Kaga Electronics Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the Years Ended March 31, 2010 and 2009, and Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Kaga Electronics Co., Ltd.:

We have audited the accompanying consolidated balance sheets of Kaga Electronics Co., Ltd. and subsidiaries as of March 31, 2010 and 2009, and the related consolidated statements of operations, changes in equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to 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 Kaga Electronics Co., Ltd. and 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.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

June 29, 2010

Kaga Electronics Co., Ltd. and Subsidiaries

Consolidated Balance Sheets
March 31, 2010 and 2009

ASSETS	Millions of Yen 2010	Millions of Yen 2009	Thousands of U.S. Dollars (Note 1) 2010
CURRENT ASSETS:			
Cash and cash equivalents	¥ 11,797	¥ 11,369	$ 126,849
Marketable securities (Note 3)	70	59	753
Notes and accounts receivables:			
Trade	51,978	61,054	558,903
Other	7,236	6,159	77,806
Allowance for doubtful receivables	(184)	(159)	(1,978)
Inventories (Note 4)	18,141	18,296	195,065
Deferred tax assets (Note 9)	867	994	9,323
Other current assets	6,934	1,867	74,559
Total current assets	96,839	99,639	1,041,280
PROPERTY, PLANT AND EQUIPMENT (Note 2.f):			
Land	1,298	1,324	13,957
Buildings and structures	3,720	3,348	40,000
Machinery, equipment and vehicles	3,491	3,622	37,538
Molding dies and furniture	3,272	2,760	35,183
Construction in progress	120	7	1,290
Total	11,901	11,061	127,968
Accumulated depreciation	(5,466)	(4,892)	(58,774)
Net property, plant and equipment	6,435	6,169	69,194
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 3)	4,607	4,854	49,538
Guarantee deposits	2,149	2,411	23,108
Refundable insurance premium	1,056	965	11,355
Deferred tax assets (Note 9)	249	346	2,677
Other assets	2,627	2,867	28,246
Total investments and other assets	10,688	11,443	114,924
TOTAL	¥ 113,962	¥ 117,251	$ 1,225,398

LIABILITIES AND EQUITY	Millions of Yen 2010	Millions of Yen 2009	Thousands of U.S. Dollars (Note 1) 2010
CURRENT LIABILITIES:			
Short-term bank loans (Notes 5 and 12)	¥ 7,816	¥ 7,386	$ 84,043
Current portion of long-term debt (Notes 6 and 12)	1,135	1,912	12,204
Notes and accounts payables:			
Trade	43,536	44,772	468,129
Other	891	1,369	9,581
Income taxes payables (Note 9)	1,050	950	11,290
Other current liabilities (Note 9)	4,351	4,132	46,785
Total current liabilities	58,779	60,521	632,032
LONG-TERM LIABILITIES:			
Long-term debt (Notes 6 and 12)	2,556	3,635	27,484
Liability for employees' retirement benefits (Note 7)	1,433	1,343	15,409
Retirement benefits for directors and corporate auditors (Note 7)	1,222	1,122	13,140
Deferred tax liabilities (Note 9)	593	355	6,376
Other long-term liabilities	826	714	8,882
Total long-term liabilities	6,630	7,169	71,291
CONTINGENT LIABILITIES (Note 16)			
EQUITY (Note 8):			
Common stock—authorized, 80,000,000 shares; issued, 28,702,118 shares in 2010 and 2009	12,134	12,134	130,473
Capital surplus	13,912	13,912	149,591
Retained earnings	24,012	25,159	258,194
Unrealized loss on available-for-sale securities	(196)	(364)	(2,108)
Deferred gain on derivatives under hedge accounting	9		97
Foreign currency translation adjustments	(1,698)	(1,738)	(18,258)
Treasury stock—at cost, 1,103,943 shares in 2010 and 1,105,308 shares in 2009	(1,332)	(1,332)	(14,323)
Total	46,841	47,771	503,666
Minority interests	1,712	1,790	18,409
Total equity	48,553	49,561	522,075
TOTAL	¥ 113,962	¥ 117,251	$ 1,225,398

See notes to consolidated financial statements.

Kaga Electronics Co., Ltd. and Subsidiaries

Consolidated Statements of Operations
Years Ended March 31, 2010 and 2009

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2010	2009	2010
NET SALES (Note 19)	¥ 239,391	¥ 273,610	$ 2,574,097
COST OF SALES (Notes 10, 11 and 19)	211,153	243,226	2,270,463
Gross profit	28,238	30,384	303,634
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 10, 11 and 19)	26,655	28,134	286,612
Operating income	1,583	2,250	17,022
OTHER INCOME (EXPENSES):			
Interest and dividend income	152	241	1,634
Commission received	138	134	1,484
Gain on liquidation of subsidiaries		39	
Gain on sales of investment securities	481	17	5,172
Cash surrender on insurance dissolution		6	
Devaluation gain (loss) on trading securities	11	(25)	118
Devaluation loss on investment securities	(219)	(1,203)	(2,355)
Interest expense	(131)	(192)	(1,409)
Exchange loss	(574)	(496)	(6,172)
Loss on operation of investment partnership	(68)	(93)	(731)
Loss on retirement of fixed assets	(10)	(130)	(108)
Impairment loss	(147)	(350)	(1,581)
Headquarter moving expenses		(330)	
Others—net	181	181	1,948
Other expenses—net	(186)	(2,201)	(2,000)
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	1,397	49	15,022
INCOME TAXES (Note 9):			
Current	1,412	1,459	15,183
Deferred	348	(365)	3,742
Total income taxes	1,760	1,094	18,925
MINORITY INTERESTS IN NET LOSS	(44)	(238)	(473)
NET LOSS	¥ (319)	¥ (807)	$ (3,430)

