CKD Corporation and Consolidated Subsidiaries

Consolidated Financial Statements
for the Years Ended
March 31, 2010 and 2009

CKD Corporation 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	¥ 5,581	¥ 4,458	$ 60,011
Time deposits	101	58	1,086
Notes and accounts receivable:			
Trade notes	4,809	5,114	51,710
Trade accounts	13,951	10,909	150,011
Other	188	1,525	2,021
Allowance for doubtful accounts	(49)	(29)	(527)
	18,899	17,519	203,215
Inventories	12,914	14,199	138,860
Deferred tax assets	1,124	22	12,086
Prepaid expenses and other current assets	426	643	4,581
Total current assets	39,045	36,899	419,839
PROPERTY, PLANT AND EQUIPMENT:			
Land	4,638	4,634	49,871
Buildings and structures	21,575	21,527	231,989
Machinery and equipment	23,924	24,265	257,247
Furniture and fixtures	10,270	9,967	110,430
Lease assets	627	570	6,742
Construction in progress	112	258	1,204
	61,146	61,221	657,483
Accumulated depreciation	(41,911)	(39,763)	(450,656)
Net property, plant and equipment	19,235	21,458	206,827
INVESTMENTS AND OTHER ASSETS:			
Investment securities	3,577	2,676	38,462
Investments in non-consolidated subsidiaries	47	47	505
Deferred tax assets	61	162	656
Prepaid expense	129	186	1,387
Other assets	830	1,453	8,925
Allowance for doubtful accounts	(55)	(79)	(591)
Total investments and other assets	4,589	4,445	49,344
TOTAL	¥ 62,869	¥ 62,802	$ 676,010

(Continued)

CKD Corporation and Consolidated Subsidiaries

Consolidated Balance Sheets
March 31, 2010 and 2009

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2010	2009	2010
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Short-term loans	¥ 3,312	¥ 7,516	$ 35,613
Current portion of long-term debt	700	1,065	7,527
Notes and accounts payable:			
Trade notes	1,624	1,803	17,462
Trade accounts	7,994	4,969	85,957
Acquisition on property and equipment	210	519	2,258
Other	900	632	9,677
	10,728	7,923	115,354
Accrued expenses	561	1,821	6,032
Income taxes payable	509	94	5,473
Other current liabilities	1,903	724	20,462
Total current liabilities	17,713	19,143	190,461
LONG-TERM LIABILITIES			
Long-term debt	2,000	2,700	21,505
Liability for retirement benefits	607	217	6,527
Long-term deposits	873	868	9,387
Accrued expense	-	200	-
Other long-term liabilities	196	80	2,109
Total long-term liabilities	3,676	4,065	39,528
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 10, 11 and 12			
EQUITY :			
Common stock:			
Authorized - 233,000 thousand shares in 2010 and 2009			
Issued - 69,429 thousand shares as of March 31, 2010 and 69,429 thousand shares as of March 31, 2009	11,016	11,016	118,452
Capital surplus	12,611	12,612	135,602
Retained earnings	22,655	21,658	243,602
Unrealized (loss) gain on available-for-sale securities	472	(360)	5,075
Foreign currency translation adjustments	(335)	(394)	(3,602)
Treasury stock - at cost: 7,261 thousand shares as of March 31, 2010 and 7,260 thousand shares as of March 31, 2009	(4,939)	(4,938)	(53,108)
Total equity	41,480	39,594	446,021
TOTAL	¥ 62,869	¥ 62,802	$ 676,010

Note: *The U.S.dollar amounts represent translations,for convenience, of yen amounts at the rate of ￥93＝$1.
*Any amount less than one million yen is rounded off.

