New Japan Radio Co., Ltd. and Subsidiaries

Consolidated Balance Sheets as of March 31, 2010 and 2009, and Related Consolidated Statements of Operations, Changes in Equity, and Cash Flows for Each of the Three Years in the Period Ended March 31, 2010, and Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
New Japan Radio Co., Ltd.:

We have audited the accompanying consolidated balance sheets of New Japan Radio Co., Ltd. and subsidiaries (the "Company") as of March 31, 2010 and 2009, and the related consolidated statements of operations, changes in equity, and cash flows for each of the three years in the period ended March 31, 2010, 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 New Japan Radio Co., Ltd. and subsidiaries as of March 31, 2010 and 2009, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2010, 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 17, 2010

New Japan Radio 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 (Note 13)	¥ 2,705	¥ 5,318	$ 29,072
Notes and accounts receivable:			
Trade notes (Note 13)	1,034	902	11,115
Trade accounts (Notes 5 and 13)	10,559	8,215	113,490
Other	352	277	3,780
Allowance for doubtful accounts		(87)	(2)
Inventories (Notes 4 and 5)	13,590	15,720	146,071
Deferred tax assets (Note 7)	36	567	385
Other current assets	264	247	2,841
Total current assets	28,540	31,159	306,752
PROPERTY, PLANT AND EQUIPMENT (Note 5):			
Land	227	225	2,441
Buildings and structures	25,545	25,482	274,553
Machinery and equipment	61,800	61,993	664,227
Furniture and fixtures	11,611	11,484	124,798
Lease assets	73	55	788
Construction in progress	238	163	2,561
Total	99,494	99,402	1,069,368
Accumulated depreciation	(89,265)	(86,613)	(959,420)
Net property, plant and equipment	10,229	12,789	109,948
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 3, 5 and 13)	1,645	1,485	17,682
Intangibles	409	526	4,355
Deposits	591	606	6,390
Deferred tax assets (Note 7)	32	5,864	346
Other assets	114	65	1,220
Allowance for doubtful accounts	(121)	(32)	(1,299)
Total investments and other assets	2,670	8,514	28,694
TOTAL	¥ 41,439	¥ 52,462	$ 445,394

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 13)	¥ 1,212	¥ 13,148	$ 13,026
Current portion of long-term debt (Notes 5, 12 and 13)	1,502	269	16,141
Notes and accounts payable:			
Trade accounts (Note 13)	5,012	3,733	53,869
Construction and other	561	321	6,028
Income taxes payable	146	39	1,571
Accrued expenses	2,362	2,913	25,392
Deferred tax liabilities (Note 7)	43		467
Other current liabilities	415	332	4,457
Total current liabilities	11,253	20,755	120,951
LONG-TERM LIABILITIES:			
Long-term debt (Notes 5, 12 and 13)	10,324	1,505	110,971
Liability for retirement benefits (Note 6)	7,917	8,578	85,093
Provision for environmental measures	21		225
Deferred tax liabilities (Note 7)	139		1,492
Other long-term liabilities	460	307	4,944
Total long-term liabilities	18,861	10,390	202,725
CONTINGENT LIABILITIES (Note 12)			
EQUITY (Note 8):			
Common stock—authorized, 138,000,000 shares; issued, 39,131,000 shares in 2010 and 2009	5,220	5,220	56,106
Additional paid-in capital	5,224	5,224	56,147
Retained earnings	1,456	11,545	15,644
Net unrealized gain on available-for-sale securities	194	98	2,088
Deferred loss on derivatives under hedge accounting	(1)		(11)
Foreign currency translation adjustments	(765)	(767)	(8,219)
Treasury stock—at cost, 6,505 shares and 5,313 shares in 2010 and 2009	(3)	(3)	(37)
Total equity	11,325	21,317	121,718
TOTAL	¥ 41,439	¥ 52,462	$ 445,394

See notes to consolidated financial statements.

