a general cost reduction program including distribution costs and procurement from overseas, in addition to reducing the amount of stock carried by creating a system for rapid completion and delivery of order-made and special order products. On the sales side, our sales strategy is to meet the varied demands of our customers and to increase customer satisfaction and to

this end we have launched the 'My Selection Series' and the 'Omoiyari Series' that allows elderly customers to choose building materials.

Overall, we are looking to stimulate the housing business through working with builders and housing construction corporations with strong sales, as well as striving to drive down costs of materials and procured items. However, cost competition is fierce in this business and as a result it is a challenge to secure profit.



The Japanese Wood Series



The Omoiyari Series of doors, aimed at the elderly customer



Safety handrails



The My Selection Series – dimensions and design made to order

Eco-Business

In regard to the consolidated business results in this field for the fiscal year in review, we achieved net sales totaling ¥46,544 million (an increase of 4.5% compared with the previous year) and an ordinary income of ¥2,482 million (an increase of 88.2% compared with the previous year).

With respect to our eco-business, one of the core businesses of the Daiken Group, due to an increase in construction projects involving the building and condominium market, net sales of Dai-Lotone used as a ceiling material for buildings and shops maintained the same level as for the previous consolidated fiscal year.

With regard to insulation board, which is used in *tatami* matting and as base materials for roofs, despite the fact that

one of our production locations, the Takahagi Plant run by the Tobu Daiken Corporation, was forced to cease production due to the natural disaster, our net sales in this field showed an increase on the previous consolidated fiscal year due to the demand driven by the recovery effort.

With regard to MDF, we have grown sales for products such as our eco-friendly base plates that have permeated the Japanese domestic market and we started production of these base plates at the Aizu Plant run by the Tobu Daiken Corporation.

With regard to *tatami* mat surfaces, with the market experiencing some shrinkage, we are enjoying positive sales

due to the sound reputation of our products that benefit from the unique characteristics of *washi* Japanese paper, such as peace of mind, safety and durability.

The improvement in profitability for these products is linked to full-scale production and we have shown definitive growth in terms of sales and profit across the whole of our eco-related business.



Daiken-*tatami* Sukoyaka-kun – *tatami* mat surfaces made from *washi* Japanese paper

Engineering Business

In regard to the consolidated business results in this field for the fiscal year in review, we achieved net sales totaling ¥14,580 million (an increase of 25.5% compared with the previous year) and an ordinary loss of ¥54 million (compared with an ordinary loss for the previous fiscal year of ¥110 million).

With regard to the condominium, building and

shop market, we have worked to increase sales by strengthening our order-based sales system to accommodate composite orders. Furthermore, on October 1, 2011 we established the Sendai Branch of Daiken Engineering Co., Ltd. in order to be able to meet the demands from the recovery effort.

Looking at sales turnover, after a period of stagnation the

condominium, building and shop market is on an upward, recovery trend and we are registering growth compared with the previous consolidated fiscal year.

Despite that, the lack of construction workers has impacted the market following the earthquake and cost prices have risen and this has pushed us into negative territory in terms of profit.

Establishing an MDF Research Center in Malaysia

On May 2, 2012 Daiken established an MDF research center at its manufacturing subsidiary Daiken Sarawak (Sarawak State, Malaysia). This research center is the first research facility of its kind established overseas by a building materials manufacturer, and the aim of the facility is to meet the burgeoning demand for MDF, improve manufacturing efficiency through developing manufacturing technologies and also to discover new uses and purposes for the product, as well as researching

new types of MDF with new functionality.

MDF is a type of wooden board created by processing the chips that are created as residue when wood is cut and processed. MDF is

widely used in construction, and as a core material for furniture, etc.

Due to environmental controls, restrictions on logging have reduced the amount the natural south sea plywood that is exported for use in industry.

Environmentally sensitive products such as MDF have been adopted as substitutes and demand continues to grow for these wooden boards.



