

**Summary of Financial Results for the Fiscal Year Ended March 31, 2011**
**[Japanese GAAP]**

Company name:	EBARA-UDYLITE CO., LTD.	Listing:	Tokyo Stock Exchange, First Section
Stock code:	4975	URL:	http://www.jcu-i.com/
Representative:	Yoshimasa Kasuya, President and CEO		
Contact:	Masaaki Kamitani, Senior Managing Director, Senior Managing Executive Officer	Tel:	+81-3-3833-0322
Scheduled date of Annual General Meeting of Shareholders:	June 29, 2011		
Scheduled date of filing Annual Securities Report:	June 30, 2011		
Scheduled date of payment of dividend:	June 13, 2011		
Preparation of supplementary materials for financial results:	Yes		
Holding of financial results meeting:	Yes (for institutional investors and analysts)		

*(All amounts are rounded down to the nearest million yen)*

**1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2011 (April 1, 2010 – March 31, 2011)**
**(1) Consolidated results of operations**

(Percentages shown for sales, operating income, ordinary income and net income represent year-over-year changes)

	Sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY3/11	12,232	33.0	1,517	188.1	1,485	171.0	854	191.7
FY3/10	9,197	(14.7)	526	(3.1)	548	70.9	292	-

Note: Comprehensive income (million yen): FY3/11: 727 (up 57.1%) FY3/10: 463 (n.a.)

	Net income per share	Diluted net income per share	Return on equity	Ordinary income on total assets	Operating income to sales
	Yen	Yen	%	%	%
FY3/11	237.25	-	15.1	13.1	12.4
FY3/10	91.65	91.58	6.0	5.1	5.7

Reference: Equity in earnings of affiliates (million yen) FY3/11: - FY3/10: -

**(2) Consolidated financial position**

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2011	11,845	5,870	49.3	1,656.38
As of Mar. 31, 2010	10,856	5,510	50.6	1,507.69

Reference: Shareholders' equity (million yen): Mar. 31, 2011: 5,842 Mar. 31, 2010: 5,489

**(3) Consolidated cash flow position**

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
FY3/11	1,474	(608)	(499)	2,142
FY3/10	128	(986)	148	1,808

**2. Dividends**

	Dividend per share					Total dividends	Dividend payout ratio (consolidated)	Dividend on equity (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY3/10	-	27.00	-	27.00	54.00	181	58.9	3.7
FY3/11	-	27.00	-	30.00	57.00	204	24.0	3.6
FY3/12 (forecasts)	-	30.00	-	30.00	60.00		22.0	

**3. Consolidated Forecast for the Fiscal Year Ending March 31, 2012 (April 1, 2011 – March 31, 2012)**

(Percentages represent year-over-year changes)

	Sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	6,000	3.3	620	(7.8)	600	(9.1)	400	25.3	113.40
Full year	13,500	10.4	1,590	4.8	1,570	5.7	960	12.4	272.16

#### 4. Others

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in change in scope of consolidation): None

Newly added: -

Excluded: -

(2) Changes in accounting principles, procedures and presentation methods

1) Changes caused by revision of accounting standards: Yes

2) Other changes: None

(3) Number of outstanding shares (common stock shares)

1) Number of shares outstanding at end of period (including treasury stock):

Mar. 31, 2011: 3,527,400 shares Mar. 31, 2010: 3,640,900 shares

2) Number of treasury stock shares at end of period:

Mar. 31, 2011: 119 shares Mar. 31, 2010: 37 shares

3) Average number of shares outstanding during the period:

Fiscal year ended Mar. 31, 2011: 3,601,347 shares Fiscal year ended Mar. 31, 2010: 3,196,568 shares

#### (Reference) Summary of Non-consolidated Financial Results

##### 1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2011 (April 1, 2010 – March 31, 2011)

(1) Non-consolidated results of operations

(Percentages represent year-over-year changes)

	Sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY3/11	10,146	31.9	866	510.2	1,117	222.3	635	615.8
FY3/10	7,691	(11.8)	142	(4.9)	346	340.7	88	-

	Net income per share	Diluted net income per share
	Yen	Yen
FY3/11	176.38	-
FY3/10	27.76	27.74

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2011	11,131	5,635	50.6	1,597.61
As of Mar. 31, 2010	10,214	5,373	52.6	1,475.99

Reference: Shareholders' equity (million yen): Mar. 31, 2011: 5,635 Mar. 31, 2010: 5,373

\* Indication of audit procedure implementation status

This summary report is not subject to the audit procedures based on the Financial Instruments and Exchange Law. At the time when this report was released, the audit procedures for financial statements have not been completed.

\* Cautionary statement with respect to forward-looking statements and other special items

Forecasts of future performance in this report are based on assumptions judged to be valid and information currently available to the Company. Actual results may differ substantially from these forecasts for a number of reasons.

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## **1. Business Results**

### **(1) Analysis of Business Results**

The Japanese economy was on a recovery path during the first half of the fiscal year due to an increase in capital investment on rising exports and production, and internal demand supported by government stimulus measures; however, the pace of economic recovery slowed during the second half due to the end of the government's eco-friendly subsidy program and a decline in exports due to the yen's appreciation. Also, the Japanese economic recovery saw a large impact from the Great East Japan Earthquake which struck on March 11, 2011. Looking at the global economy, the economies of Asia, and particularly China, remained robust, and even the US economy shifted toward recovery. In Europe, the economies of some countries were impacted by financial crises, but the economies of the major countries continued to recover.

Regarding the automotive industry, which is one of the major customer segments for the Group, domestic sales, which once recovered due to the effects of the eco-friendly car subsidy program, has turned and begun to fall due to its termination. However, the number of domestic cars produced showed a year-over-year increase as exports were relatively strong. The overseas production by Japanese manufacturers remains solid, and as a result they became even more dependent on the overseas market. In the electronics industry, the production of printed-wiring boards ("PWBs") and electronic components was strong in part because of expanding global demand for smartphones, tablet PCs, and other new mobile information terminals.

Against this backdrop, the Group's sales in the current fiscal year amounted to 12,232 million yen (up 33.0% year over year) as a result of an increase in sales of existing plating chemicals in Japan and abroad, and strong sales of etching chemicals in the business acquired from EBARA DENSAN LTD. Consequently, operating, ordinary and net income all posted a significant year-over-year improvement to 1,517 million yen (up 188.1%), 1,485 million yen (up 171.0%) and 854 million yen (up 191.7%), respectively.

Reportable segment performance was as follows.

#### **Chemicals business**

The chemicals business segment generated sales of 5,380 million yen (up 30.0% year over year), thanks to strong demand for the surface treatment chemicals (for the wet process) from the automotive and electronics industries. Consequently, segment profit amounted to 1,407 million yen (up 43.1% year over year)

#### **Overseas business**

The overseas business segment experienced strong performance for the surface treatment chemicals (for the wet process) from customers in China, Taiwan and South Korea with resulting in total segment sales of 4,830 million yen (up 38.7%). Consequently, segment profit amounted to 1,148 million yen (up 153.3%).

#### **Machine business**

The machine business segment, which was favored by the recovery in capital investment, reported segment sales of 1,603 million yen (up 21.2%) and segment profit of 125 million yen (as compared to segment loss of 14 million yen in the previous fiscal year).

#### **New businesses**

The new businesses segment reported sales of 504 million yen (up 85.4%) as a result of sales of plasma surface treatment machines used for the pretreatment plating of PWBs, and of sputtering equipment used for coloring; however, the segment was unable to achieve the profitability targeted in its business plan and reported losses of 416 million yen (compared to a segment loss of 247 million yen in the previous fiscal year).

The prospect for the new fiscal year is described as follows.

We expect economic growth to remain strong in China and other emerging economies, but expect chemical sales in Japan to decline due to lower capacity utilization at client factories in the wake of the Great East Japan Earthquake. Although our earnings forecasts take this into account, we see the possibility of discrepancies emerging. We will quickly provide disclosure of any large potential impact to our earnings forecasts.

## **(2) Analysis of Financial Position**

### **a. Assets, liabilities and net assets**

#### **Assets**

Total assets at the end of the current fiscal year increased 9.1% year over year to 11,845 million yen.

Current assets increased 15.1% to 7,063 million yen mainly due to increases in cash and deposits and notes and accounts receivable-trade.

Fixed assets increased 1.3% to 4,782 million yen. This was the net result of declines due to the booking of depreciation expenses and impairment losses, and increases from capital investments and equity investments in the formation of a joint venture.

