



Independent Auditors' Report

To the Board of Directors of Inabata & Co., Ltd.:

We have audited the accompanying consolidated balance sheets of Inabata & Co., Ltd. (the "Company") and consolidated subsidiaries as of March 31, 2009 and 2008, and the related consolidated statements of income, changes in net assets and cash flows for the years then ended, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Inabata & Co., Ltd. and consolidated subsidiaries as of March 31, 2009 and 2008, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2009 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA & Co.

Osaka, Japan
June 25, 2009

INABATA & CO., LTD. AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
ASSETS			
Current assets:			
Cash and cash equivalents (Notes 12)	¥ 11,247	¥ 6,716	\$ 114,497
Receivables:			
Trade notes and accounts:			
Unconsolidated subsidiaries and affiliates	3,217	4,289	32,750
Sumitomo Chemical Company, Limited	2,250	1,967	22,905
Other	98,730	148,764	1,005,090
Other	2,731	3,884	27,802
Allowance for doubtful receivables	(963)	(1,315)	(9,804)
	<u>105,965</u>	<u>157,589</u>	<u>1,078,743</u>
Inventories	—	31,419	—
Merchandises and finished goods	24,736	—	251,817
Work in Process	384	—	3,909
Raw materials and supplies	2,357	—	23,995
Deferred tax assets (Note 6)	830	1,227	8,450
Other	8,149	4,977	82,958
Total current assets	<u>153,668</u>	<u>201,928</u>	<u>1,564,369</u>
Investments and long-term receivables:			
Investment securities (Notes 4 and 7):			
Unconsolidated subsidiaries and affiliates	4,130	6,554	42,044
Other	34,600	51,027	352,235
Long-term loans receivables:			
Unconsolidated subsidiaries and affiliates	—	15	—
Other	2,406	2,787	24,494
Other	7,218	7,470	73,481
Allowance for doubtful receivables (Note 16)	(3,546)	(3,789)	(36,099)
	<u>44,808</u>	<u>64,064</u>	<u>456,155</u>
Property and equipment (Note 8):			
Land	1,709	2,267	17,398
Buildings and structures	12,374	13,234	125,970
Machinery and equipment	17,915	19,563	182,378
Leased assets (Note 13)	—	9,485	—
Construction in progress	146	163	1,486
Other	426	—	4,337
	<u>32,570</u>	<u>44,712</u>	<u>331,569</u>
Less accumulated depreciation	(20,804)	(29,931)	(211,789)
	<u>11,766</u>	<u>14,781</u>	<u>119,780</u>
Other assets			
Deferred tax assets (Note 6)	312	182	3,176
Intangible assets	4,725	3,682	48,101
	<u>5,037</u>	<u>3,864</u>	<u>51,277</u>
	<u>¥ 215,279</u>	<u>¥ 284,637</u>	<u>\$ 2,191,581</u>

See accompanying Notes to Consolidated Financial Statements.

INABATA & CO., LTD. AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (CONTINUED)
March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
LIABILITIES AND NET ASSETS			
Current liabilities:			
Short-term loans (Note 10)	¥ 49,499	¥ 67,469	\$ 503,909
Payables:			
Trade notes and accounts:			
Unconsolidated subsidiaries and affiliates	2,518	303	25,634
Sumitomo Chemical Company, Limited	4,071	8,838	41,444
Other	60,223	92,736	613,081
Accrued employees' bonuses	779	977	7,930
Other	1,089	1,343	11,086
	<u>68,680</u>	<u>104,197</u>	<u>699,175</u>
Income taxes and enterprise tax payable	1,609	3,404	16,380
Accrued expenses	1,507	2,129	15,342
Other current liabilities	4,104	2,467	41,779
Total current liabilities	<u>125,399</u>	<u>179,666</u>	<u>1,276,585</u>
Long-term liabilities:			
Long-term debt (Note 10)	14,775	10,547	150,412
Severance and retirement benefits (Note 11)	431	559	4,388
Directors' retirement benefits	61	19	621
Deferred tax liabilities (Note 6)	6,500	13,296	66,171
Provision for loss on business liquidation (Note 9)	2,231	—	22,712
Provision for loss on debt guarantees (Note 16)	282	—	2,871
Other non-current liabilities	2,000	2,386	20,360
	<u>26,280</u>	<u>26,807</u>	<u>267,535</u>
Contingent liabilities (Note 17)			
Net assets (Note 15):			
Shareholders' equity			
Common stock:			
Authorized - 200,000,000 shares			
Issued - 65,159,227 shares in 2009 and 65,159,227 shares in 2008	9,364	9,364	95,327
Capital surplus	7,708	7,709	78,469
Retained earnings	38,951	37,587	396,529
Treasury stock, at cost:			
70,288 shares in 2009 and 70,139 shares in 2008	(52)	(52)	(529)
Total shareholders' equity	<u>55,971</u>	<u>54,608</u>	<u>569,796</u>
Valuation and translation adjustments			
Net unrealized holding gains on securities	11,685	21,383	118,956
Net unrealized holding gains (losses) on derivatives	15	(89)	153
Foreign currency translation adjustments	(4,958)	1,223	(50,474)
Total valuation and translation adjustments	<u>6,742</u>	<u>22,517</u>	<u>68,635</u>
Stock acquisition rights	—	58	—
Minority interests	887	981	9,030
Total net assets	<u>63,600</u>	<u>78,164</u>	<u>647,461</u>
	<u>¥ 215,279</u>	<u>¥ 284,637</u>	<u>\$ 2,191,581</u>

See accompanying Notes to Consolidated Financial Statements.

INABATA & CO., LTD. AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
Years ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
Revenues:			
Net sales	¥ 442,761	¥ 500,019	\$ 4,507,391
Cost and expenses:			
Cost of sales	416,101	467,954	4,235,987
Selling, general and administrative expenses	23,084	24,406	235,000
Operating income	<u>3,576</u>	<u>7,659</u>	<u>36,404</u>
Other income (expenses):			
Interest and dividend income	1,455	1,590	14,812
Interest expense (Note 10)	(1,588)	(2,090)	(16,166)
Gain on sale of investment securities	4,683	889	47,674
Gain on sale of property and equipment	143	265	1,456
Reversal of allowance for doubtful receivables	370	—	3,767
Gain on compensation received for damages	137	—	1,395
Gain on sale of investment in subsidiaries	—	231	—
Depreciation of leased assets (Note 13)	—	(338)	—
Loss on fire	—	(114)	—
Provision for allowance for doubtful receivables	(303)	(2,035)	(3,085)
Equity in losses of unconsolidated subsidiaries and affiliates	(449)	(304)	(4,571)
Gain on foreign exchange	96	270	977
Loss on impairment of fixed assets (Note 8)	(452)	(154)	(4,601)
Loss on disposal of property and equipment	(749)	—	(7,625)
Loss on valuation of investment securities	(364)	—	(3,706)
Provision for loss on business liquidation (Note 9)	(2,446)	—	(24,901)
Provision for loss on debt guarantees (Note 16)	(282)	—	(2,871)
Loss on valuation of investment in subsidiaries and affiliates	(132)	—	(1,344)
Other, net	734	671	7,473
	<u>853</u>	<u>(1,119)</u>	<u>8,684</u>
Income before income taxes	4,429	6,540	45,088
Provision for income taxes (Note 6)			
Current	3,592	3,930	36,567
Deferred	(1,373)	(456)	(13,977)
	<u>2,219</u>	<u>3,474</u>	<u>22,590</u>
Minority interests	(47)	(143)	(478)
Net income	<u>¥ 2,163</u>	<u>¥ 2,923</u>	<u>\$ 22,020</u>
Amounts per share:			U.S. dollars (Note 1)
	Yen		
Net income per share - basic	¥ 33.22	¥ 44.98	\$ 0.34
Cash dividends per share applicable to the year	10.00	10.00	0.10

See accompanying Notes to Consolidated Financial Statements.