(Continued)

Kaga Electronics Co., Ltd. and Subsidiaries

Consolidated Statements of Operations
Years Ended March 31, 2010 and 2009

	Yen		U.S. Dollars
	2010	2009	2010
PER SHARE OF COMMON STOCK (Note 2.r):			
Basic net loss	¥ (11.55)	¥ (28.91)	$ (0.12)
Cash dividends applicable to the year (Note 8)	30.00	40.00	0.32

See notes to consolidated financial statements.

(Concluded)

Kaga Electronics Co., Ltd. and Subsidiaries

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

	Thousands	Millions of Yen									
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain (Loss) on Available-for-Sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 2008	28,059	¥ 12,134	¥ 13,912	¥ 27,413	¥ 37	¥ 3	¥ (515)	¥ (843)	¥ 52,141	¥ 51	¥ 52,192
Adjustment of retained earnings due to an adoption of PITF No. 18 (Note 2.b)				(44)					(44)		(44)
Net loss				(807)					(807)		(807)
Cash dividends, ¥40 per share				(1,403)					(1,403)		(1,403)
Purchase of treasury stock	(462)							(489)	(489)		(489)
Net change in the year					(401)	(3)	(1,223)		(1,627)	1,739	112
BALANCE, MARCH 31, 2009	27,597	12,134	13,912	25,159	(364)		(1,738)	(1,332)	47,771	1,790	49,561
Net loss				(319)					(319)		(319)
Cash dividends, ¥30 per share				(828)					(828)		(828)
Purchase of treasury stock	(1)							(1)	(1)		(1)
Disposal of treasury stock	2							1	1		1
Net change in the year					168	9	40		217	(78)	139
BALANCE, MARCH 31, 2010	27,598	¥ 12,134	¥ 13,912	¥ 24,012	¥ (196)	¥ 9	¥ (1,698)	¥ (1,332)	¥ 46,841	¥ 1,712	¥ 48,553

	Thousands of U.S. Dollars (Note 1)									
	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain (Loss) on Available-for-Sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
BALANCE, MARCH 31, 2009	$130,473	$149,591	$ 270,528	$ (3,914)		$ (18,688)	$ (14,323)	$ 513,667	$ 19,247	$ 532,914
Net loss			(3,430)					(3,430)		(3,430)
Cash dividends, $0.32 per share			(8,904)					(8,904)		(8,904)
Purchase of treasury stock							(11)	(11)		(11)
Disposal of treasury stock							11	11		11
Net change in the year				1,806	$ 97	430		2,333	(838)	1,495
BALANCE, MARCH 31, 2010	$ 130,473	$ 149,591	$ 258,194	$ (2,108)	$ 97	$ (18,258)	$ (14,323)	$ 503,666	$ 18,409	$ 522,075

See notes to consolidated financial statements.

Kaga Electronics Co., Ltd. and 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
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 1,397	¥ 49	$ 15,022
Adjustments for:			
Income taxes—paid	(1,344)	(3,817)	(14,452)
Depreciation and amortization	2,274	1,978	24,452
Impairment loss	147	350	1,581
Loss on retirement of fixed assets	10	130	108
Provision for (reversal of) directors' and corporate auditors' bonuses	11	(128)	118
Gain on sales of investment securities	(464)	(16)	(4,989)
Devaluation loss on investment securities	219	1,203	2,355
Gain on sales of property, plant and equipment	(17)	(3)	(183)
Provision for employees' retirement benefits	67	42	720
Provision for directors' and corporate auditors' retirement benefits	93	84	1,000
Provision for doubtful accounts	269	198	2,892
Changes in assets and liabilities:			
Decrease in notes and accounts receivable	2,304	13,149	24,774
Decrease in inventories	102	2,981	1,097
Increase in advance	(344)	(312)	(3,699)
Decrease in interest and dividend receivable	147	240	1,581
Decrease (increase) in prepaid expenses and other current assets	1,058	(592)	11,376
Decrease in trade notes and accounts payable	(1,270)	(11,578)	(13,656)
Increase in accrued expenses and other current liabilities	855	1,459	9,194
Decrease in interest payable	(131)	(193)	(1,409)
Other—net	345	210	3,709
Total adjustments	4,331	5,385	46,569
Net cash provided by operating activities	5,728	5,434	61,591
INVESTING ACTIVITIES:			
Payments for time deposits	(120)		(1,290)
Purchase of property, plant and equipment	(2,499)	(2,541)	(26,871)
Purchase of investment securities	(889)	(195)	(9,559)
Purchase of intangible assets	(723)	(656)	(7,774)
Proceeds from sale of property, plant and equipment	104	230	1,118
Proceeds from sale of investment securities	1,550	121	16,667
Purchase of stocks of consolidated subsidiaries	164	(440)	1,763
Sale of stocks of consolidated subsidiaries	(12)		(129)
Increase in short-term loan receivable	(290)	(202)	(3,118)
Increase in long-term loan receivable	(18)	(73)	(194)
Increase in refundable insurance premium—net	(122)	(76)	(1,312)
Increase in guarantee deposits—net	(159)	(270)	(1,710)
Others—net	(27)	(109)	(290)
Net cash used in investing activities	(3,041)	(4,211)	(32,699)
FORWARD	¥ 2,687	¥ 1,223	$ 28,892