#### **Liabilities**

Total liabilities at the end of the current fiscal year were 5,975 million yen (up 11.8% year over year).

Current liabilities increased 9.1% to 3,861 million yen mainly due to an increase in accrued income taxes.

Long-term liabilities increased 17.0 % to 2,113 million yen mainly due to an increase in asset retirement obligations.

#### **Net assets**

Net assets at the end of current fiscal year increased 6.5% to 5,870 million yen, due to an increase in retained earnings reflecting net income for the fiscal year under review. In addition, 113,500 treasury stock shares were retired.

### **b. Cash flows**

Cash and cash equivalents at the end of the current fiscal year increased 333 million yen over the end of the previous fiscal year to 2,142 million yen (up18.5%).

The details of cash flows from each activity and reasons for the increase or decrease are described as follows.

#### **Cash flows from operating activities**

Net cash provided by operating activities amounted to 1,474 million yen (up 1,346 million yen year over year). Although income tax paid increased, income before income tax and minority interests rose sharply.

#### **Cash flows from investing activities**

Net cash used in investing activities amounted to 608 million yen (down 38.3% year over year). Although payments for acquisition of property, plant and equipment and investment securities increased, cash outflows for payment for transfer of business were larger in the previous fiscal year.

#### **Cash flows from financing activities**

Net cash used in financing activities amounted to 499 million yen (compared with 148 million yen provided in the previous fiscal year). A positive factor was proceeds from long-term loans payable, but negative factors included declines in short-term loans payable, outlays for the repayment of long-term loans payable, payment for acquisition of treasury stock, and an increase in cash dividends paid.

## (Reference) Cash flow indicators

	FY3/07	FY3/08	FY3/09	FY3/10	FY3/11
Shareholders' equity ratio (%)	54.9	48.7	40.2	50.6	49.3
Shareholders' equity ratio based on market value (%)	107.0	59.3	45.6	53.1	70.1
Interest-bearing debt to cash flow ratio (%)	134.8	568.0	195.9	1,804.0	146.9
Interest coverage ratio (times)	42.1	9.5	28.9	2.5	32.9

Shareholders' equity ratio: Shareholders' equity / Total assets

Shareholders' equity ratio based on market value: Market capitalization / Total assets

Interest-bearing debt to cash flow ratio: Interest-bearing debt / Cash flows

Interest coverage ratio: Cash flows / Interest payments

Notes: 1. All indicators are calculated based on consolidated figures.

2. Market capitalization are calculated based on the number of shares outstanding (excluding treasury stock shares)

3. Cash flows are calculated using the figures for operating cash flows in the consolidated statements of cash flows.

4. Interest-bearing debt includes all debt on the consolidated balance sheets that incur interest.

**(3) Basic Policy for Profit Distribution and Dividends for the Current and Next Fiscal Years****a. Basic policy for profit distribution**

Our basic policy for profit distribution is to maintain stable dividend payments considering an dividend payout ratio corresponding to operating results while at the same time maintaining an appropriate level of shareholders' equity ratio so that we can develop future business opportunities and strengthen our business fundamentals. We also have a policy of making an effective use of retained earnings in order to pursue future business activities and build a solid management foundation.

**b. Dividends for the current and next fiscal years**

As for the year-end dividends for the fiscal year under review, the Company intends to pay 30 yen per share, which will result in the annual total dividends of 57 yen per share (an increase of 3 yen as compared to the previous fiscal year).

The amount of cash dividends to be paid for the fiscal year ending March 31, 2012 is 60 yen per share per annum, consisting of interim dividends of 30 yen per share and year-end dividends of 30 yen per share.

**(4) Business and Other Risks**

Listed below are the risk factors that may affect operating results and financial position as well as the stock price and other performance indices of the Group. Forward-looking statements are based on the judgment of the Group as of the date of the release of these materials.

**1) Business trends in the industries that demand our products (i.e., automotive and electronics industries)**

A substantial part of the Group's sales revenue is generated from the business involving surface treatment chemicals and related materials and machines that are primarily used by customers in the automotive and electronics industries, or more specifically, by customers in the printed-wiring board ("PWB") industry. The market environment of these industries gives significant impact on our financial performance.

In the automotive industry, our chemicals and related materials are used mainly in the plating process applied to components used for luxury class cars such as radiator grill (a plastic-made decorative component) at the car front and (plastic-made) door handles. This means that we suffer from a shrinking market caused by the recently observed consumer trend towards lower-priced models, let alone the trend in overall production volume. Our machine business will also be affected significantly by the trends in capital investment made in the automotive industry.

In the PWB industry, our chemicals and related materials are used mainly in the copper plating process through which the circuits are constructed, and most of the customers who purchase the PWBs belong to the electronics industry. Among others, the trends in production volume of cellular phones, game consoles, personal computers and digital home appliances will give significant impact on our business performance. As is the case with the automotive industry, our

machine business for the PWB industry will also be affected significantly by the trends in capital investment made in the industry.

## **2) Fluctuation in price of raw materials**

As the raw materials used for the key products for our chemicals business and overseas business include a variety of chemicals and precious metals, the Group's operating results are affected by fluctuation in price of the raw materials.

## **3) Fluctuation in foreign exchange rates**

The Group has been broadly engaged in domestic and overseas business operations. When transactions require settlement in a foreign currency, we make every effort to minimize the short-term impact on the business performance with forward exchange contracts or other arrangements appropriately made as needed. However, unexpectedly large fluctuations in foreign exchange rates could give a certain impact on the results of operations and financial position of the Group.

Further, since the local currency denominated financial statements that are prepared by our overseas consolidated subsidiaries are translated into Japanese yen in the process of preparing the Group's consolidated financial statements, it will be affected by the fluctuation of foreign currency rates at the time of the translation.

## **4) Possibilities of change in company name and resulting one-time amortization of brand name licenses**

Regarding the use of "Ebara" included in our company name, we have a brand name license agreement made for a consideration with Ebara Corporation, which is effective for 10 years from 2003 to 2013. However, there is a chance that we may decide to change our company name before the agreement is expired and in that case the relevant asset account, which is currently reported as a long-term prepaid expense (with a 22 million yen balance as of the end of the fiscal year under review), should be subject to one-time amortization. Similarly, we also have a brand name license agreement with Enthone Inc. to use their brand name "Udylite" effective for 20 years from 2003 to 2023. The relevant asset account of 48 million yen that remained unamortized as of the end of the fiscal year under review is again subject to one-time amortization in the case that we change the brand name before the agreement is expired. It should therefore be noted that these risk factors may affect operating results of the Group.

The change of the company name will be implemented with full evaluation and careful preparation.

## **5) Business operations in China**

For the Group to achieve sustainable growth, we prioritize business expansion in China driven by our China subsidiary over the other objectives, and thus we are committed to further strengthening our distribution channels and enhance the local production capacity in China. While China's economic growth rate has been extremely impressive so far, the country is facing a variety of problems caused by the strain of growth, including the coastal-inland income gap, shortage of energy and protection of intellectual property rights. There is also a concern over a disruption in Chinese economy caused by a possible bust of a property bubble. Should the Chinese government fail to deal effectively with these problems, the influence may extend to the Group's business operations and performance in China.

## **6) Leaking and divulging of technical know-how**

Our proprietary technical information includes historical data on developing surface treatment chemicals, ingredients and composition of chemicals, historical data on developing machines, information on purchased products and materials, and technical data exchanged between our customers and the Group. We strictly prohibit our employees from taking out and/or duplicating any of the abovementioned technical information to prevent it from being divulged to third parties. However, should these pieces of information be divulged to third parties, it is considered to be possible for those who acquired the information to provide similar products and customer services, giving a certain degree of impact on our performance. It is also possible that retired employees may disregard the nondisclosure agreement and divulge part of the technical and other information, consequently affecting our performance.

## **7) Recruiting and developing of human resources**

As the industries for which we are serving (including the electronics industry as the most typical example) are characterized by sudden and drastic changes in the required technical level and customer needs, it is imperative for the Group to develop new technologies that match these requirements and to market these technologies as well as to improve existing products. Despite the Company's efforts to enhance awareness of the company brand, conduct recruitment activities, and improve education and training system, failure to ensure sufficient pools of competent engineers as well as R&D staff may adversely affect our performance.