(Concluded)

CKD Corporation 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**
NET SALES	¥ 50,036	¥ 68,176	$ 538,022
COST OF SALES	38,615	52,380	415,215
Gross profit	11,421	15,796	122,807
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	11,087	13,970	119,215
Operating income	334	1,826	3,592
OTHER INCOME AND EXPENSES:			
Interest and dividend income	78	136	839
Interest expense	(109)	(137)	(1,172)
Foreign exchange (loss) gain - net	105	(878)	1,129
Prior period adjustments (loss) gain - net	(17)	98	(173)
Loss on sales and disposals of long-lived assets - net	(28)	108	(301)
Gain on sales of investment securities	-	-	0
Write-down of investment securities	(158)	(1,776)	(1,699)
Gain on contribution of securities to retirement benefit trust	-	-	-
Other-net	619	(479)	6,646
Other income (expenses) - net	490	(2,928)	5,269
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	824	(1,102)	8,861
INCOME TAXES :			
Current	479	102	5,151
Deferred	(1,150)	1,645	(12,366)
Total income taxes	(671)	1,747	(7,215)
NET INCOME	¥ 1,495	(2,849)	$ 16,076

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK :			
Basic net income	¥ 24.04	(45.28)	$ 0.26
Diluted net income	-	-	-
Cash dividends applicable to the year	6.00	16.00	0.06

Note: *The U.S.dollar amounts represent translations,for convenience, of yen amounts at the rate of ￥93＝$1.
*Any amount less than one million yen is rounded off.

CKD Corporation and Consolidated Subsidiaries

Consolidated Statements of Changes in Equity
Years Ended March 31, 2010 and 2009

	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, 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	-	-	-	(1,392)	-	-	-	(1,392)
Net increase in treasury stock	(1,688)	-	-	-	-		(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
Net income	-	-	-	1,494	-	-	-	1,494
Conversion of convertible bonds	-	-	-	-	-	-	-	0
Cash dividends	-	-	-	(497)	-	-	-	(497)
Net increase in treasury stock	(1)	-	-	-	-	-	0	0
Net change in the year	-	-	(2)	-	831	59	-	890
BALANCE AT MARCH 31, 2010	62,168	¥ 11,016	¥ 12,610	¥ 22,655	¥ 472	¥ (334)	¥ (4,938)	¥ 41,480

	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, 2009	$ 118,452	$ 135,613	$ 232,882	$ (3,871)	$ (4,237)	$ (53,097)	$ 425,742
Net income	-	-	16,065	-	-	-	16,065
Conversion of convertible bonds	-	-	-	-	-	-	0
Cash dividends	-	-	(5,344)	-	-	-	(5,344)
Net increase in treasury stock	-	-	-	-	-	0	0
Net change in the year	-	-22	-	8,935	634	-	9,547
BALANCE AT MARCH 31, 2010	$ 118,452	$ 135,591	$ 243,603	$ 5,064	$ (3,603)	$ (53,097)	$ 446,010