(Continued)

Kaga Electronics Co., Ltd. and 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
FORWARD	¥ 2,687	¥ 1,223	$ 28,892
FINANCING ACTIVITIES:			
Increase (decrease) in short-term bank loans—net	483	(4,310)	5,194
Proceeds from long-term debt		5,000	
Repayment of long-term debt	(1,905)	(2,124)	(20,484)
Dividends paid	(869)	(1,450)	(9,344)
Purchase of treasury stock—net		(489)	
Others—net	(17)	(35)	(183)
Net cash used in financing activities	(2,308)	(3,408)	(24,817)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	49	(458)	527
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	428	(2,643)	4,602
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	11,369	14,012	122,247
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 11,797	¥ 11,369	$ 126,849
ADDITIONAL CASH FLOW INFORMATION:			
Purchase of a newly consolidated subsidiary:			
Fair value of assets acquired	¥509	¥8,366	$5,470
Liabilities assumed	399	4,467	4,287
Minority interests		1,834	
Cash paid for the capital	110	2,065	1,183

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 Instruments and Exchange Act 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 of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications 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 Kaga Electronics Co., Ltd. (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 include the accounts of the Company and all of its subsidiaries (48 in 2010 and 2009) (together, the "Group").

Under the control and 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 5 (13 in 2009) associated companies are accounted for by the equity method.

The excess 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 a period of 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. Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements**—**In May 2006, the Accounting Standards Board of Japan (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." PITF No. 18 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 of America 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: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in the equity; (c) expensing capitalized development costs of R&D; (d) cancellation of the fair value model accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting; (e) recording the prior years' effects of changes in accounting policies in the income statement where retrospective adjustments to financial statements have been incorporated; and (f) exclusion of minority interests from net income, if applicable. PITF No. 18 was effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted.

c. ***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 short-term investments, all of which mature or become due within three months of the date of acquisition.

d. ***Inventories—***The Company and domestic subsidiaries state specific merchandise inventories ordered by customers should be at the lower of cost, determined by the specific identification method, or market and that other merchandise inventories should be at the lower of cost, determined principally by the moving-average method, or market.

The overseas subsidiaries state inventories at the lower of cost, determined principally by the first-in, first-out method, or market.

e. ***Marketable and Investment Securities—***Marketable and investment securities are classified and accounted for, depending on management's intent, as follows: (1) trading securities, which are held for the purpose of earning capital gains in the near term are reported at fair value, and the related unrealized gains and losses are included in earnings, and (2) available-for-sale securities, which are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

Non-marketable available-for-sale securities are stated at cost as determined by the moving-average method. For other than temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

f. ***Property, Plant and Equipment—***Property, plant and equipment are stated at cost. Significant replacements and additions are capitalized; maintenance and repairs, and minor replacements and improvements are charged to income as incurred.

Depreciation of property, plant and equipment of the Company and its consolidated domestic subsidiaries is computed substantially by the declining-balance method at rates based on the estimated useful lives of the assets, while the straight-line method is applied to buildings acquired after April 1, 1998, lease assets of the Company and its consolidated domestic subsidiaries, and all property, plant and equipment of foreign subsidiaries.

The range of useful lives is as follows:

Buildings and structures	10 to 50 years
Machinery, equipment and vehicles	8 to 12 years
Molding dies and furniture	2 to 20 years

g. ***Long-Lived Assets*—**The Group reviewed its long-lived assets for impairment for the year ended March 31, 2010 and, recognized an impairment loss of ¥147 million ($1,581 thousand) for certain project processing buildings and structures. The carrying amount of the relevant buildings and structures, molding dies and furniture was written down to its recoverable amount. The recoverable amount of the project's group was measured at its value in use. The discount rate used for computation of the present value of future cash flows was 3.96%.

h. ***Goodwill***—Purchased goodwill is amortized on a straight-line basis over five years.

i. ***Software*—**Software is recorded in other assets and is amortized over five years.

j. ***Retirement and Pension Plans***—The Company and certain consolidated subsidiaries have defined contribution pension plans. While other consolidated subsidiaries have unfunded retirement benefit plans.

Retirement allowances for directors and corporate auditors are recorded to state the liability at the amount that would be required if all directors and corporate auditors retired at each balance sheet date.

Beginning with the fiscal year ending March 2010, the Company has adopted "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)" (ASBJ Statement No. 19, July 31, 2008). Since actuarial gains and losses are amortized starting next fiscal year, this change has no effect on operating income, ordinary income or income before income taxes and minority interests in the current period.

k. ***Leases*—**In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions issued in June 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 previous accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee were capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions should be capitalized to recognize lease assets and lease obligations in the balance sheet. In addition, the accounting standard permits leases which existed at the transition date, and do not transfer ownership of the leased property to the lessee, to be accounted for as operating lease transactions.

