CKD Corporation and Consolidated Subsidiaries

Consolidated Financial Statements
for the Years Ended
March 31, 2009 and 2008

CKD Corporation 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	¥ 4,458	¥ 3,606	$ 45,490
Time deposits	58	6	592
Notes and accounts receivable:			
Trade notes	5,114	2,949	52,184
Trade accounts	10,909	19,881	111,316
Other	1,525	322	15,561
Allowance for doubtful accounts	(29)	(24)	(296)
	17,519	23,128	178,765
Inventories (Note 4)	14,199	16,591	144,888
Deferred tax assets (Note 8)	22	1,343	224
Prepaid expenses and other current assets	643	476	6,561
Total current assets	36,899	45,150	376,520
PROPERTY, PLANT AND EQUIPMENT:			
Land	4,634	4,606	47,286
Buildings and structures	21,527	21,766	219,663
Machinery and equipment	24,265	24,747	247,602
Furniture and fixtures	9,967	10,590	101,704
Lease assets	570	-	5,816
Construction in progress	258	346	2,633
	61,221	62,055	624,704
Accumulated depreciation	(39,763)	(38,591)	(405,745)
Net property, plant and equipment	21,458	23,464	218,959
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 3)	2,676	3,747	27,306
Investments in non-consolidated subsidiaries	47	142	480
Deferred tax assets (Note 8)	162	698	1,653
Prepaid expense	186	827	1,898
Other assets (Note 6)	1,453	1,268	14,827
Allowance for doubtful accounts	(79)	(89)	(806)
Total investments and other assets	4,445	6,593	45,358
TOTAL	¥ 62,802	¥ 75,207	$ 640,837

(Continued)

CKD Corporation and Consolidated Subsidiaries

Consolidated Balance Sheets
March 31, 2008 and 2007

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	**2008**	**2009**
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Short-term loans (Note 5)	¥ 7,516	¥ 6,271	$ 76,694
Current portion of long-term debt (Note 5)	1,065	1,305	10,867
Notes and accounts payable:			
Trade notes	1,803	2,842	18,398
Trade accounts	4,969	10,740	50,704
Acquisition on property and equipment	519	1,016	5,296
Other	632	1,253	6,449
	7,923	15,851	80,847
Accrued expenses	1,821	2,554	18,582
Income taxes payable	94	453	959
Other current liabilities	724	1,608	7,388
Total current liabilities	19,143	28,042	195,337
LONG-TERM LIABILITIES			
Long-term debt (Note 5)	2,700	365	27,551
Liability for retirement benefits (Note 6)	217	196	2,214
Long-term deposits	868	897	8,857
Accrued expense (Note 5)	200	199	2,041
Other long-term liabilities	80	14	816
Total long-term liabilities	4,065	1,671	41,479
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 10, 11 and 12			
EQUITY (Note 7):			
Common stock:			
Authorized - 233,000 thousand shares in 2009 and 2008			
Issued - 69,429 thousand shares as of March 31, 2009 and 69,429 thousand shares as of March 31, 2008	11,016	11,017	112,408
Capital surplus	12,612	12,613	128,694
Retained earnings	21,658	25,869	221,000
Unrealized (loss) gain on available-for-sale securities	(360)	(322)	(3,673)
Foreign currency translation adjustments	(394)	431	(4,020)
Treasury stock - at cost: 7,260 thousand shares as of March 31, 2009 and 5,573 thousand shares as of March 31, 2008	(4,938)	(4,114)	(50,388)
Total equity	39,594	45,494	404,021
TOTAL	¥ 62,802	¥ 75,207	$ 640,837

See notes to consolidated financial statements.

(Concluded)

CKD Corporation 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
NET SALES	¥ 68,176	¥ 93,705	$ 695,673
COST OF SALES	52,380	68,484	534,490
Gross profit	15,796	25,221	161,183
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 9)	13,970	15,739	142,551
Operating income	1,826	9,482	18,632
OTHER INCOME AND EXPENSES:			
Interest and dividend income	136	133	1,388
Interest expense	(137)	(118)	(1,398)
Foreign exchange (loss) gain - net	(878)	(282)	(8,959)
Prior period adjustments (loss) gain - net	98	-	1,000
Loss on sales and disposals of long-lived assets - net	108	(55)	1,102
Gain on sales of investment securities	-	36	0
Write-down of investment securities	(1,776)	(351)	(18,122)
Gain on contribution of securities to retirement benefit trust	-	811	-
Other-net	(479)	(145)	(4,888)
Other income (expenses) - net	(2,928)	29	(29,877)
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	(1,102)	9,511	(11,245)
INCOME TAXES (Note 8):			
Current	102	2,775	1,041
Deferred	1,645	1,189	16,785
Total income taxes	1,747	3,964	17,826
NET INCOME	¥ (2,849)	¥ 5,546	($29,071)

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Note 2*(q)* and 13):			
Basic net income	(45.28)	¥ 84.95	$ (0.46)
Diluted net income	-	83.51	-
Cash dividends applicable to the year	16.00	22.00	0.16

See notes to consolidated financial statements.

