



Annual Report 2009

For the year ended March 31, 2009

DAIKEN CORPORATION

Company Profile

Ever since the founding of the company in September 1945, the core focus of Daiken business has always been the development and provision of materials for residential housing and construction. Daiken has continued corporate activities that 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, activities that 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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Financial Highlights

Daiken Corporation and Consolidated Subsidiaries
Years ended March 31, 2009, 2008 and 2007

Millions of Yen and Thousands of U.S. Dollars

	2009	2008	2007	2009
Net sales	¥ 150,325	¥166,588	¥168,258	\$1,530,336
Operating income	1,830	2,896	5,063	18,629
Ordinary income	1,331	2,613	4,771	13,549
Net income (loss)	598	791	(4,338)	6,087
Net assets	34,562	37,053	41,519	351,847
Total assets	125,080	132,875	144,560	1,273,338

Yen and U.S. Dollars

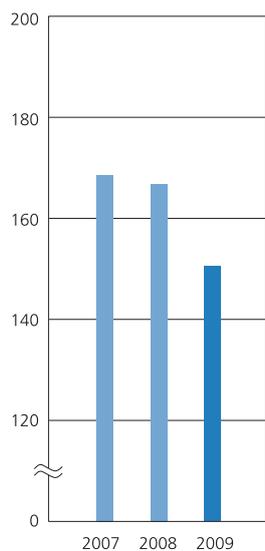
Net income (loss) per share	¥ 4.64	¥ 6.07	¥ (33.16)	\$ 0.04
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Note: The translations into U.S. dollars are based on \$1= ¥98.23, the approximate exchange rate on March 31, 2009

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

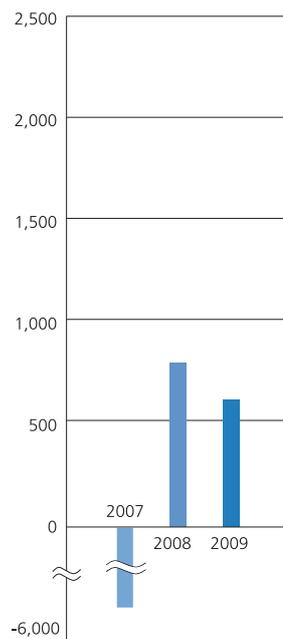
Net sales

(Billions of Yen)



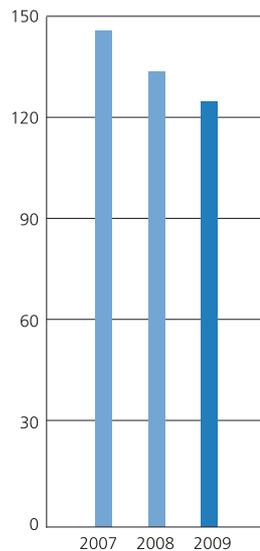
Net income (loss)

(Millions of Yen)



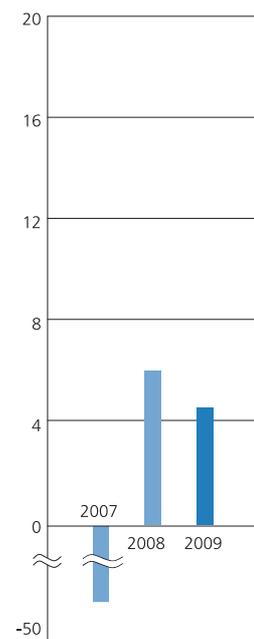
Total assets

(Billions of Yen)



Net income (loss) per share

(Yen)





We herein present our shareholders and persons concerned with a report on the consolidated business results for Daiken Corporation in fiscal year 2008.

Business Progress and Results

In regard to the consolidated business results for the year in review, we achieved net sales totaling ¥150,325 million (a decrease of 9.8% compared with the previous year), an ordinary income of ¥1,331 million (a decrease of 49.0% compared with the previous year), and a net income of ¥598 million (a decrease of 24.4% compared with the previous year).

