IK INABATA

Financial Statements 2010

KPMG

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, 2010 and 2009, 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, 2010 and 2009, 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, 2010 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.

As discussed in Note 20 to the consolidated financial statements, the company made a contract to transfer all 4,000 shares of its stock of IK Pharmacy Co., Ltd. which was a 100% consolidated subsidiary to the NIHON CHOUZAI CO., Ltd. on April 30, 2010.

KPMG AZSA & Co.

Osaka, Japan
June 24, 2010

INABATA & CO., LTD. AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	2010
ASSETS			
Current assets:			
Cash and cash equivalents (Notes 13 and 16)	¥ 5,464	¥ 11,247	$ 58,727
Receivables:			
Trade notes and accounts (Note 16):			
Unconsolidated subsidiaries and affiliates	2,383	3,217	25,613
Sumitomo Chemical Company, Limited	3,526	2,250	37,898
Other	119,730	98,730	1,286,866
Other	3,160	2,731	33,964
Allowance for doubtful receivables	(991)	(963)	(10,651)
	127,808	105,965	1,373,690
Merchandise and finished goods	22,115	24,736	237,693
Work in Process	427	384	4,589
Raw materials and supplies	2,052	2,357	22,055
Deferred tax assets (Note 6)	1,067	830	11,468
Other	3,899	8,149	41,907
Total current assets	162,832	153,668	1,750,129
Investments and long-term receivables:			
Investment securities (Notes 4, 7, and 16):			
Unconsolidated subsidiaries and affiliates	3,182	4,130	34,200
Other	38,716	34,600	416,122
Long-term loans receivables (Note 16):			
Unconsolidated subsidiaries and affiliates	156	—	1,677
Other	1,927	2,406	20,712
Other	7,670	7,218	82,438
Allowance for doubtful receivables (Note 18)	(4,322)	(3,546)	(46,453)
	47,329	44,808	508,696
Property and equipment (Note 9):			
Land	1,910	1,709	20,529
Buildings and structures	12,279	12,374	131,975
Machinery and equipment	13,654	17,915	146,754
Construction in progress	12	146	129
Other	2,875	426	30,900
	30,730	32,570	330,287
Less accumulated depreciation	(19,943)	(20,804)	(214,349)
	10,787	11,766	115,938
Other assets			
Deferred tax assets (Note 6)	1,137	312	12,221
Intangible assets	7,880	4,725	84,695
	9,017	5,037	96,916
	¥ 229,965	¥ 215,279	$ 2,471,679

See accompanying Notes to Consolidated Financial Statements.

INABATA & CO., LTD. AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (CONTINUED)
March 31, 2010 and 2009

	Millions of yen 2010	Millions of yen 2009	Thousands of U.S. dollars (Note 1) 2010
LIABILITIES AND NET ASSETS			
Current liabilities:			
Short-term loans (Notes 11 and 16)	¥ 41,538	¥ 49,499	$ 446,453
Payables:			
Trade notes and accounts (Note 16):			
Unconsolidated subsidiaries and affiliates	9,199	2,518	98,871
Sumitomo Chemical Company, Limited	6,903	4,071	74,194
Other	68,299	60,223	734,082
Accrued employees' bonuses	777	779	8,351
Other	1,085	1,089	11,662
	86,263	68,680	927,160
Income taxes and enterprise tax payable	665	1,609	7,148
Accrued expenses	1,495	1,507	16,068
Other current liabilities	2,143	4,104	23,033
Total current liabilities	132,104	125,399	1,419,862
Long-term liabilities:			
Long-term debt (Notes 11 and 16)	17,227	14,775	185,157
Severance and retirement benefits (Note 12)	406	431	4,364
Directors' retirement benefits	32	61	344
Deferred tax liabilities (Note 6)	9,594	6,500	103,117
Provision for loss on business liquidation (Note 10)	215	2,231	2,311
Provision for loss on debt guarantees (Note 18)	19	282	204
Other non-current liabilities	1,905	2,000	20,475
	29,398	26,280	315,972
Contingent liabilities (Note 19)			
Net assets (Note 17):			
Shareholders' equity			
Common stock:			
Authorized - 200,000,000 shares			
Issued - 65,159,227 shares in 2010			
and 65,159,227 shares in 2009	9,364	9,364	100,645
Capital surplus	7,708	7,708	82,846
Retained earnings	39,829	38,951	428,085
Treasury stock, at cost:			
98,205 shares in 2010 and 70,288 shares in 2009	(60)	(52)	(645)
Total shareholders' equity	56,841	55,971	610,931
Valuation and translation adjustments			
Net unrealized holding gains on securities	15,059	11,685	161,855
Net unrealized holding gains on derivatives	31	15	333
Foreign currency translation adjustments	(4,126)	(4,958)	(44,347)
Total valuation and translation adjustments	10,964	6,742	117,841
Minority interests	658	887	7,073
Total net assets	68,463	63,600	735,845
	¥ 229,965	¥ 215,279	$ 2,471,679

See accompanying Notes to Consolidated Financial Statements.

INABATA & CO., LTD. AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
Years ended March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	2010
Revenues:			
Net sales (Note 18)	¥ 410,783	¥ 442,761	$ 4,415,123
Cost and expenses:			
Cost of sales (Note 18)	383,215	416,101	4,118,820
Selling, general and administrative expenses	22,058	23,084	237,081
Operating income	5,510	3,576	59,222
Other income (expenses):			
Interest and dividend income	1,115	1,455	11,984
Interest expense (Note 11)	(959)	(1,588)	(10,307)
Gain on sale of investment securities	211	4,683	2,268
Gain on sale of property and equipment	-	143	-
Loss on sale of property and equipment	(191)	-	(2,053)
Reversal of provision for loss on business liquidation	411	-	4,417
Reversal of allowance for doubtful receivables	145	370	1,559
Gain on compensation received for damages	-	137	-
Provision for allowance for doubtful receivables	(206)	(303)	(2,214)
Equity in losses of unconsolidated subsidiaries and affiliates	(1,370)	(449)	(14,725)
Gain on foreign exchange	70	96	752
Loss on impairment of fixed assets (Note 9)	-	(452)	-
Loss on disposal of property and equipment	-	(749)	-
Loss on valuation of investment securities	(783)	(364)	(8,416)
Provision for loss on business liquidation	(47)	(2,446)	(505)
Provision for loss on debt guarantees (Note 18)	-	(282)	-
Loss on valuation of investments in subsidiaries and affiliates	(244)	(132)	(2,623)
Other, net	523	734	5,621
	(1,325)	853	(14,241)
Income before income taxes	4,185	4,429	44,981
Provision for income taxes (Note 6)			
Current	2,089	3,592	22,453
Deferred	198	(1,373)	2,128
	2,287	2,219	24,581
Minority interests	(136)	(47)	(1,462)
Net income	¥ 1,762	¥ 2,163	$ 18,938

Amounts per share:	Yen		U.S. dollars (Note 1)
Net income per share - basic	¥ 27.08	¥ 33.22	$ 0.29
Cash dividends per share applicable to the year	10.00	10.00	0.11

See accompanying Notes to Consolidated Financial Statements.