New Japan Radio Co., Ltd. and Subsidiaries

Consolidated Statements of Operations
Years Ended March 31, 2010, 2009 and 2008

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2010	2009	2008	2010
NET SALES	¥ 40,288	¥ 45,719	¥ 60,443	$ 433,018
COST OF SALES (Note 9)	35,552	40,371	47,534	382,116
Gross profit	4,736	5,348	12,909	50,902
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 9)	7,491	9,713	11,367	80,517
Operating income (loss)	(2,755)	(4,365)	1,542	(29,615)
OTHER INCOME (EXPENSES):				
Interest and dividend income	35	43	50	375
Interest expense	(239)	(151)	(119)	(2,573)
Foreign exchange losses	(45)	(258)	(631)	(480)
Loss on sales and disposals of property, plant and equipment	(26)	(62)	(132)	(282)
Gain on sales of waste	63	71	197	678
Employment adjustment subsidy	129	147		1,391
Commission for syndicate loan	(235)			(2,520)
Business structure improvement expenses (Note 10)	(376)			(4,037)
Provision for environmental measures	(21)			(225)
Other—net (Note 11)	48	(20)	16	511
Other expenses—net	(667)	(230)	(619)	(7,162)
INCOME (LOSS) BEFORE INCOME TAXES	(3,422)	(4,595)	923	(36,777)
INCOME TAXES (Note 7):				
Current	110	33	238	1,191
Prior period			177	
Deferred	6,479	(1,846)	73	69,635
Total income taxes	6,589	(1,813)	488	70,826
NET INCOME (LOSS)	¥ (10,011)	¥ (2,782)	¥ 435	$ (107,603)
	Yen			U.S. Dollars
PER SHARE OF COMMON STOCK (Notes 2.r and 17):				
Basic net income (loss)	¥ (255.88)	¥ (71.10)	¥ 11.12	$ (2.75)
Cash dividends applicable to the year		8.00	12.00	

See notes to consolidated financial statements.

New Japan Radio Co., Ltd. and Subsidiaries

Consolidated Statements of Changes in Equity
Years Ended March 31, 2010, 2009 and 2008

	Thousands	Millions of Yen						
	Issued Number of Shares of Common Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Net Unrealized Gain on Available-for-Sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Treasury Stock—At Cost
BALANCE, APRIL 1, 2007	39,131	¥ 5,220	¥ 5,224	¥ 14,856	¥ 885		¥ (198)	¥ (2)
Net income				435				
Cash dividends, ¥12 per share				(469)				
Net decrease in unrealized gain on available-for-sale securities					(63)			
Net decrease in foreign currency translation adjustments							(364)	
Increase in treasury stock (1,600 shares)								(1)
BALANCE, MARCH 31, 2008	39,131	5,220	5,224	14,822	822		(562)	(3)
Adjustment of retained earnings due to adoption of PITF No. 18 (Note 2.b)				(25)				
Net loss				(2,782)				
Cash dividends, ¥12 per share				(470)				
Net decrease in unrealized gain on available-for-sale securities					(724)			
Net decrease in foreign currency translation adjustments							(205)	
Increase in treasury stock (1,237 shares)								
BALANCE, MARCH 31, 2009	39,131	5,220	5,224	11,545	98		(767)	(3)
Net loss				(10,011)				
Cash dividends, ¥2 per share				(78)				
Net increase in unrealized gain on available-for-sale securities					96			
Deferred loss on derivatives under hedge accounting						¥ (1)		
Net decrease in foreign currency translation adjustments							2	
Increase in treasury stock (1,192 shares)								
BALANCE, MARCH 31, 2010	39,131	¥ 5,220	¥ 5,224	¥ 1,456	¥ 194	¥ (1)	¥ (765)	¥ (3)

(Continued)

New Japan Radio Co., Ltd. and Subsidiaries

Consolidated Statements of Changes in Equity
Years Ended March 31, 2010, 2009 and 2008

	Thousands of U.S. Dollars (Note 1)						
	Common Stock	Additional Paid-in Capital	Retained Earnings	Net Unrealized Gain on Available-for-Sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Treasury Stock— At Cost
BALANCE, MARCH 31, 2009	$ 56,106	$ 56,147	$ 124,088	$1,057	$ (4)	$ (8,246)	$ (34)
Net loss			(107,603)				
Cash dividends, $0.02 per share			(841)				
Net increase in unrealized gain on available-for-sale securities				1,031			
Deferred loss on derivatives under hedge accounting					(7)		
Net decrease in foreign currency translation adjustments						27	
Increase in treasury stock (1,192 shares)							(3)
BALANCE, MARCH 31, 2010	$ 56,106	$ 56,147	$ 15,644	$2,088	$ (11)	$ (8,219)	$ (37)

See notes to consolidated financial statements.