With the deterioration of the global economy in the background, the Japanese economy suffered a rapid deterioration that was far more serious than expected for the year in review. In regard to the residential housing industry, there was no time to recover from the crisis situation caused by the revisions to the Building Standards Act in June of 2007, and we saw a decrease in the number of new housing starts each month of the latter half of the year in review. The results for fiscal year 2008 leveled off at almost the same level as seen in the previous fiscal year, continuing the transition at

a low standard. Furthermore, while crude oil prices started high, followed by a decrease, material prices were high, including petrochemical products and plywood, etc., and sharp corporate competition caused a decrease in selling prices, creating a severe business environment.

Under these business conditions, the Daiken Group is constructing a business structure that does not rely solely on new housing starts, and further, aiming for reforms to our business structure that will assure the achievement of profits and growth even in this severe business environment. We are also strengthening our efforts to achieve reforms in our profit structure. Specifically, along with the establishment of new manufacturing facilities, such as biomass boilers, that are not affected by crude oil prices and contribute to the reduction of CO₂, we have invested in facilities designed to increase our production line for flooring materials and increase the efficiency of our MDF production.

Furthermore, in conjunction with our efforts to strengthen our business related to eco-friendly materials that can be used as plywood substitutes (insulation boards, Dai-Lotone, MDF, Dailite, and hard boards), we have introduced new products designed to meet the needs of the next generation, based on the theme "Total 'Eco' for the Earth and Housing," and expanded our sales activities in the builders, remodeling and the non-residential housing markets.

"Environmental Conservation" and "Improvements in the Quality of Residences" are the Epitome of the Special Characteristics of the Eco-materials Business

At present, with environmental issues assuming serious proportions, such as the draining of forest resources and the increase in global warming, there is the demand for corporations to assume corporate social responsibility to an even greater extent in regard to programs and policies placing importance on the environment and resource conservation.

The Daiken Group's CSR vision is "Extending the Quality of Life through Eco-materials," and the source of this vision can be traced back to 1958, when we initiated the production of "insulation boards," avoiding unnecessary waste of wood resources through the employ-

ment of scrap lumber and the like. Thereafter, the Group continued to create new categories of eco-materials that can be employed as main raw materials through resource recycling and the use of untapped resources.

We have been involved in the production of eco-materials for half a century, and invariably taking a leading role in proposals for improvements in the quality of residences, our constant efforts created the new business genre "eco-materials," which grew into the Group's core business field.

"Environmental Conservation" and "Improvements in the Quality of Residences" are a requirement for the Group, and at the same time, the epitome of the special characteristics of the eco-materials business. The social responsibility that is expected in the eco-materials business field is greater than it has ever been up to the present, and we can only expect an increase in this responsibility. Therefore, we will continue to boldly challenge the limits of development and demand creation in the field of eco-materials in the future.

Issues and Policies for the Future

We can anticipate that there will be a further increase in the severity of the economic situation, and it can be considered that the number of new housing starts will continue its transition at a low level, due to a decline in consumer confidence, etc.

Under these conditions, while it can be expected that this severe business environment will continue with an increase in the factors causing anxiety, such as an intensification of corporate competition and further increases in the costs of raw materials, etc., we will conduct specific measures aiming for business and profit structure reforms, and strengthen our business structure. Furthermore, based on our mid-term management vision of "Extending the Quality of Life through Eco-materials," through the use of eco-materials employing raw materials obtained through resource recycling and the use of untapped resources, we will provide quality of life through "safety, security, health, amenity and convenience." At the same time, without becoming captivated by the limits of their usage up to the present, we will continue to expand the use of eco-materials over a wide field.

Forming a part of that effort, in order to

expand our MDF supply volume, we acquired an MDF production plant in New Zealand (the establishment of Daiken New Zealand Limited), achieving the capability to respond to detailed needs in the Japanese market and the opportunity to expand sales activities into foreign markets. In regard to foreign business, we are expanding our efforts, focusing on the market in China, where our sales network is growing.

