

Financial Statement for the Fiscal Year Ended March 31, 2010

May 14, 2010

Trade Name: **Nihon Micro Coating Co., Ltd.**

Stock Exchange: JQ

Stock Code: 5381

(URL <http://www.mipox.co.jp>)

Name and Title of Representative: Jun Watanabe, President

Contact: Susumu Orito, General Manager Tel: (042)-543-4711

Annual General Meeting of Stockholders Jun 25 ,2010

Start of distribution of dividends none

Filing of Securities Report Jun 29 ,2010

1. Summary of Consolidated Financial Results.

1. Financial Result for the Fiscal Year Ended March 31, 2010

Amounts to nearest Million yen

(1) Consolidated Operating Result

(%changes as compared with the previous fiscal year)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal Year ended								
March 31, 2010	3,013	(7.0)	536	()	566	()	1,200	()
March 31, 2009	3,238	(46.8)	1,212	()	1,227	()	1,497	()

	Net Income Per Share	Diluted Net Income Per Share	Ratio of Net Income to Shareholders' Equity	Ratio of Ordinary Income to Total Assets	Ratio of Ordinary Income to Sales
	Yen	Yen	%	%	%
Fiscal Year ended					
March 31, 2010	117. 90		27.0	7.7	17.8
March 31, 2009	147. 06		25.5	12.0	37.4

(Note) Equity in net losses of affiliates (Millions of Yen):

As of March 31, 2010

As of March 31, 2009

(2) Consolidated Financial Position

	Total Assets	Total Net Assets	Shareholders' Equity Ratio	Total Net Assets Per Share
	Millions of Yen	Millions of Yen	%	Yen
Fiscal Year ended				
March 31, 2010	5,901	3,878	65.5	379. 61
March 31, 2009	8,736	5,064	57.9	496. 91

(Note) Equity capital (Millions of Yen):

As of March 31, 2010 3,864

As of March 31, 2009 5,059

(3) Cash Flows

	Cash Flow from Operating Activities	Cash Flow from Investment Activities	Cash flow from Financing Activities	Cash and Cash Equivalents at End of Fiscal Year
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Fiscal Year ended				
March 31, 2010	660	241	1,445	562
March 31, 2009	65	946	680	2,437

2. Dividends

	Cash dividends per share			Total Dividends (For the Year)	Payout ratio (Consolidated)	Dividends per net assets (Consolidated)
	Interim	Year ended	For the Year			
Fiscal Year ended	Yen	Yen	Yen	Millions of Yen	%	%
March 31, 2009		0. 00	0. 00	0		
March 31, 2010		0. 00	0. 00	0		
March 31, 2011 (estimate)	0. 00	0. 00	0. 00			

3. Financial forecasts for the Consolidated Fiscal Year Ending March 31, 2011

(%changes as compared with the previous fiscal year and the corresponding period of the previous fiscal year)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income Per Share
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
Year ending									
September 30, 2010	1,641	(19.2)	57	()	48	()	45	()	4. 44
March 31, 2011	3,408	(13.1)	130	()	103	()	94	()	9. 24

Forecasts are based on information available to the management at the time of an announcement. Forecasts contain a lot of the element of the uncertainty. Actual results may differ from the figures provided above due to changes in business conditions.

4. Other

(1) Changes in Scope of Consolidation and Application of Equity Method : Yes

(2) Changes in Accounting Rules, Procedures, Presentation Method, etc. for Consolidated Financial Statements

Changes in consolidated accounting methods : No

Changes other than above : Yes

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

Number of shares outstanding (Including treasury stock)	As of March 31, 2010	10,696,320 shares
	As of March 31, 2009	10,696,320 shares
Treasury stock at end of period	As of March 31, 2010	514,988 shares
	As of March 31, 2009	514,948 shares

(Reference) Non-Consolidated Financial Statement

1. Non-Consolidated Financial Result for the Fiscal Year Ended March 31, 2010

(1) Non-Consolidated Operating Result (%changes as compared with the previous fiscal year)

Fiscal Year ended	Net Sales		Operating Income		Ordinary Income		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2010	2,166	(8.5)	653	()	638	()	1,168	()
March 31, 2009	2,368	(52.0)	1,298	()	1,327	()	2,005	()

Fiscal Year ended	Net Income Per Share	Diluted Net Income Per Share
	Yen	Yen
March 31, 2010	114. 74	
March 31, 2009	196. 99	