CKD Corporation and Consolidated Subsidiaries

Consolidated Statements of Changes in Equity
Years Ended March 31, 2009 and 2008

	Thousands	Millions of Yen						
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Unrealized (Loss) gain on Available-for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock	Total Equity
BALANCE AT APRIL 1, 2007	66,131	¥ 10,400	¥ 11,998	¥ 21,978	¥ 1,009	¥ 345	¥ (768)	¥ 44,964
Net income	-	-	-	5,546	-	-	-	5,546
Conversion of convertible bonds	1,466	616	614	-	-	-	-	1,230
Cash dividends, ¥18.0 per share	-	-	-	(1,656)	-	-	-	(1,656)
Net increase in treasury stock	(3,741)	-	0	-	-	-	(3,345)	(3,345)
Net change in the year	-	-	-	-	(1,331)	86	-	(1,245)
BALANCE AT MARCH 31, 2008	63,856	11,016	12,612	25,869	(322)	431	(4,113)	45,493
Net income	-	-	-	(2,849)	-	-	-	(2,849)
Conversion of convertible bonds	-	-	-	-	-	-	-	0
Cash dividends, ¥25.0 per share	-	-	-	(1,392)	-	-	-	(1,392)
Net increase in treasury stock	(1,688)	-	(0)	-	-	-	(825)	(825)
Net change in the year	-	-	-	30	(38)	(825)	-	(833)
BALANCE AT MARCH 31, 2009	62,169	¥ 11,016	¥ 12,612	¥ 21,658	¥ (360)	¥ (394)	¥ (4,938)	¥ 39,594

	Thousands of U.S. Dollars (Note 1)						
	Common Stock	Capital Surplus	Retained Earnings	Unrealized (Loss) gain on Available-for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock	Total Equity
BALANCE AT MARCH 31, 2008	$ 112,408	$ 128,694	$ 263,969	$ (3,286)	$ 4,398	$ (41,969)	$ 464,214
Net income	-	-	(29,071)	-	-	-	(29,071)
Conversion of convertible bonds	-	-	-	-	-	-	0
Cash dividends, $0.25 per share	-	-	(14,204)	-	-	-	(14,204)
Net increase in treasury stock	-	(0)	-	-	-	(8,418)	(8,418)
Net change in the year	-	-	306	(388)	(8,418)	-	(8,500)
BALANCE AT MARCH 31, 2009	$ 112,408	$ 128,694	$ 221,000	$ (3,674)	$ (4,020)	$ (50,387)	$ 404,021

See notes to consolidated financial statements.