In addition, in order to construct a business structure that does not rely solely on new housing starts, we will concentrate our efforts in the remodeling market and the industrial building materials market. Especially, in regard to the remodeling market, while employing the substantial favorable taxation system measures to the fullest extent, we will promote the new concept of "Green Remodeling" and the realization of high quality residences based on the three viewpoints, "durable residences," "the reduction of CO₂," and "health considerations," adopted by the TOTO, DAIKEN, and YKK AP alliance.

Accordingly, for the consolidated business results projected for the fiscal year ending at the end of March 2010, our goal is to achieve net sales totaling ¥145,000 million, an operating profit of ¥1,600 million, an ordinary income of ¥1,300 million, and a net income of ¥450 million.

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

June 2009



Ryoji Sawaki,
Representative Director, President
Chief Executive Officer

Housing and Building Materials Related Business

In regard to the consolidated business results in this field for the fiscal year in review, we achieved net sales totaling ¥130,478 million (a decrease of 7.0% compared with the previous year) and an operating profit of ¥1,633 million (a decrease of 32.6% compared with the previous year).

With respect to eco-materials, one of the core strategies of Daiken Group, we conducted the Eco 50 Campaign, marking the 50th anniversary of our production of insulation boards and demonstrating a strong appeal to the market in regard to the functional capabilities, superior competitive qualities and the contribution to the

environment of eco-friendly materials, compared with plywood. The net sales of Dailite was influenced by the decrease in the number of new housing starts, but along with the fact that the net sales of Dai-Lotone showed an increase, there are signs that, on the whole, the scope of the decrease in eco-materials business is limited to a small amount, even given the general decline in the economic situation, and that the foundation of this field as a core business is on its way to becoming firm.

In the interior materials business field, which is focused on flooring materials, we will promote reforms of the Groups'

business structure based on consolidation of our production bases, in order to improve our profit structure. In conjunction, we have strengthened our environment friendly product line in order to respond to the market needs and initiated sales of our high performance WPC flooring material "EQUOS ROZZO W," the "WAN-RABU FLOOR" flooring material for residences with pets, and the "DAIHARD-ART L ECO" line, which features an eco-friendly flooring material combining plywood obtained from planted trees and our special MDF product.

In regard to home furnishings and equipment business, we have responded enthusiastically to meet the market needs through the renewal of our best-selling RIII series and the expansion of the use of eco-friendly materials, and expanded our sales efforts related to our core products, such as doors, storage cabinets, stairs, and other interior materials.

4



The "Eco-Products 2008" Environment Exhibition and the DAIKEN Exhibition Booth

In the 3-day period from December 11 through December 13, DAIKEN displayed products at the "Eco-Products 2008" Environment Exhibition held at the Tokyo Big Sight International Exhibition Hall. DAIKEN displayed the symbol of the company's eco-materials, our "insulation boards," as well as other products in this product group, as part of our new material usage development and customer cultivation efforts.



WAN-RABU FLOOR

A high performance material that is slip-resistant, tough, stain-resistant and highly resistant to discoloration, this flooring material was developed for users living in residences with pets, especially dogs.



EQUOS ROZZO W

Maintaining the texture of natural wood, this is a high performance flooring material that fulfills every demand.

In regard to our sales activities, we have increased our market share in the housing manufacturing and remodeling markets through the introduction of new products to meet the market needs, the opening of the "Remodeling Style Fair" with our TDY alliance partners, and the strengthening of our systematic sales proposals capability aimed at housing manufacturers and mass production builders. In cooperation with our TDY alliance partners TOTO LTD. and YKK AP, Inc., the "Remodeling Style Fair" was held at 5 locations around the country. Especially, our "Green Remodeling" proposal, based on consideration for the environment, was adopted as the "Ultra Long-term Housing Leadership Model Business," drawing a lot of attention at the Fair and creating the opportunity to stimulate demand among the large end-user audience, which greatly exceeded our mobilization target.