(2) Non-Consolidated Financial Position

	Total Assets	Total Net Assets	Shareholders' Equity Ratio	Total Net Assets Per Share
	Millions of Yen	Millions of Yen	%	Yen
As of March 31, 2010	5,681	3,768	66.1	368. 88
As of March 31, 2009	8,525	4,926	57.7	483. 35

(Note) Equity capital (Millions of Yen): As of March 31, 2010 3,755 As of March 31, 2009 4,921

2. Financial Forecasts for the Non-Consolidated Fiscal Year Ending March 31, 2011

(%changes as compared with the previous fiscal year and the corresponding period of the previous fiscal year)

Year ending	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income Per Share
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
September 30, 2010	1,134	()	19	()	6	()	3	()	0. 32
March 31, 2011	2,342	(8.2)	44	()	20	()	14	()	1. 42

Forecasts are based on information available to the management at the time of an announcement. Forecasts contain a lot of the element of the uncertainty. Actual results may differ from the figures provided above due to changes in business conditions.

Consolidated Financial Statement
(1) Consolidated Balance Sheet

(Thousands of yen)

	FY 2009	FY 2010
	(As of March 31,2009)	(As of March 31,2010)
(Assets)		
Current Assets		
Cash and Cash Equivalents	2,800,583	712,482
Notes Receivable and Accounts Receivable	594,599	890,284
Merchandises and Finished Goods	190,129	257,696
Work in Progress	558,170	423,135
Raw Materials and Stored goods	206,914	113,838
Deferred Tax Assets	25,003	11,623
Accrued Revenue	—	78,872
Others	91,332	45,134
Allowance for Bud Debt	△23,421	△16,697
Total Current Assets	4,443,313	2,516,370
Fixed Assets		
Tangible Fixed Assets		
Buildings and Structures	5,498,089	5,523,116
Equipment and Vehicles	1,558,386	1,528,681
Land	1,223,843	1,054,163
Lease Asset	—	13,500
Construction in Progress	23,635	—
Others	324,241	303,023
Accumulated Depreciation	△4,572,931	△5,226,019
Total Tangible Fixed Assets	4,055,266	3,196,465
Intangible Fixed Assets		
Others	124,689	84,224
Total Intangible Fixed Assets	124,689	84,224
Investments and Other Assets		
Investment Securities	48,264	42,084
Deferred Tax Assets	987	203
Others	76,192	68,340
Allowance for Doubtful Debts	△12,118	△6,644
Total Investments and Other Assets	113,325	103,983
Total Fixed Assets	4,293,281	3,384,673
Total Assets	8,736,594	5,901,043

Consolidated Financial Statement
(1) Consolidated Balance Sheet

(Thousands of yen)

	FY 2009	FY 2010
	(As of March 31,2009)	(As of March 31,2010)
(Liabilities)		
Current Liabilities		
Notes Receivable and Accounts Receivable	163,238	192,127
Short-term Borrowings	2,000,000	858,000
Current Position of Long-term Borrowings	440,432	320,092
Accrued Income Taxes and Other Taxes	10,732	26,578
Reserve for Employees' Bonuses	19,372	3,203
Others	309,092	122,079
Total Current Liabilities	2,942,868	1,522,080
Fixed Liabilities		
Long-term Borrowings	538,744	357,819
Deferred Tax Liabilities	15,667	21,138
Reserve for Employees' Retirement Benefits	161,006	100,373
Others	14,077	21,593
Total Fixed Liabilities	729,495	500,924
Total Liabilities	3,672,363	2,023,005
(Net Assets)		
Shareholders' Equity		
Capital Stock	1,998,700	1,998,700
Capital Surplus	2,953,700	2,953,700
Earned Surplus	572,970	△627,451
Treasury Stock	△481,299	△481,309
Total Shareholders' Equity	5,044,070	3,843,639
Valuation and Foreign Currency Translation		
Revaluation of Other Investment Securities	13,654	16,361
Foreign Currency Translation Adjustments	1,461	4,936
Total Valuation and Foreign Currency Translation	15,115	21,298
New Stock Reservation Rights	5,044	13,100
Total Net Assets	5,064,231	3,878,038
Total Liabilities and Net Assets	8,736,594	5,901,043