INABATA & CO., LTD. AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
Year ended March 31, 2010

	Thousands	Millions of yen								
		Shareholders' equity				Valuation and translation adjustments				
	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized holding gains on securities	Net unrealized holding gains on derivatives	Foreign currency translation adjustments	Minority interests	Total
Balance at March 31, 2009	65,159	¥ 9,364	¥ 7,708	¥ 38,951	¥ (52)	¥ 11,685	¥ 15	¥ (4,958)	¥ 887	¥ 63,600
Effect of changes in accounting policies applied to foreign subsidiaries	-	-	-	-	-	-	-	-	-	0
Net income	-	-	-	1,762	-	-	-	-	-	1,762
Cash dividends paid - ¥10 per share	-	-	-	(651)	-	-	-	-	-	(651)
Treasury stock, net	-	-	-	-	(8)	-	-	-	-	(8)
Change in scope of consolidation	-	-	-	(233)	-	-	-	-	-	(233)
Change in scope of equity method	-	-	-	-	-	-	-	-	-	0
Net changes in items other than shareholders' equity	-	-	-	-	-	3,374	16	832	(229)	3,993
Balance at March 31, 2010	65,159	¥ 9,364	¥ 7,708	¥ 39,829	¥ (60)	¥ 15,059	¥ 31	¥ (4,126)	¥ 658	¥ 68,463

	Thousands of U.S. dollars (Note 1)								
	Shareholders' equity				Valuation and translation adjustments				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized holding gains on securities	Net unrealized holding gains on derivatives	Foreign currency translation adjustments	Minority interests	Total
Balance at March 31, 2009	$ 100,645	$ 82,846	$ 418,648	$ (559)	$ 125,591	$ 161	$ (53,289)	$ 9,534	$ 683,577
Effect of changes in accounting policies applied to foreign subsidiaries	-	-	-	-	-	-	-	-	0
Net income	-	-	18,938	-	-	-	-	-	18,938
Cash dividends paid - $0.107 per share	-	-	(6,997)	-	-	-	-	-	(6,997)
Treasury stock, net	-	-	-	(86)	-	-	-	-	(86)
Change in scope of consolidation	-	-	(2,504)	-	-	-	-	-	(2,504)
Change in scope of equity method	-	-	-	-	-	-	-	-	0
Net changes in items other than shareholders' equity	-	-	-	-	36,264	172	8,942	(2,461)	42,917
Balance at March 31, 2010	$ 100,645	$ 82,846	$ 428,085	$ (645)	$ 161,855	$ 333	$ (44,347)	$ 7,073	$ 735,845

See accompanying Notes to Consolidated Financial Statements.

(CONTINUED)

INABATA & CO., LTD. AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
Year ended March 31, 2009

	Thousands	Millions of yen									
		Shareholders' equity				Valuation and translation adjustments					
	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized holding gains on securities	Net unrealized holding gains on derivatives	Foreign currency translation adjustments	Stock acquisition rights	Minority interests	Total
Balance at March 31, 2008	65,159	¥ 9,364	¥ 7,709	¥ 37,587	¥ (52)	¥ 21,383	¥ (89)	¥ 1,223	¥ 58	¥ 981	¥ 78,164
Effect of changes in accounting policies applied to foreign subsidiaries	-	-	-	(239)	-	-	-	-	-	-	(239)
Net income	-	-	-	2,163	-	-	-	-	-	-	2,163
Cash dividends paid - ¥10 per share	-	-	-	(651)	-	-	-	-	-	-	(651)
Treasury stock, net	-	-	(1)	-	(0)	-	-	-	-	-	(1)
Change in scope of consolidation	-	-	-	261	-	-	-	-	-	-	261
Change in scope of equity method	-	-	-	(170)	-	-	-	-	-	-	(170)
Net changes in items other than shareholders' equity	-	-	-	-	-	(9,698)	104	(6,181)	(58)	(94)	(15,927)
Balance at March 31, 2009	65,159	¥ 9,364	¥ 7,708	¥ 38,951	¥ (52)	¥ 11,685	¥ 15	¥ (4,958)	¥ -	¥ 887	¥ 63,600

See accompanying Notes to Consolidated Financial Statements.