CKD Corporation and Consolidated Subsidiaries

Consolidated Statement of Cash Flows
Years Ended March 31, 2010 and 2009

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2010	2009	2010
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 824	¥ (1,102)	$ 8,860
Adjustments for:			
Income taxes-received (paid)	1,221	(1,705)	13,129
Depreciation	2,918	3,314	31,376
(Gain)Loss on sales and disposals of long-lived assets - net	28	(108)	301
Write-down of investment securities	157	1,800	1,688
Decrease (increase) in notes and accounts receivable - trade	(2,627)	5,850	(28,247)
Decrease (increase) in inventories	1,340	1,933	14,409
Increase (decrease) in allowance for doubtful accounts	(5)	11	(54)
(Decrease) increase in notes and accounts payable - trade	2,732	(5,599)	29,376
Increase(Decrease) in liability for retirement benefits	779	228	8,376
Other - net	408	(2,438)	4,387
Total adjustments	6,951	3,286	74,741
Net cash provided by operating activities	7,775	2,184	83,601
INVESTING ACTIVITIES:			
Purchases of investment securities	(5)	(525)	(54)
Proceeds from sales of investment securities	-	2	-
Purchases of property, plant and equipment	(869)	(2,088)	(9,344)
Proceeds from sales of property, plant and equipment	39	430	419
Other - net	4	(95)	43
Net cash used in investing activities	(831)	(2,276)	(8,936)
FINANCING ACTIVITIES:			
Increase(Decrease) in short-term loans - net	(4,231)	1,474	(45,495)
Proceeds from long-term debt	-	3,500	-
Repayment of long-term debt	(705)	(1,405)	(7,580)
Redemption of bonds	(360)	-	(3,871)
Increase in treasury stock	0	(825)	0
Dividends paid	(499)	(1,392)	(5,366)
Other - net	(43)	(40)	(462)
Net cash used in financing activities	(5,838)	1,312	(62,774)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	17	(390)	184
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	1,123	830	12,075
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES, BEGINNING OF YEAR	-	22	-
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	4,458	3,606	47,935
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 5,581	¥ 4,458	$ 60,010
NON-CASH INVESTING AND FINANCING ACTIVITY			
Convertible bonds converted into common stock	-	-	-
Fair value of contribution of securities to retirement benefit trust	-	-	-

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 2009 financial statements to conform to the classifications used in 2010.

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 ¥93 to $1, the approximate rate of exchange at March 31, 2010. 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, 2010 include the accounts of the Company and its 11 significant (12 in 2009) 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.

Three tec Ltd.that was the consolidated subsidiary in the pre-consolidated fiscal year has been excluding it from scope of consolidation because it completed liquidation in January, 2010. Statement of income until completing liquidation is included in the consolidation scope.

Investments in 2 non-consolidated subsidiaries (two in 2009) 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 weighted average method for finished goods of components and raw materials, and by the specific identification method for work in process and finished goods of automated machines. Inventories held by foreign subsidiaries are stated at the lower of cost or market rule, determined by the first-in, first-out method, or weighted average.

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.

e. ***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 or declining-balance method is applied to property, plant and equipment held by consolidated foreign subsidiaries.

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. Self-use software is calculated by the straight-line method based on the estimated useful lives of 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.

i. ***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.

j. ***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.

k. ***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.

l. ***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.

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.

m. ***Percentage-of-completion method***－On December 27, 2007, The ASBJ Statement No.15, "Accounting Standard for Construction Contract" and ASBJ Guidance No.18, "Guidance for the Application of Accounting Standard for Construction Contracts", which is effective for fiscal years beginning on April 1, 2009. Changes in the scope of construction contracts to apply the percentage-of-completion method.

The Company had adopted the percentage-of-completion method for contracts with construction when reliable estimates of the degree of completion are possible and the completed contract method for other contracts.

The effect of this change was to increase Net sales by ¥862 million ($9,268 thousand), and Gross profit, Operating income, Ordinary income and Income before income taxes by ￥177 million($1,903 thousand) from what they had been if the former method was used.

3. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities at March 31, 2010 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Non-current:			
Equity securities	¥ 3,475	¥ 2,576	$ 37,365
Debt securities	101	99	1,086
Other	-	-	-
Total	¥ 3,576	¥ 2,675	$ 38,451

The carrying amounts and aggregate fair values of securities at March 31, 2010 and 2009 were as follows:

	Millions of Yen			
March 31, 2010	**Cost**	**Unrealized Gains**	**Unrealized Losses**	**Fair Value**
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 2,719	¥ 729	¥ 37	¥ 3,411
Debt securities	100	1	-	101
Total	¥2,819	¥730	¥37	¥3,512

March 31, 2009				
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

	Thousands of U.S. Dollars			
March 31, 2010	**Cost**	**Unrealized Gains**	**Unrealized Losses**	**Fair Value**
Securities classified as:				
Available-for-sale:				
Equity securities	$ 29,236	$ 7,838	$ 397	$ 36,677
Debt securities	1,075	10	-	1,085
Other				
Total	$30,311	$7,848	$397	$37,762

Impairment loss amounted to ¥157 million ($16,881 thousand) was excluded from the amount of cost as of March 31, 2010.