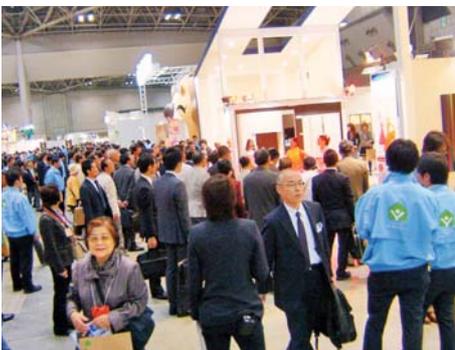
Housing and Construction Work Related Business

In regard to the consolidated business results in this field for the fiscal year in review, we achieved net sales totaling ¥19,847 million (a decrease of 24.7% compared with the previous year) and an operating profit of ¥195 million (a decrease of 58.8% compared with the previous year).

In the construction works related business field, the market environment is very harsh, and we worked to pass on the high prices and increase our operational efficiency in order to assure profitability. Meanwhile, in the housing construction related business field, there was a decrease in

orders for custom-built housing and houses in development projects resulting in a decrease in construction sales.

Furthermore, we have reached the decision to dissolve Daiken Homes Corporation in September 2009, and establish a new corporation entitled Daiken Home and Service Corporation (provisional) and convert the company's business to the remodeling business field.



TDY Remodeling Style Fair

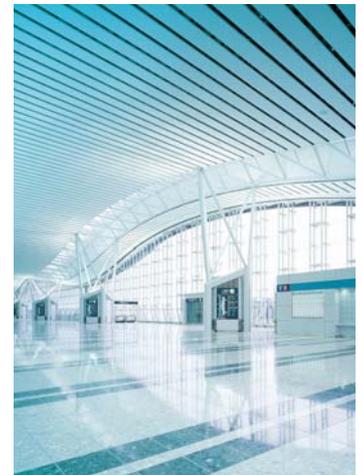
At the TDY Remodeling Style Fair, the three companies in the TDY alliance introduced a highly functional product line, featuring a new "Green Remodeling" concept that added due consideration for the environment from three viewpoints, "durable residences," "the reduction of CO₂," and "health considerations."



Tokyo Metropolitan Government Building



Auditorium at Soai Senior & Junior High School



Sendai Airport Miyagi

Manufacturing Based on Environmental Conservation Concepts

In order to expand our environmental programs, we are developing the "ECONEXT" program.

Through the "Eco 50 Campaign," conducted in fiscal year 2008, marking the 50th anniversary of our production of insulation boards, which can be considered the symbol of the eco-materials produced by the Daiken Group, we focused attention on Daiken as a manufacturer of eco-materials and increased the corporate value of the organization.

In order to continue on and evolve to the next stage based on our environmental management vision, the Daiken Group will develop the "ECONEXT" program to solidify the establishment of our Eco-brand image and further contribute to society through the expansion of sales of eco-materials.



(Fiscal year 2008)



■ Submission of ad materials to the mass media for use in TV and PR of programs, etc.

A new book entitled The ECONEXT Book (provisional name) will be produced, and widely employed in our promotion efforts.

■ Achieve recognition and disseminate information at exhibitions and shows

● TDY Remodeling Style Fair

This fair was opened in Tokyo and Sapporo in April 2009 to promote the "Green Remodeling" program adopted by the 3-company TDY alliance (TOTO, DAIKEN, and YKK AP) based on the concept "Amenity in Daily Life and Amenity for the Earth."

● Exhibition of Eco products

Eco products produced by the Daiken Group will be exhibited at the largest environmental exhibition held in Japan, sponsored by the Nihon Keizai Shimbun (the major Japanese Economy Newspaper).

■ Expansion of the market share of Eco products

- Eco floors
- Eco building materials

■ TD Collaboration Grand Prix 2009

We will hold a contest, the TD Collaboration Grand Prix 2009, aimed at our nationwide sales outlet network.