The Company applied the revised accounting standard effective April 1, 2008. In addition, the Company accounted for its leases which existed at the transition date, and do not transfer ownership of the leased property to the lessee, as operating lease transactions. All other leases are accounted for as operating leases.

l. ***Bonuses to Directors and Corporate Auditors*—**Bonuses to directors and corporate auditors are accrued during the year in which such bonuses are attributable.

m. ***Income Taxes***—The provision for income taxes is computed based on the pretax income included in the consolidated statements of operations. 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.

n. ***Appropriations of Retained Earnings***—Appropriations of retained earnings are reflected in the financial statements in the year of shareholders' approval.

o. ***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 income statement to the extent that they are not hedged by forward exchange contracts.

p. ***Foreign Currency Financial Statements***—The balance sheet accounts of the foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date of the subsidiaries 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 foreign subsidiaries are translated into yen at the average exchange rate.

q. ***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 are utilized by the Group to reduce foreign currency exchange risk. The Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: (a) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the income statement and (b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

Foreign currency forward contracts are utilized to hedge foreign exchange exposure of export sales and procurement of inventories from overseas suppliers. Trade receivables and payables denominated in foreign currencies are translated at the forward contract rates if the forward contracts qualify for hedge accounting. Forward contracts that hedge forecasted transactions are measured and recorded at fair value but unrealized gains/losses are deferred until the underlying transactions are completed.

r. ***Per Share Information—***Basic net loss per share is computed by dividing net loss available to common shareholders by the weighted-average number of common shares outstanding for the period. Diluted net income per share is not disclosed if it is anti-dilutive. Cash dividends per share presented in the accompanying consolidated statements of operations are dividends applicable to the respective years including dividends accrued in the current year but paid after the end of the year.

s. ***New Accounting Pronouncements***

Business Combinations—On December 26, 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No. 21, "Accounting Standard for Business Combinations." Major accounting changes under the revised accounting standard are as follows:

(1) The revised standard requires to account for such business combination by the purchase method and the pooling of interests method of accounting is no longer allowed;

(2) In-process research and development (IPR&D) costs acquired by the business combination is capitalized as an intangible asset;

(3) The acquirer should recognize a bargain purchase gain in profit or loss on the acquisition date after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed.

This standard is applicable to business combinations undertaken on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or after April 1, 2009.

***Unification of Accounting Policies Applied to Foreign Associated Companies for the Equity Method*—** The current accounting standard requires unified accounting policies within the consolidation group. However, the current guidance allows application of the equity method for the financial statements of its foreign associated companies which have been prepared in accordance with generally accepted accounting principles in their respective jurisdictions, without unification of accounting policies.

In March 2008, the ASBJ issued ASBJ Statement No. 16, "Accounting Standard for Equity Method of Accounting for Investments." The new standard requires adjustments to be made to conform the associate's accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate's financial statements are used in applying the equity method unless it is impracticable to determine adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States of America tentatively may be used in applying the equity method if the following items are adjusted (1) amortization of goodwill; (2) scheduled amortization of actuarial gain or loss of pensions recorded in the equity; (3) expensing capitalized development costs of R&D; (4) cancellation of the fair value model accounting for property, plant and equipment and investment properties and incorporation of the cost model accounting; (5) recording the prior years' effects of changes in accounting policies in the income statement where retrospective adjustments to the financial statements have been incorporated; and (6) exclusion of minority interests from net income, applicable.

This standard is applicable to the equity method of accounting for fiscal years beginning on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or after April 1, 2009.

***Asset Retirement Obligations*—**On March 31, 2008, the ASBJ published a new accounting standard for asset retirement obligations, ASBJ Statement No. 18 "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No. 21 "Guidance on Accounting Standard for Asset Retirement Obligations." Under this guidance, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset.

The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost. This standard is effective for fiscal years beginning on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or before March 31, 2010.

Accounting Changes and Error Corrections**—**In December 2009, ASBJ issued ASBJ Statement No. 24 "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No. 24 "Guidance on Accounting Standard for Accounting Changes and Error Corrections." Accounting treatments under this standard and guidance are as follows:

(1) *Changes in accounting policies*

When a new accounting policy is applied following a revision of accounting standards, the new policy is applied retrospectively unless the revised accounting standards include specific transitional provisions. When the revised accounting standards include specific transitional provisions, an entity shall comply with the specific transitional provisions.

(2) *Changes in presentations*

When the presentation of financial statements is changed, prior period financial statements are reclassified in accordance with the new presentation.

(3) *Changes in accounting estimates*

A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods.

(4) *Corrections of prior period errors*

When an error in prior period financial statements is discovered, those statements are restated.

This accounting standard and the guidance are applicable to accounting changes and corrections of prior period errors which are made from the beginning of the fiscal year that begins on or after April 1, 2011.

Segment Information Disclosures—In March 2008, the ASBJ revised ASBJ Statement No. 17 "Accounting Standard for Segment Information Disclosures" and issued ASBJ Guidance No. 20 "Guidance on Accounting Standard for Segment Information Disclosures." Under the standard and guidance, an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments. This accounting standard and the guidance are applicable to segment information disclosures for the fiscal years beginning on or after April 1, 2010.