INABATA & CO. LTD. AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
Year ended March 31, 2008

	Thousands Number of shares of common stock	Millions of yen										Total
		Common stock	Capital surplus	Shareholders' equity	Retained earnings	Treasury stock	Net unrealized holding gains on securities	Valuation and translation adjustments	Net unrealized holding gains on derivatives	Foreign currency translation adjustments	Stock acquisition rights	
Balance at March 31, 2007	64,883	Y 9,262	Y 7,607	Y 35,001	Y (51)	Y 29,882	Y 6	Y 1,024	Y 62	Y 1,099	Y 83,892	
Net income	-	-	-	2,923	-	-	-	-	-	-	2,923	
Exercise of stock acquisition rights	276	102	102	-	-	-	-	-	(4)	-	200	
Adjustments from translation of foreign currency financial statements	-	-	-	-	-	-	-	199	-	-	199	
Net unrealized losses on available-for-sale securities	-	-	-	-	-	(8,499)	-	-	-	-	(8,499)	
Treasury stock, net	-	-	0	-	(1)	-	-	-	-	-	(1)	
Net unrealized holding gains on derivatives	-	-	-	-	-	-	(95)	-	-	-	(95)	
Change in scope of equity method	-	-	-	0	-	-	-	-	-	-	0	
Accumulation for actuarial difference in UK subsidiaries	-	-	-	377	-	-	-	-	-	-	377	
Increase in minority interests	-	-	-	(714)	-	-	-	-	-	(118)	(118)	
Cash dividends paid - ¥11 per share	-	-	-	(37,587)	-	-	-	-	-	-	(37,587)	
Balance at March 31, 2008	65,159	Y 9,364	Y 7,709	Y 37,587	Y (52)	Y 21,383	Y (89)	Y 1,223	Y 58	Y 981	Y 78,164	

See accompanying Notes to Consolidated Financial Statements.

INABATA & CO., LTD. AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
Cash flows from operating activities:			
Income before income taxes	¥ 4,429	¥ 6,540	\$ 45,088
Adjustments to reconcile net income before income taxes to cash provided by operating activities:			
Depreciation and amortization	2,821	3,867	28,718
Depreciation of leased assets	—	338	—
Loss on impairment of long-lived assets	452	154	4,601
Allowance for doubtful receivables	(389)	1,707	(3,960)
Interest and dividend income	(1,455)	(1,590)	(14,812)
Interest expense	1,588	2,090	16,166
Equity in losses of unconsolidated subsidiaries and affiliates, less dividends	449	304	4,571
Gain on sale of property and equipment	(143)	(265)	(1,456)
Loss on fire	—	114	—
Gain on compensation received for damages	(137)	—	(1,395)
Increase in provision for loss on debt guarantees	282	—	2,871
Increase in provision for loss on business liquidation	2,231	—	22,712
Gain on sale of investment securities	(4,683)	(889)	(47,674)
Gain on sale of investment in subsidiaries	—	(231)	—
Loss on valuation of investment securities	364	—	3,706
Loss on valuation of investment in subsidiaries and affiliates	132	—	1,344
Loss on disposal of property and equipment	749	—	7,625
Decrease (increase) in receivables	39,936	(15,039)	406,556
Decrease (increase) in inventories	537	(2,415)	5,467
Increase in other current assets	(2,075)	(2,346)	(21,124)
Increase (decrease) in payables	(30,458)	698	(310,068)
Increase in other current liabilities	1,853	85	18,864
Other - net	216	316	2,199
	16,699	(6,562)	169,999
Interest and dividends received	1,477	1,657	15,036
Interest paid	(1,554)	(2,065)	(15,820)
Gain on insurance claims	242	221	2,464
Income taxes paid	(5,301)	(1,245)	(53,965)
Refund of corporate tax	—	3,737	—
Net cash provided by (used in) operating activities	11,563	(4,257)	117,714
Cash flows from investing activities:			
Payments for time deposits	(24)	(22)	(244)
Proceeds from time deposits	102	630	1,038
Purchase of short-term investment securities	(18)	—	(183)
Acquisitions of property and equipment	(2,146)	(2,540)	(21,847)
Proceeds from sale of property and equipment	227	908	2,311
Acquisitions of intangible assets	(3,048)	(923)	(31,029)
Payments for purchase of investment securities	(2,077)	(2,194)	(21,144)
Proceeds from sale of investment securities	7,077	2,314	72,045
Proceeds from repayment of investment securities	—	642	—
Net increase (decrease) in short-term loans receivable	(320)	355	(3,258)
Long-term loans receivable advanced	(193)	(1,102)	(1,965)
Proceeds from collection of long-term loans receivable	1,279	575	13,020
Payments for acquisition of shares of newly consolidated subsidiaries (Note 12)	—	(129)	—
Payments for sales of shares of consolidated subsidiaries (Note 12)	—	(127)	—
Payments for acquisition of business	—	(160)	—
Other - net	89	414	907
Net cash provided by (used in) investing activities	948	(1,359)	9,651

See accompanying Notes to Consolidated Financial Statements.

INABATA & CO., LTD. AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	¥ (4,126)	¥ 7,860	(42,003)
Proceeds from long-term debt	7,525	3,418	76,606
Repayment of long-term debt	(9,727)	(4,847)	(99,023)
Proceeds from issuance of stock	—	204	—
Dividends paid	(651)	(714)	(6,627)
Dividends paid to minority interests	(96)	(9)	(977)
Other - net	(53)	(5)	(540)
Net cash provided by (used in) financing activities	<u>(7,128)</u>	<u>5,907</u>	<u>(72,564)</u>
Effects of foreign exchange rates on cash and cash equivalents	(1,681)	68	(17,114)
Net increase in cash and cash equivalents	<u>3,702</u>	<u>359</u>	<u>37,687</u>
Cash and cash equivalents at beginning of year	6,671	6,312	67,912
Cash and cash equivalents of newly consolidated subsidiaries	808	—	8,226
Cash and cash equivalents at end of year (Note 12)	<u>¥ 11,181</u>	<u>¥ 6,671</u>	<u>\$ 113,825</u>

See accompanying Notes to Consolidated Financial Statements.

INABATA & CO., LTD. AND CONSOLIDATED SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of presenting consolidated financial statements

The accompanying consolidated financial statements of INABATA & CO., LTD. (“the Company”) have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

Prior to the year ended March 31, 2009, the accounts of consolidated overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. As discussed in Note 3.(c), the accounts of consolidated overseas subsidiaries for the year ended March 31, 2009 are prepared in accordance with mainly either International Financial Reporting Standards or U.S. generally accepted accounting principles, with adjustments for the specified six items as applicable.

The accompanying consolidated financial statements have been reformatted and translated into English (with some expanded descriptions) from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law. Certain supplementary information included in the statutory Japanese language consolidated financial statements is not presented in the accompanying consolidated financial statements.

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2009, which was ¥98.23 to U.S. \$1.00. These translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

2. Summary of significant accounting policies

(a) Consolidation

The consolidated financial statements include the accounts of the Company and its 57 (49 in 2008) significant domestic and foreign subsidiaries (together “the Companies”), the management of which is controlled by the Company. Investments in unconsolidated subsidiaries and affiliates are, with minor exceptions, accounted for by the equity method. The Company has 10 (7 in 2008) affiliates accounted for by the equity method. Intercompany transactions and accounts have been eliminated. In the elimination of investments in subsidiaries, the portion of a subsidiary’s assets and liabilities attributable to the shares acquired by the Company are evaluated at the fair value as of the date when the shares were acquired. The value of a subsidiary’s assets and liabilities attributable to the stock held by minority shareholders of the subsidiary are determined using the financial statements of the subsidiary. The difference between the cost of the Company’s investment in a subsidiary or affiliate over the equity in the net assets at the date of acquisition is, with minor exceptions, amortized on the straight-line basis over a period of five years.

All consolidated subsidiaries have fiscal years ending on December 31. Significant transactions taking place between December 31, the fiscal year end of all consolidated subsidiaries, and March 31, the fiscal year end of the Company, are reflected in the consolidated financial statements.