■ Introduction of new Eco-related products

- Eco floors
- Insulation boards



TOPICS

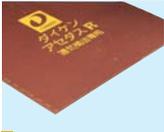
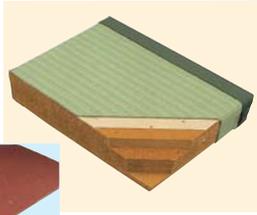
Topic 01

"Acquired the highest grade for environmental consideration"

The Development Bank of Japan, Inc. rated our environmental consideration programs as "Especially advanced," the highest grade awarded for environmental consideration. The Daiken Group has been highly appraised for our advances in the recycling of resources in our core business field, wooden fiber boards.

Earth-friendly Eco Products Based on Environmental Conservation Concepts

We will conduct our manufacturing efforts from the viewpoint of global environmental and forest resources conservation, and produce eco materials employing untapped resources and wood waste as recycling resources for a wide variety of purposes.



The insulation board "Daiken Board"

"Daiken Board" makes use of waste wood material as a recycling resource. This product has evolved for more than half a century and achieved Eco Mark certification.



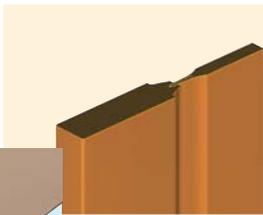
The rockwool noise reduction board "Dai-Lotone"

Dai-Lotone is produced from slagwool, a mineral fiber raw material created from slag, a byproduct of steel production. Dai-Lotone has been awarded the Eco Mark certification and it has become a pronoun synonymous with ceiling material.



The inorganic durable surfacing material "Dailite"

An eco material created from previously untapped resources, Dailite is a durable surfacing material produced from slagwool and volcanic silicate raw materials.



MDF "Daiken Tec-wood"

MDF (medium density fiber board) is produced from recycled scrap wood from production plants. MDF "Tec-wood" is a Recycling Mark product that reduces the load on the environment.



The environment-friendly base flooring material "E Hardbase"

Featuring a small environmental load and employed for flooring, this eco material is produced from a combination of plywood obtained from planted trees and our "special MDF" material, produced from recycled wooden material.

02

Topic

"The establishment of a MDF production company, Daiken New Zealand Limited"

In order to expand our supply of our MDF eco materials, the Daiken Group acquired an MDF production plant in New Zealand and established Daiken New Zealand Limited.



03

Topic

"Forest Management Certification Acquired"

Made from eco-material based boards, the flooring produced at two of our flooring manufacturing plants and handled at a multitude of related sites in the business division concerned was awarded the CoC Certification (Chain of Custody Certification) for superior management in the manufacturing, processing and distribution process, making it possible for the Daiken Group to provide Forest Management Certification flooring products.

04

Topic

"Daiken began operating a biomass boiler at Aizu Daiken Corporation"

At Aizu Daiken Corporation, as a measure to decrease the emission of greenhouse gases, wood chips are employed as fuel for a new biomass boiler put into full operation.



Consolidated Balance Sheets

Daiken Corporation and Consolidated Subsidiaries
March 31, 2009 and 2008

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
ASSETS			
Current assets:			
Cash and deposits	¥ 9,770	¥ 12,100	\$ 99,460
Notes and accounts receivable—trade	24,552	28,660	249,944
Inventories	—	20,455	—
Merchandise and finished goods	12,410	—	126,336
Work in process	2,039	—	20,757
Raw materials and supplies	3,749	—	38,165
Partly-finished work	3,422	2,755	34,836
Deferred tax assets	1,062	879	10,811
Other	4,631	2,821	47,144
Allowance for doubtful accounts	(93)	(93)	(946)
Total current assets	61,545	67,579	626,539
Noncurrent assets:			
Property, plant and equipment			
Buildings and structures, net	11,416	12,495	116,217
Machinery, equipment and vehicles, net	12,925	13,624	131,578
Land	15,759	15,833	160,429
Construction in progress	1,126	670	11,462
Other, net	1,144	1,302	11,646
Total property, plant and equipment	42,372	43,926	431,354
Intangible assets			
Goodwill	1,414	1,558	14,394
Software	410	379	4,173
Other	201	200	2,046
Total Intangible assets	2,027	2,138	20,635
Investments and other assets			
Investment securities	8,667	11,239	88,231
Long-term loans receivable	287	287	2,921
Prepaid pension cost	3,681	3,723	37,473
Deferred tax assets	4,444	1,734	45,240
Other	2,599	2,747	26,458
Allowance for doubtful accounts	(598)	(569)	(6,087)
Total investments and other assets	19,080	19,162	194,238
Total Noncurrent assets	63,480	65,227	646,238
Deferred assets	55	69	559
Bond issuance cost	55	69	559
Total assets	¥ 125,080	¥ 132,875	\$1,273,338