(Concluded)

New Japan Radio Co., Ltd. and Subsidiaries

Consolidated Statements of Cash Flows
Years Ended March 31, 2010, 2009 and 2008

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2010	2009	2008	2010
OPERATING ACTIVITIES:				
Income (loss) before income taxes	¥ (3,422)	¥ (4,595)	¥ 923	$ (36,777)
Adjustments for:				
Income taxes paid	(52)		(1,102)	(555)
Refund of taxes		31		
Depreciation and amortization	3,476	4,490	4,737	37,354
Loss on sales and disposals of property, plant and equipment	26	62	132	282
Changes in assets and liabilities:				
Increase (decrease) in allowance for doubtful accounts	6	2	(1)	67
Decrease in liability for retirement benefits	(661)	(359)	(181)	(7,102)
Increase in provision for environmental measures	21			225
Increase (decrease) in interest payable	(13)	5	5	(137)
Decrease in commission for syndicate loan payable	(16)			(172)
Decrease (increase) in notes and accounts receivable	(2,588)	5,322	390	(27,820)
Decrease (increase) in inventories	2,133	(504)	(685)	22,925
Increase (decrease) in notes and accounts payable	1,300	(4,277)	(1,050)	13,972
Other—net	(304)	(427)	(985)	(3,270)
Total adjustments	3,328	4,345	1,260	35,769
Net cash provided by (used in) operating activities	(94)	(250)	2,183	(1,008)
INVESTING ACTIVITIES:				
Purchases of property, plant and equipment	(465)	(3,961)	(4,076)	(5,001)
Proceeds from sales of property, plant and equipment	2	6	14	27
Purchases of investment securities	(1)	(2)	(2)	(15)
Collection of loans receivable		7	16	
Other—net	(68)	(389)	(173)	(729)
Net cash used in investing activities	(532)	(4,339)	(4,221)	(5,718)
FORWARD	¥ (626)	¥ (4,589)	¥ (2,038)	$ (6,726)

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New Japan Radio Co., Ltd. and Subsidiaries

Consolidated Statements of Cash Flows
Years Ended March 31, 2010, 2009 and 2008

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2010	2009	2008	2010
FORWARD	¥ (626)	¥ (4,589)	¥ (2,038)	$ (6,726)
FINANCING ACTIVITIES:				
Net change in short-term bank loans	(11,935)	4,295	800	(128,278)
Proceeds from long-term debt	10,300	1,697		110,705
Repayments of long-term debt	(255)	(199)	(184)	(2,741)
Repurchase of treasury stock			(1)	(2)
Cash dividends paid	(79)	(469)	(469)	(849)
Other—net	(17)	(13)	(12)	(183)
Net cash provided by (used in) financing activities	(1,986)	5,311	134	(21,348)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(1)	(44)	(33)	(15)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,613)	678	(1,937)	(28,089)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	5,318	4,640	6,577	57,161
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 2,705	¥ 5,318	¥ 4,640	$ 29,072

See notes to consolidated financial statements.

1. BASIS OF PRESENTING 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 the 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 and 2008 consolidated 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 New Japan Radio 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 ¥93.04 to U.S.$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 as of March 31, 2010 include the accounts of the Company and all subsidiaries (together, the "Companies").

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 Company has the ability to exercise significant influence are accounted for by the equity method.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Companies 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 fair value model accounting for property, plant and equipment and investment properties and incorporation of cost model accounting; (e) recording the prior years' effects of changes in accounting policies in the statements of operations where retrospective adjustments to financial statements have been incorporated; and (f) exclusion of minority interests from net income, if contained. PITF No. 18 was effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted.

The Company applied this accounting standard effective April 1, 2008. In addition, the Company accounted for "Adjustment of retained earnings due to adoption of PITF No. 18" on the consolidated statements of changes in equity by adjusting the beginning balance of retained earnings at April 1, 2008 as if this accounting standard had been retrospectively applied.

c. Cash and 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 which mature within three months of the date of acquisition.

d. 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 rate at the balance sheet date. Foreign exchange gains and losses from translation are recognized in the consolidated statements of operations to the extent that they are not hedged by forward exchange contracts.

e. Foreign Currency Financial Statements—Financial statements of foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date for all balance sheet accounts except for equity, which are translated at the historical exchange rate.

Differences arising from such translation are 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.

f. Marketable and Investment Securities—All marketable securities the Companies own 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 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, investment securities are reduced to net realizable value by a charge to income.

g. Inventories—Merchandise and finished goods are stated at the lower of cost, determined by the moving-average method, or net selling value. Raw materials and supplies are stated at the lower of cost, determined by the average method, or net selling value. Work in process is stated at the lower of cost, determined by the average method or using the specific identification method, or net selling value.

In July 2006, the ASBJ issued ASBJ Statement No. 9, "Accounting Standard for Measurement of Inventories." This standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses. The replacement cost may be used in place of the net selling value, if appropriate. The standard also requires that inventories held for trading purposes be measured at the market price. The standard was effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted.

The Company applied the accounting standard for measurement of inventories effective April 1, 2008.

h. ***Property, Plant and Equipment***—Property, plant and equipment are stated at cost.