Although we also need to make even more efforts to ensure highly capable group of employees who are engaged in ever-increasing sales and administrative tasks including overseas business development and investor relations, failure to ensure and develop a sufficient number of qualified staff may adversely affect the future business development.

## **8) Legal regulations**

As we use certain chemicals as raw materials for surface treatment chemicals that are controlled under "Poisonous and Deleterious Substances Control Law" and "Narcotics and Psychotropics Control Law," sales, manufacture, export, etc. of those chemicals are subject to regulations prescribed in these laws. The Company has established an internal control system to comply with the legal environment while meeting all the regulatory requirements such as registration for selling, exporting and importing the chemicals that are controlled in accordance with the abovementioned laws and regulations. However, more stringent regulatory environment caused by amendment of the laws in the future may result in prohibition or restriction of use of certain chemical ingredients for our surface treatment chemicals, leading to impacting our performance until the alternative products can be developed.

## **9) Waste control**

The Group emits waste liquid and gas in the process of manufacturing and experiments, respectively. These waste materials require appropriate treatment to make them environmentally safe. The Group implements effective treatment of the liquid waste by using on-site effluent treatment facilities or outsourcing the process, depending on its contents. We also implement effective control of the waste gas, which goes through local ventilation installed in the manufacturing site and laboratory and is eventually processed with treatment equipment. As a result of the above endeavor, we have never experienced any administrative directions so far. However, any future problems caused by our waste control system may give a significant impact on our performance.

## **10) Price fluctuations of marketable securities held by the Company**

Historically, we have held marketable equity securities of some of our customers and other business partners in order to build and maintain solid relationships with them. In the event that the market price of one of these equity securities should decline significantly below its carrying cost due to a certain factor such as a major stock market drop or poor earnings prospect of the investee company and that deemed unrecoverable to the carrying cost, an impairment loss must be reported on this particular stock issue. As a result, it may adversely affect the Group's operating results and financial position.

## **11) Rivalry among competitors and obsolescence of technology**

The customers in the industries the Group is catering for may change the method of surface treatment in response to the technological innovation and the change in their needs. As the Company as well as its competitors are constantly developing and producing new products to follow these trends, it may become a risk affecting our performance if the existing technology become obsolete and we are not capable enough to stay in the competition for developing new technologies.

**12) Risk of impairment accounting**

The Group applies accounting standards for the impairment of fixed assets. The Group would have to book impairment losses were certain conditions to be met, such as a large and continued decline in earnings over a fixed period and a forecast decline in future cash flow, and this could impact the Group's business performance.

**13) Risk of natural disasters and accidents**

The Group's surface treatment chemicals are primarily manufactured at a plant in Joetsu City, Niigata Prefecture. In this area, a major earthquake or other natural disaster, or an accident, could damage production equipment, products and/or materials, and disrupt the procurement of raw materials, production activity, and product shipments. Also, the occurrence of a natural disaster or accident in any other region of Japan or the world could disrupt the procurement of raw materials, depress production activity, and slow deliveries to client companies. Furthermore, declines in the capacity utilization and investment appetite of client companies could impact the Group's business performance.

## 2. Overview of Corporate Group

The Group consists of the Company, nine subsidiaries and three affiliates, and is positioned in the market as a comprehensive manufacturer providing surface treatment solutions with surface treatment chemicals, surface treatment machines, and related materials supplied to customers in automotive, housing, electronics and other industries.

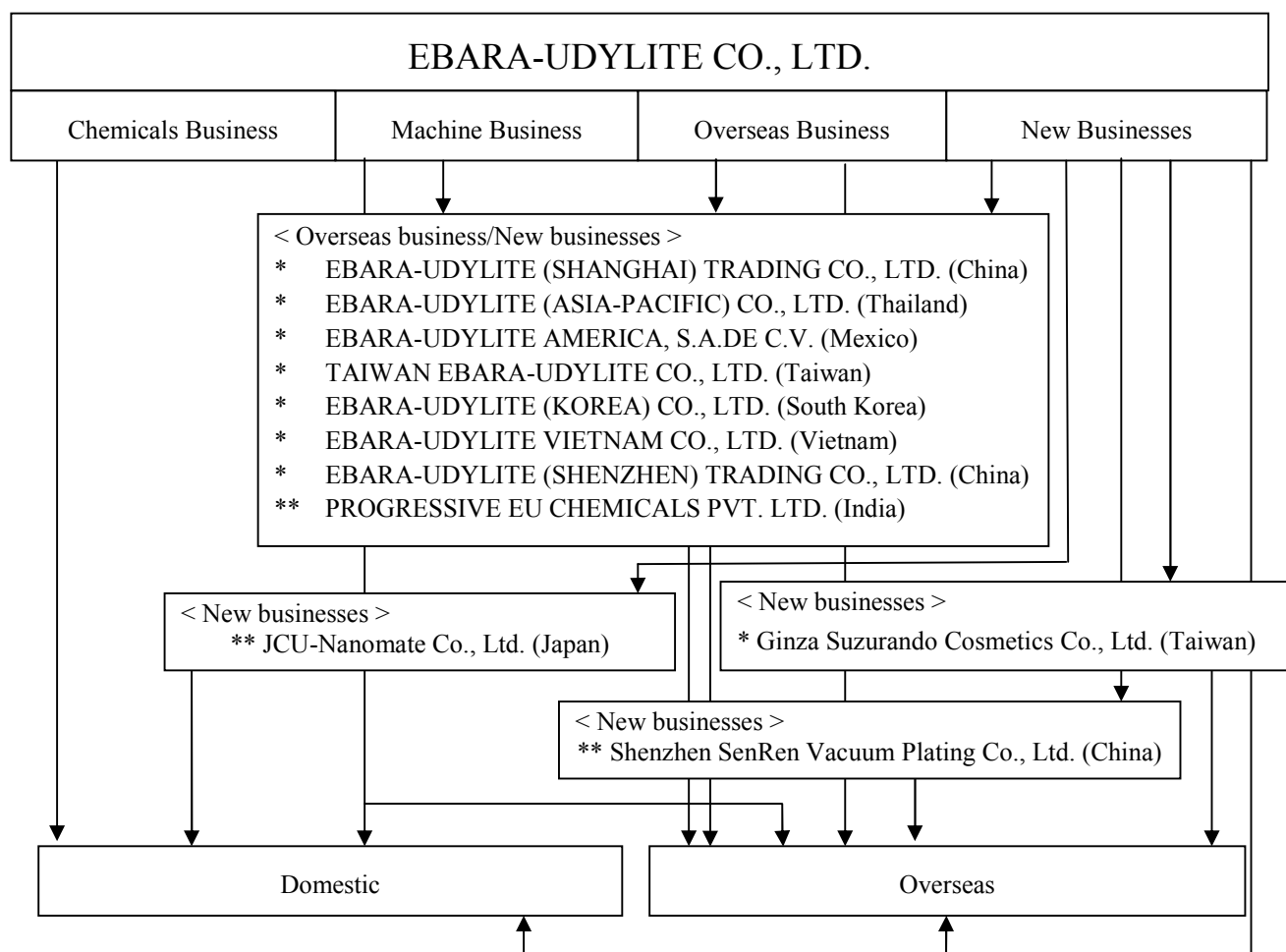
The overview of the business and the positioning of the Company, the subsidiaries and the affiliates in the business are described as follows.

Segment	Main products/merchandise and services	Major company
Chemicals business	Plating chemicals for PWBs Plating chemicals for electronic components Plating chemicals for semiconductors Plating chemicals for automotive components Plating chemicals for housing materials, etc. Chemicals for industrial use, plating chemicals for precious metals Non-ferrous metals, boilers Plating solution controller, etc.	The Company
Machine business	Plating machine for PWBs Plating machine for automotive components Backwash tubular pre-coated filter, etc.	
Overseas business	The overseas sale, etc. of products and related materials of the chemicals business and machine business.	* EBARA-UDYLITE (SHANGHAI) TRADING CO., LTD. * EBARA-UDYLITE (ASIA-PACIFIC) CO., LTD. * EBARA-UDYLITE AMERICA, S.A.DE C.V. * TAIWAN EBARA-UDYLITE CO., LTD.
New businesses	Plasma surface treatment machine Coloring machines and contracted color processing Environment-related equipment (solar power generation equipment, sewage treatment equipment, etc.)	* EBARA-UDYLITE (KOREA) CO., LTD. * EBARA-UDYLITE VIETNAM CO., LTD. * EBARA-UDYLITE (SHENZHEN) TRADING CO., LTD. ** PROGRESSIVE EU CHEMICALS PVT. LTD.
	New functional coating materials Plating chemicals for precious metals Cosmetics, etc.	* Ginza Suzurando Cosmetics Co., Ltd. ** JCU-Nanomate Co., Ltd. ** Shenzhen SenRen Vacuum Plating Co., Ltd.