CKD Corporation and Consolidated Subsidiaries

Consolidated Statement of Cash Flows
Years Ended March 31, 2009 and 2008

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	2009
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	(¥ 1,102)	¥ 9,511	($11,245)
Adjustments for:			
Income taxes-paid	(1,705)	(5,466)	(17,398)
Depreciation	3,314	3,569	33,816
Loss on sales and disposals of long-lived assets - net	(108)	55	(1,102)
Write-down of investment securities	-	351	-
Gain on sales of investment securities	1,800	(36)	18,367
Gain on contribution of securities to retirement benefit trust	-	(811)	-
Changes in assets and liabilities:			
Decrease (increase) in notes and accounts receivable - trade	5,850	6,573	59,694
Decrease (increase) in inventories	1,933	1,381	19,724
Increase (decrease) in allowance for doubtful accounts	11	2	112
(Decrease) increase in notes and accounts payable - trade	(5,599)	(2,080)	(57,133)
Decrease in liability for retirement benefits	228	(879)	2,327
Other - net	(2,438)	(2,057)	(24,878)
Total adjustments	3,286	602	33,529
Net cash provided by operating activities	2,184	10,113	22,284
INVESTING ACTIVITIES:			
Purchases of investment securities	(525)	(1,805)	(5,357)
Proceeds from sales of investment securities	2	147	20
Purchases of property, plant and equipment	(2,088)	(8,540)	(21,306)
Proceeds from sales of property, plant and equipment	430	42	4,388
Acquisition of additional shares of an unconsolidated subsidiary and an associated company	-	(92)	-
Other - net	(95)	(71)	(969)
Net cash used in investing activities	(2,276)	(10,319)	(23,224)
FINANCING ACTIVITIES:			
Increase in short-term loans - net	1,474	4,219	15,041
Proceeds from long-term debt	3,500	-	35,714
Repayment of long-term debt	(1,405)	(6)	(14,336)
Increase in treasury stock	(825)	(3,345)	(8,418)
Dividends paid	(1,392)	(1,653)	(14,204)
Other - net	(40)	(15)	(408)
Net cash used in financing activities	1,312	(800)	13,389
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(390)	149	(3,979)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	830	(857)	8,470
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES, BEGINNING OF YEAR	22	-	224
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,606	4,463	36,796
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 4,458	¥ 3,606	$ 45,490
NON-CASH INVESTING AND FINANCING ACTIVITY			
Convertible bonds converted into common stock	-	¥ 1,230	-
Fair value of contribution of securities to retirement benefit trust (*)	-	1,968	-

See notes to consolidated financial statements.

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2008 financial statements to conform to the classifications used in 2009.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which CKD Corporation (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥98 to $1, the approximate rate of exchange at March 31, 2009. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation—The consolidated financial statements at March 31, 2009 include the accounts of the Company and its 12 significant (12 in 2008) subsidiaries (together, the "Group").

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in 2 non-consolidated subsidiaries (two in 2008) are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

The difference of the cost of an acquisition over the fair value of the net assets of the acquired subsidiary at the date of acquisition is being amortized over five years.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

b. Cash Equivalents—Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits and investment trusts, which mature or become due within three months of the date of acquisition.

c. Inventories—Inventories are stated at cost determined by the average method for finished products of components and raw materials, and by the specific identification method for work in process and finished products of automated machines. Inventories held by foreign subsidiaries are stated at the lower of cost, determined by the first-in, first-out method, or market.

d. ***Marketable and Investment Securities*****—**Investment securities with market quotation are classified as available-for-sale securities and are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. The cost of the securities sold is determined based on the moving-average method. Non-marketable available-for-sale securities are stated at cost determined by the moving-average method. For other than temporary declines in fair value, the securities are reduced to net realizable value, and charged to income.

Property, Plant and Equipment**—**Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its domestic consolidated subsidiaries is computed by the declining-balance method while the straight-line method is applied to building acquired on and after April 1, 1998. The straight-line method is applied to property, plant and equipment held by consolidated foreign subsidiaries.

The range of useful lives had been principally from 11 to 12 years for a part of machinery. However, in accordance with the revised corporate tax law, which is effective for fiscal years beginning on and after April 1, 2008, the company changed the range of useful lives to 10 years.

The effect of this change was to decrease operating income and ordinary income by 76 million ($776 thousand), to increase loss before income taxes by ¥76 million ($776 thousand), respectively, for the year ended March 31, 2008.

The range of useful lives is principally from 3 to 50 years for buildings and structures, and from 3 to 17 years for machinery and equipment.

f. ***Long-lived Assets*** —The Company and domestic consolidated subsidiaries review their long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be 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 would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

g. ***Other Assets*****—**Intangible assets are carried at cost less accumulated amortization, which is calculated by the straight-line method principally over five years.

h. ***Retirement and Pension Plans*****—**The Company and a certain consolidated subsidiary have funded defined benefit pension plans and defined contribution plans for employees. The Company has a retirement benefit trust. A certain consolidated subsidiary has funded pension plan. Certain consolidated subsidiaries have unfunded retirement benefit plans. Certain foreign consolidated subsidiaries have defined contribution plans.

Liability for retirement benefit for employees is accounted for based on projected benefit obligations and plan assets at the balance sheet date.