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

Estimated useful lives are as follows:

Buildings and structures	2 to 60 years
Machinery and equipment	2 to 17 years
Furniture and fixtures	2 to 20 years

The useful lives for lease assets are the terms of the respective leases.

i. ***Long-Lived Assets***—The Companies review its long-lived assets for impairment whenever events or changes in circumstances 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.

j. ***Intangibles***—Intangibles are carried at cost less accumulated amortization, which is calculated by the straight-line method principally over 3 to 10 years.

k. ***Retirement Benefits***—Since April 1, 2007, the Company has a cash balance pension plan covering employees with 20 years or more of service or employees retiring over the age of 55 with 15 years or more of service.

The Companies account for the liability for retirement benefits based on projected benefit obligations and plan assets at the balance sheet date.

On July 31, 2008, the ASBJ issued ASBJ Statement No. 19 "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)." The Companies adopted this statement beginning this fiscal year. The adoption of this statement did not result in change of the discount rate the Companies had previously applied. So this adoption did not have any impact on the results of operations of the Companies for the year ended March 31, 2010.

Until the year ended March 31, 2009, the Company and certain consolidated subsidiaries had provided an allowance for directors' and corporate auditors' retirement benefits calculated in accordance with the Company's rules and had included this amount in the liability for retirement benefits. However, resolutions were approved at the shareholders meetings held on June 26 and 15, 2009 that retirement benefits for directors and corporate auditors in response to the discontinuation of such system to be paid to the relevant directors and corporate auditors when they retire. The outstanding balance of retirement allowances for directors and corporate auditors in the amount of ¥182 million ($1,958 thousand) was reclassified to other long-term liabilities at March 31, 2010.

l. ***Allowance for Doubtful Accounts***—The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the Companies' past credit loss experience and an evaluation of potential losses in the receivables outstanding.

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

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

o. ***Income Taxes***—The provision for income taxes is computed based upon 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 temporary differences.

The Companies file a tax return under the consolidated corporate-tax system, which allows companies to base tax payments on the combined profits or losses of the parent company and its wholly owned domestic subsidiaries.

p. ***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 were deemed to transfer ownership of the leased property to the lessee were to be 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 revised accounting standard permits leases which existed at the transition date and did 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 leases which existed at the transition date and did not transfer ownership of the leased property to the lessee as operating lease transactions.

All other leases are accounted for as operating leases.

q. ***Derivative Financial Instruments***—The Companies use derivative financial instruments to manage their exposures to fluctuations in foreign exchange and interest rates. Foreign exchange forward contracts and interest rate swaps are utilized by the Companies to reduce foreign currency exchange and interest rate risks. Derivative transactions entered into by the Companies have been made in accordance with internal policies which regulate the authorization and credit limit amount. The Companies do 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 statements of operations or (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 the derivatives are deferred until maturity of the hedged transactions.

The following summarizes derivative financial instruments used by the Company and its foreign subsidiaries for hedging purposes and the corresponding items hedged:

Hedging Instruments	Hedged Items
Foreign currency forward contracts	Forecasted transactions
Interest rate swaps	Long-term debt

The foreign currency forward contracts employed to hedge foreign exchange exposures to export sales are measured at fair value and the unrealized gains/losses are recognized in income. The foreign exchange forward contracts applied to forecasted transactions are also measured at fair value but the unrealized gains/losses are deferred until the underlying transactions are completed.

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

r. ***Per Share Information***—Basic net income (loss) per share is computed by dividing net income (loss) available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits. The average number of common shares used in the computation was 39,125,236 shares, 39,126,349 shares and 39,127,908 shares for 2010, 2009 and 2008, respectively.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised into common stock. Diluted net income per share of common stock assumes full exercise of outstanding warrants.

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

s. ***Provision for Environmental Measures***—Provision for environmental measures is provided at an estimate of the amount required to dispose PCB (polychlorinated biphenyl) waste under the law concerning special measures against PCB waste.

The Companies recorded ¥21 million ($225 thousand) as other expenses for the cost of disposal of PCB waste in the year ended March 31, 2010.