Exhibiting at BEX Asia 2011 (Singapore)

Daiken exhibited for the first time at Build Eco Expo (BEX) Asia 2011, held in Singapore on September 14-16, 2011. The Expo was our opportunity to introduce our ecologically sensitive flooring and ceiling board products, which are kind to the environment through their use of afforestation timber as well as unutilized resources, to people involved in the construction industry in South East Asia. The Singapore Government and various NGOs have come together to host BEX Asia with its focus on environmental concerns. The Expo is a showcase of the latest products and services in the construction industry. 2011 was the fourth time the Expo has been held and at the Daiken booth we were visited by a great number of developers and

people engaged in the practical side of construction who showed a deep interest in our products.

Moreover, Daiken's ceiling materials, which enjoy an excellent reputation due to their low levels of formaldehyde emission as well as their use of highly recyclable

materials, were awarded Singapore Green Label* certification from the Singapore Environment Council.



Our door display attracted the interest of expo visitors due to fine designs and eco-friendly features



Singapore Green Label-certified Daiken Ceiling Board on display



* The Singapore Green Labeling Scheme (SGLS) was launched by the newly established Singapore Environment Council in 1992 to endorse consumer products and services that have a reduced impact on the environment. The Green Mark system is also endorses buildings that have environmentally sensitive features, such as energy-efficiency, etc. Products sporting the Singapore Green Label are identified as being environmentally sound.

Measures taken by the Daiken Group contributing to recovery efforts following the Great East Japan Earthquake

Daiken was one of the first in the industry to react and establish an Earthquake Recovery Support Office (Sendai) on April 28, 2011, and since then the Company has been involved in a variety of activities to support the recovery effort and invigorate the affected areas, such as setting up showrooms as well as holding events at Daiken plants, etc.

1 | Takahagi Plant plays host to a “Reform Consultation” and the “Tobu Daiken Appreciation Fair”

On August 5-6, 2011, the technical space at the Tobu Daiken Corporation Takahagi Plant hosted the first “Reform Consultation (a joint TDY project)” —an event aimed at supporting the regional community and the recovery efforts in the affected areas. From December 1 to 3, the “Tobu Daiken Appreciation Fair” was also held at the plant. The first two days of the fair were dedicated to “Proposals for Clients” and was attended by 274 client groups. The third and final day was the “Appreciation Fair” which was attended by 507 people from the local community.



2 | Opening of a Tohoku Area Collaboration Showroom

The cities of Ishinomaki in Miyagi Prefecture and Iwaki in Fukushima Prefecture sustained significant damage due to the earthquake and tsunami. TOTO, DAIKEN, YKK AP and NORITZ have come together to collaborate to open a showroom in both locations. The showroom showcases and highlights the unique strengths of each of the 4 companies, and the showroom will play an important role at the forefront of the recovery effort as a location for collecting and disseminating information that is vital to the “rapid product delivery system” as well as ensuring information travels in a speedy manner.



3 | Developing activities to promote earthquake resistance measures

Following the Great East Japan Earthquake, homeowners all over Japan became very concerned about the earthquake resistance of their own properties. Moreover, the government has since become very active in promoting earthquake resistance for housing. Daiken has been active across the country in promoting earthquake resistance retrofitting, such as providing a wide range of information on earthquake resistance retrofitting and proposing solutions based on fitting our ‘Kabe Taisho’ Dailite Earthquake Resistant Wall panels, etc.