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
LIABILITIES			
Current liabilities:			
Notes and accounts payable—trade	¥ 16,656	¥ 20,608	\$ 169,561
Short-term loans payable	13,719	14,180	139,662
Current portion of long-term loans payable	3,765	4,139	38,328
Accounts payable—other	23,470	26,063	238,929
Income taxes payable	880	466	8,958
Accrued consumption taxes	362	317	3,685
Provision for bonuses	1,290	1,492	13,132
Provision for business structure improvement	849	—	8,642
Provision for loss on office transfer	224	—	2,280
Provision for loss on business liquidation	—	60	—
Other	4,328	3,591	44,059
Total current liabilities	65,547	70,920	667,280
Noncurrent liabilities:			
Bonds payable	5,000	5,000	50,900
Long-term loans payable	14,003	12,897	142,553
Deferred tax liabilities	1,531	1,993	15,585
Provision for product warranties	187	190	1,903
Provision for retirement benefits	3,380	3,548	34,409
Provision for environmental measures	161	—	1,639
Negative goodwill	139	150	1,415
Other	567	1,121	5,772
Total Noncurrent liabilities	24,970	24,901	254,199
Total liabilities	90,518	95,822	921,490
NET ASSETS			
Shareholders' equity:			
Capital stock	13,150	13,150	133,869
Capital surplus	11,850	11,850	120,635
Retained earnings	9,093	9,468	92,568
Treasury stock	(652)	(287)	(6,637)
Total shareholders' equity	33,441	34,181	340,435
Valuation and translation adjustments:			
Valuation difference on available-for-sale securities	(1,254)	310	(12,765)
Deferred gains or losses on hedges	1	(12)	10
Foreign currency translation adjustment	(668)	26	(6,800)
Total valuation and translation adjustments	(1,921)	324	(19,556)
Minority interests	3,042	2,547	30,968
Total net assets	34,562	37,053	351,847
Total liabilities and net assets	¥ 125,080	¥ 132,875	\$1,273,338

Consolidated Statements of Income

Daiken Corporation and Consolidated Subsidiaries
Years ended March 31, 2009 and 2008

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Net sales	¥ 150,325	¥ 166,588	\$1,530,336
Cost of sales	114,145	127,419	1,162,017
Gross profit	36,179	39,168	368,309
Selling, general and administrative expenses	34,349	36,271	349,679
Operating income	1,830	2,896	18,629
Non-operating income	913	982	9,294
Non-operating expenses	1,411	1,266	14,364
Ordinary income	1,331	2,613	13,549
Extraordinary income	1,863	1,654	18,965
Extraordinary loss	3,868	1,409	39,376
Income (loss) before income taxes and minority interests	(672)	2,858	(6,841)
Income taxes	(1,350)	1,767	(13,743)
Minority interests in income	78	299	794
Net income	¥ 598	¥ 791	\$ 6,087

Consolidated Statements of Changes in Net Assets

Daiken Corporation and Consolidated Subsidiaries
Year ended March 31, 2009

	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 valuation and translation adjustments	Minority interests	Total net assets
Balance at March 31, 2008	¥13,150	¥11,850	¥9,468	¥(287)	¥34,181	¥ 310	¥(12)	¥ 26	¥ 324	¥2,547	¥37,053
Dividends from surplus			(973)		(973)						(973)
Net income			598		598						598
Purchase of treasury stock				(365)	(365)						(365)
Disposal of treasury stock		(0)		0	0						0
Net changes of items other than shareholders' equity						(1,565)	14	(695)	(2,246)	495	(1,751)
Total changes of items during the period	-	(0)	(374)	(365)	(739)	(1,565)	14	(695)	(2,246)	495	(2,490)
Balance at March 31, 2009	¥13,150	¥11,850	¥9,093	¥(652)	¥33,441	¥(1,254)	¥ 1	¥(668)	¥(1,921)	¥3,042	¥34,562