INABATA & CO., LTD. AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	2010
Cash flows from operating activities:			
Income before income taxes	¥ 4,185	¥ 4,429	$ 44,981
Adjustments to reconcile net income before income taxes to cash provided by operating activities:			
Depreciation and amortization	2,386	2,821	25,645
Loss on impairment of fixed assets	-	452	-
Allowance for doubtful receivables	813	(389)	8,738
Interest and dividend income	(1,115)	(1,455)	(11,984)
Interest expense	959	1,588	10,307
Equity in losses (earnings) of unconsolidated subsidiaries and affiliates, less dividends	1,370	449	14,725
Gain on compensation received for damages	-	(137)	-
Increase (decrease) in provision for loss on business liquidation	(1,385)	2,231	(14,886)
Increase (decrease) in provision for loss on debt guarantees	(263)	282	(2,827)
Loss on disposal of property and equipment	-	749	-
Loss (gain) on sale of property and equipment	191	(143)	2,053
Loss (gain) on sale of investment securities	(211)	(4,683)	(2,268)
Loss on valuation of investment securities	783	364	8,416
Loss on valuation of investment in subsidiaries and affiliates	244	132	2,623
Decrease (increase) in receivables	(20,389)	39,936	(219,142)
Decrease (increase) in inventories	3,723	537	40,015
Decrease (increase) in other current assets	3,711	(2,075)	39,886
Increase (decrease) in payables	16,878	(30,458)	181,406
Increase (decrease) in other current liabilities	(2,640)	1,853	(28,375)
Other - net	(250)	216	(2,688)
Subtotal	8,990	16,699	96,625
Interest and dividends received	1,121	1,477	12,049
Interest paid	(1,037)	(1,554)	(11,146)
Gain on insurance claims	-	242	-
Income taxes paid	(3,098)	(5,301)	(33,298)
Net cash provided by (used in) operating activities	5,976	11,563	64,230
Cash flows from investing activities:			
Payments for time deposit	(447)	(24)	(4,804)
Proceeds from time deposit	67	102	720
Purchase of short term investment securities	(18)	(18)	(193)
Acquisitions of property and equipment	(1,317)	(2,146)	(14,155)
Proceeds from sale of property and equipment	298	227	3,203
Acquisitions of intangible assets	(3,724)	(3,048)	(40,026)
Payments for purchase of investment securities	(780)	(2,077)	(8,383)
Proceeds from sale of investment securities	444	7,077	4,772
Payments for purchase of investment in subsidiaries	(311)	-	(3,343)
Proceeds from sale of investment in subsidiaries	33	-	355
Net decrease (increase) in short-term loans receivable	(146)	(320)	(1,569)
Long-term loans receivable advanced	(14)	(193)	(150)
Proceeds from collection of long-term loans receivable	280	1,279	3,009
Other - net	106	89	1,138
Net cash provided by (used in) investing activities	(5,529)	948	(59,426)

See accompanying Notes to Consolidated Financial Statements.

INABATA & CO., LTD. AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
Years ended March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	2010
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	¥ (7,312)	¥ (4,126)	$ (78,590)
Proceeds from long-term debt	3,100	7,525	33,319
Repayment of long-term debt	(1,503)	(9,727)	(16,154)
Dividends paid	(651)	(651)	(6,997)
Dividends paid to minority interests	(43)	(96)	(462)
Other - net	3	(53)	32
Net cash provided by (used in) financing activities	(6,406)	(7,128)	(68,852)
Effects of foreign exchange rates on cash and cash equivalents	174	(1,681)	1,870
Net increase (decrease) in cash and cash equivalents	(5,785)	3,702	(62,178)
Cash and cash equivalents at beginning of year	11,181	6,671	120,174
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	68	808	731
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(450)	-	(4,836)
Cash and cash equivalents at end of year (Note 11)	¥ 5,014	¥ 11,181	$ 53,891

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.

The accounts of consolidated overseas subsidiaries 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. dollar amounts are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2010, which was ¥93.04 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 53 (57 in 2009) 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 9 (10 in 2009) 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 costs 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 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. With respect to doubtful receivables of overseas consolidated subsidiaries, the allowance 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 fair value.

If a derivative financial instrument is used as a hedge and a meets certain hedging criteria, the Companies defer recognition of gain or loss resulting from change 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, currency swap contracts and hedged items are accounted for in the following manner:

If a forward foreign exchange contract or a currency swap 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 or swap 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

Inventories of the Company and its consolidated domestic subsidiaries, other than real estate held for sale, is mainly stated at the lower of cost determined by the first-in, first-out (FIFO) method or net realizable value. Real estate held for sale is stated at the lower of cost determined by the specific identification method or net realizable value.

(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 life of the asset. However, buildings acquired after April 1, 1998 are depreciated using the straight-line method.

(h) Leased assets

Property and equipment capitalized under finance leases are depreciated by the straight-line method over the term of the respective lease.

(i) Intangible assets

Intangible assets are depreciated mainly by the straight-line method. Software is depreciated by the straight-line method over its estimated useful life.

(j) Goodwill and negative goodwill

Goodwill and negative goodwill are depreciated by the straight-line method over five years.

(k) 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 group of assets may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or group of assets exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or group of assets. The impairment loss is measured as the amount by which the carrying amount exceeds its recoverable amount, which would be the higher of the discounted cash flows from continued use and eventual disposition or the net selling price at disposition.

(l) 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.

(m) Translation of foreign currencies

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

(n) 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 of employees commencing with the following period.

Directors, corporate auditors and executive officers of 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, 2010, 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.

【Additional Information】

The retirement benefit plan for operating officers has been abolished. In connection with the abolishment of the retirement benefit plan, the Company has reversed accrued retirement benefits for these officers and recognized the outstanding balance of ¥44 million ($473 thousand) as a liability, which was included in other non-current liabilities in the accompanying consolidated balance sheet as of March 31, 2010.

(o) Accrued employees' bonuses

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

(p) Reclassifications

Certain reclassifications of the accompanying consolidated financial statements as of and for the year ended March 31, 2009 have been made to conform to the 2010 presentation.

(q) Amounts per share

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

Cash dividends per share represent the cash devidends proposed by the Board of Directors as applicable to the respective years together with the interim cash devidends paid.

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 and income before income taxes decreased ¥288 million on the consolidated financial statements for the year ended March 31, 2009.

The effects on segment information are described in Note 15.

(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 was no effect 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 income before taxes and minority interests decreased ¥110 million on the consolidated financial statements for the year ended March 31, 2009.

The effects on segment information are described in Note 13.

(d) Partical Amendments to Accounting Standard for Retirement Benefits (Part3)

Effective from the year ended March 31, 2010, the Company and consolidated domestic subsidiaries (the "domestic companies") adopted "Partical Amendments to Accounting Standard for Retirement Benefits (Part3)" (Accounting Standards Board of Japan ("ASBJ") Statement No.19, issued on July 31,2008). There was no effect as a result of the adoption on the consolidated financial statements for the year ended March 31, 2010.

4. Securities

(a) The following summarizes information on securities with available fair values as of March 31, 2010 and 2009.

(1) Trading securities:
At March 31, 2010 and 2009, there were no trading securities with fair market values.