Note: \* Consolidated subsidiary

\*\* Equity-method affiliate

A summary of the structure and activities of the Group is shown below.



Note: \* Consolidated subsidiary      \*\* Equity-method affiliate

### **3. Management Policy**

#### **(1) Basic policy for corporate management**

Since its establishment, the Group has been providing its customers with surface treatment chemicals and related materials and surface treatment machines with the underlying belief that aspirations for further development of new technology and market in tandem are the drivers for growth of the company.

For the Company to be broadly accepted by the society, make a contribution to development of the society, and to grow and evolve with the society through the business activities in the surface treatment industry, we are committed to managing the Company with “strengthening corporate governance,” “ensuring strict compliance system,” “disclosing the business status,” “managing the risks,” and “reducing the environmental load” set as the business objectives.

Our vision and business development policy are presented as follows:

#### **a. Our vision**

Since its establishment in 1968, Ebara-Udylite Co., Ltd. has been aiming at becoming a leading manufacturer of the surface treatment chemicals and machines. Our research and development efforts have been made constantly in view of meeting the needs of the times, which has brought the company unique reputation in the field. We started our operations based on the technical alliance and joint venture agreements between Ebara Corporation and Enthone, Inc. of the United States, which were subsequently terminated as a result of a management buyout arrangement in September 2003. Since then, we have been independent from both the parent companies with a free hand to enter into the overseas market and in fact aggressively developed the overseas customer base. On top of our plating technology embraced for long time, we have successfully entered into the fields of dry plating, coating, heat treatment and etching process technologies to grow as a “comprehensive surface treatment manufacturer” so as to respond to increasingly diversifying and sophisticated needs of our customers.

We are also keen on fulfilling our corporate social responsibility. To this end, we strive to develop environment-friendly and resource-saving products of our own that can be trusted by our customers worldwide. At the same time we will put more emphasis on communicating with our stakeholders including our shareholders, customers, employees, suppliers and local communities through proactive disclosure of information.

As for the management philosophy, we do business to increase the enterprise value through sound management and distribute the value back to our stakeholders and at the same time make contributions to the development of humankind and the advancement of the society. We believe in the value of always having “enthusiasm” for work and “integrity” to people. With the spirit of “enthusiasm and integrity” in mind at all time, we are committed to contribute to the creation of the “product on the leading edge” through amiable and open relationship with stakeholders based on the broad range of know-how accumulated for long time as well as on the seasoned experience and trust; and also through the state-of-the-art plating chemicals and machines supported by talented people and sophisticated technology. These are the factors that we believe create our enterprise value.

#### **b. Business development policy**

##### **(a) New product development**

- i) In the PWB-related sector, as typically observed in the advent of smartphones and tablet PCs, the higher and the more functional performance of digital devices is achieved, the higher density mount and the finer circuit widths PWBs used for them require to accommodate. So are products for PWBs as they need to develop technology in order to keep up with these new requirements. We are striving to strengthen our development capability by reinforcing our research and development organization that can effectively analyze the market research data to provide products to meet the customers’ next generation needs on a timely basis and by gathering information through exchange between industry and academic. We will also explore a comprehensive solution approach through integration of the existing technology with the dry processing technology based on which the new business

has been launched and the etching treatment technology obtained through business acquisition.

- ii) We have developed business with manufacturing customers in the automotive component and water faucet clasp industries through establishing and maintaining close relationship with their development organizations so that we can proactively respond to a variety of their environmental, functional, design-related and all the other needs to help them achieve the product development objectives. Also through the joint venture established with Nanmat Technology Co., Ltd. of Taiwan, we will also get actively involved in the market development of coating chemicals with new functions that are expected to be applied to photovoltaic panels, bolts and nuts for automobiles and others.
- iii) While we continue pursuing our internal development of technologies, we will also aggressively explore the opportunities to exchange technologies with academics and to get involved in joint development programs with our customers in order to establish the globally competitive research and development structure.

#### **(b) Reinforcement of sales and customer service functions**

The Group has put sales and customer service functions in place to meet customer needs with the Headquarters Sales Division, Overseas Business Headquarters, three branches and two sales district offices in the domestic market. We have further developed global operations by establishing subsidiaries in China, Taiwan, South Korea, Thailand and Vietnam and joint ventures in Mexico and India.

We will continue cultivating the untapped overseas markets through establishing sales and customer service functions that meet overseas customer needs with increased number of overseas offices and subsidiaries.

#### **(c) Reinforcement of production function**

In Japan, we closed our Fujisawa Plant in March 2011 and consolidated its production activity to our Niigata Plant. We are working, leveraging the merits of integration, to improve the efficiency of production and logistics, and striving to lower the fixed cost ratio.

In overseas market, we have made local production arrangements in China, Taiwan, South Korea, and Thailand to reduce production costs. We will continue strengthening the production capability of the other subsidiaries and joint ventures to correspond to the sales growth.

#### **(d) Improvement of financial strength**

We will further improve our financial strength through ensuring efficient use of managerial resources, growth of sales, reduction and/or containment of production costs and selling and administrative expenses and solid control of cash flows.

### **(2) Target performance indicators**

Since we went public, we have made every effort to eventually increase the shareholder value by identifying two key performance indicators, or operating income to sales and ordinary income on total assets, and setting the minimum target of 10% for both indicators to enhance the enterprise value.

The status of achievement of these performance indicators in the past five fiscal years are shown below.

	FY3/07	FY3/08	FY3/09	FY3/10	FY3/11
Operating income to sales (%)	10.6	6.7	5.0	5.7	12.4
Ordinary income on total assets (%)	10.9	6.2	3.0	5.1	13.1

**(3) Medium to long-term corporate strategy**

We have formulated the medium to long-term corporate strategy consisting of the following four components to win customer satisfaction and increase revenue, leading to increased shareholder value.

- (a) Management strategy: Enhance capabilities of technology development and market development
- (b) Sales strategy: Strengthen global network
- (c) R&D strategy: Ensure a quick response to the next generation technology and maintain brand leader status in the market
- (d) Market strategy: Expand business in emerging economies in Asia.

**(4) Issues to be addressed by the Company****(a) Sales and marketing**

New customers and markets should be developed through “strengthening global network” under the slogan of “Sell proactively.” The number of sales offices and sales staff should be increased to “improve sales and marketing capabilities.” We intend to expand our sales network, particularly in Asia and other newly emerging economies, to boost our overseas market share.

**(b) Research and development**

Because of the extremely aggressive pace of technology innovation in the PWB industry, which is one of the mainstay markets for our surface treatment chemicals, we should constantly monitor trends of the next generation technology to develop and deliver products that meet market demands. For other mainstay customers in the automotive component and water faucet clasp industries, we should establish collaborative relationship with a leading manufacture in each industry to develop new products by capturing their needs at an earlier stage. Overseas, we will prepare a structure so our subsidiaries and joint ventures can also conduct research and development to quickly respond to local needs.

**(c) Sales and technical service structure in China**

We have recently received an increasing number of inquiries on our chemicals and related materials from customers in China, where the demands for plastic plating for automotive and other components, as well as PWBs are expanding. Such a situation would require the Company to better respond to the request from local customers for more technical assistance including technical and after-sales services for new customers.

As it is likely that the number of customers will increase and the service area will expand at a rapid pace in China, strengthening sales structure and education system for local employees is imperative for us to help ensure localization of the operations.

**(d) Expansion of operations in overseas countries other than China**

While other emerging economies are expected to follow the path of phenomenal growth of China’s automotive industry, Southeast Asian countries, especially Thailand and Vietnam, are developing prominently as component supply bases in the meantime. It is, therefore, important for us to increase our sales effort in these areas. While our product supply to other areas depends mostly upon exports from Japan, we are planning to start local manufacturing operations to reduce distribution and production costs as well as to hedge foreign exchange risks.