(2) Consolidated Statement of Income
 FY 2010 (From April 1,2009 To March 31,2010)

	(Thousands of yen)	
	FY 2009 (From April 1,2008 To March 31,2009)	FY 2010 (From April 1,2009 To March 31,2010)
Net Sales	3,238,980	3,013,865
Cost of Sales	2,458,599	2,025,884
Gross Profit	780,381	987,980
Selling and General Administrative Expenses	1,992,761	1,524,354
Operating Income or Losses (△)	△1,212,380	△536,373
Non-Operating Income		
Interest Income	7,352	1,747
Dividend Income	2,010	1,650
Rent Income	18,419	17,527
Incom from Insurance Refund	5,110	—
Subsidy Income	—	5,967
Others	14,973	8,805
Total Non-Operating Income	47,865	35,698
Non-Operating Expenses		
Interest Expenses	48,446	40,969
Commitment Line Expense	2,619	—
Foreign Currency Exchange Losses	5,522	16,466
Rent Expense	—	6,791
Others	5,950	1,105
Total Non-Operating Expense	62,538	65,332
Ordinary Income or Losses (△)	△1,227,053	△566,008
Extraordinary Gains		
Gain from Doubtful Debts	—	6,252
Gain from Sales of Fixed assets	4,321	2,358
Gain from Sales of Investment Securities	—	10,567
Gain from Sales of Investment in Affiliated company	300,000	—
Gain from Expired Stock Option Rights	1,710	1,995
Total Extraordinary Gains	306,031	21,172
Extraordinary Losses		
Loss on Sale of Fixed Assets	11,914	77,113
Loss on Disposal of Fixed Assets	36,390	2,788
Impairment Loss	73,806	440,959
Loss on Valuation of Membership	8,185	—
Loss on liquidation of business	329,597	—
Expenses for Extraordinary Retirement Benefits	71,577	53,933
Others	16,465	9,776
Total Extraordinary Losses	547,937	584,570
Net Income or Losses Before Tax (△)	△1,468,959	△1,129,405
Income Taxes-Current	36,257	48,392
Deferred Income Taxes	△7,936	22,623
Total Income Taxes	28,321	71,015
Net Income or Losses (△)	△1,497,280	△1,200,421

(3) Consolidated Statement of Cash Flows
 FY 2010 (From April 1, 2009 To March 31, 2010)

(Thousands of yen)

	FY 2009 (From April 1, 2008 To March 31, 2009)	FY 2010 (From April 1, 2009 To March 31, 2010)
Cash Flow from Operating Activities:		
Net Income or Losses Before Taxes	△1,468,959	△1,129,405
Depreciation Expenses (Decrease (△))	476,537	320,402
Loss on Impairment	73,806	440,959
Increase/Decrease in Allowance for Employees' Bonuses (Decrease (△))	△87,628	△16,168
Increase/Decrease in Allowance for Employees' Retirement Benefits (Decrease(△))	△62,139	△60,632
Interest and Dividends Income	△9,362	△3,397
Interest Expenses	48,446	40,969
Foreign Currency Translation Losses (Gain (△))	5,522	16,466
loss on Sale of Investment in Securities (Gain (△))	—	△10,567
Increase/Decrease in Accounts Receivable (Increase (△))	1,238,813	△295,684
Increase/Decrease in Inventories (Increase (△))	280,086	160,544
Increase/Decrease in Advance (Increase (△))	20,861	—
Increase/Decrease in accounts payable (Decrease (△))	△385,309	28,888
Increase/Decrease in advance receipt (Decrease (△))	928	1,773
Extraordinary Retirement Benefits	71,577	53,933
Increase/Decrease in Allowance for Bud Debts (Decrease△))	17,485	△12,197
Loss on sale of Affiliate company (Gain (△))	△300,000	—
Loss on liquidation of business	329,597	—
Loss on Sale of Fixed Assets	—	74,754
Loss on Disposal of Fixed Assets	36,390	2,788
Other	△11,610	△4,486
Sub Total	275,044	△391,060
Interest and Dividends Received	9,407	3,943
Interest Paid	△51,753	△45,113
Income Taxes Paid	△30,062	△34,835
Payments for Retirement Benefits for directors	—	△193,064
Special Retirement Expenses Paid	△267,725	—
Net Cash Provided by Operating Activities	△65,089	△660,129
Cash Flows from Investing Activities		
Payments for Time Deposits	△9,136	△900
Proceeds from Time Deposits Refunds	299,991	213,916
Proceeds for Investment Securities	—	21,312
Proceeds from sale of Affiliate company	300,000	—
Payments for Tangible Fixed Assets	△405,648	△82,140
Proceeds from Tangible Fixed Assets	358,048	95,000
Payments for Intangible Fixed Assets	△15,331	—
Proceeds from Sale of Business	283,697	—
Other	135,370	△5,239
Net Cash Provided by Investing Activities	946,990	241,948
Cash Flows from Financing Activities		
Proceeds from Short-term Loans (Payment (△))	△350,000	△1,142,000
Proceeds from Long-term Loans	300,000	150,000
Repayments of Long-term Loans	△414,622	△451,265
Payments for Purchases of Treasury Stock	△43	△9
Payments for Lease Obligation	△164,915	△1,796
Payments for Dividends	△51,212	△152
Net Cash Provided by Financing Activities	△680,793	△1,445,223
Effect of Exchange Rate Changes on Cash and Equivalents	△18,373	△12,213
Increase/Decrease in Cash and Cash Equivalents(Decrease (△))	182,734	△1,875,618
Cash and Cash Equivalents at Beginning of Year	2,255,096	2,437,831
Cash and Cash Equivalents at Mid year Ending (Year Ending)	2,437,831	562,212