As the result, loss before income taxes increased by ¥21 million ($225 thousand).

t. *New Accounting Pronouncements*

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 accounting standard, 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 lives 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, the 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 with 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 presentation*

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

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Non-current:			
Marketable equity securities	¥ 1,638	¥1,478	$ 17,606
Trust fund investments and other	7	7	76
Total	¥ 1,645	¥ 1,485	$ 17,682

The cost and aggregate fair values of marketable and investment securities at March 31, 2010 and 2009 were as follows:

	Millions of Yen			
	2010			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale—				
Equity securities	¥1,312	¥ 329	¥3	¥ 1,638
Total	¥ 1,312	¥ 329	¥3	¥ 1,638

	Millions of Yen			
	2009			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale—				
Equity securities	¥ 1,313	¥ 172	¥ 7	¥ 1,478
Total	¥ 1,313	¥ 172	¥7	¥ 1,478

	Thousands of U.S. Dollars			
	2010			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale—				
Equity securities	$ 14,098	$ 3,533	$ 25	$ 17,606
Total	$ 14,098	$ 3,533	$ 25	$ 17,606

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

	Carrying Amount
	Millions of Yen
	2009
Available-for-sale—Equity securities	¥ 7
Total	¥ 7

Proceeds from sales of available-for-sale equity securities for the years ended March 31, 2009 and 2008 were ¥6 million and ¥9 million. Gross realized gains and losses on these sales, computed on the moving average cost basis, were ¥2 million and ¥1 million for the year ended March 31, 2009 and ¥4 million and ¥0 million for the year ended March 31, 2008.

There are no available-for-sale equity securities which were sold during the year ended March 31, 2010.

The impairment losses on available-for-sale equity securities for the years ended March 31, 2010, 2009 and 2008 were ¥3 million ($28 thousand), ¥6 million and ¥1 million, respectively.

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	¥ 53	¥ 105	$ 570
Finished goods	3,981	4,827	42,795
Work in process	7,315	8,362	78,620
Raw materials	1,269	1,426	13,637
Supplies	972	1,000	10,449
Total	¥ 13,590	¥ 15,720	$ 146,071

5. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans at March 31, 2010 and 2009, consisted of notes to banks. The weighted average interest rates applicable to the short-term bank loans as of March 31, 2010 and 2009 were 1.46% and 1.26%, 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
Loans from banks and other financial institutions, due serially to 2015 with interest rates ranging from 1.12% to 5.97% (2010) and from 1.37% to 5.97% (2009):			
Collateralized*	¥ 11,405	¥ 1,400	$ 122,582
Unsecured	386	344	4,150
Obligations under finance leases	35	30	380
Total	11,826	1,774	127,112
Less current portion	(1,502)	(269)	(16,141)
Long-term debt, less current portion	¥ 10,324	¥ 1,505	$ 110,971

* Includes long-term debt under term-loan contracts of ¥10,000 million ($107,481 thousand) at March 31, 2010.

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	¥ 1,490	$ 16,022
2012	1,475	15,851
2013	8,428	90,583
2014	345	3,707
2015 and thereafter	53	569
Total	¥ 11,791	$ 126,732

The carrying amounts of assets pledged as collateralized short-term bank loans and long-term debt at March 31, 2010, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Trade accounts*[2]	¥ 4,494	$ 48,304
Finished goods*[2]	2,929	31,478
Work in process*[2]	5,887	63,275
Raw materials and supplies*[2]	1,322	14,206
Buildings*[1]	3,732	40,115
Land*[1]	140	1,507
Marketable and investment securities*[3]	1,630	17,516
Total	¥ 20,134	$ 216,401

*[1] The Company took out a mortgage on the above building and land for ¥1,290 million ($13,865 thousand) long-term debt, and joint revolving mortgage which has maximum amount of ¥6,650 million ($71,474 thousand) for ¥10,000 million ($107,481 thousand) long-term debt and ¥400 million ($4,299 thousand) short-term loans.

*[2] The Company took out a revolving mortgage on above current assets "Trade accounts, Finished goods, Work in process, Raw materials and supplies" for ¥10,000 million ($107,481 thousand) long-term debt.

*[3] The Company created a revolving pledge on above marketable and investment securities for ¥10,115 million ($108,717 thousand) long-term debt and ¥400 million ($4,299 thousand) short-term loans.

In order to flexibly source funds for its operations, the Company entered into a term-loan contract for ¥10,000 million ($107,481 thousand) and a loan commitment contract with six banks (lead bank Mizuho Corporate Bank Ltd.) by the syndication method.

These contracts have certain debt covenants consisting of following:

(1) At the end of each fiscal year, the total amount of equity excluding deferred tax assets and foreign currency translation adjustments shown in each balance sheet of the Company must equal or exceed 70% of the total amount of equity at the end of March 31, 2009.

(2) Operating income in the consolidated statement of operations must not be negative for two consecutive fiscal years on or after March 31, 2010.

In addition, parent company (Nisshinbo Holdings Inc.) must keep designated ratio of the stock holdings.

Utilization of these lines of credit under the loan commitment contract as of March 31, 2010 is summarized as follows:

	Millions of Yen	Thousands of U.S. Dollars
Total lines of credit	¥ 5,000	$ 53,740
Utilized		
Unutilized	¥ 5,000	$ 53,740

6. RETIREMENT BENEFITS

The Company and its domestic subsidiaries maintain pension plans for their employees. The plans provide for lump-sum payments to terminated employees who have two years or more of continuous service.