(2) Available-for-sale securities as of March 31, 2010 and 2009:
Securities with book values (fair values) exceeding acquisition costs:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Equity securities:			
Acquisition costs	¥ 5,850	¥ 4,232	$ 62,876
Book values	31,698	25,939	340,692
Differences	¥ 25,848	¥ 21,707	$ 277,816
Bonds:			
Acquisition costs	¥ 100	¥ -	$ 1,075
Book values	100	-	1,075
Differences	¥ 0	¥ -	$ 0

Securities with book values (fair values) not exceeding acquisition costs:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Equity securities:			
Acquisition costs	¥ 3,206	¥ 5,730	$ 34,458
Book values	2,588	4,051	27,816
Differences	¥ (618)	¥ (1,679)	$ (6,642)
Bonds:			
Acquisition costs	¥ 969	¥ -	$ 10,415
Book values	968	-	10,404
Differences	¥ (1)	¥ -	$ (11)
Others:			
Acquisition costs	¥ 37	¥ -	$ 398
Book values	37	-	398
Differences	¥ -	¥ -	$ -

(b) The following table summarizes information on available-for-sale securities with no available fair values as of March 31, 2009:

	Book value
	Millions of yen
	2009
Investments in subsidiaries and affiliates	¥ 4,130
Available-for-sale securities	
Non-quoted equity securities	3,520
Non-quoted corporate bonds	1,069
Other	21
Total	¥ 8,740

(c) The following table summarizes information on available-for-sale securities with maturities as of March 31, 2009:

	March 31, 2009			
	Millions of yen			
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Available-for-sale securities				
Bonds	-	100	969	-
Total	¥ -	¥ 100	¥ 969	¥ -

(d) The following table summarizes information on available-for-sale securities sold in the year ended March 31, 2010 and 2009:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Total sales of available-for-sale securities	¥ 400	¥ 7,088	$ 4,299
Amount of related gains	211	4,683	2,268
Amount of related losses	-	-	-

(e) The loss on the write-down of investment securities and investment in subsidiaries and affiliates as of March 31, 2010 and 2009:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Available-for-sale securities	¥ 783	¥ 364	$ 8,416
Investment in subsidiaries and affiliates	244	132	2,623

The Companies recognize impairment loss when, at the end of the period, the fair value of marketable and investment securities is reduced to less than 50% of the acquisition cost. A loss may also be recognized when the fair market value declines less than 50% but more than 30% if necessary, considering the possibility of market value recovery and other factors.

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 and currency swap 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 contracts 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 the derivative transactions.

In sum, the companies use forward foreign exchange contracts to hedge future transactions denominated in foreign currencies and currency swap transactions to hedge foreign currency monetary assets and liabilities.

With regard to forward foreign exchange contracts and currency swap contracts, the Companies do not evaluate the hedge effectiveness if the significant terms of the hedging instruments and those of the hedged items were the same, and the risk of change in foreign exchange rates was effectively hedged.

The following table summarizes market value information for derivative transactions as of March 31, 2010 and 2009.

Currency related

(a) Derivative transactions for which hedge accounting is not applied

	Millions of yen						Thousands of U.S. dollars
	2010			2009			2010
	Contracted amount	Fair Value(s)	Recognized gains (losses)	Contracted amount	Fair Value(s)	Recognized gains (losses)	Recognized gains (losses)
Forward foreign exchange contracts:							
Sell:							
U.S. dollars	¥ 10	¥ (0)	¥ (0)	¥ 108	¥ 108	¥ 0	$ (0)
S.G. dollars	85	(0)	(0)	-	-	-	(0)
Japanese yen	34	0	0	505	551	(46)	0
			¥ 0			¥ (46)	$ 0
Buy:							
U.S. dollars	¥ 275	¥ 1	¥ 1	¥ -	¥ -	¥ -	$ 11
S.G. dollars	53	(0)	(0)	-	-	-	(0)
Japanese yen	502	(14)	(14)	9	9	(0)	(150)
			¥ (13)			¥ (0)	$ (139)

(b) Derivative transactions for which hedge accounting is applied

If a 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 or swap rate and that translated using the spot rate at the inception date of the contract) is recognized over the term of the contract.

Derivative transactions as of March 31, 2010 were as follows.

	Millions of yen			Thousands of U.S. dollars
	2010			2010
	Contracted amount	Fair Value(s)	Recognized gains (losses)	Recognized gains (losses)
Forward foreign exchange contracts:				
Sell:				
U.S. dollars	¥ 1,300	¥ (30)	¥ (30)	$ (322)
Euro	55	(0)	(0)	(0)
Swiss franc	0	(0)	(0)	(0)
Poland zloty	1	(0)	(0)	(0)
			¥ (30)	$ (322)
Buy:				
U.S. dollars	¥ 3,004	¥ 94	¥ 94	$ 1,010
Great Britain pound	1	(0)	(0)	(0)
Euro	809	(11)	(11)	(118)
			¥ 83	$ 570

If a forward foreign exchange contract or currency swap 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 will be recognized.

Contracted amounts as of March 31, 2010 were as follows.

		Millions of yen
		2010
		Contracted amount
Forward foreign exchange contracts		
Sell:		
U.S. dollars	¥	3,365
Great Britain Pound		154
Euro		913
Swiss franc		4
Poland zloty		62
Japanese yen		18
Buy:		
U.S. dollars	¥	1,463
Great Britain Pound		0
Euro		52
Japanese yen		63

		Millions of yen
		2010
		Contracted amount
Currency swap contracts		
Long-term debt	¥	1,804

Fair values are based on year-end forward rates and prices presented by principal financial institutions at March 31, 2009 and 2010, respectively.

Forward foreign 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 with regard to information as of and for the year ended March 31, 2009.

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 both the years ended March 31, 2010 and 2009.