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
ASSETS			
Current assets:			
Cash and deposits.....	¥ 9,639	¥ 5,733	\$ 117,362
Notes and accounts receivable—trade.....	33,424	28,734	406,964
Short-term investment securities.....	14	—	170
Merchandise and finished goods.....	13,535	11,730	164,799
Work in process.....	3,188	2,798	38,816
Raw materials and supplies.....	4,059	3,515	49,421
Deferred tax assets.....	1,552	1,078	18,896
Other.....	1,739	1,802	21,173
Allowance for doubtful accounts.....	(193)	(160)	(2,349)
Total current assets.....	66,961	55,233	815,305
Noncurrent assets:			
Property, plant and equipment			
Buildings and structures, net.....	10,191	10,728	124,083
Machinery, equipment and vehicles, net.....	9,595	10,680	116,826
Land.....	15,522	15,997	188,993
Lease assets, net.....	306	347	3,725
Construction in progress.....	1,209	380	14,720
Other, net.....	1,600	1,515	19,481
Total property, plant and equipment.....	38,427	39,649	467,880
Intangible assets			
Goodwill.....	1,009	1,095	12,285
Software.....	752	733	9,156
Other.....	200	196	2,435
Total intangible assets.....	1,962	2,026	23,888
Investments and other assets			
Investment securities.....	10,288	9,733	125,264
Long-term loans receivable.....	2	2	24
Prepaid pension cost.....	2,579	2,988	31,401
Deferred tax assets.....	3,348	4,305	40,764
Other.....	2,586	2,770	31,486
Allowance for doubtful accounts.....	(755)	(837)	(9,192)
Total investments and other assets.....	18,051	18,963	219,785
Total noncurrent assets.....	58,440	60,639	711,554
Deferred assets.....	67	96	815
Bond issuance cost.....	67	96	815
Total assets.....	¥ 125,469	¥ 115,969	\$ 1,527,687

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
LIABILITIES			
Current liabilities:			
Notes and accounts payable—trade	¥ 24,881	¥ 17,624	\$ 302,946
Short-term loans payable	9,328	9,027	113,576
Current portion of bonds	5,000	—	60,879
Current portion of long-term loans payable	4,978	6,168	60,611
Lease obligations	35	34	426
Accounts payable—other	20,051	17,129	244,137
Income taxes payable	418	433	5,089
Accrued consumption taxes	185	105	2,252
Provision for bonuses	1,331	1,531	16,206
Provision for product warranties	797	—	9,704
Provision for business structure improvement	75	84	913
Provision for loss on disaster	—	130	—
Deferred tax liabilities	43	23	523
Other	2,937	2,870	35,760
Total current liabilities	70,065	55,162	853,098
Noncurrent liabilities:			
Bonds payable	5,000	10,000	60,879
Long-term loans payable	8,231	8,163	100,219
Lease obligations	292	327	3,555
Deferred tax liabilities	1,534	1,666	18,677
Provision for product warranties	—	260	—
Provision for retirement benefits	2,858	2,904	34,798
Provision for environmental measures	34	161	413
Provision for loss on guarantees	113	—	1,375
Negative goodwill	105	117	1,278
Other	284	366	3,457
Total noncurrent liabilities	18,454	23,967	224,692
Total liabilities	88,519	79,130	1,077,791
NET ASSETS			
Shareholders' equity:			
Capital stock	13,150	13,150	160,112
Capital surplus	11,850	11,850	144,283
Retained earnings	9,691	9,758	117,995
Treasury stock	(1,179)	(1,179)	(14,355)
Total shareholders' equity	33,512	33,580	408,036
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	162	(48)	1,972
Deferred gains or losses on hedges	128	26	1,558
Foreign currency translation adjustment	(233)	(251)	(2,836)
Total accumulated other comprehensive income	56	(273)	681
Minority interests	3,380	3,533	41,154
Total net assets	36,949	36,839	449,884
Total liabilities and net assets	¥ 125,469	¥ 115,969	\$ 1,527,687

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Net sales.....	¥ 151,209	¥ 141,506	\$ 1,841,093
Cost of sales.....	113,189	102,345	1,378,168
Gross profit.....	38,020	39,161	462,924
Selling, general and administrative expenses.....	33,477	34,812	407,609
Operating income.....	4,542	4,349	55,302
Non-operating income.....	1,045	982	12,723
Non-operating expenses.....	987	957	12,017
Ordinary income.....	4,600	4,373	56,008
Extraordinary income.....	261	1,354	3,177
Extraordinary loss.....	2,968	2,263	36,137
Income before income taxes and minority interests.....	1,893	3,464	23,048
Total Income taxes.....	741	1,995	9,022
Minority interests in income.....	277	93	3,372
Net income.....	¥ 874	¥ 1,375	\$ 10,641