**(e) Challenges of new businesses**

The Group is striving to diversify its business fields. In the past few years it has entered the fields of coloring sputtering equipment sales and contracted processing; PWB cleaning equipment utilizing plasma technology; solar power generation equipment, sewage treatment equipment, and other environment-related equipment; new functional coating materials; precious metal plating chemicals; and cosmetics. However, this segment reported losses up through the current fiscal year. Achieving a profit in these new businesses as quickly as possible is an important challenge for the

Group. The Group will therefore preferentially allocate management resources to this segment to strengthen its marketing and technology.

## 4. Consolidated Financial Statements

## (1) Consolidated Balance Sheets

	(Thousands of yen)	
	FY3/10 (As of Mar. 31, 2010)	FY3/11 (As of Mar. 31, 2011)
Assets		
Current assets		
Cash and deposits	2,071,624	2,498,558
Notes and accounts receivable-trade	2,843,309	3,178,243
Merchandise and finished goods	483,492	543,092
Work in process	93,299	90,506
Raw materials and supplies	207,024	296,399
Deferred tax assets-current	175,987	232,268
Other current assets	*3 290,835	*3 245,291
Allowance for doubtful accounts	(27,956)	(20,769)
Total current assets	6,137,616	7,063,591
Fixed assets		
Property, plant and equipment		
Buildings and structures	*1 2,291,888	*1 2,511,057
Accumulated depreciation	(661,759)	(769,589)
Buildings and structures, net	*1 1,630,129	*1 1,741,467
Machinery, equipment and vehicles	*1 1,281,302	*1 1,413,018
Accumulated depreciation	(987,159)	(1,069,223)
Accumulated impairment loss	-	(82,325)
Machinery, equipment and vehicles, net	*1 294,143	*1 261,469
Tools, furniture and fixtures	*1 1,018,442	*1 1,099,741
Accumulated depreciation	(821,723)	(864,624)
Accumulated impairment loss	-	(2,993)
Tools, furniture and fixtures, net	*1 196,718	*1 232,124
Land	522,824	522,824
Lease assets	188,923	188,923
Accumulated depreciation	(21,917)	(36,722)
Lease assets, net	167,006	152,201
Construction in progress	2,488	17,154
Total property, plant and equipment	2,813,310	2,927,241
Intangible fixed assets		
Goodwill	372,922	296,225
Other intangible fixed assets	43,503	55,436
Total intangible fixed assets	416,425	351,661
Investments and other assets		
Investment securities	*2 881,222	*2 816,805
Deferred tax assets-non-current	282,779	239,686
Other investments	340,065	*2 485,563
Allowance for doubtful accounts	(14,969)	(38,559)
Total investments and other assets	1,489,097	1,503,496
Total fixed assets	4,718,834	4,782,399
Total assets	10,856,450	11,845,990

	(Thousands of yen)	
	FY3/10 (As of Mar. 31, 2010)	FY3/11 (As of Mar. 31, 2011)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	1,742,731	1,887,095
Short-term loans payable	551,205	99,409
Current portion of long-term loans payable	548,004	747,972
Lease obligations-current	12,572	13,480
Accrued income taxes	138,031	355,773
Reserve for bonuses	179,410	253,931
Advances received	14,490	14,633
Deferred tax liabilities	-	1,094
Other current liabilities	*4 352,512	488,254
<b>Total current liabilities</b>	<b>3,538,957</b>	<b>3,861,644</b>
<b>Long-term liabilities</b>		
Long-term loans payable	1,017,658	1,136,374
Lease obligations-non-current	179,612	165,322
Reserve for retirement benefits	502,208	557,434
Asset retirement obligations	-	161,568
Other long-term liabilities	107,639	92,826
<b>Total long-term liabilities</b>	<b>1,807,118</b>	<b>2,113,526</b>
<b>Total liabilities</b>	<b>5,346,076</b>	<b>5,975,171</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	1,176,255	1,176,255
Capital surplus	1,128,904	1,128,904
Retained earnings	3,517,191	3,997,241
Treasury stock	(81)	(191)
<b>Total shareholders' equity</b>	<b>5,822,269</b>	<b>6,302,208</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	(82,001)	(81,381)
Deferred gains or losses on hedges	-	-
Foreign currency translation adjustments	(250,971)	(378,311)
<b>Total accumulated other comprehensive income</b>	<b>(332,973)</b>	<b>(459,692)</b>
Minority interests	21,077	28,303
<b>Total net assets</b>	<b>5,510,374</b>	<b>5,870,819</b>
<b>Total liabilities and net assets</b>	<b>10,856,450</b>	<b>11,845,990</b>

**(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income****Consolidated Statements of Income**

(Thousands of yen)

	FY3/10 (Apr. 1, 2009 – Mar. 31, 2010)	FY3/11 (Apr. 1, 2010 – Mar. 31, 2011)
Sales	9,197,729	12,232,869
Cost of sales	5,016,726	6,112,268
Gross profit on sales	4,181,003	6,120,600
Selling, general and administrative expenses		
Salaries and wages	1,162,033	1,369,618
Bonuses	309,512	463,607
Retirement benefit expenses	100,148	84,373
Depreciation expense	265,773	266,617
Provision of allowance for doubtful accounts	21,138	19,666
Other expenses	1,795,749	2,399,280
Total selling, general and administrative expenses	*1 3,654,356	*1 4,603,165
Operating income	526,647	1,517,435
Non-operating income		
Interest income	12,748	10,667
Dividend income	18,921	17,506
Foreign exchange gain	32,322	-
Subsidy income	16,495	-
Insurance income	16,207	20,036
Other non-operating income	11,209	12,653
Total non-operating income	107,905	60,862
Non-operating expenses		
Interest expenses	50,931	44,537
Foreign exchange loss	-	40,717
Equity in losses of affiliates	79	1,616
Compensation expenses	20,236	-
Stock issue expenses	11,062	-
Other non-operating expenses	4,217	6,127
Total non-operating expenses	86,527	92,999
Ordinary income	548,025	1,485,298

	(Thousands of yen)	
	FY3/10	FY3/11
	(Apr. 1, 2009 – Mar. 31, 2010)	(Apr. 1, 2010 – Mar. 31, 2011)
Extraordinary gains		
Gain on sales of fixed assets	*2 309	*2 1,534
Gain on sales of investment securities	-	71,388
Reversal of provision incurred from business combination	-	*6 8,580
Total extraordinary gains	309	81,503
Extraordinary losses		
Loss on removal of fixed assets	*4 7,975	*4 18,962
Loss on sales of fixed assets	*3 2,164	*3 2,744
Loss on valuation of investment securities	-	59,447
Loss on sales of investment securities	28,748	-
Impairment losses	*5 57,973	*5 108,372
Loss on application of ARO accounting standard	-	43,307
Office transfer expenses	8,173	-
Total extraordinary losses	105,034	232,835
Income before income taxes and minority interests	443,300	1,333,966
Income taxes-current	187,809	490,396
Income taxes-deferred	(38,991)	(12,724)
Total income taxes	148,818	477,672
Income before minority interests	-	856,294
Minority interests in income	1,523	1,873
Net income	292,958	854,420

**Consolidated Statements of Comprehensive Income**

(Thousands of yen)

	FY3/10 (Apr. 1, 2009 – Mar. 31, 2010)	FY3/11 (Apr. 1, 2010 – Mar. 31, 2011)
Income before minority interests	-	856,294
Other comprehensive income		
Valuation difference on available-for-sale securities	-	620
Foreign currency translation adjustments	-	(121,924)
Share of other comprehensive income of associates accounted for using equity method	-	(7,124)
Total other comprehensive income	-	*2 (128,428)
Comprehensive income	-	*1 727,865
Attributable to:		
Comprehensive income attributable to owners of the parent	-	727,701
Comprehensive income attributable to minority interests	-	164