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

	2010	2009
Statutory tax rate	40.5%	40.5%
Equity in losses of unconsolidated subsidiaries and affiliates	12.7	4.2
Nondeductible expenses	4.1	11.4
Dividend income, not taxable	(8.0)	(5.5)
Elimination of dividend income	7.2	6.0
Refundable corporation tax	-	(0.9)
Unrealized tax benefit on prior losses of consolidated subsidiaries	6.2	(9.6)
Foreign subsidiaries' tax rates	(9.5)	(1.3)
Other	1.5	5.3
Effective tax rate	54.6%	50.1%

Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Deferred tax assets:			
Excess bad debt expense	¥ 1,219	¥ 1,196	$ 13,102
Loss carryforwards	2,132	2,108	22,915
Severance and retirement benefits	416	372	4,471
Directors' retirement benefits	177	185	1,902
Unrealized profit on inventories	151	177	1,623
Unrealized profit on property and equipment	269	162	2,891
Excess depreciation	791	858	8,502
Write-down of golf club memberships	48	60	516
Write-down of investment securities	584	402	6,277
Write-down of inventories	170	158	1,827
Excess bonuses accrued	279	292	2,999
Enterprise tax payable	34	92	365
Provision for loss on business liquidation	49	662	527
Other	667	757	7,169
Total deferred tax assets	6,986	7,481	75,086
Valuation allowance	(3,406)	(3,872)	(36,608)
Net deferred tax assets	3,580	3,609	38,478
Deferred tax liabilities:			
Gain on securities contributed to employee retirement benefit trust	(876)	(876)	(9,415)
Net unrealized holding gains on securities	(9,903)	(8,041)	(106,438)
Other	(207)	(50)	(2,225)
Total deferred tax liabilities	(10,986)	(8,967)	(118,078)
Net deferred tax liabilities	¥ (7,406)	¥ (5,358)	$ (79,600)

Net deferred tax liabilities as of March 31, 2010 and 2009 were included in the consolidated balance sheets as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Deferred tax assets (current assets)	¥ 1,067	¥ 830	$ 11,468
Deferred tax assets (other assets)	1,137	312	12,221
Others (short-term liability)	(16)	(0)	(172)
Deferred tax liability (long-term liability)	(9,594)	(6,500)	(103,117)
Net deferred tax liabilities	¥ (7,406)	¥ (5,358)	$ (79,600)

7. Pledged assets

At March 31, 2010 and 2009, the following assets were pledged as security for trading transactions:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Investment securities	¥ 5,355	¥ 4,820	$ 57,556

8. Research and development expenses

Research and development expenses included in selling, general and administrative expenses for the years ended March 31, 2010 and 2009 totaled ¥126 million ($1,354 thousand) and ¥115 million, respectively.

9. Loss on impairment of fixed assets

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

For the year ended March 31, 2009

Use	Type of asset	Industry segment	Location	Millions of yen	
Mainly production facilities for electronic equipment and measuring devices	Building	Information Technology	Matsumoto, Nagano	¥	213
	Machinery and equipment				57
	Vehicles, tools, furniture and fixtures				21
	Land				83
	Intangible assets				37
	Other				41
	Total			¥	452

The Company and its subsidiaries grouped independently assets principally by each industry segment. Leased assets and idle assets were 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 due to a significant decrease in real estate values.

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

10. Provision for loss on business liquidation

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

11. Short-term loans and long-term debt

Short-term loans at March 31, 2010 and 2009 consisted of bank loans bearing interest at average annual rates of 1.02% and 1.81%, respectively. Long-term loans due within one year at March 31, 2010 and 2009 consisted of bank loans bearing interest at average annual rates of 2.46% and 1.71%, respectively.

Long-term debt at March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Unsecured loans from banks and insurance companies due through 2016 with interest principally at 0.40% - 6.25%	¥ 18,155	¥ 16,272	$ 195,131
Less amounts due within one year	(928)	(1,497)	(9,974)
	¥ 17,227	¥ 14,775	$ 185,157

The aggregate annual maturities of long-term debt at March 31, 2010 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2012	¥ 2,448	$ 26,312
2013	5,430	58,362
2014	4,532	48,710
2015	2,900	31,169
2016 and thereafter	1,917	20,604
	¥ 17,227	$ 185,157

The Company has a commitment line contracts with four banks in the aggregate amount of ¥10,000 million ($107,481 thousand) in order to secure the efficient procurement of operating funds. At March 31, 2010, the total ¥10,000 million ($107,481 thousand) was unused and available.

12. 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, 2010 and 2009 consisted of the following:

	Millions of yen				Thousands of U.S. dollars	
	2010		2009		2010	
Projected benefit obligation	¥	6,988	¥	9,635	$	75,108
Fair value of pension assets		(6,971)		(8,060)		(74,925)
Unrecognized prior service cost		28		28		301
Unrecognized actuarial differences		(2,061)		(3,344)		(22,152)
Prepaid expense for pension assets		2,422		2,539		26,032
Liability for severance and retirement benefits	¥	406	¥	(*1,2) 798	$	4,364

(*1) This amount includes ¥129 million in 2009 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, 2010 and 2009 were severance and retirement benefit expenses comprising the following:

	Millions of yen				Thousands of U.S. dollars	
	2010		2009		2010	
Service costs – benefits earned during the year	¥	(*1) 331	¥	(*1) 332	$	3,558
Interest cost on projected benefit obligation		113		292		1,215
Expected return on plan assets		(133)		(408)		(1,429)
Amortization of actuarial differences		273		605		2,934
Amortization of prior service cost		(1)		1		(11)
Others		(*2) 157		(*2) 57		1,687
Severance and retirement benefit expense	¥	740	¥	879	$	7,954

(*1) This amount includes ¥4 million ($43 thousand) in 2010 and ¥30 million in 2009 for operating officers

(*2) This amount includes payment to the defined contribution pension plan in the amount of ¥52 million ($559 thousand) in 2010 and ¥21 million in 2009 and payment to the mutual aid pension plan in the amount of ¥35 million ($376 thousand) in 2010 and ¥36 million in 2009.

The discount rate used by the Company at March 31, 2010 and 2009 was 1.6%. The rate of expected return on plan assets used by the Company at March 31, 2010 and 2009 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 total number of 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, 2010 and 2009. Prior service costs are recognized in the income statement using the straight-line method over 14 years at March 31, 2010 and 2009.

13. Cash and cash equivalents

The reconciliation 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, 2010 and 2009 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Cash and cash equivalents in balance sheets	¥ 5,464	¥ 11,247	$ 58,727
Time deposits maturing after three months	(450)	(66)	(4,836)
Cash and cash equivalents in statements of cash flow	¥ 5,014	¥ 11,181	$ 53,891

14. 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 description of the status of finance leases as of 2010 is omitted because there were no significant finance lease transactions.