Consolidated Statements of Changes in Net Assets

Daiken Corporation and Consolidated Subsidiaries
Year ended March 31, 2012

	Millions of Yen										
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income	Minority interests	Total net assets
Balance at the end of previous period	¥ 13,150	¥ 11,850	¥ 9,758	¥ (1,179)	¥ 33,580	¥ (48)	¥ 26	¥ (251)	¥ (273)	¥ 3,533	¥ 36,839
Changes of items during the period											
Dividends from surplus.....			(941)		(941)						(941)
Net income.....			874		874						874
Purchase of treasury stock.....				(0)	(0)						(0)
Net changes of items other than shareholders' equity.....						211	102	17	330	(152)	178
Total changes of items during the period.....	-	-	(67)	(0)	(67)	211	102	17	330	(152)	110
Balance at the end of current period	¥ 13,150	¥ 11,850	¥ 9,691	¥ (1,179)	¥ 33,512	¥ 162	¥ 128	¥ (233)	¥ 56	¥ 3,380	¥ 36,949

	Thousands of U.S. Dollars										
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income	Minority interests	Total net assets
Balance at the end of previous period	\$ 160,112	\$ 144,283	\$ 118,811	\$ (14,355)	\$ 408,863	\$ (584)	\$ 316	\$ (3,056)	\$ (3,323)	\$ 43,017	\$ 448,544
Changes of items during the period											
Dividends from surplus.....			(11,457)		(11,457)						(11,457)
Net income.....			10,641		10,641						10,641
Purchase of treasury stock.....				(0)	(0)						(0)
Net changes of items other than shareholders' equity.....						2,569	1,241	206	4,018	(1,850)	2,167
Total changes of items during the period.....	-	-	(815)	(0)	(815)	2,569	1,241	206	4,018	(1,850)	1,339
Balance at the end of current period	\$ 160,112	\$ 144,283	\$ 117,995	\$ (14,355)	\$ 408,036	\$ 1,972	\$ 1,558	\$ (2,836)	\$ 681	\$ 41,154	\$ 449,884

Consolidated Statements of Cash Flows

Daiken Corporation and Consolidated Subsidiaries
Years ended March 31, 2012 and 2011