(b) Cash and cash equivalents

In preparing the consolidated statements of cash flows, cash on hand, readily-available deposits and short-term highly liquid investments with maturities not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

(c) Allowance for doubtful receivables

An allowance for doubtful receivables is provided to cover possible losses on collection.

With respect to normal trade accounts receivable, the allowance is stated at an amount based on the actual rate of bad debts in the past. For certain doubtful receivables, the uncollectible amount has been individually estimated.

The allowance with respect to doubtful receivables of overseas consolidated subsidiaries is determined by estimates of management.

(d) Securities

Equity securities issued by subsidiaries and affiliates which are not consolidated or accounted for using the equity method are stated at moving average cost.

Available-for-sale equity securities with available fair market values are stated at the average fair market value for the last month of the year. Non-equity available-for-sale securities with available fair market values are stated at fair market value on the last day of the year. Unrealized gains and unrealized losses on these securities are reported, net of applicable income taxes, as a separate component of net assets. Realized gains and losses on the sale of such securities are computed using moving average cost. Other securities with no available fair market values are also stated at moving average cost.

(e) Derivative transactions and hedge accounting

Derivatives are generally stated at market value.

If a derivative financial instrument is used as a hedge and meets certain hedging criteria, the Companies defer recognition of gain or loss resulting from changes in the fair value of the derivative financial instrument until the related loss or gain on the hedged item is recognized.

However, in cases where forward foreign exchange contracts are used as hedges and meet certain hedging criteria, forward foreign exchange contracts and hedged items are accounted for in the following manner:

If a forward foreign exchange contract is executed to hedge an existing foreign currency receivable or payable,

(1) the difference, if any, between the Japanese yen amount of the hedged foreign currency receivable or payable translated using the spot rate at the inception date of the contract and the book value of the receivable or payable is recognized in the income statement in the period which includes the inception date, and

(2) the discount or premium on the contract (that is, the difference between the Japanese yen amount of the contract translated using the contracted forward rate and that translated using the spot rate at the inception date of the contract) is recognized over the term of the contract.

If a forward foreign exchange contract is executed to hedge a future transaction denominated in a foreign currency, the future transaction will be recorded using the contracted forward rate, and no gain or loss on the forward foreign exchange contract is recognized.

(f) Inventories

Prior to April 1, 2008, inventories of the Company and consolidated domestic subsidiaries, other than real estate held for sale, had been mainly stated at the lower of cost or market and determined by the first-in, first-out (FIFO) method. Real estate held for sale had been stated at cost determined by the specific identification method.

As discussed in Note 3(a), effective April 1, 2008, the Company and consolidated domestic subsidiaries changed their accounting standard for measurement of inventories and mainly stated the inventories, other than real estate held for sale, at the lower of cost determined by the FIFO method or net realizable value at March 31, 2009. Real estate held for sale stated at the lower of cost determined by the specific identification method or net realizable value at March 31, 2009.

(g) Property and equipment

Property and equipment are carried at cost, and depreciated mainly by the declining balance method (straight-line method for certain subsidiaries) over the estimated useful lives of the assets. However, buildings acquired after March 31, 1998 are depreciated using the straight-line method.

Effective April 1, 2007, the Company and its domestic subsidiaries changed their method of accounting for depreciation of property and equipment acquired on or after April 1, 2007 in accordance with the revised Corporate Tax Law of Japan. There were no material effects as a result of the revision on the consolidated financial statements for the year ended March 31, 2008.

Effective April 1, 2007, due to the amendment of the Corporation Tax Code of Japan, amounts of depreciation limit (5% of acquisition costs) of tangible fixed assets acquired by the Company and consolidated domestic subsidiaries before April 1, 2007 are recognized as depreciation equally over five years commencing from the later of the year ended March 31, 2008 or the year immediately following the year in which depreciation has been recognized up to the depreciation limit. There were no material effects as a result of the adoption of the pre-revised depreciation method on the consolidated financial statements for the year ended March 31, 2008.

Effective April 1, 2008, the Company and consolidated domestic subsidiaries changed the useful lives of machinery and equipment in accordance with the revised Corporate Tax Law of Japan. There were no material effects as a result of the change in useful lives on the consolidated financial statements for the year ended March 31, 2009.

(h) Impairment of fixed assets

The Companies have adopted “Accounting for Impairment of Fixed Assets” and “Guidance for Accounting Standard for Impairment of Fixed Assets.” The Companies review long-lived assets for impairment whenever events or changes in circumstance indicate that the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss is measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which would be the higher of the discounted cash flows from the continued

use and eventual disposition of the asset or the net selling price at disposition.

(i) Income taxes

Income taxes comprise corporation tax, prefectural and municipal inhabitants taxes and enterprise tax. The Companies recognize the tax effects of temporary differences between the carrying amounts of assets and liabilities for tax purposes and financial reporting purposes. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

(j) Translation of foreign currencies

Receivables and payables denominated in foreign currencies are translated into Japanese yen at year-end rates.

Financial statements of overseas subsidiaries are translated into Japanese yen at year-end exchange rates, except for net asset accounts, which are translated at historical exchange rates. The resulting translation adjustments are presented separately in the consolidated financial statements as foreign currency translation adjustments and in minority interests.

(k) Retirement benefits

The Companies provide retirement payment plans and funded non-contributory pension plans under which all eligible employees are entitled to benefits based on the level of wages and salaries at the time of retirement or termination, length of service and certain other factors. The Companies sometime make additional payments that are not based on the amounts obtained by actuarial calculations. The Company has employee retirement benefit trusts for both plans.

The Companies provide for employees' severance and retirement benefits based on the estimated amounts of projected benefit obligation and the fair value of plan assets at the end of the year. Actuarial differences and prior service costs are mainly recognized in expenses using the straight-line method within the average of the estimated remaining service years commencing with the following period.

Directors, corporate auditors and executive officers of the certain subsidiaries receive retirement payments based on established guidelines similar to the employees' retirement benefit plan, subject to shareholders' approval. Retirement benefits provided for directors and corporate auditors are sufficient to cover stipulated benefits arising from services performed to the balance sheet date.

Through the year ended March 31, 2009, a provision for retirement allowances for these officers of the Company's subsidiaries had been made at an estimated amount based on the Company's internal rules for retirement allowances.

(l) Accrued employees' bonuses

The Company and certain subsidiaries accrue amounts for employees' bonuses based on estimated amounts to be paid in the subsequent period.

(m) Reclassifications

Certain reclassifications of the accompanying consolidated financial statements as of and for the year ended March 31, 2008 have been made to conform to the 2009 presentation.

(n) Net income per share

Computations of net income per share of common stock are based on the weighted average number of shares outstanding during each period.

No diluted net income per share of common stock is presented since the full dilution of common stock equivalents has no dilutive effect for the years ended March 31, 2009 and 2008.

(o) Leases

The Company and consolidated domestic subsidiaries account for finance leases commencing prior to April 1, 2008 which do not transfer the ownership of the leased property to the lessee as operating leases with disclosures of certain “as if capitalized” information. As discussed in Note 3. (b), the Company and consolidated domestic subsidiaries adopted a new accounting standard and capitalized finance leases which commenced after March 31, 2008, except for certain immaterial or short-term finance leases, which are accounted for as operating leases.

3. Changes in accounting policies

(a) Accounting standard for measurement of inventories

On July 5, 2006, the Accounting Standards Board of Japan issued ASBJ Statement No. 9, “Accounting Standard for Measurement of Inventories”.

Prior to April 1, 2008, inventories of the Companies, other than real estate held for sale, had been mainly stated at the lower of cost or market and determined by the first-in, first-out (FIFO) method. Real estate held for sale had been stated at cost determined by the specific identification method.

The new accounting standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net realizable value.

Therefore, effective April 1, 2008, the Companies changed their accounting standard for measurement of inventories and mainly stated the inventories, other than real estate held for sale, at the lower of cost determined by the FIFO method or net realizable value at March 31, 2009. Real estate held for sale stated at the lower of cost determined by the specific identification method or net realizable value at March 31, 2009.