**(3) Consolidated Statements of Changes in Shareholders' Equity**

	(Thousands of yen)	
	FY3/10	FY3/11
	(Apr. 1, 2009 – Mar. 31, 2010)	(Apr. 1, 2010 – Mar. 31, 2011)
Shareholders' equity		
Capital stock		
Balance at the end of previous period	922,562	1,176,255
Changes of items during the period		
Issuance of new shares	253,692	-
Total changes of items during the period	253,692	-
Balance at the end of current period	1,176,255	1,176,255
Capital surplus		
Balance at the end of previous period	875,211	1,128,904
Changes of items during the period		
Issuance of new shares	253,692	-
Total changes of items during the period	253,692	-
Balance at the end of current period	1,128,904	1,128,904
Retained earnings		
Balance at the end of previous period	3,391,269	3,517,191
Changes of items during the period		
Dividends from surplus	(167,036)	(196,606)
Net income	292,958	854,420
Retirement of treasury stock	-	(177,764)
Total changes of items during the period	125,922	480,049
Balance at the end of current period	3,517,191	3,997,241
Treasury stock		
Balance at the end of previous period	(346,293)	(81)
Changes of items during the period		
Purchase of treasury stock	-	(177,875)
Disposal of treasury stock	346,212	-
Retirement of treasury stock	-	177,764
Total changes of items during the period	346,212	(110)
Balance at the end of current period	(81)	(191)
Total shareholders' equity		
Balance at the end of previous period	4,842,749	5,822,269
Changes of items during the period		
Issuance of new shares	507,385	-
Dividends from surplus	(167,036)	(196,606)
Net income	292,958	854,420
Purchase of treasury stock	-	(177,875)
Disposal of treasury stock	346,212	-
Total changes of items during the period	979,520	479,938
Balance at the end of current period	5,822,269	6,302,208

	(Thousands of yen)	
	FY3/10	FY3/11
	(Apr. 1, 2009 – Mar. 31, 2010)	(Apr. 1, 2010 – Mar. 31, 2011)
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities		
Balance at the end of previous period	(202,308)	(82,001)
Changes of items during the period		
Net changes of items other than shareholders' equity	120,306	620
Total changes of items during the period	120,306	620
Balance at the end of current period	(82,001)	(81,381)
Deferred gains or losses on hedges		
Balance at the end of previous period	(2,605)	-
Changes of items during the period		
Net changes of items other than shareholders' equity	2,605	-
Total changes of items during the period	2,605	-
Balance at the end of current period	-	-
Foreign currency translation adjustment		
Balance at the end of previous period	(295,367)	(250,971)
Changes of items during the period		
Net changes of items other than shareholders' equity	44,395	(127,339)
Total changes of items during the period	44,395	(127,339)
Balance at the end of current period	(250,971)	(378,311)
Total accumulated other comprehensive income		
Balance at the end of previous period	(500,280)	(332,973)
Changes of items during the period		
Net changes of items other than shareholders' equity	167,307	(126,719)
Total changes of items during the period	167,307	(126,719)
Balance at the end of current period	(332,973)	(459,692)
Minority interests		
Balance at the end of previous period	18,088	21,077
Changes of items during the period		
Net changes of items other than shareholders' equity	2,988	7,225
Total changes of items during the period	2,988	7,225
Balance at the end of current period	21,077	28,303
Total net assets		
Balance at the end of previous period	4,360,557	5,510,374
Changes of items during the period		
Issuance of new shares	507,385	-
Dividends from surplus	(167,036)	(196,606)
Net income	292,958	854,420
Purchase of treasury stock	-	(177,875)
Disposal of treasury stock	346,212	-
Net changes of items other than shareholders' equity	170,295	(119,493)
Total changes of items during the period	1,149,816	360,445
Balance at the end of current period	5,510,374	5,870,819

**(4) Consolidated Statements of Cash Flows**

(Thousands of yen)

	FY3/10 (Apr. 1, 2009 – Mar. 31, 2010)	FY3/11 (Apr. 1, 2010 – Mar. 31, 2011)
Cash flows from operating activities		
Income before income taxes and minority interests	443,300	1,333,966
Depreciation expense	339,958	380,829
Impairment losses	57,973	108,372
Amortization of goodwill	3,520	76,697
Increase (decrease) in allowance for doubtful accounts	10,189	18,084
Increase (decrease) in reserve for bonuses	11,487	74,521
Increase (decrease) in reserve for retirement benefits	79,653	56,146
Interest and dividend income	(31,670)	(28,173)
Interest expenses	50,931	44,537
Foreign exchange loss (gain)	(3,351)	(809)
Equity in losses (earnings) of affiliates	79	1,616
Gain on sales of fixed assets	(309)	(1,534)
Loss on removal of fixed assets	7,975	18,962
Loss on sales of fixed assets	2,164	2,744
Loss (gain) on sales of investment securities	28,748	(71,388)
Loss (gain) on valuation of investment securities	-	59,447
Loss on application of ARO accounting standard	-	43,307
Decrease (increase) in trade receivables	(302,855)	(424,218)
Increase (decrease) in advances received	(675,442)	1,612
Decrease (increase) in inventories	425,903	(182,385)
Increase (decrease) in trade payables	(308,548)	177,530
Decrease (increase) in advance payments	(40,509)	(7,130)
Other	72,341	79,428
Subtotal	171,539	1,762,164
Interests and dividends received	37,117	25,279
Interests paid	(50,509)	(44,834)
Income taxes paid	(114,104)	(267,806)
Income taxes refund	84,081	-
Net cash provided by operating activities	128,124	1,474,802
Cash flows from investing activities		
Decrease (increase) in time deposits	(38,374)	(116,124)
Payment for acquisition of property, plant and equipment	(179,259)	(395,302)
Proceeds from sales of property, plant and equipment	107,026	10,635
Payment for acquisition of intangible fixed assets	(9,007)	(23,478)
Payment for acquisition of investment securities	(10,748)	(756)
Proceeds from sales of investment securities	16,167	111,365
Payments for investments in capital	-	(161,000)
Payments for transfer of business	*2 (863,200)	-
Purchase of golf club memberships	-	(31,171)
Other	(8,877)	(2,630)
Net cash used in investing activities	(986,272)	(608,462)

	(Thousands of yen)	
	FY3/10	FY3/11
	(Apr. 1, 2009 – Mar. 31, 2010)	(Apr. 1, 2010 – Mar. 31, 2011)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	31,618	(437,932)
Proceeds from long-term loans payable	-	1,000,000
Repayment of long-term loans payable	(548,004)	(681,316)
Repayment of finance lease obligations	(10,882)	(13,838)
Proceeds from issuance of new stock	599,594	-
Payment for acquisition of treasury stock	-	(177,875)
Proceeds from disposal of treasury stock	242,940	-
Cash dividends paid	(167,147)	(195,859)
Proceeds from stock issuance to minority shareholders	-	6,900
Net cash provided by (used in) financing activities	148,119	(499,922)
Effect of exchange rate changes on cash and cash equivalents	21,445	(32,570)
Increase (decrease) in cash and cash equivalents	(688,583)	333,847
Cash and cash equivalents at beginning of period	2,496,748	1,808,164
Cash and cash equivalents at end of period	*1 1,808,164	*1 2,142,011

**(5) Going Concern Assumption**

Not applicable.

**(6) Significant Accounting Policies in the Preparation of Consolidated Financial Statements**

Item	FY3/10 (Apr. 1, 2009 – Mar. 31, 2010)	FY3/11 (Apr. 1, 2010 – Mar. 31, 2011)
1. Scope of consolidation	Number of consolidated subsidiaries: 8 Names of consolidated subsidiaries: EBARA-UDYLITE (SHANGHAI) TRADING CO., LTD. EBARA-UDYLITE (ASIA-PACIFIC) CO., LTD. EBARA-UDYLITE AMERICA, S.A. DE C.V. TAIWAN EBARA-UDYLITE CO., LTD. EBARA-UDYLITE (KOREA) CO., LTD. EBARA-UDYLITE VIETNAM CO., LTD. EBARA-UDYLITE (HONG KONG) CO., LTD. EBARA-UDYLITE (SHENZHEN) TRADING CO., LTD.	Number of consolidated subsidiaries: 9 Names of consolidated subsidiaries: EBARA-UDYLITE (SHANGHAI) TRADING CO., LTD. EBARA-UDYLITE (ASIA-PACIFIC) CO., LTD. EBARA-UDYLITE AMERICA, S.A. DE C.V. TAIWAN EBARA-UDYLITE CO., LTD. EBARA-UDYLITE (KOREA) CO., LTD. EBARA-UDYLITE VIETNAM CO., LTD. EBARA-UDYLITE (HONG KONG) CO., LTD. EBARA-UDYLITE (SHENZHEN) TRADING CO., LTD. Ginza Suzurando Cosmetics Co., Ltd.  Effective from the current fiscal year, Ginza Suzurando Cosmetics Co., Ltd. is included in the consolidation due to its establishment.
2. Application of equity method	Number of affiliates: 2 Names of affiliates: PROGRESSIVE EU CHEMICALS PVT. LTD. JCU-Nanomate Co., Ltd.  Effective from the current fiscal year, JCU-Nanomate Co., Ltd. is included as the equity-method affiliate due to its establishment.	Number of affiliates: 3 Names of affiliates: PROGRESSIVE EU CHEMICALS PVT. LTD. JCU-Nanomate Co., Ltd. Shenzhen SenRen Vacuum Plating Co., Ltd.  Effective from the current fiscal year, Shenzhen SenRen Vacuum Plating Co., Ltd. is included as the equity-method affiliate due to its establishment.  (Change in accounting policy) Effective from the current fiscal year, “Accounting Standard for Equity Method of Accounting for Investments” (ASBJ Statement No. 16 issued on March 10, 2008) and “Practical Solution on Unification of Accounting Policies Applied to Associates Accounting for Using the Equity Method” (ASBJ Practical Issue Task Force (PITF) No. 24, March 10, 2008) have been applied. These changes have no impact on profit/loss.
3. Fiscal year of consolidated subsidiaries	The fiscal years of consolidated subsidiaries end on December 31. The consolidated financial statements include the financial statements of consolidated subsidiaries as of December 31, and necessary adjustments have been made for the consolidation concerning material transactions arising between this date and the consolidated balance sheet date.	Same as on the left.