	Millions of Yen		Thousands of
	2012	2011	U.S. Dollars
Net cash provided by (used in) operating activities			
Income before income taxes and minority interests.....	¥ 1,893	¥ 3,464	\$ 23,048
Depreciation and amortization.....	4,217	4,574	51,345
Impairment loss.....	–	755	–
Amortization of bond issuance cost.....	28	16	340
Loss on retirement of noncurrent assets.....	100	229	1,217
Loss (gain) on sales of noncurrent assets.....	(123)	(1,237)	(1,497)
Loss (gain) on sales of investment securities.....	(2)	(2)	(24)
Loss (gain) on valuation of investment securities.....	15	200	182
Loss on valuation of golf club memberships.....	5	1	0
Amortization of goodwill.....	75	75	913
Gain on negative goodwill.....	(104)	(87)	(1,266)
Increase (decrease) in allowance for doubtful accounts.....	(49)	(41)	(596)
Increase (decrease) in provision for bonuses.....	(199)	(23)	(2,422)
Increase (decrease) in provision for product warranties.....	537	122	6,538
Increase (decrease) in provision for business structure improvement.....	(9)	(27)	(109)
Increase (decrease) in provision for loss on office transfer.....	–	(75)	–
Increase (decrease) in provision for loss on disaster.....	(130)	130	(1,582)
Increase (decrease) in provision for retirement benefits.....	362	(46)	4,407
Increase (decrease) in provision for environmental measures.....	(126)	–	(1,534)
Increase (decrease) in provision for loss on guarantees.....	113	–	1,375
Interest and dividends income.....	(193)	(190)	(2,349)
Interest expenses.....	495	607	6,027
Foreign exchange losses (gains).....	(0)	(16)	(0)
Equity in (earnings) losses of affiliates.....	(42)	(45)	(511)
Decrease (increase) in notes and accounts receivable-trade.....	(4,828)	917	(58,784)
Decrease (increase) in inventories.....	(2,709)	(941)	(32,984)
Increase (decrease) in notes and accounts payable-trade.....	9,664	(1,806)	117,667
Decrease (increase) in consumption taxes refund receivable.....	45	(67)	547
Increase (decrease) in accrued consumption taxes.....	79	(307)	961
Other, net.....	828	(179)	10,081
Subtotal.....	9,941	5,997	121,039
Interest and dividends income received.....	193	190	2,349
Interest expenses paid.....	(499)	(624)	(6,075)
Income taxes paid.....	(561)	(1,125)	(6,830)
Net cash provided by (used in) operating activities.....	9,074	4,438	110,483
Net cash provided by (used in) investing activities			
Decrease (increase) in time deposits.....	9	35	109
Purchase of property, plant and equipment.....	(3,460)	(3,549)	(42,128)
Proceeds from sales of property, plant and equipment.....	998	1,450	12,151
Purchase of investment securities.....	(176)	(513)	(2,142)
Proceeds from sales of investment securities.....	14	407	170
Purchase of investments in subsidiaries.....	(368)	407	(4,480)
Purchase of investments in subsidiaries resulting in change in scope of consolidation.....	–	(128)	–
Other, net.....	(236)	(320)	(2,873)
Net cash provided by (used in) investing activities.....	(3,218)	(2,618)	(39,181)
Net cash provided by (used in) financing activities			
Net increase (decrease) in short-term loans payable.....	280	(5,574)	3,409
Proceeds from issuance of bonds.....	–	4,927	–
Proceeds from long-term loans payable.....	5,150	600	62,705
Repayment of long-term loans payable.....	(6,319)	(5,930)	(76,938)
Repayments of finance lease obligations.....	(34)	(33)	(413)
Purchase of treasury stock.....	(0)	(449)	(0)
Cash dividends paid.....	(941)	(634)	(11,457)
Cash dividends paid to minority shareholders.....	(65)	–	(791)
Other, net.....	–	0	–
Net cash provided by (used in) financing activities.....	(1,929)	(7,095)	(23,487)
Effect of exchange rate change on cash and cash equivalents.....	(12)	(24)	(146)
Net increase (decrease) in cash and cash equivalents.....	3,914	(5,299)	47,656
Cash and cash equivalents at beginning of period.....	5,716	10,935	69,596
Increase in cash and cash equivalents from newly consolidated subsidiary.....	–	81	–
Cash and cash equivalents at end of period.....	¥ 9,630	¥ 5,716	\$ 117,253

Summary of significant accounting policies

1. Securities

Held-to-maturity securities are carried and calculated by the amortized cost method (straight-line method).

Marketable securities classified as other securities are carried at fair value, based on market prices on settlement date of accounts, with any changes in unrealized holding gain or loss directly charged to net assets. Cost of securities sold is calculated principally by the moving average method.

Non-marketable securities classified as other securities are carried at cost determined principally by the moving average method.

2. Derivatives

Derivatives are carried at fair value.

3. Inventories

In principle, inventories of the Company and its consolidated subsidiaries are calculated as costs, as determined by the moving average method. (The value in the consolidated balance sheets is calculated by the method of reduction in book value based on decline in profitability.) Furthermore, for the real estate for sale, a separate method is applied, calculated as costs. (The value in the consolidated balance sheets is calculated by the method of reduction in book value based on decline in profitability.) For partly finished work, a separate method is applied, calculated as costs.

4. Method of calculating the depreciation of important assets to be amortized

1) Property, plant and equipment (excluding leased assets)

At Daiken Corporation and its domestic consolidated subsidiaries, the depreciation is primarily computed by the declining-balance method, with the exception of buildings (excluding attached fittings and structures) acquired on or after April 1, 1998, the depreciation of which is computed by the straight-line method. The foreign consolidated subsidiaries use the straight-line method to calculate depreciation.

The principal estimated useful lives are as follows:

Buildings and structures	mainly 3 to 60 years
Machinery, equipment and vehicles	mainly 4 to 15 years

2) Intangible assets (excluding leased assets)

The depreciation of intangible assets is computed by the straight-line method. Expenditures related to computer software for internal use are amortized by the straight-line method over their estimated useful lives in the company, a 5-year period.