3. MARKETABLE AND INVESTMENT SECURITIES

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

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Current—Marketable equity securities	¥ 70	¥ 59	$ 753
Non-current:			
Marketable equity securities	¥ 2,871	¥ 2,965	$ 30,871
Non-marketable equity securities	767	962	8,247
Government and corporate bonds	450	423	4,839
Investments in associated companies	161	117	1,731
Others	358	387	3,850
Total	¥ 4,607	¥ 4,854	$ 49,538

The costs and aggregate fair values of marketable and investment 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:				
Trading				¥ 70
Available-for-sale—equity securities	¥ 2,976	¥ 341	¥ (446)	2,871
Government and corporate bonds	624	7	(181)	450
March 31, 2009				
Securities classified as:				
Trading				¥ 59
Available-for-sale—equity securities	¥ 3,405	¥ 199	¥ (639)	2,965
Government and corporate bonds	556		(133)	423

	Thousands of U.S. Dollars			
March 31, 2010	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Trading				$ 753
Available-for-sale—equity securities	$ 32,000	$ 3,667	$ (4,796)	30,871
Government and corporate bonds	6,710	75	(1,946)	4,839

Available--securities whose fair value is not readily determinable as of March 31, 2009 were as follows. The similar information for 2010 is disclosed in Note 13.

March 31, 2009	Carrying Amount Millions of Yen
Available-for-sale—Equity securities	¥ 962
Others	387
Total	¥ 1,349

Proceeds from sales of available-for-sale securities were ¥1,525 million ($16,398 thousand) in 2010 and ¥99 million in 2009. Gross realized gains and losses on these sales, computed on the moving average cost basis, were ¥481 million ($5,172 thousand) and ¥17 million ($183 thousand) in 2010, respectively, and ¥17 million and ¥2 million in 2009, respectively.

The carrying values of debt securities with contractual maturities for securities classified as available-for-sale at March 31, 2010 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
	Available-for-Sale	Available-for-Sale
Due after ten years	¥ 329	$ 3,538

4. INVENTORIES

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

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Merchandise	¥ 13,757	¥ 12,878	$ 147,925
Finished products	727	1,091	7,818
Work in process	647	577	6,957
Raw materials	3,000	3,728	32,257
Supplies	10	22	108
Total	¥ 18,141	¥ 18,296	$ 195,065

5. SHORT-TERM BANK LOANS

The annual average interest rates applicable to bank loans were 0.6% and 1.2% for the years ended March 31, 2010 and 2009, respectively.

As is customary in Japan, the Company maintains deposit balances with banks with which it has bank loans. Such deposit balances are not legally or contractually restricted as to withdrawal.

Under certain basic agreements with banks, collateral must be provided if requested by the lending banks and certain banks have the right to offset cash deposited with them against any bank loan or obligation that becomes due, in the event of default and certain other specified events. The Company has never received any such request.

6. LONG-TERM DEBT

Long-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, 1.29% to 1.48%, due serially through June 2013	¥ 3,620	¥ 5,525	$ 38,925
Obligations under finance leases	71	22	763
Less current portion	(1,135)	(1,912)	(12,204)
Total long-term debt, less current portion	¥ 2,556	¥ 3,635	$ 27,484

Annual maturities of long-term debt, excluding obligations under finance leases (see Note 12) at March 31, 2010, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2011	¥ 1,120	$ 12,043
2012	1,000	10,753
2013	1,000	10,753
2014	500	5,376
Total	¥ 3,620	$ 38,925

7. RETIREMENT AND PENSION PLANS

Under the pension plan, employees terminating their employment are, in most circumstances, entitled to pension payments based on their average pay during their employment, length of service and certain other factors.

The retirement benefits for directors and corporate auditors are paid subject to the approval of the shareholders.

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	¥ 3,710	¥ 3,539	$ 39,892
Fair value of plan assets	(1,610)	(1,359)	(17,312)
Unrecognized actuarial loss	(164)	(269)	(1,763)
Unrecognized prior service cost	(503)	(568)	(5,408)
Net liability	¥ 1,433	¥ 1,343	$ 15,409

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

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Service cost	¥ 552	¥ 469	$ 5,935
Interest cost	49	46	527
Expected return on plan assets	(24)	(19)	(258)
Recognized actuarial loss	41	42	441
Amortization of prior service cost	71	65	764
Net periodic benefit costs	¥ 689	¥ 603	$ 7,409

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

	2010	2009
Discount rate	2.07%	2.0%
Expected rate of return on plan assets	2.0%	2.0%
Recognition period of actuarial gain/loss	10 years	10 years
Amortization period of prior service cost	10 years	10 years

8. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. Dividends

Under the Companies Act, 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 a Board of Directors, (2) having independent auditors, (3) having a Board of Corporate Auditors, and (4) having the term of service of the directors 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) if the company has prescribed so in its articles of incorporation. However, the Company cannot do so if it does not meet all the above criteria.

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 Companies Act 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 net assets after dividends must be maintained at no less than ¥3 million.

b. Increases/Decreases and Transfer of Common Stock, Reserve and Surplus

The Companies Act 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-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 reserves and additional paid-capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-capital and legal reserves may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-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 Companies Act 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 a specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act 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.