(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
	2009
Machinery and equipment:	
Acquisition cost	¥ 74
Accumulated depreciation	(59)
Accumulated loss on impairment	0
Net value	¥ 15
Other tangible assets:	
Acquisition cost	¥ 46
Accumulated depreciation	(15)
Accumulated loss on impairment	(12)
Net value	¥ 19
Intangible assets:	
Acquisition cost	¥ 39
Accumulated depreciation	(21)
Accumulated loss on impairment	(11)
Net value	¥ 7

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

		Millions of yen 2009
Due within one year	¥	50
Due over one year		28
Total	¥	78
Accumulated loss on impairment of leased assets	¥	24

(3) Lease payments, depreciation and interest expense:

		Millions of yen 2009
Lease payments	¥	35
Reversal of allowance for impairment loss on leased properties		4
Depreciation		32
Interest expense		2
Loss on impairment		28

(4) Method of calculation 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 zero residual value.

Method of calculation 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	
	2009	
Machinery and equipment:		
Acquisition cost	¥	5,066
Accumulated depreciation		(4,115)
Net value	¥	951
Intangible assets:		
Acquisition cost	¥	2,543
Accumulated depreciation		(2,068)
Net value	¥	475

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

	Millions of yen	
	2009	
Due within one year	¥	771
Due over one year		492
Total	¥	1,263

(3) Lease receipts, depreciation and interest income:

	Millions of yen	
	2009	
Lease receipts	¥	1,320
Depreciation		1,176
Interest income		83

(4) Method of calculation for interest expenses:

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

15. 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
Other:	Leasing

Operating results, total assets, depreciation and amortization and capital expenditure by industry segment for the years ended March 31, 2010 and 2009 were as follows:

Year ended March 31, 2010	Millions of yen							
	Information Technology	Housing and Construction	Chemicals	Plastics	Foodstuff	Other	Elimination and Corporate	Consolidated
Revenues:								
Outside customers	¥176,775	¥ 17,552	¥ 58,214	¥140,376	¥ 16,241	¥ 1,625	¥ -	¥ 410,783
Intersegment	345	-	1,252	307	-	69	(1,973)	-
Total	177,120	17,552	59,466	140,683	16,241	1,694	(1,973)	410,783
Operating expenses	174,685	17,535	58,831	138,453	16,292	1,450	(1,973)	405,273
Operating income (loss)	¥ 2,435	¥ 17	¥ 635	¥ 2,230	¥ (51)	¥ 244	¥ -	¥ 5,510
Total assets	¥ 76,940	¥ 6,746	¥ 29,246	¥ 68,210	¥ 6,767	¥ 2,641	¥ 39,415	¥ 229,965
Depreciation and amortization	¥ 302	¥ 28	¥ 304	¥ 1,047	¥ 86	¥ 619	¥ -	¥ 2,386
Capital expenditure	¥ 124	¥ 1	¥ 361	¥ 835	¥ 112	¥ 24	¥ 3,584	¥ 5,041

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	166,473	22,282	66,460	157,984	23,928	2,058	-	439,185
Operating income (loss)	¥ 1,167	¥ (81)	¥ 240	¥ 2,050	¥ (151)	¥ 351	¥ -	¥ 3,576
Total assets	¥ 61,942	¥ 8,041	¥ 26,909	¥ 67,125	¥ 8,394	¥ 2,883	¥ 39,985	¥ 215,279
Depreciation and amortization	¥ 405	¥ 25	¥ 263	¥ 955	¥ 81	¥ 1,092	¥ -	¥ 2,821
Loss on impairment of fixed assets	¥ 452	¥ -	¥ -	¥ -	¥ -	¥ -	¥ -	¥ 452
Capital expenditure	¥ 253	¥ 1	¥ 181	¥ 1,386	¥ 35	¥ 6	¥ 3,332	¥ 5,194

Year ended March 31, 2010	Thousands of U.S. dollars							
	Information Technology	Housing and Construction	Chemicals	Plastics	Foodstuffs	Other	Elimination and Corporate	Consolidated
Revenues:								
Outside customers	$1,899,989	$188,650	$625,688	$1,508,770	$ 174,559	$ 17,467	$ -	$ 4,415,123
Intersegment	3,708	-	13,457	3,300	-	741	(21,206)	-
Total	1,903,697	188,650	639,145	1,512,070	174,559	18,208	(21,206)	4,415,123
Operating expenses	1,877,526	188,467	632,319	1,488,102	175,107	15,586	(21,206)	4,355,901
Operating income (loss)	$ 26,171	$ 183	$ 6,826	$ 23,968	$ (548)	$ 2,622	$ -	$ 59,222
Total assets	$ 826,956	$ 72,506	$ 314,338	$ 733,126	$ 72,732	$ 28,386	$ 423,635	$ 2,471,679
Depreciation and amortization	$ 3,246	$ 301	$ 3,267	$ 11,253	$ 924	$ 6,654	$ -	$ 25,645
Capital expenditure	$ 1,333	$ 11	$ 3,880	$ 8,975	$ 1,204	$ 257	$ 38,521	$ 54,181

Corporate assets included above in the elimination and corporate columns in the amounts of ¥39,415 million ($423,635 thousand) and ¥39,985 million for the years ended March 31, 2010 and 2009, 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 the year ended March 31, 2009.

As a result, for the year ended March 31, 2009, operating income decreased ¥282 million in the Information and Technology segment, ¥26 million in the Chemical segment and ¥41 million in the Plastics segment, and operating loss increased ¥3 million in the Housing and Construction segment and ¥168 million 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 the fiscal year of 2009.