As plan assets surpluses projected benefit obligations at the end of March 31, 2009, the surplus was accounted for as prepaid pension cost, which was included in the other asset in the consolidated balance sheet.

i. ***Presentation of Equity*****—**On December 9, 2005, the ASBJ published a new accounting standard for presentation of equity. Under this accounting standard, certain items which were previously presented as liabilities or assets, as the case may be, are now presented as components of equity. Such items include stock acquisition rights, minority interests, and any deferred gain or loss on derivatives accounted for under hedge accounting. This standard was effective for fiscal years ending on or after May 1, 2006. The balances of such items as of March 31, 2006 were reclassified as separate components of equity as of April 1, 2006 in the consolidated statement of changes in equity.

j. ***Bonuses to Directors and Corporate Auditors*** —Bonuses to directors and corporate auditors are accrued at the year end to which such bonuses are attributable.

k. ***Research and Development Costs***—Research and development costs are charged to income as incurred.

l. ***Income Taxes***—The provision for current income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences. A valuation allowance is recorded to reduce the carrying amounts of deferred tax assets if there is uncertainty regarding their realization.

m. ***Foreign Currency Transactions***—All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the statements of income to the extent that they are not hedged by forward exchange contracts.

n. ***Foreign Currency Financial Statements***—The balance sheet and statement of income accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate. Differences arising from such translation were shown as "Foreign currency translation adjustments" in a separate component of equity. Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate.

o. ***Derivatives and Hedging Activities***—The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange and interest rates. Foreign exchange forward contracts and interest rate swaps are utilized by the Group to reduce foreign currency exchange and interest rate risks. The Group does not enter into derivatives for trading or speculative purposes. Derivative financial instruments and foreign currency transactions are classified and accounted for by hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items.

The foreign exchange forward contracts are utilized to hedge foreign exchange exposures in export of finished goods to overseas customers and in procurement of raw materials from overseas suppliers. Trade receivables and payables denominated in foreign currencies are translated at the contracted rates if the forward contracts qualify for hedge accounting.

Interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements are recognized and included in expenses or income.

p. ***Per Share Information***—Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full conversion of the outstanding convertible notes and bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full conversion of outstanding warrants.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

q. New Accounting Pronouncements

Measurement of Inventories—Under generally accepted accounting principles in Japan ("Japanese GAAP"), inventories are currently measured either by the cost method, or at the lower of cost or market. On July 5, 2006, the ASBJ issued ASBJ Statement No. 9, "Accounting Standard for Measurement of Inventories," which is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted. This standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses. The replacement cost may be used in place of the net selling value, if appropriate. The standard also requires that inventories held for trading purposes be measured at the market price.

The effect of this change was to increase operating income and ordinary income by 148 million ($1,510 thousand), loss before income taxes by ¥247 million ($2,520 thousand), respectively, for the year ended March 31, 2008.

Lease Accounting—On March 30, 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the existing accounting standard for lease transactions issued on June 17, 1993. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1,2007.

Under the existing accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, however, other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the lessee's financial statements.

The revised accounting standard requires that all finance lease transactions shall be capitalized recognizing lease assets and lease obligations in the balance sheet.

Foreign Currency Financial Statements—Statement of income accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date as in the past. However, the company changed the policy that revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate.

The effect of this change was to increase net sales by 1,707 million ($17,418 thousand), to decrease operating income by 76 million ($776 thousand) and ordinary income by 223 million ($2,276 thousand), to increase loss before income taxes by ¥222 million ($2,265 thousand), respectively, for the year ended March 31, 2008.

Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements—Under Japanese GAAP, a company currently can use the financial statements of its foreign subsidiaries which have been prepared in accordance with generally accepted accounting principles in their respective jurisdictions for its consolidation process unless they are clearly unreasonable. On May 17, 2006, the ASBJ issued ASBJ Practical Issues Task Force (PITF) No.18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements." The new standard prescribes: 1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements, 2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States tentatively may be used for the consolidation process, 3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are not material:

(1) Amortization of goodwill
(2) Actuarial gains and losses of defined benefit plans recognized outside profit or loss
(3) Capitalization of intangible assets arising from development phases
(4) Fair value measurement of investment properties, and the revaluation model for property, plant and equipment, and intangible assets
(5) Retrospective application when accounting policies are changed
(6) Accounting for net income attributable to a minority interest

The new task force is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted.

3. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities at March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Non-current:			
Equity securities	¥ 2,576	¥ 3,747	$ 26,286
Debt securities	99	-	1,010
Other	-	-	-
Total	¥ 2,675	¥ 3,747	$ 27,296

The carrying amounts and aggregate fair values of securities at March 31, 2009 and 2008 were as follows:

	Millions of Yen			
March 31, 2009	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 2,872	¥ 126	¥ 484	¥ 2,514
Debt securities	100	-	1	99
Total	¥2,972	¥126	¥485	¥2,613
March 31, 2008				
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 4,245	¥ 150	¥ 690	¥ 3,705

March 31, 2009	Cost	Unrealized Gains	Unrealized Losses	Fair Value
	Thousands of U.S. Dollars			
Securities classified as:				
Available-for-sale:				
Equity securities	$ 29,306	$ 1,286	$ 4,939	$ 25,653
Debt securities	1,020	-	10	1010
Other				
Total	$30,326	$1,286	$4,949	$26,663

Impairment loss amounted to ¥1,776 million ($18,122 thousand) was excluded from the amount of cost as of March 31, 2009.