9. 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 41% for the years 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 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Deferred tax assets:			
Retirement benefits for directors and corporate auditors	¥ 498	¥ 457	$ 5,355
Allowance for doubtful accounts	601	446	6,462
Accrued bonuses	273	296	2,935
Retirement benefit for employees	580	541	6,237
Tax loss carryforwards	3,642	3,189	39,161
Operating losses of subsidiaries	166		1,785
Unrealized loss on available-for-sale securities	136	168	1,462
Devaluation of inventories	295	311	3,172
Impairment loss	289	284	3,108
Other	1,116	1,300	12,000
Sub-total	7,596	6,992	81,677
Less valuation allowance	(5,782)	(4,785)	(62,172)
Deferred tax assets—total	1,814	2,207	19,505
Deferred tax liabilities:			
Undistributed earnings of overseas subsidiaries	(636)	(573)	(6,839)
Unrealized gain on property and equipment	(202)	(208)	(2,172)
Unrealized gain on available-for-sale securities	(17)	(36)	(183)
Advanced depreciation on fixed assets	(348)	(375)	(3,742)
Other	(100)	(30)	(1,074)
Deferred tax liabilities—total	(1,303)	(1,222)	(14,010)
Net deferred tax assets	¥ 511	¥ 985	$ 5,495

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of operations for the years ended March 31, 2010 and 2009 is as follows:

	2010	2009
Normal effective statutory tax rate	41%	41%
Expenses not deductible for income tax purposes	9	361
Tax benefits not recognized on operating losses of subsidiaries	31	3,561
Difference in tax rates of foreign subsidiaries	(9)	
Effect of rescheduling of deferred tax assets	13	
Dividends from overseas subsidiaries and deferred income taxes on retained profits of overseas subsidiaries	13	(487)
Effect of amortization of goodwill	8	
Influence on drawing on deferred tax assets		840
Recognized devaluation loss on subsidiaries stocks		(2,332)
Other—net	20	240
Actual effective tax rate	126%	2,224%

At March 31, 2010, the Company and certain subsidiaries have tax loss carryforwards aggregating approximately ¥8,563 million ($92,075 thousand) which are available to be offset against future taxable income of the Company and such subsidiaries in future years. These loss carryforwards, if not utilized, will expire as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2013	¥ 50	$ 538
2014	1,146	12,323
2015	3,077	33,086
2016 and thereafter	4,290	46,128
Total	¥ 8,563	$ 92,075

10. DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT

Depreciation of property, plant and equipment was ¥1,296 million ($13,935 thousand) and ¥1,235 million for the years ended March 31, 2010 and 2009, respectively.

11. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥1,236 million ($13,290 thousand) and ¥2,154 million for the years ended March 31, 2010 and 2009, respectively.

12. LEASES

The Group leases buildings, machinery, equipment and vehicles and other assets. Total lease payments under finance leases for the years ended March 31, 2010 and 2009 were ¥129 million ($1,387 thousand) and ¥201 million, respectively.

Impairment losses recorded for the years ended March 31, 2010 and 2009 were ¥57 million ($613 thousand) and ¥57 million, respectively, and related to certain leased property held under finance leases that do not transfer ownership.

As discussed in Note 2.k, ASBJ Statement No. 13, "Accounting Standard for Lease Transactions" requires that all finance lease transactions should be capitalized to recognize lease assets and lease obligations in the balance sheet. However, the ASBJ Statement No. 13 permits leases without ownership transfer of the leased property to the lessee, whose lease inception was before March 31, 2008, to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the financial statements. The Company applied the ASBJ Statement No. 13 effective April 1, 2008 and accounted for such leases as operating lease transactions.

Pro forma information of leased property whose lease inception was before March 31, 2008 such as acquisition cost, accumulated depreciation, accumulated impairment loss, obligations under finance leases, depreciation expense, interest expense and other information of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis was as follows:

	Millions of Yen					
	2010			2009		
	Machinery, Equipment and Vehicles	Molding Dies and Furniture	Total	Machinery, Equipment and Vehicles	Molding Dies and Furniture	Total
Acquisition cost	¥ 93	¥ 518	¥ 611	¥ 97	¥ 668	¥ 765
Accumulated depreciation	(42)	(317)	(359)	(37)	(364)	(401)
Accumulated impairment loss		(57)	(57)		(57)	(57)
Net leased property	¥ 51	¥ 144	¥ 195	¥ 60	¥ 247	¥ 307

	Thousands of U.S. Dollars		
	2010		
	Machinery, Equipment and Vehicles	Molding Dies and Furniture	Total
Acquisition cost	$ 1,000	$ 5,570	$ 6,570
Accumulated depreciation	(452)	(3,408)	(3,860)
Accumulated impairment loss		(613)	(613)
Net leased property	$ 548	$ 1,549	$ 2,097

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Due within one year	¥ 96	¥ 128	$ 1,032
Due after one year	155	248	1,667
Total	¥ 251	¥ 376	$ 2,699

Allowance for impairment loss on leased property of ¥57 million ($613 thousand) as of March 31, 2010 and ¥57 million as of March 31, 2009 is not included in the obligations under finance leases.

Depreciation expense, interest expense and other information under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Depreciation expense	¥ 118	¥ 188	$ 1,268
Interest expense	10	14	108
Total	¥ 128	¥ 202	$ 1,376
Lease payments	¥ 129	¥ 201	$ 1,387
Reversal of allowance for impairment loss on leased property	18	3	194
Impairment loss	57	57	613

Depreciation expense and interest expense, which are not reflected in the accompanying consolidated statements of operations, are computed by the straight-line method and the interest method, respectively.

The imputed interest expense portion, which is computed using the interest method, is excluded from the above obligations under finance leases.