## Segment Information

### a. Operating segment information

FY3/10 (Apr. 1, 2009 – Mar. 31, 2010)

(Thousands of yen)

	Chemicals-related material business	Machine business	Dry process business	Total	Elimination or corporate	Consolidated
I. Sales and operating income (loss)						
Sales						
(1) Sales to outside customers	7,540,627	1,580,858	76,243	9,197,729	-	9,197,729
(2) Inter-segment sales and transfers	-	-	-	-	-	-
Total	7,540,627	1,580,858	76,243	9,197,729	-	9,197,729
Operating expenses	6,050,799	1,596,804	335,960	7,983,564	687,518	8,671,082
Operating income (loss)	1,489,827	(15,946)	(259,716)	1,214,165	( 687,518)	526,647
II. Assets, depreciation expense, impairment losses and capital expenditures						
Assets	6,857,638	483,361	451,414	7,792,413	3,064,036	10,856,450
Depreciation expense	235,146	7,425	69,829	312,402	27,555	339,958
Impairment losses	-	-	-	-	57,973	57,973
Capital expenditures	499,075	18,794	34,776	552,647	7,806	560,454

Notes: 1. The Group's operations are classified into business segments mainly by product line and product characteristic in a comprehensive manner.

2. Main products in each business segment

(1) Chemicals-related material business: Plastic plating chemicals for automotive components, plating chemicals for PWBs, plating chemicals for semiconductors, chemicals for industrial use, non-ferrous metals

(2) Machine business: Plastic plating machines for automotive components, plating machines for PWBs

(3) Dry process business: Sputtering equipment, plasma desmear equipment, hard coat equipment, automatic control system for plating solution

3. Operating expenses of 691,059 thousand yen included in "Elimination or corporate" as unallocatable expenses consist primarily of expenses related to the administration divisions, including the President's Office, General Affairs and Accounting Divisions.

4. Assets of 3,063,421 thousand yen included in "Elimination or corporate" as assets for company-wide use consist primarily of cash and deposits, investment securities, and assets of the administration divisions at the Company.

5. Depreciation expense and capital expenditures include long-term prepaid expenses and their amortization.

6. Change in accounting policy

(Accounting Standard for Construction Contracts)

As mentioned in the section on "Significant Accounting Policies in the Preparation of Consolidated Financial Statements, 4. (6)," the Company has adopted "Accounting Standard for Construction Contracts" (ASBJ Statement No. 15, December 27, 2007) and "Guidance on Accounting Standard for Construction Contracts" (ASBJ Guidance No. 18, December 27, 2007) from the current fiscal year. Compared with the previous method, this change increased sales and operating income in the machine business by 500,182 thousand yen and 64,049 thousand yen, respectively.

## b. Geographical segment information

FY3/10 (Apr. 1, 2009 – Mar. 31, 2010)

(Thousands of yen)

	Japan	Asia	Other regions	Total	Elimination or corporate	Consolidated
I. Sales and operating income (loss)						
Sales						
(1) Sales to outside customers	6,416,773	2,536,049	244,907	9,197,729	-	9,197,729
(2) Inter-segment sales and transfers	1,274,253	231,222	-	1,505,476	( 1,505,476)	-
Total	7,691,027	2,767,271	244,907	10,703,205	( 1,505,476)	9,197,729
Operating expenses	6,857,923	2,390,025	235,282	9,483,231	( 812,149)	8,671,082
Operating income	833,103	377,245	9,624	1,219,973	( 693,326)	526,647
II. Assets	6,231,335	2,077,687	123,904	8,432,926	2,423,523	10,856,450

Notes: 1. Countries and regions are classified by geographical proximity.

2. Countries and regions outside Japan are broken down into the following geographical areas

Asia: South Korea, Taiwan, China, Thailand, Vietnam

Other regions: Mexico

3. Operating expenses of 691,059 thousand yen included in “Elimination or corporate” as unallocatable expenses consist primarily of expenses related to the administration divisions, including the President’ Office, General Affairs and Accounting Divisions.

4. Assets of 3,063,421 thousand yen included in “Elimination or corporate” as assets for company-wide use consist primarily of cash and deposits, investment securities, and assets of the administration divisions at the Company.

5. Change in accounting policy

(Accounting Standard for Construction Contracts)

As mentioned in the section on “Significant Accounting Policies in the Preparation of Consolidated Financial Statements,

4. (6),” the Company has adopted “Accounting Standard for Construction Contracts” (ASBJ Statement No. 15, December 27, 2007) and “Guidance on Accounting Standard for Construction Contracts” (ASBJ Guidance No. 18, December 27, 2007) from the current fiscal year. Compared with the previous method, this change increased sales in Japan by 477,434 thousand yen, sales in Asia by 22,748 thousand yen, and increased operating income in Japan by 56,522 thousand yen and operating income in Asia by 7,526 thousand yen.

## c. Overseas sales

FY3/10 (Apr. 1, 2009 – Mar. 31, 2010)

(Thousands of yen)

	Asia	Other regions	Total
I. Overseas sales	3,300,258	245,279	3,545,538
II. Consolidated sales	-	-	9,197,729
III. Share of overseas sales in consolidated sales (%)	35.9	2.6	38.5

Notes: 1. Countries and regions are classified by geographical proximity.

2. Countries and regions outside Japan are broken down into the following geographical areas

(1) Asia: South Korea, Taiwan, China, Thailand, Vietnam, India, etc.

(2) Other regions: USA, Mexico, Germany

3. Overseas sales include sales of the Company and its consolidated subsidiaries to customers in countries and areas outside Japan.

## d. Segment information

FY3/11 (Apr. 1, 2010 – Mar. 31, 2011)

## 1. Overview of reportable segment

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

The Company has seven head offices based on three different constituent unit types (products/services, region, and occupation type): the domestic sales head office, the overseas business head office, the equipment sales head office, the new business sales promotion head office, the comprehensive research institute (treated as a head office), the production head office, and the management head office. Four of these – the domestic sales head office, the overseas business head office, the equipment sales head office, and the new business sales promotion head office – are capable of generating earnings independently and are constituent units of the four reportable segments of “chemicals business,” “overseas business,” “machine business,” and “new businesses.”

The “chemicals business” sells surface treatment chemicals (wet process) and related materials in the domestic market.

The “machine business” manufactures and sells surface treatment chemicals equipment (wet process) on contract in domestic and overseas markets.

The “overseas business” sells surface treatment chemicals (wet process) and related materials in overseas markets, and its overseas consolidated subsidiaries sell surface treatment chemicals equipment (wet process) on contract.

“New businesses” refer to fields the Company aims to grow into new business pillars as opposed to its wet process surface treatment chemicals and equipment businesses which traditionally formed the core of its activities. The main products and services of new businesses include the sale of sputtering equipment and color processing of parts; PWB cleaning equipment utilizing plasma technology; solar power generation equipment, sewage treatment equipment, and other environment-related equipment; new functional coating materials applied to solar panels, bolts, and nuts; precious metal plating chemicals; and cosmetics.

## 2. Calculation methods for sales, profits/losses, assets, liabilities, and other items for each reportable segment

The accounting treatment methods for reportable business segments are generally the same as those listed in “Significant Accounting Policies in the Preparation of Consolidated Financial Statements.”