3) Leased assets

The depreciation of leased assets is computed by the straight-line method, with the lease period as the useful life period and the remaining value at the end of the lease period is taken as zero. Finance leases, other than those for which the ownership of the leased asset will be transferred to the lessee, commenced on or before March 31, 2008, are accounted for by a method similar to that applicable to ordinary operating leases.

4) Deferred assets

The amortization of bond issuance cost is computed using the straight-line method for the 5-year period until redemption.

5. Provisions and allowances

1) Allowance for doubtful accounts

In order to prepare irrecoverable accounts such as accounts and loans receivable, provisions for doubtful accounts are generally made on the basis of historical default rates. Claims whose possibility of collection is deemed doubtful are provided for in the expected uncollectible amounts, giving due consideration to the specific circumstances.

2) Provision for bonuses

In order to prepare primarily for the payment of bonuses to employees, provisions are based on the expected amounts of payment.

3) Provision for product warranties

In order to prepare primarily for the payment of expenses expected to occur after the delivery of products, provisions for estimated repairing costs during the term of warranty are made.

4) Provision for business structure improvements

In order to prepare for the payment of expenses expected to occur for business structure improvements, provisions are made for estimated improvement expenses at the end of the term under review.

5) Provision for retirement benefits

Provisions for employees' retirement benefits are made in the amount deemed necessary at the term end, based on estimated retirement obligations and plan assets. (Regarding the company pension plan, a prepaid pension expense has been appropriated, as the value of the pension plan assets exceeds the amount of the retirement benefit obligation as adjusted for unrecognized prior service cost and net unrecognized actuarial gain or loss.)

Net unrecognized actuarial gain or loss is amortized commencing the fiscal year following the consolidated fiscal year in which the gain or loss was recognized by the straight-line method over the estimated average remaining years of service of the eligible employees (mainly 10 years).

6) Provision for environmental measures

In order to prepare primarily for the payment of expenses expected to occur for environmental measures, provisions are made for estimated expenses.

7) Provision for loss on guarantee

In order to prepare for the payment of expenses expected to occur related to guarantee obligations, provisions have been made for the estimated amount of expenses to be borne, considering the financial condition of the companies guaranteed.

(Additional information)

Since the probability is increasing of a loss occurring due to guarantee obligations for companies guaranteed, the abovementioned provision is made from the current consolidated fiscal year.

6. Criteria for appropriating important incomes and expenses

Criteria for appropriating the amounts and costs of completed work:

1) Work confirmed as certain to be progressed partly by the end of the current fiscal term: The criterion is the progress of said work. (The rate of progress is estimated using the cost proportion method.)

2) Other work: The criterion is the completion of said work.

7. Criteria of translations into Japanese yen amounts of important assets or liabilities denominated in foreign currencies

The monetary credits and debts denominated in foreign currencies are translated into Japanese yen at the current exchange rate on the consolidated settling date and translation difference is treated as gain or loss. The assets and liabilities of foreign consolidated subsidiaries are translated into Japanese yen at the current exchange rate on the consolidated settling date and gain or loss is also translated into Japanese yen at the current exchange rate on the consolidated settling date. Any translation differences are included in the translation adjustment account and minority interests in the net assets section.

8. Important methods of hedge accounting

1) Method of hedge accounting

The deferred method of hedge accounting is adopted. As for foreign exchange forward contracts and foreign currency option contracts, the allotment process is adopted if the required conditions are satisfied. As for interest rate swap contracts, the exception process is adopted if the required conditions for this process are satisfied.

2) Hedging measures and objectives

Hedging measures are foreign exchange forward contracts and foreign currency option contracts. The objectives are accounts receivable and payable and anticipated transactions denominated in foreign currencies. Interest rate swap contracts are other measures, the objectives of which are loans and debts.

3) Hedging policy

In accordance with our internal "Risk Management Policy," we hedge against foreign exchange rate fluctuation risks.

4) Method of evaluating the efficiency of hedging

Accumulations of cash flow fluctuations of hedging objectives or exchange rate fluctuations are compared with accumulations of cash flow fluctuations of hedging measures or exchange rate fluctuations for every half term. The efficiency of hedging is evaluated on the basis of both these fluctuated values. However, for interest rate swap contracts using the exception process, we omit this evaluation of efficiency.