The companies also changed the title of the account for recording loss on abandonment of goods from non-operating expense to cost of goods sold.

As a result of the adoption of ASBJ Statement No. 9, operating income decreased ¥520 million (\$5,294 thousand) and income before income taxes decreased ¥288 million (\$2,932 thousand) on the consolidated financial statements for the year ended March 31, 2009.

The effects on segment information are described in Note 14.

(b) Application of accounting standard for lease transactions

Prior to April 1, 2008, the Company and consolidated domestic subsidiaries accounted for finance leases which do not transfer ownership of the leased property to the lessee as operating leases with disclosure of certain “as if capitalized” information in the notes to the consolidated financial statements.

On March 31, 2007, the Accounting Standards Board of Japan issued Statement No. 13, “Accounting Standard for Lease Transactions” and Guidance No. 16, “Guidance on Accounting Standard for Lease Transactions”. The new accounting standards require that all finance lease transactions be treated as capital leases.

Effective April 1, 2008, the Company and consolidated domestic subsidiaries adopted the new accounting standards for finance leases commencing after March 31, 2008 and capitalized assets used under such leases, except for certain immaterial or short-term finance leases, which are accounted for as operating leases. As permitted, finance leases which commenced prior to April 1, 2008 and have been accounted for as operating leases, continue to be accounted for as operating leases with disclosure of certain “as if capitalized” information.

There were no effects as a result of the adoption of ASBJ Statement No. 13 on the consolidated financial statements for the year ended March 31, 2009.

(c) Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements

On March 17, 2006, the Accounting Standards Board of Japan issued Practical Issues Task Force No. 18 “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (“PITF No. 18”). PITF No. 18 requires that accounting policies and procedures applied by a parent company and its subsidiaries to similar transactions and events under similar circumstances should, in principle, be unified for the preparation of the consolidated financial statements. PITF No. 18, however, as a tentative measure, allows a parent company to prepare consolidated financial statements using foreign subsidiaries’ financial statements prepared in accordance with either International Financial Reporting Standards or U.S. GAAP. In this case, adjustments for the following six items are required in the consolidation process so that their impacts on net income are accounted for in accordance with Japanese GAAP unless the impact is not material.

- (1) Goodwill not subject to amortization
- (2) Actuarial gains and losses of defined-benefit retirement plans recognized outside profit or loss
- (3) Capitalized expenditures for research and development activities
- (4) Fair value measurement of investment properties, and revaluation of property, plant and equipment and intangible assets
- (5) Retrospective treatment of a change in accounting policies
- (6) Accounting for net income attributable to minority interests

As a result of adopting PITF No. 18, operating income decreased ¥151 million (\$1,537 thousand) and income before taxes and minority interests decreased ¥110 million (\$1,120 thousand) on the consolidated financial statements for the year ended March 31, 2009.

The effects on segment information are described in Note 14.

4. Securities

(a) The following summarizes information on securities with available fair values as of March 31, 2009 and 2008.

(1) Trading securities:

At March 31, 2009 and 2008, there were no trading securities with fair market values.

(2) Available-for-sale securities as of March 31, 2009 and 2008:

Securities with book values (fair values) exceeding acquisition costs:

	<u>Millions of yen</u>		<u>Thousands of</u>
	<u>2009</u>	<u>2008</u>	<u>U.S. dollars</u>
Equity securities:			<u>2009</u>
Acquisition costs	¥ 4,232	¥ 6,780	\$ 43,082
Book values	<u>25,939</u>	<u>41,913</u>	<u>264,064</u>
Differences	<u>¥ 21,707</u>	<u>¥ 35,133</u>	<u>\$ 220,982</u>

Securities with book values not exceeding acquisition costs:

	<u>Millions of yen</u>		<u>Thousands of</u>
	<u>2009</u>	<u>2008</u>	<u>U.S. dollars</u>
Equity securities:			<u>2009</u>
Acquisition costs	¥ 5,730	¥ 2,681	\$ 58,333
Book values	<u>4,051</u>	<u>2,156</u>	<u>41,240</u>
Differences	<u>¥ (1,679)</u>	<u>¥ (525)</u>	<u>\$ (17,093)</u>

(b) The following table summarizes information on available-for-sale securities sold in the year ended March 31, 2009 and 2008:

	<u>Millions of yen</u>		<u>Thousands of</u>
	<u>2009</u>	<u>2008</u>	<u>U.S. dollars</u>
Total sales of available-for-sale securities	¥ 7,088	¥ 1,686	\$ 72,157
Amount of related gains	4,683	889	47,674
Amount of related losses	-	-	-

(c) The following table summarizes book values of securities with no available fair values as of March 31, 2009 and 2008:

	Book value			
	Millions of yen		Thousands of U.S. dollars	
	2009	2008	2009	
Subsidiaries and affiliates	¥ 4,130	¥ 6,554	\$ 42,044	
Available-for-sale securities				
Non-quoted equity securities	¥ 3,520	¥ 5,846	\$ 35,834	
Non-quoted convertible bonds	¥ 1,069	¥ 1,069	\$ 10,883	
Other	¥ 21	¥ 43	\$ 214	

(d) Available-for-sale securities with maturities as follows:

	March 31, 2009			
	Millions of yen			
	<u>Within one year</u>	<u>Over one year but within five years</u>	<u>Over five years but within ten years</u>	<u>Over ten years</u>
Available-for-sale securities				
Bonds	-	¥ 100	¥ 969	-
Total	-	¥ 100	¥ 969	-
	Thousands of U.S. dollars			
Available-for-sale securities				
Bonds	-	\$ 1,018	\$ 9,865	-
Total	-	\$ 1,018	\$ 9,865	-
	March 31, 2008			
	Millions of yen			
	<u>Within one year</u>	<u>Over one year but within five years</u>	<u>Over five years but within ten years</u>	<u>Over ten years</u>
Available-for-sale securities				
Bonds	-	¥ 100	¥ 969	-
Total	-	¥ 100	¥ 969	-

5. Derivative financial instruments and hedging transactions

The Companies enter into forward foreign exchange contracts, interest rate swap transactions, and currency swap transactions to control risks related to foreign currencies and interest rates. Forward foreign exchange contracts are used to hedge the risk of fluctuations in foreign currency exchange rates with respect to monetary receivables and payables denominated in foreign currencies. Interest rate swap transactions are used to convert variable rates to fixed rates with respect to borrowings. The Companies use derivative transactions in connection with managing their market risk and not for speculation or dealing purposes.

The Companies minimize the credit risk exposure of these derivative transactions by using only highly rated financial institutions as counterparties. The derivative transactions are entered into by the finance and accounting divisions in accordance with risk management policies and rules approved by the Board of Directors, which receives periodic reports on the results of derivative transactions.

The following summarizes hedging derivative financial instruments used by the Companies and the corresponding items hedged for which hedge accounting is applied:

Hedging instruments:	Hedged items:
Forward foreign exchange contracts	Future transactions denominated in foreign currencies
	Foreign currency monetary assets and liabilities

With regard to forward foreign exchange contracts, the Companies do not evaluate the hedge effectiveness if the denominated currency, the notional amount of the contract and the contract period are the same as the foreign currency receivable hedged.

The following table summarizes market value information as of March 31, 2009 and 2008 for derivative transactions for which hedge accounting had not been applied:

(a) Currency related

	Millions of yen						Thousands of
	2009			2008			U.S. dollars
	Contracted amount	Current market amount	Recognized gains (losses)	Contracted amount	Current market amount	Recognized gains (losses)	2009
Forward foreign exchange contracts:							
Sell:							
U.S. dollars	¥ 108	¥ 108	¥ 0	¥ 541	¥ 544	¥ (3)	\$ 0
Japanese yen	¥ 505	¥ 551	¥ (46)	¥ 309	¥ 304	¥ 5	\$ (468)
			¥ (46)			¥ 2	\$ (468)
Buy:							
Japanese yen	¥ 9	¥ 9	¥ (0)	¥ -	¥ -	¥ -	\$ (0)

The market value amounts are based on the year-end forward rates. Forward currency exchange contracts for which the forward rates were used to translate year-end receivables and payables denominated in foreign currencies were excluded from the above schedule.