	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 valuation and translation adjustments	Minority interests	Total net assets
Balance at March 31, 2008	\$133,869	\$120,635	\$ 96,386	\$(2,921)	\$347,969	\$ 3,155	\$(122)	\$ 264	\$ 3,298	\$25,928	\$377,206
Dividends from surplus			(9,905)		(9,905)						(9,905)
Net income			6,087		6,087						6,087
Purchase of treasury stock				(3,715)	(3,715)						(3,715)
Disposal of treasury stock		(0)		2	1						1
Net changes of items other than shareholders' equity						(15,931)	142	(7,075)	(22,864)	5,039	(17,825)
Total changes of items during the period		(0)	(3,807)	(3,715)	(7,523)	(15,931)	142	(7,075)	(22,864)	5,039	(25,348)
Balance at March 31, 2009	\$133,869	\$120,635	\$ 92,568	\$(6,637)	\$340,435	\$(12,765)	\$ 10	\$(6,800)	\$(19,556)	\$30,968	\$351,847

Consolidated Statements of Cash Flows

Daiken Corporation and Consolidated Subsidiaries
Years ended March 31, 2009 and 2008

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Net cash provided by (used in) operating activities			
Income (loss) before income taxes and minority interests	¥ (672)	¥ 2,858	\$ (6,841)
Depreciation and amortization	4,054	3,927	41,270
Loss on valuation of land for sale	1,111	–	11,310
Loss on valuation of inventories	501	234	5,100
Amortization of bond issuance cost	14	1	142
Loss on retirement of noncurrent assets	131	130	1,333
Loss (gain) on sales of noncurrent assets	(1,168)	(6)	(11,890)
Loss (gain) on sales of investment securities	(478)	(890)	(4,866)
Loss (gain) on valuation of investment securities	564	195	5,741
Loss on valuation golf club memberships	41	–	417
Amortization of goodwill	123	125	1,252
Increase (decrease) in allowance for doubtful accounts	73	(509)	743
Increase (decrease) in provision for bonuses	(192)	(328)	(1,954)
Increase (decrease) in provision for business structure improvement	849	–	8,642
Increase (decrease) in provision for loss on office transfer	224	–	2,280
Increase (decrease) in provision for environmental measures	161	–	1,639
Increase (decrease) in provision for loss on business liquidation	(60)	(759)	(610)
Increase (decrease) in provision for product warranties	(3)	(90)	(30)
Increase (decrease) in provision for retirement benefits	(121)	553	(1,231)
Increase (decrease) in provision for directors' retirement benefits	–	(353)	–
Interest and dividends income	(264)	(261)	(2,687)
Interest expenses	608	599	6,189
Foreign exchange losses (gains)	260	(4)	2,646
Equity in (earnings) losses of affiliates	(43)	(64)	(437)
Decrease (increase) in notes and accounts receivable-trade	4,120	3,128	41,942
Decrease (increase) in inventories	(176)	2,552	(1,791)
Decrease (increase) in consumption taxes refund receivable	16	35	162
Increase (decrease) in notes and accounts payable-trade	(5,645)	(13,492)	(57,467)
Increase (decrease) in accrued consumption taxes	48	19	488
Other, net	(1,333)	13	(13,570)
Subtotal	2,744	(2,386)	27,934
Interest and dividends income received	263	262	2,677
Interest expenses paid	(595)	(600)	(6,057)
Income taxes paid	(607)	(1,052)	(6,179)
Net cash provided by (used in) operating activities	1,805	(3,776)	18,375
Net cash provided by (used in) investing activities			
Decrease (increase) in time deposits	2	(2)	20
Purchase of property, plant and equipment	(3,743)	(4,490)	(38,104)
Proceeds from sales of property, plant and equipment	1,887	59	19,210
Purchase of investment securities	(653)	(1,276)	(6,647)
Proceeds from sales of investment securities	624	1,177	6,352
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(962)	(630)	(9,793)
Payments for sales of investments in subsidiaries resulting in change in scope of consolidation	(8)	–	(81)
Other, net	(44)	595	(447)
Net cash provided by (used in) investing activities	(2,897)	(4,566)	(29,492)
Net cash provided by (used in) financing activities			
Net increase (decrease) in short-term loans payable	54	1,147	549
Proceeds from long-term loans payable	3,752	8,561	38,196
Repayment of long-term loans payable	(4,185)	(4,604)	(42,604)
Proceeds from issuance of bonds	–	4,929	–
Redemption of bonds	–	(5,000)	–
Purchase of treasury stock	(365)	(262)	(3,715)
Cash dividends paid	(973)	(980)	(9,905)
Cash dividends paid to minority shareholders	(75)	(91)	(763)
Other, net	0	0	1
Net cash provided by (used in) financing activities	(1,793)	3,699	(18,253)
Effect of exchange rate change on cash and cash equivalents	(31)	(2)	(315)
Net increase (decrease) in cash and cash equivalents	(2,916)	(4,646)	(29,685)
Cash and cash equivalents at beginning of period	12,058	16,523	122,752
Increase in cash and cash equivalents from newly consolidated subsidiary	589	181	5,996
Cash and cash equivalents at end of period	¥ 9,730	¥ 12,058	\$ 99,053