9. Method and term of calculating the depreciation of goodwill

The depreciation of goodwill is computed in accordance with the straight-line method for a period of 20 years.

10. Scope of funds in consolidated statements of cash flows

Funds consist of money in hand, deposits that can be withdrawn as required, and short-term investments with a redemption period of within three months from the date of acquisition, which are easy to realize and with minimal risk of value fluctuations.

11. Transaction of consumption tax

Consumption taxes and local consumption taxes withheld and/or paid are not included in the accompanying statements of operations.

Notes Related to Consolidated Balance Sheets

1. Accumulated depreciation of property, plant and equipment

¥ 60,855 million

2. Items for non-consolidated subsidiaries and affiliates are as follows:

Investment securities (stocks)	¥	895	million
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3. Assets pledged as collateral

Buildings and structures	¥	991	million
Machinery, equipment and vehicles	¥	1,479	million
Land	¥	3,171	million
Other current assets	¥	1,147	million
Other noncurrent assets	¥	202	million
Total	¥	6,992	million

Loans corresponding to the above			
Short-term loans payable	¥	498	million
Current portion of long-term loans payable	¥	304	million
Long-term loans payable	¥	1,051	million

Besides the above, securities amounting to ¥14 million and investment securities amounting to ¥34 million are held as a deposit relating to our housing land and building agency registration.

4. Guarantee obligations

Guarantees are provided for bank loans assumed by the company mentioned below, as follows:

For Daiken Engineering (Singapore) Pte. Ltd.	¥	50	million
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5. Contingent liabilities

Liability for redemption following liquidation of credit	¥	1,883	million
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During the current consolidated fiscal year, an issue related to surface material exfoliation occurred on one of our Group products (secondary decorative board), and we are taking measures including inspections and repairs. The relative inspection and repair expenses, where the amounts can be estimated rationally, have been appropriated in the budget for the current consolidated fiscal year. There will be a possibility of occurring additional expenses for inspection and repair from the next consolidated fiscal year onward, however, at the present point it is difficult to estimate the necessary amount rationally, so the expense amount has not been appropriated in the budget.

As the cause of the issue was traced to an error by an external supplier, we have filed a suit for compensatory damages against relevant expenses.

6. In order to efficiently raise working capital, the Company concluded overdraft contracts and loan commitment contracts with five of our financial institutions. The unexecuted loan balances related to such overdraft contracts and loan commitment contracts at the term end are as follows:

Maximum overdraft amount and the total amount of loan commitment	¥	13,200	million
Executed loan amounts		-	
Total	¥	13,200	million

7. Notes to mature at the closing date of the consolidated fiscal year

Notes to mature at the closing date of the consolidated fiscal year are settled at the clearing date of the notes as per the accounting procedures.

As for the current consolidated fiscal year, however, the closing date corresponded with a bank holiday, and therefore, the undermentioned notes to mature at the closing date of the consolidated fiscal year are included in the balance at the end of the current consolidated fiscal year.

Notes receivable	¥	77	million
Notes payable	¥	1,033	million

Notes Related to Consolidated Statements of Income

1. Primary selling, general and administrative expenses

Transportation and storage expenses	¥	11,432	million
Transfer to allowance for doubtful accounts	¥	21	million
Salaries and allowances	¥	7,645	million
Transfer to provision for bonuses	¥	879	million
Expenses for retirement benefits	¥	1,353	million

2. Research and development costs

Research and development costs are included in the cost of general and administrative expenses and the cost of production for the year ended March 31, 2012, totaling ¥1,470 million.

3. Contents of gain on sales of noncurrent assets

Machinery, equipment and vehicles	¥	6	million
Land	¥	117	million
Total	¥	123	million

4. Contents of loss on retirement of noncurrent assets

Buildings and structures	¥	18	million
Machinery, equipment and vehicles	¥	46	million
Other	¥	35	million
Total	¥	100	million

5. Loss on valuation of golf club memberships includes ¥3 million of the transfer to allowance for doubtful accounts

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