Available-for-sale securities whose fair value was not readily determinable at March 31, 2010 and 2009 were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Available-for-sale:			
Equity securities	¥ 63	¥ 62	$ 677

4. INVENTORIES

Inventories at March 31, 2010 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Finished products	¥ 2,828	¥ 3,532	$ 30,408
Work in process	1,542	1,819	16,580
Raw materials and supplies	8,543	8,848	91,860
Total	¥12,913	¥14,199	$ 138,848

5. SHORT-TERM LOANS AND LONG-TERM DEBT

Short-term loans at March 31, 2010 and 2009 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, 2010 and 2009, were 1.0 % and 1.2%, 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
Zero coupon JPY convertible bonds due 2009	¥ 0	¥ 360	$ 0
Loans from banks and others, due serially to 2010 with weighted average interest rates of 1.5% (2010) and 1.5% (2009)	2,700	3,405	29,032
Total	2,700	3,765	29,032
Less current portion	(700)	(1,065)	(7,526)
Long-term debt, less current portion	¥ 2,000	¥ 2,700	$ 21,506

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, 2010 were as follows:

Year Ending March 31	**Millions of Yen**	**Thousands of U.S. Dollars**
2011	¥ 700	$ 7,526
2012	700	7,526
2013	700	7,526
2014	600	6,451
Total	¥ 2,700	$ 29,029

Lease obligations at March 31, 2010 and 2009 consisted of the following:

	Millions of Yen		**Thousands of U.S. Dollars**
	2010	**2009**	**2010**
Lease obligations	¥ 197	241	$ 2,118
Less current portion	(96)	(89)	(1,032)
Lease obligations, less current portion	¥ 101	¥ 152	$ 1,086

Annual maturities of Lease obligations at March 31, 2010 were as follows:

Year Ending March 31	**Millions of Yen**	**Thousands of U.S. Dollars**
2011	¥ 96	$ 1,032
2012	64	688
2013	16	172
2014	12	129
2015	7	75
Total	¥ 195	$ 2,096

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, 2010 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Projected benefit obligation	¥ 15,184	¥15,890	$ 163,268
Retirement benefit trust	(822)	(637)	(8,838)
Fair value of plan assets	(11,278)	(10,930)	(121,268)
Unrecognized prior service benefit	3,070	3,179	33,010
Unrecognized actuarial loss	(5,546)	(7,675)	(59,634)
Prepaid pension cost	-	390	-
Liability for employees' retirement benefits	¥ 607	¥ 217	$ 6,538

The components of net periodic benefit costs for the years ended March 31, 2010 and 2009 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Service cost	¥ 649	¥ 658	$ 6,978
Interest cost	312	333	3,354
Expected return on plan assets	(272)	(593)	(2,924)
Amortization of prior service benefit	(470)	(470)	(5,053)
Recognized actuarial loss	1,061	771	11,408
Net periodic retirement benefit costs	¥ 1,280	¥ 699	$ 13,763
Contribution to defined contribution pension plans	146	151	1,569
Total	¥ 1,426	¥ 850	$ 15,332

Assumptions used for the years ended March 31, 2010 and 2009 were set forth as follows:

	2010	2009
Discount rate	2.0%	2.0%
Expected rate of return on plan assets	2.5%	4.0%
Recognition period of actuarial gain / loss	12 years	12 years
Amortization period of prior service benefit	12 years	12 years