(b) Interest related

	Millions of yen						Thousands of
	2009			2008			U.S. dollars
	Principal amount of contract	Amount of principal due over one year	Recognized gains (losses)	Principal amount of contract	Amount of principal due over one year	Recognized gains (losses)	2009
Interest rate swaps:							
Receive variable rate							
and pay fixed rate	¥ -	¥ -	¥ -	¥ 500	¥ -	¥ 0	\$ -

The gains and losses were estimated by the counterparty financial institutions.

6. Income taxes

The Company and its domestic subsidiaries are subject to a number of taxes based on income, which, in the aggregate, indicate a statutory income tax rate in Japan of approximately 40.5% for the years ended March 31, 2009 and 2008, respectively.

The following table summarizes the significant differences between the statutory tax rate and the effective tax rate for financial statement purposes:

	<u>2009</u>	<u>2008</u>
Statutory tax rate	40.5%	40.5%
Equity in losses of unconsolidated subsidiaries and affiliates	4.2	2.0
Non-deductible expenses	11.4	4.6
Dividend income, not taxable	(5.5)	(5.8)
Unrealized tax benefit on prior losses of consolidated subsidiaries	(9.6)	18.7
Foreign subsidiaries' tax rates	(1.3)	(9.6)
Elimination of dividend income	6.0	6.5
Effects on sales of the affiliates stocks	-	(1.0)
Refundable corporation tax	(0.9)	(2.4)
Other	<u>5.3</u>	<u>(0.4)</u>
Effective tax rate	<u><u>50.1%</u></u>	<u><u>53.1%</u></u>

Significant components of the Companies' deferred tax assets and liabilities are as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Deferred tax assets:			
Excess bad debt expense	¥ 1,196	¥ 1,695	\$ 12,176
Loss carryforwards	2,108	1,635	21,460
Severance and retirement benefits	372	277	3,787
Directors' retirement benefits	185	234	1,883
Unrealized profit on inventories	177	162	1,802
Unrealized profit on property and equipment	162	162	1,649
Excess depreciation	858	669	8,735
Write-down of golf club memberships	60	164	611
Write-down of investment securities	402	898	4,092
Write-down of inventories	158	232	1,608
Excess bonuses accrued	292	361	2,973
Provision for loss on business liquidation	662	-	6,739
Enterprise tax payable	92	210	937
Other	757	889	7,706
Total deferred tax assets	7,481	7,588	76,158
Valuation allowance	(3,872)	(5,211)	(39,418)
Net deferred tax assets	3,609	2,377	36,740
Deferred tax liabilities:			
Gain on securities contributed to employee retirement benefit trust	(876)	(876)	(8,918)
Net unrealized holding gains on securities	(8,041)	(13,317)	(81,859)
Other	(50)	(71)	(508)
Total deferred tax liabilities	(8,967)	(14,264)	(91,285)
Net deferred tax liabilities	¥ (5,358)	¥ (11,887)	\$ (54,545)

Net deferred tax liabilities at March 2009 and 2008, respectively, were included in the consolidated balance sheets as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Deferred tax assets (current assets)	¥ 830	¥ 1,227	\$ 8,450
Deferred tax assets (other assets)	¥ 312	¥ 182	\$ 3,176
Deferred tax liability (long-term liability)	¥ (6,500)	\$ (13,296)	\$ (66,171)
Net deferred tax liabilities	¥ (5,358)	\$ (11,887)	\$ (54,545)

7. Pledged assets

At March 31, 2009 and 2008, the following assets were pledged as security for trading transactions:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Investment securities	¥ 4,820	¥ 5,425	\$ 49,069

8. Loss on impairment of fixed assets

Loss on impairment of fixed assets for the years ended March 31, 2009 and 2008 consisted of the following.

For the year ended March 31, 2009

Use	Type of asset	Location	Millions of yen	Thousands of U.S. dollars
Mainly production facilities for electronic equipments and measuring devices	Building	Matsumoto, Nagano	¥ 213	\$ 2,168
	Machinery and equipment		¥ 57	\$ 580
	Vehicles, tools, furniture and fixtures		¥ 21	\$ 214
	Land		¥ 83	\$ 845
	Intangible assets		¥ 37	\$ 377
	Other		¥ 41	\$ 417
	Total		¥ 452	\$ 4,601

The Company and its subsidiaries grouped their assets principally by each industry segment. Leased assets and idle assets are grouped independently. The Companies reduced the book value of the asset groups in the above tables to the recoverable amounts and recognized impairment losses of 452 million (\$4,601 thousand) due to a significant decrease in real estate values.

The recoverable amounts were determined based on the estimated net selling value.

For the year ended March 31, 2008

Use	Type of asset	Location	Millions of yen
Real estate for lease	Land	Hasuda, Saitama	¥ 100
Real estate for lease	Land	Yamatokoriyama, Nara	¥ 54
	Total		¥ 154

The Company and its subsidiaries grouped their assets principally by each industry segment. Leased assets and idle assets are grouped independently. The Companies reduced the book value of the asset groups in the above tables to the recoverable amounts and recognized impairment losses of 154 million due to a significant decrease in real estate values.

The recoverable amounts were determined using estimated future cash flows discounted by a rate of 4.63%.

9. Provision for loss on business liquidation

The Company and its subsidiaries planned the restructuring of some consolidated subsidiaries, so estimated the loss and recognized it as expense in this accounting period.

10. Short-term loans and long-term debt

Short-term loans at March 31, 2009 and 2008 consisted of bank loans bearing interest at average annual rates of 1.81% and 2.87%, respectively. Long-term loans due within one year at March 31, 2009 and 2008 consisted of bank loans bearing interest at average annual rates of 1.71% and 1.59%, respectively.

Long-term debt at March 31, 2009 and 2008 consisted of the following:

	<u>Millions of yen</u>		<u>Thousands of</u>
	<u>2009</u>	<u>2008</u>	<u>U.S. dollars</u>
Unsecured loans from banks and insurance companies due through 2015 with interest principally at 0.72% - 7.15%	¥ 16,272	¥ 18,797	\$ 165,652
Less amounts due within one year	<u>(1,497)</u>	<u>(8,250)</u>	<u>(15,240)</u>
	<u>¥ 14,775</u>	<u>¥ 10,547</u>	<u>\$ 150,412</u>

The aggregate annual maturities of long-term debt at March 31, 2009 were as follows:

<u>Year ending March 31,</u>	<u>Millions of yen</u>	<u>Thousands of</u>
2011	¥ 643	\$ 6,546
2012	2,410	24,534
2013	4,039	41,118
2014 and later	<u>7,683</u>	<u>78,214</u>
	<u>¥ 14,775</u>	<u>\$ 150,412</u>

The Company has a commitment line contract of ¥10,000 million (\$101,802 thousand) with four banks in order to secure the efficient procurement of operating funds.

At March 31, 2009, ¥10,000 million (\$101,802 thousand) was unused and available.

11. Employees' severance and pension benefits

The liabilities for employees' severance and retirement benefits included in the liability section of the consolidated balance sheets as of March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Projected benefit obligation	¥ 9,635	¥ 13,003	98,086
Fair value of pension assets	(8,060)	(14,193)	(82,052)
Unrecognized prior service cost	28	29	285
Unrecognized actuarial differences	(3,344)	(796)	(34,043)
Prepaid expense for pension assets	2,539	2,516	25,848
Liability for severance and retirement benefits	¥ <u>(*1,2) 798</u>	¥ <u>(*1) 559</u>	\$ <u>8,124</u>

(*1) Including ¥129 million (\$1,313 thousand) in 2009 and ¥121 million in 2008 for operating officers.