Profits for reportable business segments are generally operating income figures.

Internal revenues and transfer amounts between segments are based on transaction prices determined as the result of price negotiations between the transaction parties using asking prices calculated taking into account market prices and total cost.

Segment assets and liabilities are not listed as they are not allocable by business segment.

## 3. Information related to sales and profit/losses, assets, liabilities, and other items for each reportable segment

FY3/10 (Apr. 1, 2009 – Mar. 31, 2010)

(Thousands of yen)

	Reportable segment					Adjustments *1	Carrying value
	Chemicals business	Overseas business	Machine business	New businesses	Total		
Sales							
Sales to outside customers	4,139,573	3,481,316	1,304,608	272,231	9,197,729	-	9,197,729
Inter-segment sales and transfers	537	1,082	18,721	-	20,340	(20,340)	-
Total	4,140,110	3,482,399	1,323,329	272,231	9,218,070	(20,340)	9,197,729
Segment profit (loss)	983,845	453,199	(14,850)	(247,342)	1,174,853	(648,206)	526,647
Other items							
Depreciation expense *2	124,300	116,479	2,505	69,116	312,402	27,555	339,958

FY3/11 (Apr. 1, 2010 – Mar. 31, 2011)

(Thousands of yen)

	Reportable segment					Adjustments *1	Carrying value
	Chemicals business	Overseas business	Machine business	New businesses	Total		
Sales							
Sales to outside customers	5,380,055	4,800,086	1,547,970	504,757	12,232,869	-	12,232,869
Inter-segment sales and transfers	420	30,871	55,410	-	86,702	(86,702)	-
Total	5,380,475	4,830,957	1,603,380	504,757	12,319,571	(86,702)	12,232,869
Segment profit (loss)	1,407,891	1,148,109	125,148	(416,543)	2,264,605	(747,170)	1,517,435
Other items							
Depreciation expense *2	153,502	150,490	498	48,518	353,010	27,818	380,829

Notes: 1. The above adjustments are as follows.

To segment profit

(Thousands of yen)

	FY3/10	FY3/11
Inter-segment transaction elimination	-	399
Corporate expenses *	(648,206)	(747,570)
Total	(648,206)	(747,170)

\* Corporate expenses mainly include general and administrative expenses that cannot be attributed to reportable segments.

2. Depreciation expenses include depreciation related to long-term pre-paid expenses. The adjusted amounts of depreciation for the previous and current fiscal years are company-wide figures.

## e. Related information

FY3/11 (Apr. 1, 2010 – Mar. 31, 2011)

## 1. Information by product or service

(Thousands of yen)

	Surface treatment chemicals and related materials	Surface treatment machines	Plasma surface treatment machines	Sputtering equipment	Environment- related equipment	Others	Total
Sales to outside customers	10,022,943	1,686,050	243,207	86,943	174,606	19,117	12,232,869

## 2. Information by region

## (1) Sales

(Thousands of yen)

Japan	China	Rest of Asia	Others	Total
7,414,143	2,059,935	2,437,384	321,406	12,232,869

Notes: 1. Sales are based on the location of the clients and categorized by country or region.

2. Countries and regions are classified by geographical proximity.

3. The regional categories other than Japan and China are broken down into the following geographical areas:

Rest of Asia: Taiwan, South Korea, Philippines, Thailand, Vietnam

Others: Mexico, United States

## (2) Property, plant and equipment

Geographical information concerning property, plant and equipment is not presented since property, plant and equipment in Japan exceed 90% of property, plant and equipment on the consolidated balance sheets.

## 3. Information by major specific client

This information is omitted because no external client accounts for more than 10% of consolidated sales on the income statement.

## f. Information related to impairment losses on fixed assets for each reportable segment

FY3/11 (Apr. 1, 2010 – Mar. 31, 2011)

(Thousands of yen)

	Reportable segment					Adjustments	Carrying value
	Chemicals business	Overseas business	Machine business	New businesses	Total		
Impairment losses	14,788	9,915	-	83,668	108,372	-	108,372

## g. Information related to goodwill amortization and the unamortized balance for each reportable segment

FY3/11 (Apr. 1, 2010 – Mar. 31, 2011)

(Thousands of yen)

	Reportable segment					Adjustments	Carrying value
	Chemicals business	Overseas business	Machine business	New businesses	Total		
Amortized for the period	49,101	25,034	2,561	-	76,697	-	76,697
Balance at end of period	196,404	89,576	10,244	-	296,225	-	296,225

## h. Information related to negative goodwill profits for each reportable segment

FY3/11 (Apr. 1, 2010 – Mar. 31, 2011)

Not applicable.

**Additional Information**

FY3/11 (Apr. 1, 2010 – Mar. 31, 2011)

Effective from the current fiscal year, “Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Statement No. 17, March 27, 2009) and “Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Guidance No. 20, March 21, 2008) have been applied.

**Related Party Transaction**

FY3/10 (Apr. 1, 2009 – Mar. 31, 2010)

Not applicable.

FY3/11 (Apr. 1, 2010 – Mar. 31, 2011)

Not applicable.

**Per Share Information**

(Yen)

FY3/10 (Apr. 1, 2009 – Mar. 31, 2010)		FY3/11 (Apr. 1, 2010 – Mar. 31, 2011)	
Net assets per share	1,507.69	Net assets per share	1,656.38
Net income per share	91.65	Net income per share	237.25
Diluted net income per share	91.58	Diluted net income per share is not presented since the Company has no outstanding dilutive securities.	

Note: The following is a reconciliation of net income per share and diluted net income per share.

(Thousands of yen)

	FY3/10 (Apr. 1, 2009 – Mar. 31, 2010)	FY3/11 (Apr. 1, 2010 – Mar. 31, 2011)
Net income per share		
Net income	292,958	854,420
Amount not available to shareholders of common stock	-	-
Net income available to common stock	292,958	854,420
Average number of shares outstanding during the period	3,196 thousand shares	3,601 thousand shares
Diluted net income per share		
Adjusted net income	-	-
Increase in the number of common stock shares	2 thousand shares	- thousand shares
(Of which stock acquisition rights)	( 2 thousand shares)	( - thousand shares)

**Material Subsequent Events**

FY3/10 (Apr. 1, 2009 – Mar. 31, 2010)	FY3/11 (Apr. 1, 2010 – Mar. 31, 2011)
<p>(Establishment of a joint venture) The Board of Directors of the Company adopted a resolution at the meeting held on June 22, 2009 to establish a joint venture with Tritree Metal (ShenZhen) Co., Ltd. (Head office: Shenzhen, Guangzhou, China; President: Wang YouLin) Outline of the joint venture is as follows.</p> <p>1. Objective for establishing a joint venture For the Company to launch a business for a coloring technology that uses a multilayer optical film, it is imperative to obtain cooperation from a processing manufacturer who has marketing clout strong enough to launch a new business and is capable enough to mass produce in an efficient and cost-effective manner. We therefore decided to establish a joint venture with Tritree Metal (ShenZhen), which is well qualified for our purpose, to promote the coloring process business in China.</p> <p>2. Profile of the joint venture</p> <p>(1) Company name: Shenzhen SenRen Vacuum Plating Co., Ltd. (2) Location: Shenzhen, Guangzhou, China (3) Representative: Wang YouLin (President of Tritree Metal (ShenZhen) Co., Ltd.) (4) Business: Providing coloring treatment for metal components using sputtering equipment (5) Capital: 25 million Chinese yuan (6) Establishment: May 6, 2010 (7) Equity ownership: Tritree Metal (ShenZhen) 50% EBARA-UDYLITE 50% (8) Fiscal year end: December</p>	<p>(Establishment of an important subsidiary) The Board of Directors of the Company approved a resolution on May 9, 2011 to establish a subsidiary in Indonesia.</p> <p>1. Purpose of establishing a subsidiary For the purpose of increasing sales of the Company's products in Indonesia.</p> <p>2. Profile of the new company</p> <p>(1) Company name: PT. JCU Indonesia (tentative) (2) Location: Jakarta area (3) Business: Sale of surface treatment chemicals and machines and provision of associated technical services (4) Capital: US\$1,200,000 (about 98 million yen) (5) Establishment: End of September 2011 (plan) (6) Equity ownership: EBARA-UDYLITE CO., LTD. 95% EBARA-UDYLITE (ASIA-PACIFIC) CO., LTD. 5%</p>

*\* This financial report is solely a translation of "Kessan Tanshin" (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.*