The minimum rental commitments under noncancelable operating leases at March 31, 2010 and 2009 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Due within one year	¥ 1,021	¥ 780	$ 10,979
Due after one year	3,250	4,273	34,946
Total	¥ 4,271	¥ 5,053	$ 45,925

13. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

On March 10, 2008, the ASBJ revised ASBJ Statement No. 10 "Accounting Standard for Financial Instruments" and issued ASBJ Guidance No. 19 "Guidance on Accounting Standard for Financial Instruments and Related Disclosures." This accounting standard and guidance are applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010 with early adoption permitted from the beginning of the fiscal years ending before March 31, 2010. The Group applied the revised accounting standard and the new guidance effective March 31, 2010.

(1) *Group Policy for Financial Instruments*

The Group has financial instruments, mainly debt from financial institution, consistent with its capital financing plan. Cash surpluses, if any, are invested in low risk financial assets. Derivatives are not used for speculative purposes, but rather to manage exposure to foreign exchange risks.

(**2**) ***Nature and Extent of Risks Arising from Financial Instruments***

Receivables such as trade notes and trade accounts are exposed to customer credit risk. Although receivables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates, the position, net of payables in foreign currencies, is hedged by using forward foreign currency contracts. Marketable and investment securities, mainly held-to-maturity securities and equity instruments of customers and suppliers of the Company, are exposed to the risk of market price fluctuations.

(**3**) ***Risk Management for Financial Instruments***

Credit risk management

The Company manages its credit risk from receivables on the basis of internal guidelines, which include monitoring the payment term and balances of major customers by each business administration department to identify the default risk of customers in an early stage.

Market risk management (foreign exchange risk and interest rate risk)

Foreign currency trade receivables and payables are exposed to market risk resulting from fluctuations in foreign currency exchange rates. Such foreign exchange risk is hedged principally by forward foreign currency contracts.

Marketable and investment securities are managed by monitoring market values and financial position of issuers on a regular basis.

(**4**) ***Fair Values of Financial Instruments***

Fair values of financial instruments are based on quoted prices in active markets. If quoted prices are not available, other rational valuation techniques are used. Please see Note 15 for the detail of fair value for derivatives.

Cash and cash equivalents, receivables and payables, short-term bank loans, accrued expenses, income taxes payables

The carrying value of cash and cash equivalents approximates fair value because of their short maturities.

Guarantee deposits

The fair value of guaranteed deposits is calculated by the contract amount supplier presented or calculated from past experience and discounted by a risk free rate.

Marketable and investment securities

The fair values of marketable and investment securities are measured at the quoted market price for the equity instruments, and at the quoted price obtained from the financial institution for certain debt instruments. The information of the fair value for the marketable and investment securities by classification is included in Note 3.

Long-term debt

The fair value of long-term debt is determined by discounting the cash flows related to the debt at the Group's assumed corporate borrowing rate.

Derivatives

The information of the fair value for derivatives is included in Note 15.

(a) Fair Value of Financial Instruments

March 31, 2010	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Loss
Cash and cash equivalents	¥ 11,797	¥ 11,797	
Marketable securities	70	70	
Notes and accounts receivables	59,214	59,214	
Investment securities	3,321	3,321	
Guarantee deposits	1,218	952	¥ (266)
Total	¥ 75,620	¥ 75,354	¥ (266)
Short-term bank loans	¥ 7,816	¥ 7,816	
Current portion of long-term debt	1,135	1,135	
Notes and accounts payables	43,536	43,536	
Accrued expenses	2,134	2,134	
Income taxes payables	1,050	1,050	
Long-term debt	2,556	2,571	¥ (15)
Derivatives	28	28	
Total	¥ 58,255	¥ 58,270	¥ (15)

March 31, 2010	Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Unrealized Loss
Cash and cash equivalents	$ 126,849	$ 126,849	
Marketable securities	753	753	
Notes and accounts receivables	636,710	636,710	
Investment securities	35,710	35,710	
Guarantee deposits	13,096	10,236	$ (2,860)
Total	$ 813,118	$ 810,258	$ (2,860)
Short-term bank loans	$ 84,043	$ 84,043	
Current portion of long-term debt	12,204	12,204	
Notes and accounts payables	468,129	468,129	
Accrued expenses	22,946	22,946	
Income taxes payables	11,290	11,290	
Long-term debt	27,484	27,645	$ (161)
Derivatives	302	302	
Total	$ 626,398	$ 626,559	$ (161)

(b) Financial Instruments Whose Fair Value Cannot Be Reliably Determined

March 31, 2010	Carrying Amount	
	Millions of Yen	Thousands of U.S. Dollars
Investments in equity instruments that do not have a quoted market price in an active market	¥ 1,287	$ 13,839
Guarantee deposits that do not have a quoted market price in an active market	931	10,011

14. ASSETS PLEDGED AS COLLATERAL

At March 31, 2010, time deposits of ¥100 million ($1,075 thousand) were deposited with vendors as collateral for trade guarantees.

15. DERIVATIVES

The Group enters into foreign exchange forward contracts to hedge foreign exchange risk associated with assets and liabilities denominated in foreign currencies.

It is the Group's policy to use derivatives for the purpose of reducing market risks associated with assets and liabilities. The Group does not enter into derivative contracts for trading or speculative purposes.

Derivatives are subject to market and credit risk. The Group, however, does not anticipate any credit risk, because the counterparties to those derivatives are limited to major financial institutions.

Each business department executes foreign exchange forward contracts, which are limited to the normal course of business. The administrative department controls the position of derivative transactions. The manager of the accounting department periodically provides detailed reports of derivative transactions to management.