Non-Consolidated Financial Statement
(4) Non-Consolidated Balance Sheet

(Thousands of yen)

	FY 2009	FY 2010
	(As of March 31,2009)	(As of March 31,2010)
(Assets)		
Current Assets		
Cash and Cash Equivalents	2,434,678	468,427
Notes Receivable	38,275	59,765
Accounts Receivable	472,999	736,590
Merchandises and Finished Goods	106,890	152,012
Work in Progress	555,124	256,638
Raw Materials and Stored goods	97,789	79,017
Advance Payment	—	8,047
Prepaid Expenses	19,999	24,869
Accrued revenue	23,799	56,135
Others	35,852	1,345
Allowance for bud debt	△ 19,646	△ 174
Total Current Assets	3,765,762	1,842,674
Fixed Assets		
Tangible Fixed Assets		
Buildings	5,163,002	5,163,480
Accumulated Depreciation Expenses	△ 2,952,379	△ 3,503,048
Buildings (Net)	2,210,623	1,660,432
Structures	169,048	168,328
Accumulated Depreciation Expenses	△ 119,019	△ 127,073
Structures (Net)	50,029	41,255
Machinery and Equipment	1,178,566	1,150,242
Accumulated Depreciation Expenses	△ 923,718	△ 957,326
Machinery and Equipment (Net)	254,848	192,915
Vehicles	13,757	11,993
Accumulated Depreciation Expenses	△ 12,940	△ 11,601
Vehicles (Net)	817	392
Tools	260,412	243,532
Accumulated Depreciation Expenses	△ 228,557	△ 225,131
Tools (Net)	31,854	18,401
Land	1,223,843	1,054,163
Lease Assets	—	13,500
Accumulated Depreciation Expenses	—	△ 2,700
Lease Assets (Net)	—	10,800
Construction in Progress	18,286	—
Total Tangible Fixed Assets	3,790,303	2,978,360
Intangible Fixed Assets		
Software	122,581	69,211
Others	1,763	1,763
Total Intangible Fixed Assets	124,344	70,974
Investments and Other Assets		
Investment Securities	48,264	42,084
Investment in affiliated company	742,349	694,464
Golf Membership	45,323	39,049
Others	21,729	20,746
Allowance for Doubtful Debts	△ 12,118	△ 6,644
Total Investments and Other Assets	845,548	789,699
Total Fixed Assets	4,760,196	3,839,034
Total Assets	8,525,958	5,681,709

Non-Consolidated Financial Statement
(4) Non-Consolidated Balance Sheet

(Thousands of yen)