Available-for-sale securities whose fair value was not readily determinable at March 31, 2009 and 2008 were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Available-for-sale:			
Equity securities	¥ 62	¥ 42	$ 633

4. INVENTORIES

Inventories at March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Finished products	¥ 3,532	¥ 4,230	$ 36,041
Work in process	1,819	3,122	18,561
Raw materials and supplies	8,848	9,239	90,286
Total	¥14,199	¥16,591	$ 144,888

5. SHORT-TERM LOANS AND LONG-TERM DEBT

Short-term loans at March 31, 2009 and 2008 consisted of bank overdrafts and the other bank loans. The weighted average rates of annual interest applicable to the short-term loans at March 31, 2009 and 2008, were 1.2 % and 1.5%, respectively.

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

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Zero coupon JPY convertible bonds due 2009	¥ 360	¥ 360	$ 3,673
Loans from banks and others, due serially to 2010 with weighted average interest rates of 1.5% (2009) and 1.5% (2008)	3,405	1,310	34,745
Total	3,765	1,670	38,418
Less current portion	(1,065)	(1,305)	(10,867)
Long-term debt, less current portion	¥ 2,700	¥ 365	$ 27,551

Additional information with respect to the Company's convertible bonds is as follows:

	Unsecured zero coupon convertible bonds
Issued on	April 20, 2005
Initial principal	¥ 4,500 million
Maturity	April 20, 2009
Term of conversion	April 27, 2005 to April 6, 2009
Conversion price per share	¥ 839
Balance of debt at March 31, 2009	¥ 360 million
Accumulated number of shares issued upon conversion through March 31, 2009	- shares
Number of additional shares that would be issued upon conversion at March 31, 2009	- shares

The conversion price of the convertible bonds is subject to adjustments in certain circumstances.

Annual maturities of long-term debt at March 31, 2009 were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2010	¥ 1,065	$ 10,867
2011	700	7,143
2012	700	7,143
2013	700	7,143
2014	600	6,122
Total	¥ 3,765	$ 38,418

Lease obligations at March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Lease obligations	¥ 241	-	$ 2,459
Less current portion	(89)	-	(908)
Lease obligations, less current portion	¥ 152	-	$ 1,551

Annual maturities of Lease obligations at March 31, 2009 were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2010	¥ 89	$ 908
2011	87	888
2012	55	561
2013	7	71
2014	3	31
Total	¥ 241	$ 2,459

6. RETIREMENT AND PENSION PLANS

Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service and certain other factors.

The liability for employees' retirement benefits at March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Projected benefit obligation	¥ 15,890	¥16,909	$ 162,143
Retirement benefit trust	(637)	(1,122)	(6,500)
Fair value of plan assets	(10,930)	(14,867)	(111,531)
Unrecognized prior service benefit	3,179	3,650	32,438
Unrecognized actuarial loss	(7,675)	(4,966)	(78,316)
Prepaid pension cost	390	592	3,980
Liability for employees' retirement benefits	¥ 217	¥ 196	$ 2,214

The components of net periodic benefit costs for the years ended March 31, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Service cost	¥ 658	¥ 661	$ 6,714
Interest cost	333	360	3,398
Expected return on plan assets	(593)	(482)	(6,051)
Amortization of prior service benefit	(470)	(471)	(4,796)
Recognized actuarial loss	771	578	7,868
Net periodic retirement benefit costs	¥ 699	¥ 646	$ 7,133
Contribution to defined contribution pension plans	151	149	1,540
Total	¥ 850	¥ 795	$ 8,673

Assumptions used for the years ended March 31, 2009 and 2008 were set forth as follows:

	2009	2008
Discount rate	2.0%	2.0%
Expected rate of return on plan assets	4.0%	3.0%
Recognition period of actuarial gain / loss	12 years	12 years
Amortization period of prior service benefit	12 years	12 years

7. EQUITY

Since May 1, 2006, Japanese companies have been subject to the Corporate Law of Japan (the "Corporate Law"), which reformed and replaced the Commercial Code of Japan. The significant provisions in the Corporate Law that affect financial and accounting matters are summarized below:

(a) Dividends
Under the Corporate Law, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria. The Corporate Law permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements. Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Corporate Law provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of equity after dividends must be maintained at no less than ¥ 3 million.