(*2) The difference from the amount on the balance sheet is included in Provision for loss on business liquidation for a UK subsidiary company, NOBEL ENTERPRISES LIMITED.

Included in the consolidated statements of income for the years ended March 31, 2009 and 2008 were severance and retirement benefit expenses comprising the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Service costs – benefits earned during the year	¥ (*1) 332	¥ (*1) 522	\$ 3,380
Interest cost on projected benefit obligation	292	422	2,973
Expected return on plan assets	(408)	(614)	(4,154)
Amortization of actuarial differences	605	(122)	6,159
Amortization of prior service cost	1	6	10
Others	<u>(*2) 57</u>	<u>(*2) 88</u>	<u>580</u>
Severance and retirement benefit expense	¥ <u>879</u>	¥ <u>302</u>	\$ <u>8,948</u>

(*1) Including ¥30 million (\$305 thousand) in 2009 and ¥32 million in 2008 for operating officers

(*2) Including payment to the defined contribution pension plan in the amount of ¥21 million (\$214 thousand) in 2009 and ¥51 million in 2008 and payment to the mutual aid pension plan in the amount of ¥36 million (\$366 thousand) in 2009 and ¥36 million in 2008.

The discount rate used by the Company at March 31, 2009 and 2008 was 1.6%. The rate of expected return on plan assets used by the Company at March 31, 2009 and 2008 was 3.0%. The estimated amount of all retirement benefits to be paid at future retirement dates is allocated equally to each service year using the estimated number of total service years. Actuarial differences are recognized in the income statement using the straight-line method over mainly 13 years beginning with the following term at March 31, 2009 and 2008. Prior service costs are recognized in the income statement using the straight-line method over 14 years at March 31, 2009 and 2008.

12. Cash and cash equivalents

(a) The reconciliations of cash and cash equivalents in the consolidated balance sheets and cash and cash equivalents in the consolidated statements of cash flows at March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Cash and cash equivalents in balance sheets	¥ 11,247	¥ 6,716	\$ 114,497
Time deposits maturing after three months	(66)	(45)	(672)
Cash and cash equivalents in statements of cash flow	¥ 11,181	¥ 6,671	\$ 113,825

(b) Assets and liabilities of newly consolidated subsidiaries by acquisition of shares

Assets and liabilities of newly consolidated subsidiaries by acquisition of shares at the inception of their consolidation, related acquisition cost and payments for (proceeds from) acquisition of shares were as follows:

	Millions of yen		Thousands of
	2009	2008	U.S. dollars
Current assets	¥ -	¥ 366	\$ -
Fixed assets	-	161	-
Goodwill	-	45	-
Current liabilities	-	(273)	-
Acquisition cost of shares at the inception of their consolidation	-	(146)	-
Acquisition cost of shares during the year	-	153	-
Cash and cash equivalents of the acquired companies	-	(24)	-
Payments for (proceeds from) acquisition of shares of newly consolidated subsidiaries	¥ -	¥ 129	\$ -

(c) Assets and liabilities of the subsidiaries excluded from the scope of consolidation

Assets and liabilities of the subsidiaries at the time they were excluded from the scope of consolidation, the related sale price of shares and payments for the sale of shares were as follows:

	Millions of yen		Thousands of
	2009	2008	U.S. dollars
Current assets	¥ -	¥ 1,729	\$ -
Fixed assets	-	484	-
Current liabilities	-	(777)	-
Long-term liabilities	-	(119)	-
Gain on sale of shares of the subsidiaries	-	17	-
Sale price for sale of the shares for the year	-	1,334	-
Receivables from sales of the shares	-	(1,334)	-
Cash and cash equivalents of the company excluded from the scope of consolidation	-	127	-
Payments for sale of shares of the subsidiaries excluded from the scope of consolidation	¥ -	¥ 127	\$ -

13. Finance leases

As discussed in Note 3 (b), finance leases commenced prior to April 1, 2008 which do not transfer ownership of leased assets to lessees are accounted for as operating leases.

(a) As lessee

Finance lease transactions in which the ownership of leased assets was not transferred to lessees.

(1) Acquisition cost, accumulated depreciation, accumulated loss on impairment and net value of leased assets, excluding interest on an “as if capitalized” basis:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Machinery and equipment:			
Acquisition cost	¥ 74	¥ 66	\$ 753
Accumulated depreciation	(59)	(44)	(600)
Accumulated loss on impairment	<u>0</u>	<u>-</u>	<u>0</u>
Net value	<u>¥ 15</u>	<u>¥ 22</u>	<u>\$ 153</u>
Other tangible assets:			
Acquisition cost	¥ 46	¥ 51	\$ 468
Accumulated depreciation	(15)	(11)	(153)
Accumulated loss on impairment	<u>(12)</u>	<u>-</u>	<u>(122)</u>
Net value	<u>¥ 19</u>	<u>¥ 40</u>	<u>\$ 193</u>
Intangible assets:			
Acquisition cost	¥ 39	¥ 71	\$ 397
Accumulated depreciation	(21)	(43)	(214)
Accumulated loss on impairment	<u>(11)</u>	<u>-</u>	<u>(112)</u>
Net value	<u>¥ 7</u>	<u>¥ 28</u>	<u>\$ 71</u>

(2) Obligations under finance lease and accumulated loss on impairment of leased assets:

	Millions of yen		Thousands of
	2009	2008	U.S. dollars
Due within one year	¥ 50	¥ 49	\$ 509
Due over one year	28	84	285
Total	¥ 78	¥ 133	\$ 794
Accumulated loss on impairment of leased assets	¥ 24	¥ -	\$ 244

(3) Lease payments, depreciation and interest expense:

	Millions of yen		Thousands of
	2009	2008	U.S. dollars
Lease payments	¥ 35	¥ 20	\$ 356
Reversal of allowance for impairment loss on leased properties	4	-	41
Depreciation	32	19	326
Interest expense	2	1	20
Loss on impairment	28	-	285

(4) Calculation method for depreciation and amortization expense:

Depreciation and amortization expense for leased assets are computed by the straight-line method over the respective lease periods assuming a nil residual value.

Calculation method for interest expense:

The excess of total lease payments over acquisition cost equivalents is regarded as amounts representing interest payable equivalents and is allocated to each period using the interest method.

(b) As lessor

(1) Acquisition cost, accumulated depreciation and net value of leased assets:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Machinery and equipment:			
Acquisition cost	¥ 5,066	¥ 9,485	\$ 51,573
Accumulated depreciation	(4,115)	(8,162)	(41,892)
Net value	<u>¥ 951</u>	<u>¥ 1,323</u>	<u>\$ 9,681</u>
Intangible assets:			
Acquisition cost	¥ 2,543	¥ 3,634	\$ 25,888
Accumulated depreciation	(2,068)	(2,737)	(21,052)
Net value	<u>¥ 475</u>	<u>¥ 897</u>	<u>\$ 4,836</u>

(2) Future minimum lease receipts, excluding interest on an “as if capitalized basis”:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Due within one year	¥ 771	¥ 1,287	\$ 7,849
Due over one year	492	1,384	5,009
Total	<u>¥ 1,263</u>	<u>¥ 2,671</u>	<u>\$ 12,858</u>

(3) Lease receipts, depreciation and interest income:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Lease receipts	¥ 1,320	¥ 1,874	\$ 13,438
Depreciation	1,176	1,865	11,972
Interest income	83	161	845

(4) Calculation method for interest expenses:

The excess of total of lease payments and estimated salvage value over purchase amount of leased assets is regarded as representing interest payable equivalents and is allocated to each period using the interest method.