As a result, for the year ended March 31, 2009, operating income decreased ¥19 million in the Information and Technology segment, ¥129 million in the Chemical segment and ¥3 million 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, 2010 and 2009 were as follows:

Year ended March 31, 2010	Millions of yen						
	Japan	Southeast Asia	Northeast Asia	North America	Europe	Elimination and Corporate	Consolidated
Revenues:							
Outside customers	¥258,563	¥ 53,825	¥ 74,147	¥ 11,153	¥ 13,095	¥ -	¥410,783
Intersegment	34,424	1,665	1,233	1,678	765	(39,765)	-
Total	292,987	55,490	75,380	12,831	13,860	(39,765)	410,783
Operating expenses	289,625	53,978	74,388	13,027	14,080	(39,825)	405,273
Operating income (loss)	¥ 3,362	¥ 1,512	¥ 992	¥ (196)	¥ (220)	¥ 60	¥ 5,510
Total assets	¥116,815	¥ 26,501	¥ 37,874	¥ 4,447	¥ 4,913	¥ 39,415	¥229,965

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

Year ended March 31, 2010	Thousands of U.S. dollars						
	Japan	Southeast Asia	Northeast Asia	North America	Europe	Elimination and Corporate	Consolidated
Revenues:							
Outside customers	$2,779,052	$578,515	$796,937	$119,873	$ 140,746	-	$ 4,415,123
Intersegment	369,991	17,896	13,252	18,035	8,223	(427,397)	-
Total	3,149,043	596,411	810,189	137,908	148,969	(427,397)	4,415,123
Operating expenses	3,112,908	580,159	799,527	140,015	151,334	(428,042)	4,355,901
Operating income (loss)	$ 36,135	$ 16,252	$ 10,662	$ (2,107)	$ (2,365)	$ 645	$ 59,222
Total assets	$1,255,536	$284,834	$407,072	$ 47,797	$ 52,805	$ 423,635	$ 2,471,679

Corporate assets included above in the elimination and corporate columns in the amounts of ¥39,415 million ($423,635 thousand) and ¥39,985 million for the years ended March 31, 2010 and 2009, 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 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 of 2009.
As a result, for the year ended March 31, 2009, operating income decreased ¥520 million 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 fiscal year of 2009.
As a result, for the year ended March 31, 2009, operating income decreased ¥3 million in the Southeast Asia segment, ¥23 million in the Northeast Asia segment, and operating loss increased ¥125 million 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, 2010 and 2009 were ¥ 197,776 million ($2,125,709 thousand) and ¥200,340 million, respectively. For the years ended March 31, 2010 and 2009, overseas trading transactions were ¥57,859 million ($621,872 thousand) and ¥67,500 million respectively in the Southeast Asia region, ¥113,676 million ($1,221,797 thousand) and ¥105,962 million respectively in the Northeast Asia region, ¥11,157 million ($119,916 thousand) and ¥15,689 million respectively in the North America region, and, ¥15,084 million ($162,124 thousand) and ¥11,189 million respectively in the Europe region.

16. Financial Instruments

【Additional Information】

Effective from the year ended March 31, 2010, the Company adopted the revised Accounting Standard, "Accounting Standard for Financial Instruments" (Accounting Standards Board of Japan ("ASBJ") Statement No. 10 revised on March 10, 2008) and the "Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No.19 revised on March 10, 2008).

Information on financial instrument for the year ended March 31, 2010 required pursuant to the revised accounting standards was as follows:

(Fair values of financial instruments)

Book values and fair values of the financial instruments on the consolidated balance sheet at March 31, 2010 were following.

	Millions of yen		
	Book values	Fair Values	Differences
Cash and cash equivalents	¥ 5,464	¥ 5,464	¥ -
Receivables: trade notes and accounts	125,639		
Allowance for doubtful receivables (*1)	(254)		
	125,385	125,385	-
Trading securities and investment securities			
Available-for-sale securities	35,391	35,391	-
Long-term loans receivables	2,083		
Allowance for doubtful receivables (*1)	(13)		
	2,070	2,084	14
Total Assets	¥ 168,310	¥ 168,324	¥ 14
Payables: trade note and accounts	¥ 84,401	¥ 84,401	¥ -
Short-term loans (*2)	41,538	41,538	-
Long-term debt	17,227	17,562	(335)
Total Liabilities	¥ 143,166	¥ 143,501	¥ (335)
Derivative transactions (*3)			
Derivative transactions for which hedge accounting is not applied	¥ (13)	¥ (13)	¥ -
Derivative transactions for which hedge accounting is applied	53	53	-
Total Derivative Transactions	¥ 40	¥ 40	¥ -

	Thousands of U.S. dollars					
	Book values		Fair Values		Differences	
Cash and cash equivalents	$	58,727	$	58,727	$	-
Receivables: trade notes and accounts		1,350,377				
Allowance for doubtful receivables (*1)		(2,730)				
		1,347,647		1,347,647		-
Trading securities and investment securities						
Available-for-sale securities		380,385		380,385		-
Long-term loans receivables		22,389				
Allowance for doubtful receivables (*1)		(140)				
		22,249		22,399		150
Total Assets	$	1,809,008	$	1,809,158	$	150
Payables: trade note and accounts	$	907,147	$	907,147	$	-
Short-term loans (*2)		446,453		446,453		-
Long-term debt		185,157		188,758		(3,601)
Total Liabilities	$	1,538,757	$	1,542,358	$	(3,601)
Derivative transactions (*3)						
Derivative transactions for which hedge accounting is not applied	$	(140)	$	(140)	$	-
Derivative transactions for which hedge accounting is applied		570		570		-
Total Derivative Transactions	$	430	$	430	$	-

(*1) The balance of "Allowance for doubtful receivables" is deducted individually from the balances of receivables: trade notes and accounts and long-term loans receivables.

(*2) Short-term loans include ¥928 million ($9,947 thousand) in long-term debt due within one year.

(*3) Net receivables and payables generated from derivative transactions are shown above. Items that represent net payables are shown in parentheses.

(a) Methods of calculating fair values of financial instruments and matters relating to securities and derivative transactions

Assets

(1) Cash and cash equivalents

Because cash and cash equivalents are short-term and their book values approximate their fair values, these instruments are stated at book value.

(2) Receivables: trade notes and accounts

Because "Receivables: trade notes and accounts" are short-term and their book values approximate fair values, these instruments are stated at book value. The fair value of doubtful receivables is calculated using the amounts deemed recoverable because of collateral, guarantees, etc.

(3) Trading securities and investment securities

The fair value of equity securities is equivalent to the quoted market price, if available. The fair value of bonds is calculated using the present value as determined by discounting the total amount of principal and interest at a rate determined by taking into account the current maturity and credit risks. Because negotiable deposits are short-term and their book values approximate the fair value, these instruments are stated at book value. Please see Note 4 "Securities" for matters relating to trading securities and investment securities based on holding purpose.