Since April 1, 2007, the Company had a cash balance pension plan covering employees with 20 years or more of service or employees retiring over the age of 55 with 15 years or more of service.

Certain foreign subsidiaries have a contributory funded pension plan covering only employees who have one year or more of continuous service.

Retirement allowances for employees are determined on the basis of length of service and current basic salary at the time of termination. If the termination is involuntary, the employee is usually entitled to greater payments than in the case of voluntary termination.

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	¥ 15,592	¥ 15,518	$ 167,588
Fair value of plan assets	(6,045)	(4,909)	(64,975)
Unrecognized actuarial loss	(1,630)	(2,304)	(17,520)
Net liability	¥ 7,917	¥ 8,305	$ 85,093

The components of net periodic benefit costs are as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2010	2009	2008	2010
Service cost	¥ 844	¥ 822	¥ 835	$ 9,074
Interest cost	310	370	360	3,334
Expected return on plan assets	(136)	(158)	(119)	(1,467)
Recognized actuarial loss	226	146	105	2,430
Net periodic benefit costs	¥ 1,244*	¥ 1,180	¥ 1,181	$ 13,371

* The Company and its subsidiaries paid ¥230 million ($2,476 thousand) as a premium on retirement benefits and recorded it as business structure improvement expense within other expense.

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

	2010	2009
Discount rate	2.0%	2.0%
Expected rate of return on plan assets	2.8%	3.3%
Recognition period of actuarial gain/loss	15 years	15 years
Amortization period of prior service cost	1 year	1 year

The liability for retirement benefits to directors and corporate auditors included in the accompanying consolidated balance sheets amounted to ¥273 million at March 31, 2009.

As described in Note 2.k, the outstanding balance of retirement allowances for directors and corporate auditors in the amount of ¥182 million ($1,958 thousand) was reclassified to other long-term liabilities at March 31, 2010.

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 40.4% for the years ended March 31, 2010, 2009 and 2008.

The tax effects of significant temporary differences and 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
Current			
Deferred tax assets:			
Inventories	¥ 165	¥ 54	$ 1,774
Accrued bonuses	292	472	3,135
Accrued enterprise tax	29	5	314
Others	78	125	836
Valuation allowance	(528)	(24)	(5,673)
Total	36	632	386
Offset with deferred tax liabilities		(65)	(1)
Net deferred tax assets	¥ 36	¥ 567	$ 385
Deferred tax liabilities:			
Inventories	¥ 43	¥ 60	$ 467
Others		5	1
Total	43	65	468
Offset with deferred tax assets		(65)	(1)
Net deferred tax liabilities	¥ 43		$ 467
Non-current			
Deferred tax assets:			
Liability for retirement benefits	¥ 3,221	¥ 3,471	$ 34,622
Tax loss carryforwards	4,448	2,667	47,807
Others	194	110	2,085
Valuation allowance	(7,823)	(312)	(84,083)
Total	40	5,936	431
Offset with deferred tax liabilities	(8)	(72)	(85)
Net deferred tax assets	¥ 32	¥ 5,864	$ 346
Deferred tax liabilities:			
Undistributed earnings of subsidiaries	¥ 14	¥ 6	$ 149
Unrealized gain on available-for-sale securities	132	66	1,420
Others	1		8
Total	147	72	1,577
Offset with deferred tax assets	(8)	(72)	(85)
Net deferred tax liabilities	¥ 139		$ 1,492

A reconciliation between the normal effective statutory tax rate for the years ended March 31, 2010, 2009 and 2008, and the actual effective tax rate reflected in the accompanying consolidated statements of operations is as follows:

	2010	2009	2008
Normal effective statutory tax rate	40.4 %	40.4 %	40.4 %
Taxation on per capita basis	(0.5)	(0.3)	1.6
Expenses not deductible for income tax purposes	1.1	0.4	6.3
Lower income tax rates applicable to income in certain foreign countries	(0.1)	1.3	(3.5)
Valuation allowance	(233.9)	(2.8)	8.7
Tax deduction for research and development			(3.5)
Others—net	0.4	0.5	2.9
Actual effective tax rate	(192.6) %	39.5 %	52.9 %

At March 31, 2010, the Companies had tax loss carryforwards aggregating approximately ¥11,034 million ($118,597 thousand) which are available to be offset against taxable income of such subsidiaries in future years. These tax loss carryforwards, if not utilized, will expire as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2011	¥ 228	$ 2,448
2012	87	936
2013	272	2,927
2014	230	2,473
2015 and thereafter	10,217	109,813
Total	¥11,034	$ 118,597

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) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the Company has prescribed so in its articles of incorporation. However, the Company cannot do so because it does not meet all the above criteria.