(b) Increases / decreases and transfer of common stock, reserve and surplus
The Corporate Law requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Corporate Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The

Corporate Law also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury stock and treasury stock acquisition rights
The Corporate Law also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula. Under the Corporate Law, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of equity. The Corporate Law also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

8. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 40.6% for the year ended March 31, 2009 and 2008.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Deferred tax assets:			
Transfer of securities to retirement benefit trust	¥ 799	¥ 799	$ 8,153
Write-down of available-for-sale securities	87	251	888
Unrealized loss on available-for-sale securities	146	218	1,490
Inventories	293	163	2,990
Offsetting of unrealized intercompany transactions	5	120	51
Liability for retirement benefits	80	68	816
Accrued bonuses	550	713	5,612
Tax loss carryforwards(subsidiaries)	769	174	7,847
Accrued expenses	111	173	1,133
Enterprise tax payable	2	58	20
Other	343	413	3,500
Less: valuation allowance	(2,433)	(365)	(24,827)
Total	¥ 752	¥ 2,785	$ 7,673
Deferred tax liabilities:			
Prepaid pension cost	¥ 159	¥ 240	$ 1,623
Gain on contribution of securities to retirement benefit trust	329	329	3,357
Undistributed earnings of overseas subsidiaries	2	171	20
Other	80	4	816
Total	¥ 570	¥ 744	$ 5,816
Net deferred tax assets	¥ 182	¥ 2,041	$ 1,857

As the difference between the normal statutory tax rate and the effective tax rate reflected in the accompanying consolidated statement of income was not considered significant for the year ended March 31, 2009 and 2008, a reconciliation between the normal statutory tax rate and effective tax rate was not disclosed.

9. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥ 2,149 million ($21,929 thousand) and ¥2,443 million for the years ended March 31, 2009 and 2008, respectively.

10. LEASES

The Group leases certain machinery, computer equipment and other assets.
Total rental expenses under finance leases for the years ended March 31, 2009 and 2008 were ¥ 196 million ($ 2,000 thousand) and ¥239 million, respectively.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligation under finance lease, depreciation expense and interest expense of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2009 and 2008 was as follows:

	Millions of Yen			
	2009			
	Machinery and Equipment	Furniture and Fixtures	Other	Total
Acquisition cost	¥ 85	¥ 460	¥ 78	¥ 623
Accumulated depreciation	58	263	55	376
Net leased property	¥ 27	¥ 197	¥ 23	¥ 247

	Millions of Yen			
	2008			
	Machinery and Equipment	Furniture and Fixtures	Other	Total
Acquisition cost	¥ 150	¥ 873	¥ 58	¥ 1,081
Accumulated depreciation	117	510	31	658
Net leased property	¥ 33	¥ 363	¥ 27	¥ 423

	Thousands of U.S. Dollars			
	2009			
	Machinery and Equipment	Furniture and Fixtures	Other	Total
Acquisition cost	$ 867	$ 4,694	$ 796	$ 6,357
Accumulated depreciation	592	2,684	561	3,837
Net leased property	$ 275	$ 2,010	$ 235	$ 2,520

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Due within one year	¥ 164	¥ 194	$ 1,674
Due after one year	90	255	918
Total	¥ 254	¥ 449	$ 2,592

Depreciation expense under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Depreciation expense	¥ 170	¥ 200	$ 1,735

Depreciation expense, which is not reflected in the accompanying statements of income, is computed by the straight-line method.

11. DERIVATIVES

The Group enters into derivatives, in the normal course of business, to reduce the exposure to fluctuations in foreign exchange rates and interest rates. It is the Company's policy to use derivatives only for the purpose of reducing market risks associated with assets and liabilities. The Company does not hold or issue derivatives for trading purposes.

Because the counter parties to those derivatives are limited to major financial institutions, the Group does not anticipate any losses arising from credit risk.

All derivative transactions were accounted for under hedge accounting and are not subject to the disclosure of market value information.