(4) Long-term loans receivables

For long-term loans receivables at floating interest rates, market interest rates are reflected over a short period. As such, they are stated at book value because such amounts approximate fair value unless the borrower's credit status has become materially different after such loans were made. The fair value of long-term loans receivables at fixed interest rates is the present value of future cash flows of the receivables. The receivables are categorized into certain periods and divided into groups according to credit risk. Future cash flows are calculated for each group and discounted by a rate that is the sum of an appropriate index rate, such as the long-term prime rate, and the credit spread. The fair value of doubtful receivables is calculated using the amounts deemed recoverable because of collateral, guarantees, etc.

Liabilities

(1) Payables: trade notes and accounts and (2) Short-term loans

Because "Payables: trade notes and accounts" and short-term loans are short-term and their book value approximate fair value, these instruments are stated at book value.

(3) Long-term debt

The fair value of long-term debt is calculated by discounting the total amount of the principal and interest at a rate that is assumed to be applied when a similar loan is newly borrowed. A part of the long- term debt is subject to currency swaps. The fair value of these long-term debts is determined by discounting the future cash flows that were accounted for as a single item with the related currency swap, at the rate that is assumed to apply if a new similar loan was taken out.

Derivative Transactions

Please see Note 5 "Derivative financial instruments and hedging transactions".

(b) The following table summarizes book values of financial instruments with no available fair value as of March 31, 2010:

	Book value	
	Millions of yen	Thousands of U.S. dollars
	2010	2010
Investments in subsidiaries and affiliates	¥ 3,182	$ 34,200
Available-for-sale securities		
Non-quoted equity securities	3,343	35,931
Other	19	204
Total	¥ 6,544	$ 70,335

The above items are not included in "Trading securities and investment securities" because, due to the absence of a market value, it is impossible to estimate future cash flows, thus making it extremely difficult to determine the fair value.

(c) Financial instruments with maturities were as follows:

	March 31, 2010			
	Millions of yen			
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Cash and cash equivalents	¥ 5,464	¥ -	¥ -	¥ -
Receivables: trade notes and accounts	125,639	-	-	-
Available-for-sale securities				
Bonds	-	100	968	-
Others	37	-	-	-
Long-term loans receivables	-	1,225	858	-
Total	¥ 131,140	¥ 1,325	¥ 1,826	¥ -

	Thousands of U.S. dollars			
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Cash and cash equivalents	$ 58,727	$ -	$ -	$ -
Receivables: trade notes and accounts	1,350,376	-	-	-
Available-for-sale securities				
Bonds	-	1,075	10,404	-
Others	398	-	-	-
Long-term loans receivables	-	13,166	9,222	-
Total	$ 1,409,501	$ 14,241	$ 19,626	$ -

(d) Long-term loans and other debt bearing interest with maturities were as follows:

	March 31, 2010			
	Millions of yen			
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Short-term loans	¥ 41,538	¥ -	¥ -	¥ -
Long-term debt	-	15,310	1,917	-
Total	¥ 41,538	¥ 15,310	¥ 1,917	¥ -

	Thousands of U.S. dollars			
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Short-term loans	$ 446,453	$ -	$ -	$ -
Long-term debt	-	164,553	20,604	-
Total	$ 446,453	$ 164,553	$ 20,604	$ -

17. 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 nonconsolidated financial statements of the Company in accordance with Japanese laws and regulations.

18. 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, 2010 and 2009, respectively.

Sumika Technology Co., Ltd. is a subsidiary of Sumitomo Chemical Company, Limited and Ulvac Coating Corporation and NOBEL NC CO., LTD are affiliates of the Company. As of March 31, 2010 and 2009, respectively , the Company controlled 15% and 15% of the voting shares of Sumika Technology Co., Ltd, 25.8% and 35% of the voting shares of Ulvac Coating Corporation and 49% and 49% of the voting shares of NOBEL NC CO., LTD.

Significant transactions with related parties for the years ended March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Net sales:			
Sumitomo Chemical Company, Limited	¥ 8,557	¥ 7,011	$ 91,971
Sumika Technology Co., Ltd.	12,697	13,788	136,468
Purchases:			
Sumitomo Chemical Company, Limited	20,033	21,680	215,316
Ulvac Coating Corporation	4,576	—	49,183
Pledge of investment securities:			
Sumitomo Chemical Company, Limited	4,865	4,468	52,289
Debt guarantees:			
NOBEL NC CO., LTD	4,181	3,797	44,938
Sumika Technology Co., Ltd.	424	1,650	4,557
Allowance for doubtful receivables:			
Unconsolidated subsidiaries and affiliates	(*1) 1,029	(*1)154	11,060
Provision for loss on debt guarantees:			
Unconsolidated subsidiaries and affiliates	19	282	204

(*1) Provision for allowance for doubtful receivables included that of the unconsolidated subsidiaries and affiliates in the amount of ¥112 million ($1,204 thousand) and ¥7 million on the consolidated financial statements for the years ended March 31, 2010 and 2009 respectively.

The Consolidated subsidiaries' significant transactions with related parties for the years ended March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Purchases:			
Sumika Technology Co., Ltd.	¥ 29,846	¥ –	$ 320,787

19. Contingent liabilities

At March 31, 2010 and 2009, the Company and its consolidated subsidiaries were contingently liable as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
As endorsers of notes discounted or endorsed	¥ 22	¥ 8	$ 236
As guarantors of indebtedness of			
unconsolidated subsidiaries and affiliates	7,133	5,262	76,666
Others	424	1,650	4,557
	7,557	6,912	81,223
	¥ 7,579	¥ 6,920	$ 81,459

20. Subsequent events

Cash dividends

At the meeting of the Board of Directors of the Company held on May 12, 2010, an appropriation of nonconsolidated retained earnings for the year ended March 31, 2010 was duly approved as follows:

	Millions of yen	Thousands of U.S. dollars
Cash dividends - ¥5.00 ($0.054) per share	¥ 325	$ 3,493

The company made a contract to transfer all 4,000 shares of its stock of IK Pharmacy Co., Ltd. which was a 100% consolidated subsidiary to the NIHON CHOUZAI CO., Ltd. on April 30, 2010. As a result, the Company will record gain on the sale of the stock of affiliated companies in the approximate amount of ¥3,100 million ($33,319 thousand) for the year ended March, 2011.