	FY 2009	FY 2010
	(As of March 31,2009)	(As of March 31,2010)
(Liabilities)		
Current Liabilities		
Accounts Payable	163,771	166,352
Short-term Borrowings	2,000,000	858,000
Current Position of Long-term Borrowings	440,432	320,092
Accred Liabilities	175,237	35,782
Accrued Expenses	19,521	10,216
Accrued Income Taxes and Other Taxes	6,356	6,245
Advances	1,304	1,324
Deposit	10,373	2,974
Reserve for Employees' Bonuses	16,496	—
Others	18,645	20,965
Total Current Liabilities	2,852,139	1,421,953
Fixed Liabilities		
Long-term Borrowings	538,744	357,819
Deferred Tax Liabilities	9,371	11,229
Reserve for Employees' Retirement Benefits	161,006	100,373
Others	38,474	21,593
Total Fixed Liabilities	747,597	491,015
Total Liabilities	3,599,736	1,912,969
(Net Assets)		
Shareholders' Equity		
Capital Stock	1,998,700	1,998,700
Capital Surplus	2,953,700	2,953,700
Earned Surplus		
(1) Earned Surplus Reserve	60,000	—
(2) Other Earned Surplus		
Contingent Reserve	2,382,092	2,382,092
Un-appropriated Profits	△2,005,669	△3,113,906
Total Earned Surplus	436,422	△731,813
Treasury Stock	△481,299	△481,309
Total Shareholders' Equity	4,907,523	3,739,277
Valuation and Foreign Currency Translation		
Revaluation of Other Investment Securities	13,654	16,361
Total Valuation and Foreign Currency Translation	13,654	16,361
New Stock Reservation Righ	5,044	13,100
Total Net Assets	4,926,222	3,768,739
Total Liabilities and Net Assets	8,525,958	5,681,709

(5) Non-Consolidated Statement of Income
 FY 2010 (From April 1,2009 To March 31,2010)

(Thousands of yen)

	FY 2009 (From April 1,2008 To March 31,2009)	FY 2010 (From April 1,2009 To March 31,2010)
Sales		
Products sales	2,038,465	2,166,236
Merchandises sales	329,538	
Net Sales	2,368,003	2,166,236
Cost of Sales	2,098,133	1,688,308
Gross Profit	269,869	477,928
Selling and General Administrative Expenses		
Sales Commission	305	1,980
Freight Outwards	35,218	37,082
Compensation for Directors	95,384	65,697
Payroll and Bonus	358,551	244,044
Provision for Bonus Reserve	2,570	—
Expenses for Employees' Retirement Benefits	43,605	24,595
Bud Debts Expenses	18,769	—
Depreciation Expenses	106,396	73,762
Supplies Expenses	16,554	12,662
Travele expenses	44,176	32,741
Research and Development Expenses	536,668	389,109
Others	309,686	249,930
Total Selling and General Administrative Expenses	1,567,886	1,131,606
Operating Income or Losses (△)	△1,298,017	△653,678
Non-Operating Income		
Interest Income	4,730	1,368
Dividends Income	2,010	44,416
Rent Income	18,419	17,527
Incom from Insurance Refund	5,110	—
Others	10,426	9,171
Total Non-Operating Income	40,697	72,484
Non-Operating Expenses		
Interest Expenses	48,080	40,969
Commitment Line Expence	2,619	—
Foreign Currency Exchange Gain	12,825	8,934
Rent Expense	-	6,791
Others	6,315	1,105
Total Non-Operating Expense	69,841	57,800
Ordinary Income or Losses (△)	△1,327,161	△638,994

(5) Non-Consolidated Statement of Income
 FY 2010 (From April 1,2009 To March 31,2010)

(Thousands of yen)

	FY 2009 (From April 1,2008 To March 31,2009)	FY 2010 (From April 1,2009 To March 31,2010)
Extraordinary Gains		
Gain from Doubtful Debts	—	19,172
Gain from Sales of Fixed assets	4,321	1,470
Gain from Sales of Investment Securities	—	10,567
Gain from Expired Stock Option Rights	1,710	1,995
Total Extraordinary Gains	6,031	33,204
Extraordinary Losses		
Loss on Sales of Fixed Assets	11,914	77,113
Loss on Disposal of Fixed Assets	35,799	2,784
Impairment Loss	73,806	418,069
Loss on Valuation of Membership	8,185	—
Loss on Valuation of Investment in Affiliated company	461,338	—
Extraordinary Retirement Benefits	71,577	53,933
Others	16,465	8,644
Total Extraordinary Losses	679,087	560,545
Net Income or Losses Before Tax (△)	△2,000,216	△1,166,336
Total Income Taxes	5,451	1,900
Net Income or Losses (△)	△2,005,668	△1,168,236