12. COMMITMENTS

The Group has line of credit agreements with three banks to obtain working capital efficiently. The details of the agreements at March 31, 2009 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Line of credit amount	¥ 12,500	$ 127,551
Balance used	4,000	40,816

13. NET INCOME PER SHARE

Reconciliations of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2009 and 2008 were as follows:

	Yen in Millions	Thousand of shares	Yen	Dollars
For the year ended March 31, 2009:	Net income	Weighted average shares	EPS	
Basic EPS				
Net income available to common shareholders	¥ (2,849)	62,923	¥ (45.28)	$ (0.46)
Effect of Dilutive Securities				
Convertible bonds	-	-		
Diluted EPS				
Net income for computation	¥ (2,849)	62,923	-	-
For the year ended March 31, 2008:				
Basic EPS				
Net income available to common shareholders	¥ 5,547	65,294	¥ 84.95	
Effect of Dilutive Securities				
Convertible bonds	-	1,126		
Diluted EPS				
Net income for computation	¥ 5,547	66,420	¥ 83.51	

14. SUBSEQUENT EVENTS

(a) Appropriation of Retained Earnings

The following appropriations of retained earnings at March 31, 2009 were approved at the Company's Board of Directors meeting held on May 12, 2009:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥ 5 ($ 0.05) per share	¥ 310	$ 3,163

(b) Acquisition of treasury stock

On Nov 7, 2008, the Company's board of directors resolved to purchase up to ¥ 500 million ($ 5,102 thousand) and 1,000 thousand shares of its common stock during the period from Nov 10, 2008 to Dec 31, 2008.

15. SEGMENT INFORMATION

The Group operates in the following industries:

"Automated machines" consists of sales and production of lamp and bulb making machines, automatic packing machines, capacitor production systems, lithium ion battery making machines, image process inspection machines, and 3D solder print inspection machines.

"Machine components" consists of sales and production of labor saving machines, pneumatic valves, pneumatic actuators, pneumatic auxiliary components and liquid control systems.
Information about business segments, geographical segments and sales to foreign customers of

the Group for the years ended March 31, 2009 and 2008 was as follows:

(1) Industry Segments

a. Sales and Operating Income

	Millions of Yen				
	2009				
	Automated Machines	Machine Components	Total	Eliminations /Corporate	Consolidated
Sales to customers	¥ 16,732	¥ 51,444	¥68,176	-	¥ 68,176
Intersegment sales	48	331	379	¥ (379)	-
Total sales	16,780	51,775	68,555	(379)	68,176
Operating expenses	14,701	49,592	64,293	2,057	66,350
Operating income	¥ 2,079	¥ 2,183	¥ 4,262	¥ (2,436)	¥ 1,826

b. Total Assets, Depreciation and Capital Expenditures

	Millions of Yen				
	2009				
	Automated Machines	Machine Components	Total	Eliminations /Corporate	Consolidated
Total assets	¥ 15,057	¥ 40,203	¥ 55,260	¥ 7,542	¥62,802
Depreciation	357	2,707	3,064	250	3,314
Capital expenditures	123	1,713	1,836	43	1,879

a. Sales and Operating Income

	Thousands of U.S. Dollars				
	2009				
	Automated Machines	Machine Components	Total	Eliminations /Corporate	Consolidated
Sales to customers	$ 170,734	$ 524,939	$ 695,673	-	$ 695,673
Intersegment sales	490	3,378	3,868	$ (3,868)	-
Total sales	171,224	528,317	699,541	(3,868)	695,673
Operating expenses	150,010	506,041	656,051	20,990	677,041
Operating income	$ 21,214	$ 22,276	$ 43,490	$ (24,858)	$ 18,632

b. Total Assets, Depreciation and Capital Expenditures

Thousands of U.S. Dollars

	2009				
	Automated Machines	Machine Components	Total	Eliminations /Corporate	Consolidated
Total assets	$ 153,643	$ 410,235	$ 563,878	$ 76,959	$ 640,837
Depreciation	3,643	27,622	31,265	2,551	33,816
Capital expenditures	1,255	17,480	18,735	439	19,174

a. Sales and Operating Income

	Millions of Yen				
	2008				
	Automated Machines	Machine Components	Total	Eliminations /Corporate	Consolidated
Sales to customers	¥ 22,193	¥ 71,512	¥93,705	-	¥ 93,705
Intersegment sales	122	448	570	¥ (570)	-
Total sales	22,315	71,960	94,275	(570)	93,705
Operating expenses	18,326	63,652	81,978	2,245	84,223
Operating income	¥ 3,989	¥ 8,308	¥ 12,297	¥ (2,815)	¥ 9,482

b. Total Assets, Depreciation and Capital Expenditures

	Millions of Yen				
	2008				
	Automated Machines	Machine Components	Total	Eliminations /Corporate	Consolidated
Total assets	¥ 14,274	¥ 53,695	¥ 67,969	¥ 7,238	¥ 75,207
Depreciation	369	2,911	3,280	289	3,569
Capital expenditures	194	2,248	2,442	29	2,471