The Companies Act permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to certain limitations and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the Company so stipulate. The 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-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

c. Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula.

Under the 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. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥4,273 million ($45,929 thousand), ¥5,834 million and ¥6,098 million for the years ended March 31, 2010, 2009 and 2008, respectively.

10. BUSINESS STRUCTURE IMPROVEMENT EXPENSES

For the year ended March 31, 2010, business structure improvement expenses included a premium on retirement benefits amounting to ¥376 million ($4,037 thousand) resulting from early retirement of sub-employees at the Company and certain of its consolidated subsidiaries.

11. OTHER INCOME (EXPENSES)—OTHER—NET

Other income (expenses)—other—net consisted of the following:

	Millions of Yen			Thousands of U.S. Dollars
	2010	2009	2008	2010
Loss on damages	¥ (32)	¥ (69)	¥ (30)	$ (343)
Gain on damages	34	2	2	365
Gain on sales of property, plant and equipment	1	4	8	12
Gain on sales of investment securities		2	4	
Reversal of allowance for doubtful accounts			1	
Other—net	45	41	31	477
Total	¥ 48	¥ (20)	¥ 16	$ 511

12. LEASES

The Company and domestic subsidiaries have several lease agreements relating to office space, computer equipment and circuit equipment. Total lease payments under finance lease agreements that do not transfer ownership of the leased property to the Company and domestic subsidiaries were ¥95 million ($1,019 thousand), ¥126 million and ¥158 million for the years ended March 31, 2010, 2009 and 2008, respectively.

Obligations under finance leases accounted for as long-term debt and future minimum payments under noncancellable operating leases at March 31, 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	2010		2010	
	Finance Leases	Operating Leases	Finance Leases	Operating Leases
Due within one year	¥ 12	¥ 137	$ 119	$ 1,468
Due after one year	23	717	261	7,709
Total	¥ 35	¥ 854	$ 380	$ 9,177

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, 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 notes 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, obligations under finance leases, depreciation expense and interest expense that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis was as follows:

	Millions of Yen				Thousands of U.S. Dollars			
	2010				2010			
	Machinery and Equipment	Furniture and Fixtures	Other	Total	Machinery and Equipment	Furniture and Fixtures	Other	Total
Acquisition cost	¥ 23	¥ 147	¥ 166	¥ 336	$ 252	$ 1,574	$ 1,784	$ 3,610
Accumulated depreciation	20	105	127	252	215	1,124	1,367	2,706
Net leased property	¥ 3	¥ 42	¥ 39	¥ 84	$ 37	$ 450	$ 417	$ 904

	Millions of Yen			
	2009			
	Machinery and Equipment	Furniture and Fixtures	Other	Total
Acquisition cost	¥ 35	¥ 227	¥ 262	¥ 524
Accumulated depreciation	23	145	180	348
Net leased property	¥ 12	¥ 82	¥ 82	¥ 176

Obligations under finance leases as of March 31, 2010 and 2009 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Due within one year	¥ 59	¥ 93	$ 639
Due after one year	28	88	301
Total	¥ 87	¥ 181	$ 940

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

Depreciation expense and interest expense under finance leases for the years ended March 31, 2010, 2009 and 2008, were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2010	2009	2008	2010
Depreciation expense	¥ 90	¥ 120	¥ 151	$ 967
Interest expense	3	5	8	32
Total	¥ 93	¥ 125	¥ 159	$ 999

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.

13. FINANCIAL INSTRUMENTS

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 the 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 Companies applied the revised accounting standard and the new guidance effective March 31, 2010.

(1) ***Group Policy for Financial Instruments***

The Company and its subsidiaries raise capital for its operations and capital investment by borrowing from major international financial instruments. Derivatives are used, not for speculative purposes, but to manage exposure to financial risks as described in (2) below.

(2) ***Nature, Extent of Risks Arising from Financial Instruments and Risk Management for Financial Instruments***

(a) Receivables such as trade notes and trade accounts are exposed to customer credit risk. The Company and its subsidiaries manage its credit risk from receivables on the basis of internal guidelines, which include monitoring of payment terms and balances of major customers and reviewing their credit condition regularly.

Although receivables in foreign currencies are exposed to the risk of fluctuation in foreign currency exchange rates, the position, net of payables in foreign currencies, is hedged by using forward foreign currency contracts.

(b) Marketable and investment securities, mainly equity instruments of customers and suppliers of the Companies, are exposed to the risk of market price fluctuations.