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. 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.

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

1) Property, plant and equipment

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

At Daiken Corporation and its domestic consolidated subsidiaries, the depreciation of intangible assets is computed by the straight-line method. The foreign consolidated subsidiaries use the straight-line method to calculate depreciation in conformity with the accounting principles generally accepted in their corresponding countries.

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. 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 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.

4) Provision for loss on office transfer

In order to prepare for the payment of expenses expected to occur for office transfer, provisions are made for estimated transfer expenses.

5) 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.

6) 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).

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

5. Consumption tax

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

6. Depreciation of goodwill and negative goodwill

Consolidation goodwill related to Aizu Daiken Corporation is amortized by the straight-line method over 5 years. The depreciation for other subsidiaries is computed by the straight-line method over 20 years.

Notes Related to Consolidated Balance Sheets

1. Accumulated depreciation of property, plant and equipment

¥ 58,786 million

2. Assets pledged as collateral

Buildings and structures	¥ 1,406 million
Machinery, equipment and vehicles	¥ 2,917 million
Land	¥ 2,765 million
Other current assets	¥ 954 million
Other noncurrent assets	¥ 191 million
Total	¥ 8,234 million

Loans corresponding to the above	
Short-term loans payable	¥ 2,175 million
Current portion of long-term loans payable	¥ 370 million
Long-term loans payable	¥ 1,396 million

3. Guarantee obligations

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

For Toyama Daikenhome Corporation	¥ 90 million
For purchasers of houses from our consolidated subsidiaries (Bridge loans for housing loans)	¥ 44 million
For purchasers of land from the Company	¥ 8 million
Total	¥ 142 million

4. Contingent liabilities

Liability for redemption following liquidation of credit ¥ 1,379 million

5. In order to efficiently raise working capital, the Company concluded overdraft contracts and loan commitment contracts with four 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

Notes Related to Consolidated Statements of Income

1. Primary selling, general and administrative expenses

Transportation and storage expenses	¥ 10,703 million
Transfer to allowance for doubtful accounts	¥ 114 million
Salaries and allowances	¥ 7,363 million
Transfer to provision for bonuses	¥ 797 million
Transfer to provision for product warranties	¥ 78 million
Expenses for retirement benefits	¥ 1,255 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, 2009, totaling ¥1,526 million.

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