As noted in Note 13, the Group applied ASBJ Statement No. 10 "Accounting Standard for Financial Instruments" and ASBJ Guidance No. 19 "Guidance on Accounting Standard for Financial Instruments and Related Disclosures." The accounting standard and the guidance are applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010; therefore, the required information is disclosed only for 2010.

Derivative Transactions to Which Hedge Accounting Is Applied at March 31, 2010

		Millions of Yen		
March 31, 2010	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts:				
Buying U.S.$	Payables	¥ 1,984		¥ 2,015
Buying Euro	Payables	54		56
Buying THB	Payables	123		124
Selling U.S.$	Receivables	1,163		1,190
Selling THB	Receivables	561		540

		Thousands of U.S. Dollars		
March 31, 2010	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts:				
Buying U.S.$	Payables	$ 21,333		$ 21,667
Buying Euro	Payables	581		602
Buying THB	Payables	1,323		1,333
Selling U.S.$	Receivables	12,505		12,796
Selling THB	Receivables	6,032		5,806

The fair value of derivative transactions is measured at the quoted price obtained from the financial institution.

The contract or notional amounts of derivatives which are shown in the above table do not represent the amounts exchanged by the parties and do not measure the Group's exposure to credit or market risk.

16. CONTINGENT LIABILITIES

Contingent liabilities at March 31, 2010 for employees' loans guaranteed, amounted to ¥67 million ($720 thousand) and for bank loans guaranteed of ELATEC VERTRIEBS GMBH, which is affiliate, amounted to ¥31 million ($333 thousand).

17. CONTINGENT LOSS

Regarding a software development project entrusted to the domestic subsidiary, Kaga Solution Network Co., LTD. ("KAGA SOLNET"), the delivery was delayed, and a contract cancellation was required by a certain customer on May 7, 2008. The entrusted amount of the project was ¥475 million ($5,108 thousand). KAGA SOLNET was sued in the Tokyo District Court on January 29, 2009 and is required to pay for the compensation loss of ¥513 million ($5,516 thousand). Although it is impossible to estimate the reasonable impact at this point, there is a possibility that it will affect the results of the Company's operation depending on the result of the trial.

18. SUBSEQUENT EVENT

The following appropriation of retained earnings at March 31, 2010 was approved at the Company's shareholders meeting held on June 29, 2010:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥15.00 ($0.16) per share	¥ 414	$ 4,452

19. SEGMENT INFORMATION

a. Operations in Different Industries

The Company and subsidiaries operate within one business segment, which is the electronic component trading business.

b. Operations by Geographic Area

The following table shows segment information by geographic area for the years ended March 31, 2010 and 2009:

	Millions of Yen					
	2010					
	Japan	North America	Europe	East Asia	Eliminations or Corporate	Consolidated
(1) Sales and operating income						
Sales:						
Outside customers	¥ 194,586	¥ 263	¥ 3,042	¥ 41,500		¥ 239,391
Interarea	16,240	113	37	7,690	¥ (24,080)	
Total sales	210,826	376	3,079	49,190	(24,080)	239,391
Operating expenses	210,175	498	3,157	48,663	(24,685)	237,808
Operating income (loss)	¥ 651	¥ (122)	¥ (78)	¥ 527	¥ 605	¥ 1,583
(2) Total assets	¥ 94,429	¥ 225	¥ 1,423	¥ 23,994	¥ (6,109)	¥ 113,962

	Millions of Yen					
	2009					
	Japan	North America	Europe	East Asia	Eliminations or Corporate	Consolidated
(1) Sales and operating income						
Sales:						
Outside customers	¥ 223,812	¥ 326	¥ 3,625	¥ 45,847		¥ 273,610
Interarea	14,326	205	55	9,945	¥ (24,531)	
Total sales	238,138	531	3,680	55,792	(24,531)	273,610
Operating expenses	236,628	629	3,731	54,976	(24,604)	271,360
Operating income (loss)	¥ 1,510	¥ (98)	¥ (51)	¥ 816	¥ 73	¥ 2,250
(2) Total assets	¥ 98,543	¥ 277	¥ 819	¥ 20,545	¥ (2,933)	¥ 117,251

	Thousands of U.S. Dollars					
	2010					
	Japan	North America	Europe	East Asia	Eliminations or Corporate	Consolidated
(1) Sales and operating income						
Sales:						
Outside customers	$ 2,092,323	$ 2,828	$ 32,710	$ 446,236		$ 2,574,097
Interarea	174,624	1,215	398	82,688	$ (258,925)	
Total sales	2,266,947	4,043	33,108	528,924	(258,925)	2,574,097
Operating expenses	2,259,946	5,355	33,946	523,258	(265,430)	2,557,075
Operating income (loss)	$ 7,001	$ (1,312)	$ (838)	$ 5,666	$ 6,505	$ 17,022
(2) Total assets	$ 1,015,366	$ 2,419	$ 15,301	$ 258,000	$ (65,688)	$ 1,225,398

c. Sales to Foreign Customers

Sales to foreign customers for the years ended March 31, 2010 and 2009 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Sales to:			
North America	¥ 2,456	¥ 3,094	$ 26,409
Europe	3,486	4,840	37,484
East Asia	52,283	63,088	562,182
Total	¥ 58,225	¥ 71,022	$ 626,075

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