7. 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, 2010 and 2009.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2010 and 2009 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Deferred tax assets:			
Transfer of securities to retirement benefit trust	¥ 798	¥ 799	$ 8,580
Write-down of available-for-sale securities	150	87	1,612
Unrealized loss on available-for-sale securities	-	146	-
Inventories	527	293	5,666
Offsetting of unrealized intercompany transactions	19	5	204
Liability for retirement benefits	238	80	2,559
Accrued bonuses	511	550	5,494
Tax loss carryforwards(subsidiaries)	369	769	3,967
Accrued expenses	124	111	1,333
Enterprise tax payable	53	2	569
Other	199	343	2,139
Less: valuation allowance	(1,315)	(2,433)	(14,139)
Total	¥ 1,673	¥ 752	$ 17,984
Deferred tax liabilities:			
Prepaid pension cost	¥ -	¥ 159	$ -
Gain on contribution of securities to retirement benefit trust	329	329	3,537
Undistributed earnings of overseas subsidiaries	6	2	64
Other	221	80	2,376
Total	¥ 556	¥ 570	$ 5,977
Net deferred tax assets	¥ 1,117	¥ 182	$ 12,007

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, 2010 and 2009, a reconciliation between the normal statutory tax rate and effective tax rate was not disclosed.

8. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥ 1,731 million ($18,612 thousand) and ¥2,149 million for the years ended March 31, 2010 and 2009, respectively.

9. LEASES

The Group leases certain machinery, computer equipment and other assets.
Total rental expenses under finance leases for the years ended March 31, 2010 and 2009 were ¥ 142 million ($ 1,526 thousand) and ¥ 196 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, 2010 and 2009 was as follows:

	Millions of Yen			
	2010			
	Machinery and Equipment	Furniture and Fixtures	Other	Total
Acquisition cost	¥ 5	¥ 410	¥ 42	¥ 458
Accumulated depreciation	4	334	33	372
Net leased property	¥ 1	¥ 76	¥ 9	¥ 86

	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

	Thousands of U.S. Dollars			
	2010			
	Machinery and Equipment	Furniture and Fixtures	Other	Total
Acquisition cost	$ 53	$ 4,408	$ 451	$ 4,924
Accumulated depreciation	43	3,591	354	4,000
Net leased property	$ 10	$ 817	$ 97	$ 924

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Due within one year	¥ 77	¥ 164	$ 827
Due after one year	12	90	129
Total	¥ 89	¥ 254	$ 956

Depreciation expense under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Depreciation expense	¥ 135	¥ 170	$ 1,451

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

10. 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.

11. COMMITMENTS

The Group has line of credit agreements with two banks to obtain working capital efficiently. The details of the agreements at March 31, 2010 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Line of credit amount	¥ 5,000	$ 53,763
Balance used	1,300	13,978

12. NET INCOME PER SHARE

Reconciliations of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2010 and 2009 were as follows:

	Yen in Millions	Thousand of shares	Yen	Dollars
For the year ended March 31, 2010:	Net income	Weighted average shares	EPS	
Basic EPS				
Net income available to common shareholders	¥ 1,494	62,167	¥ 24.04	$ 0.25
Effect of Dilutive Securities				
Convertible bonds	-	-		
Diluted EPS				
Net income for computation	¥ 1,494	62,167	-	-

For the year ended March 31, 2009:			
Basic EPS			
Net income available to common shareholders	¥ (2,849)	62,923	¥ (45.28)
Effect of Dilutive Securities			
Convertible bonds	-	-	
Diluted EPS			
Net income for computation	¥ (2,849)	62,923	¥ -

13. SUBSEQUENT EVENTS

(a) Appropriation of Retained Earnings

The following appropriations of retained earnings at March 31, 2010 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, ¥ 3 ($ 0.03) per share	¥ 186	$ 2,000

(b) Acquisition of treasury stock

14. 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, 2010 and 2009 was as follows:

(1) Industry Segments

a. Sales and Operating Income

	Millions of Yen				
	2010				
	Automated Machines	**Machine Components**	**Total**	**Eliminations /Corporate**	**Consolidated**
Sales to customers	¥ 11,967	¥ 38,068	¥50,035	-	¥ 50,035
Intersegment sales	7	160	168	¥ (168)	-
Total sales	11,974	38,228	50,203	(168)	50,035
Operating expenses	10,534	37,315	47,849	1,852	49,702
Operating income	¥ 1,440	¥ 913	¥ 2,354	¥ (2,020)	¥ 333

b. Total Assets, Depreciation and Capital Expenditures

	Millions of Yen				
	2010				
	Automated Machines	Machine Components	Total	Eliminations /Corporate	Consolidated
Total assets	¥ 10,007	¥ 44,505	¥ 54,512	¥ 8,356	¥62,869
Depreciation	389	2,302	2,692	226	2,918
Capital expenditures	52	478	531	65	597

a. Sales and Operating Income

	Thousands of U.S. Dollars				
	2010				
	Automated Machines	Machine Components	Total	Eliminations /Corporate	Consolidated
Sales to customers	$ 128,677	$ 409,333	$ 538,010	-	$ 538,010
Intersegment sales	75	1,720	1,806	$ (1,806)	-
Total sales	128,752	411,053	539,816	(1,806)	538,010
Operating expenses	113,268	401,236	514,505	19,913	534,418
Operating income	$ 15,484	$ 9,817	$ 25,311	$ (21,719)	$ 3,592

b. Total Assets, Depreciation and Capital Expenditures

	Thousands of U.S. Dollars				
	2010				
	Automated Machines	Machine Components	Total	Eliminations /Corporate	Consolidated
Total assets	$ 107,602	$ 478,548	$ 586,150	$ 89,849	$ 676,010
Depreciation	4,182	24,752	28,946	2,430	31,376
Capital expenditures	559	5,139	5,709	698	6,419

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	¥ 7,524	¥ 62,802
Depreciation	357	2,707	3,064	250	3,314
Capital expenditures	123	1,713	1,836	43	1,879

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, 2010 and 2009 were summarized as follows:

	Millions of Yen					
	2010					
	Japan	**Asia**	**North America**	**Total**	**Eliminations /Corporate**	**Consolidated**
Sales to customers	¥ 43,455	¥ 6,048	¥ 532	¥ 50,035	-	¥ 50,035
Interarea transfer	4,827	836	-	5,664	¥ (5,664)	-
Total sales	48,282	6,884	532	55,699	(5,664)	50,035
Operating expenses	46,901	6,962	596	54,461	(4,759)	49,702
Operating income(Loss)	¥ 1,381	¥ (78)	¥ (64)	¥ 1,238	¥ (905)	¥ 333
Total assets	¥ 55,272	¥ 6,628	¥ 286	¥ 62,187	¥681	¥ 62,869

	Thousands of U.S. Dollars					
	2010					
	Japan	**Asia**	**North America**	**Total**	**Eliminations /Corporate**	**Consolidated**
Sales to customers	$ 467,258	$ 65,032	$5,720	$ 538,010	-	$ 538,010
Interarea transfer	51,903	8,989	-	60,903	$ (60,903)	-
Total sales	519,161	74,021	5,720	598,913	(60,903)	538,010
Operating expenses	504,311	74,860	6,408	585,602	(51,172)	534,430
Operating income(Loss)	$14,850	$(839)	$ (688)	$13,311	$ (9,731)	$ 3,580
Total assets	$ 594,322	$71,268	$ 3,075	$668,677	$ 7,322	$ 676,010

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

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, 2010 and 2009 were summarized as follows:

	Millions of Yen 2010		
	Asia	Other	Total
Overseas sales	¥ 6,907	¥1,006	¥ 7,913
Net sales			50,035
Ratio of overseas sales to net sales	13.8%	2.0%	15.8%

	Thousands of U.S. Dollars 2010		
	Asia	Other	Total
Overseas sales	$ 74,268	$ 10,817	$ 85,086
Net sales			538,010
Ratio of overseas sales to net sales	13.8%	2.0%	15.8%

	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%

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