14. Segment information

(a) The Companies operate principally in the following six industry segments:

Information Technology:	Semiconductor manufacturing equipment Electronic materials, including parts Dyes for printing Raw materials for copying
Housing and Construction:	Lumber Composite materials Wooden building materials Residential housing equipment
Chemicals:	Pharmaceutical and agricultural chemicals and bulk raw materials Raw materials for insecticides Raw materials for toiletries Raw materials for plastic resin Dyestuffs
Plastics:	General purpose plastics Engineering plastics
Foodstuffs:	Raw and processed agricultural products Raw and processed marine products Raw and processed livestock products
Other:	Leasing

Operating results, total assets, depreciation and amortization and capital expenditure by industry segment for the years ended March 31, 2009 and 2008 were as follows:

Year ended March 31, 2009		Millions of yen						
	Information Technology	Housing and Construction	Chemicals	Plastics	Foodstuff	Other	Elimination and Corporate	Consolidated
Revenues:								
Outside customers	¥ 167,640	¥ 22,201	¥ 66,700	¥ 160,034	¥ 23,777	¥ 2,409	¥ -	¥ 442,761
Operating expenses	<u>166,473</u>	<u>22,282</u>	<u>66,460</u>	<u>157,984</u>	<u>23,928</u>	<u>2,058</u>	-	<u>439,185</u>
Operating income (loss)	<u>¥ 1,167</u>	<u>¥ (81)</u>	<u>¥ 240</u>	<u>¥ 2,050</u>	<u>¥ (151)</u>	<u>¥ 351</u>	<u>¥ -</u>	<u>¥ 3,576</u>
Total assets	<u>¥ 61,942</u>	<u>¥ 8,041</u>	<u>¥ 26,909</u>	<u>¥ 67,125</u>	<u>¥ 8,394</u>	<u>¥ 2,883</u>	<u>¥ 39,985</u>	<u>¥ 215,279</u>
Depreciation and amortization	<u>405</u>	<u>25</u>	<u>263</u>	<u>955</u>	<u>81</u>	<u>1,092</u>	-	<u>2,821</u>
Loss on impairment of fixed assets	<u>452</u>	-	-	-	-	-	-	<u>452</u>
Capital expenditure	<u>253</u>	<u>1</u>	<u>181</u>	<u>1,386</u>	<u>35</u>	<u>6</u>	<u>3,332</u>	<u>5,194</u>

Year ended March 31, 2008		Millions of yen						
	Information Technology	Housing and Construction	Chemicals	Plastics	Foodstuff	Other	Elimination and Corporate	Consolidated
Revenues:								
Outside customers	¥ 186,867	¥ 23,886	¥ 75,014	¥ 186,106	¥ 24,390	¥ 3,756	¥ -	¥ 500,019
Operating expenses	<u>183,584</u>	<u>23,745</u>	<u>74,067</u>	<u>182,923</u>	<u>24,674</u>	<u>3,367</u>	-	<u>492,360</u>
Operating income (loss)	<u>¥ 3,283</u>	<u>¥ 141</u>	<u>¥ 947</u>	<u>¥ 3,183</u>	<u>¥ (284)</u>	<u>¥ 389</u>	<u>¥ -</u>	<u>¥ 7,659</u>
Total assets	<u>¥ 91,006</u>	<u>¥ 9,251</u>	<u>¥ 34,483</u>	<u>¥ 86,009</u>	<u>¥ 10,804</u>	<u>¥ 5,812</u>	<u>¥ 47,272</u>	<u>¥ 284,637</u>
Depreciation and amortization	<u>299</u>	<u>4</u>	<u>291</u>	<u>980</u>	<u>48</u>	<u>2,245</u>	-	<u>3,867</u>
Loss on impairment of fixed assets	-	-	-	-	-	154	-	<u>154</u>
Capital expenditure	<u>602</u>	<u>1</u>	<u>506</u>	<u>1,239</u>	<u>82</u>	<u>1,033</u>	-	<u>3,463</u>

Year ended March 31, 2009

Thousands of U.S. dollars

	Information Technology	Housing and Construction	Chemicals	Plastics	Foodstuffs	Other	Elimination and Corporate	Consolidated
Revenues:								
Outside customers	\$1,706,607	\$226,010	\$ 679,019	\$1,629,176	\$ 242,054	\$ 24,525	\$ -	\$ 4,507,391
Operating expenses	<u>1,694,727</u>	<u>226,835</u>	<u>676,575</u>	<u>1,608,307</u>	<u>243,592</u>	<u>20,951</u>	<u>-</u>	<u>4,470,987</u>
Operating income (loss)	<u>\$ 11,880</u>	<u>\$ (825)</u>	<u>\$ 2,444</u>	<u>\$ 20,869</u>	<u>\$ (1,538)</u>	<u>\$ 3,574</u>	<u>\$ -</u>	<u>\$ 36,404</u>
Total assets	<u>\$ 630,581</u>	<u>\$ 81,859</u>	<u>\$ 273,939</u>	<u>\$ 683,345</u>	<u>\$ 85,453</u>	<u>\$ 29,349</u>	<u>\$ 407,055</u>	<u>\$ 2,191,581</u>
Depreciation and amortization	<u>4,123</u>	<u>255</u>	<u>2,677</u>	<u>9,722</u>	<u>825</u>	<u>11,116</u>	<u>-</u>	<u>28,718</u>
Loss on impairment of fixed assets	<u>4,601</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,601</u>
Capital expenditure	<u>2,576</u>	<u>10</u>	<u>1,843</u>	<u>14,110</u>	<u>356</u>	<u>61</u>	<u>33,920</u>	<u>52,876</u>

Corporate assets included above in the elimination and corporate columns in the amounts of ¥39,985 million (\$407,055 thousand) and ¥47,272 million for the years ended March 31, 2009 and 2008, respectively, consisted mainly of cash and cash equivalents, marketable securities, investment securities and assets of administrative divisions.

Changes in accounting policies

“Accounting Standard for Measurement of Inventories” (ASBJ Statement No.9, issued on July 5, 2006) was adopted from this fiscal year.

As a result, for the year ended March 31, 2009, operating income decreased ¥282 million (\$2,871 thousand) in the Information and Technology segment, ¥26 million (\$265 thousand) in the Chemical segment and ¥41 million (\$417 thousand) in the Plastics segment, and operating loss increased ¥3 million (\$31 thousand) in the Housing and Construction segment and ¥168 million (\$1,710 thousand) in the Foodstuffs segment, respectively.

As a result, for the year ended March 31, 2009 “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (ASBJ Practical Solution No. 18 issued on May 17, 2006) was adopted from this fiscal year.

As a result, for the year ended March 31, 2009, operating income decreased ¥19 million (\$193 thousand) in the Information and Technology segment, ¥129 million (\$1,313 thousand) in the Chemical segment and ¥3 million (\$31 thousand) in the Plastics segment, respectively.

(b) Principal countries and areas for each segment are as follows:

Southeast Asia:	Singapore, Thailand, Malaysia, Indonesia, Philippines, Vietnam
Northeast Asia:	China, Taiwan
North America:	United States of America
Europe:	Britain, France, Belgium

Operating results and total assets by geographic area for the years ended March 31, 2009 and 2008 were as follows:

Year ended March 31, 2009	Millions of yen						Consolidated
	Japan	Southeast Asia	Northeast Asia	North America	Europe	Elimination and Corporate	
Revenues:							
Outside customers	¥ 283,458	¥ 61,753	¥ 71,040	¥ 15,422	¥ 11,088	¥ -	¥ 442,761
Inter-areas	<u>34,182</u>	<u>1,870</u>	<u>972</u>	<u>2,317</u>	<u>744</u>	<u>(40,085)</u>	-
Total	317,640	63,623	72,012	17,739	11,832	(40,085)	442,761
Operating expenses	<u>315,689</u>	<u>62,319</u>	<u>70,856</u>	<u>17,920</u>	<u>12,438</u>	<u>(40,037)</u>	<u>439,185</u>
Operating income (loss)	<u>¥ 1,951</u>	<u>¥ 1,304</u>	<u>¥ 1,156</u>	<u>¥ (181)</u>	<u>¥ (606)</u>	<u>¥ (48)</u>	<u>¥ 3,576</u>
Total assets	<u>¥ 108,349</u>	<u>¥ 23,346</u>	<u>¥ 31,142</u>	<u>¥ 5,387</u>	<u>¥ 7,070</u>	<u>¥ 39,985</u>	<u>¥215,279</u>