As discussed in Note 2 (*q*), the Company changed its measurement of inventories to the cost method, or at the lower of cost or market. The effect of this change was to increase operating income of Machine Components by ¥148 million ($1,510 thousand), for the year ended March 31, 2008. In addition, the company changed the policy that revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate. The effect of this treatment was to increase net sales of Machine Components by 1,707 million ($17,418 thousand), to decrease operating income of Machine Components by 76 million ($776 thousand), for the year ended March 31, 2008.

(2) Geographical Segments

The geographical segments of the Group for the years ended March 31, 2009 and 2008 were summarized as follows:

Millions of Yen
2009

	Japan	Asia	North America	Total	Eliminations /Corporate	Consolidated
Sales to customers	¥ 57,470	¥ 9,744	¥ 962	¥ 68,176	-	¥ 68,176
Interarea transfer	5,407	1,966	-	7,373	¥ (7,373)	-
Total sales	62,877	11,710	962	75,549	(7,373)	68,176
Operating expenses	59,510	11,864	993	72,367	(6,017)	66,350
Operating income	¥ 3,367	¥ (154)	¥ (31)	¥ 3,182	¥ (1,356)	¥ 1,826
Total assets	¥ 55,043	¥ 6,684	¥ 423	¥ 62,150	¥652	¥ 62,802

	Thousands of U.S. Dollars					
	2009					
	Japan	Asia	North America	Total	Eliminations /Corporate	Consolidated
Sales to customers	$ 586,428	$ 99,429	$9,816	$ 695,673	-	$ 695,673
Interarea transfer	55,173	20,061	-	75,234	$ (75,234)	-
Total sales	641,601	119,490	9,816	770,907	(75,234)	695,673
Operating expenses	607,245	121,061	10,133	738,439	(61,398)	677,041
Operating income	$34,356	$(1,571)	$ (317)	$32,468	$ (13,836)	$ 18,632
Total assets	$ 561,663	$68,204	$ 4,317	$634,184	$ 6,653	$ 640,837

	Millions of Yen					
	2008					
	Japan	Asia	North America	Total	Eliminations /Corporate	Consolidated
Sales to customers	¥ 82,886	¥ 9,342	¥ 1,477	¥ 93,705	-	¥ 93,705
Interarea transfer	6,291	2,527	-	8,818	¥ (8,818)	-
Total sales	89,177	11,869	1,477	102,523	(8,818)	93,705
Operating expenses	76,404	11,596	1,458	89,458	(5,235)	84,223
Operating income	¥ 12,773	¥ 273	¥ 19	¥ 13,065	¥ (3,583)	¥ 9,482
Total assets	¥ 66,175	¥ 8,069	¥ 669	¥ 74,913	¥ 294	¥ 75,207

As discussed in Note 2 (*q*), the Company changed its measurement of inventories to the cost method, or at the lower of cost or market. The effect of this change was to increase operating income of Japan by ¥148 million ($1,510 thousand), for the year ended March 31, 2008. In addition, the company changed the policy that revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate. The effect of this treatment was to increase net sales of Asia by 1,591 million ($16,235 thousand) and North America by 115 million ($1,173 thousand), to increase operating loss of Asia by 57 million ($582 thousand) and North America by 3 million ($31 thousand), and operating income of Elimination/Corporate by 14 million ($143 thousand), for the year ended March 31, 2008.

(3) Sales to Foreign Customers

Sales to foreign customers of the Group for the years ended March 31, 2009 and 2008 were summarized as follows:

Millions of Yen

	2009		
	Asia	Other	Total
Overseas sales	¥ 13,305	¥1,658	¥ 14,963
Net sales			68,175
Ratio of overseas sales to net sales	19.5%	2.4%	21.9%

	Thousands of U.S. Dollars		
	2009		
	Asia	Other	Total
Overseas sales	$135,765	$ 16,918	$ 152,693
Net sales			695,673
Ratio of overseas sales to net sales	19.5%	2.4%	21.9%

	Millions of Yen		
	2008		
	Asia	Other	Total
Overseas sales	¥ 17,469	¥ 2,341	¥19,810
Net sales			93,705
Ratio of overseas sales to net sales	18.6%	2.5%	21.1%

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