Year ended March 31, 2008	Millions of yen						Consolidated
	Japan	Southeast Asia	Northeast Asia	North America	Europe	Elimination and Corporate	
Revenues:							
Outside customers	¥ 314,947	¥ 76,775	¥ 77,288	¥ 18,475	¥ 12,534	¥ -	¥ 500,019
Inter-areas	<u>42,646</u>	<u>2,225</u>	<u>160</u>	<u>3,040</u>	<u>1,097</u>	<u>(49,168)</u>	-
Total	357,593	79,000	77,448	21,515	13,631	(49,168)	500,019
Operating expenses	<u>353,452</u>	<u>76,919</u>	<u>75,809</u>	<u>21,470</u>	<u>13,877</u>	<u>(49,167)</u>	<u>492,360</u>
Operating income (loss)	<u>¥ 4,141</u>	<u>¥ 2,081</u>	<u>¥ 1,639</u>	<u>¥ 45</u>	<u>¥ (246)</u>	<u>¥ (1)</u>	<u>¥ 7,659</u>
Total assets	<u>¥ 144,623</u>	<u>¥ 31,740</u>	<u>¥ 43,320</u>	<u>¥ 7,935</u>	<u>¥ 9,747</u>	<u>¥ 47,272</u>	<u>¥284,637</u>

Year ended March 31, 2009	Thousands of U.S. dollars						Consolidated
	Japan	Southeast Asia	Northeast Asia	North America	Europe	Elimination and Corporate	
Revenues:							
Outside customers	\$ 2,885,656	\$ 628,657	\$ 723,201	\$ 156,999	\$ 112,878	-	\$4,507,391
Inter-areas	<u>347,979</u>	<u>19,037</u>	<u>9,895</u>	<u>23,587</u>	<u>7,574</u>	<u>(408,072)</u>	-
Total	3,233,635	647,694	733,096	180,586	120,452	(408,072)	4,507,391
Operating expenses	<u>3,213,774</u>	<u>634,419</u>	<u>721,327</u>	<u>182,429</u>	<u>126,621</u>	<u>(407,583)</u>	<u>4,470,987</u>
Operating income (loss)	<u>\$ 19,861</u>	<u>\$ 13,275</u>	<u>\$ 11,769</u>	<u>\$ (1,843)</u>	<u>\$ (6,169)</u>	<u>\$ (489)</u>	<u>\$ 36,404</u>
Total assets	<u>\$1,103,013</u>	<u>\$ 237,667</u>	<u>\$ 317,031</u>	<u>\$ 54,841</u>	<u>\$ 71,974</u>	<u>\$ 407,055</u>	<u>\$ 2,191,581</u>

Corporate assets included above in the elimination and corporate columns in the amounts of ¥39,985 million (\$407,055 thousand) and ¥47,272 million for the years ended March 31, 2009 and 2008, respectively, mainly comprised cash and cash equivalents, marketable securities, investment securities and assets of administrative divisions.

For the year ended March 31, 2009, impairment loss on property and equipment in the amount of ¥452 million (\$4,601 thousand) was included in assets in the Japan segment.

Changes in accounting policies

“Accounting Standard for Measurement of Inventories” (ASBJ Statement No.9, issued on July 5, 2006) was adopted from this fiscal year.

As a result, for the year ended March 31, 2009, operating income decreased ¥520 million (\$5,294 thousand) in the Japan segment.

“Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (ASBJ Practical Solution No. 18 issued on May 17, 2006) was adopted from the year.

As a result, for the year ended March 31, 2009, operating income decreased ¥3 million (\$31 thousand) in the Southeast Asia segment, ¥23 million (\$234 thousand) in the Northeast Asia segment, and operating loss increased ¥125 million (\$1,272 thousand) in the Europe segment.

(c) Overseas trading transactions

Principal countries and areas in each segment were as follows:

Southeast Asia:	Singapore, Thailand, Malaysia, Indonesia, Philippines, Vietnam
Northeast Asia:	China, Taiwan
North America:	United States of America
Europe:	Britain, France, Belgium

Overseas trading transactions for the years ended March 31, 2009 and 2008 were ¥ 200,340 million (\$2,039,499 thousand) and ¥234,578 million, respectively. For the years ended March 31, 2009 and 2008, overseas trading transactions were ¥67,500 million (\$687,163 thousand) and ¥82,308 million respectively in the Southeast Asia region, ¥105,962 million (\$1,078,713 thousand) and ¥119,436 million respectively in the Northeast Asia region, ¥15,689 million (\$159,717 thousand) and ¥19,827 million respectively in the North America region, and, ¥11,189 million (\$113,906 thousand) and ¥13,007 million respectively in the Europe region.

15. Net assets

The Japanese Corporate Law (“the Law”) became effective on May 1, 2006, replacing the Japanese Commercial Code (“the Code”). The Law is generally applicable to events and transactions occurring after April 30, 2006 and for fiscal years ending after that date.

Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Law, in cases where a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in-capital and legal earnings reserve must be set aside as additional paid-in-capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Under the Law, additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Code, however, on condition that the total amount of legal earnings reserve and additional paid-in capital remained equal to or exceeded 25% of common stock, they were available for distribution by resolution of the shareholders’ meeting. Under the Law, all additional paid-in-capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with Japanese laws and regulations.

16. Related party transactions

The Company is an affiliate of Sumitomo Chemical Company, Limited which owned 21.3% and 21.3% of the Company's voting shares at March 31, 2009 and 2008, respectively. Significant transactions with related parties for the years ended March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Net sales:			
Sumitomo Chemical Company, Limited	¥ 7,011	¥ —	\$ 71,373
Unconsolidated subsidiaries and affiliates	13,788	22,323	140,364
Purchases:			
Sumitomo Chemical Company, Limited	21,680	30,776	220,707
Pledge of investment securities:			
Sumitomo Chemical Company, Limited	4,468	3,482	45,485
Debt Guarantee:			
NOBEL NC CO., LTD	3,797	—	38,654
Unconsolidated subsidiaries and affiliates	1,650	—	16,797
Allowance for doubtful receivables:			
Unconsolidated subsidiaries and affiliates	(*1) 154	—	1,568
Provision for loss on debt guarantees:			
Unconsolidated subsidiaries and affiliates	282	—	2,871

ASBJ Statement No.11, "Accounting Standard for Related Party Disclosures" and ASBJ Guidance No.13, "Guidance on Accounting Standard for Related Party Disclosures" issued by the Accounting Standards Board of Japan on October 17, 2006, require certain additional related party disclosures effective for years beginning on or after April 1, 2008.

(*1) Provision for allowance for doubtful receivables included that for unconsolidated subsidiaries and affiliates of ¥7 million (\$71 thousand) on the consolidated financial statements for the year ended March 31, 2009.

17. Contingent liabilities

At March 31, 2009 and 2008, the Company and its consolidated subsidiaries were contingently liable as follows:

	<u>Millions of yen</u>		<u>Thousands of</u>
	<u>2009</u>	<u>2008</u>	<u>U.S. dollars</u>
As endorsers of notes discounted or endorsed	¥ 8	¥ 87	\$ 81
As guarantors of indebtedness of			
unconsolidated subsidiaries and affiliates	5,262	3,870	53,568
Others	<u>1,650</u>	<u>777</u>	<u>16,797</u>
	<u>6,912</u>	<u>4,647</u>	<u>70,365</u>
	<u>¥ 6,920</u>	<u>¥ 4,734</u>	<u>\$ 70,446</u>

18. Subsequent events

Cash dividends

At the meeting of the Board of Directors of the Company held on May 11, 2009, an appropriation of non-consolidated retained earnings for the year ended March 31, 2009 was duly approved as follows:

	<u>Millions of yen</u>	<u>Thousands of</u>
		<u>U.S. dollars</u>
Cash dividends - ¥5.00 (\$0.051) per share	¥ 325	\$ 3,309

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