Marketable and investment securities are managed by monitoring market values and the financial position of issuers on a regular basis and reviewing their equity holding condition in consideration of the relationship with the customers and suppliers.

(c) Payment terms of payables, such as trade accounts, are less than one year.

(d) Short-term debt is used for its operations. Long-term debt is used for capital investment and its ongoing operations. Maturities of bank loans are less than four years and nine months after the balance sheet date. Although a part of such bank loans are exposed to risk of changes in variable interest rates, interest rate swaps are used to manage exposure to changes in interest rates of loan payables.

(e) Derivatives mainly include forward foreign currency contracts and interest rate swaps, which are used to manage exposures to changes in foreign currency exchange rates of receivables and forecasted transactions. Forward foreign currency contracts are exposed to the risk of market price fluctuations.

The Companies enter into forward foreign currency contracts to the extent necessary to actual demand, the Company takes advantage of derivatives by major international financial instruments to mitigate risk default. Subsidiaries have no derivative transactions. Please see Note 14 for more detail about derivatives.

(3) ***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 instead. Please see Note 14 for the detail of the fair value of derivatives.

(*a*) *Fair value of financial instruments*

	Millions of Yen		
	2010		
	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	¥ 2,705	¥ 2,705	
Notes and accounts receivable*1	11,593	11,593	
Investment securities	1,638	1,638	
Total	¥ 15,936	¥ 15,936	
Notes and accounts payable	¥ 5,012	¥ 5,012	
Short-term bank loans	1,212	1,212	
Long-term debt*2	11,791	11,823	¥ (32)
Total	¥ 18,015	¥ 18,047	¥ (32)
Derivatives*3	¥ (59)	¥ (59)	

	Thousands of U.S. Dollars		
	2010		
	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	$ 29,072	$ 29,072	
Notes and accounts receivable*1	124,605	124,605	
Investment securities	17,606	17,606	
Total	$ 171,283	$ 171,283	
Notes and accounts payable	$ 53,869	$ 53,869	
Short-term bank loans	13,026	13,026	
Long-term debt*2	126,732	127,072	$ (340)
Total	$ 193,627	$ 193,967	$ (340)
Derivatives*3	$ (632)	$ (632)	

*1 Include trade notes and trade accounts, and exclude other receivables.

*2 Include current portion of long-term debt and exclude obligation under finance leases.

*3 Net receivables and payables derived as the result of derivative transactions are presented. Values in parentheses show net liabilities.

Asset

Cash and Cash Equivalents

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

Notes and Accounts Receivable

The carrying values of notes and accounts receivable approximate fair value because of their short maturities. In addition, the fair value and the carrying value are presented after deducting the allowance for doubtful receivables.

Investment Securities

The fair values of investment securities are measured at the quoted market price of the stock exchange for equity instruments. Information on the fair value of the investment securities by classification is included in Note 3.

Liabilities

Notes and Accounts Payables, Short-Term Bank Loans

The carrying values of notes and accounts payable and short-term bank loans approximate fair value because of their short maturities.

Long-Term Debt

Long-term debt is determined by discounting cash flows related to the debt at the corporate borrowing rates that would presumably apply if similar borrowing were newly made.

Regarding floating-rate long-term debt, the Company enters into interest rate swap as a means of managing its interest rate exposure. This debt is determined by discounting the cash flows including principal and interest related to the debt at the corporate borrowing rates that would presumably apply if similar borrowing were newly made.

Derivatives

Information on the fair value of derivatives is included in Note 14.

(*b*) *Financial instruments whose fair value cannot be reliably determined*

	Carrying Amount	
	2010	
	Millions of Yen	Thousands of U.S. Dollars
Investments in equity instruments that do not have a quoted market price in an active market	¥7	$ 76

(4) *Maturity Analysis for Financial Assets and Securities with Contractual Maturities*

	Millions of Yen
	2010
	Due in One Year or Less
Cash and cash equivalents	¥ 2,705
Notes and accounts receivable	11,593
Total	¥14,298

	Thousands of U.S. Dollars
	2010
	Due in One Year or Less
Cash and cash equivalents	$ 29,072
Notes and accounts receivable	124,605
Total	$ 153,677

Please see Note 5 for annual maturities of long-term debt.

14. DERIVATIVES

The Companies enter into foreign currency forward contracts to hedge foreign exchange risk associated with certain assets denominated in foreign currencies and forecasted transactions. The Companies also enter into interest rate swap contracts to manage its interest rate exposures on certain liabilities.

All derivative transactions are entered into to hedge interest and foreign currency exposures incorporated with its financing activities. The Companies do not hold or issue derivatives for trading purposes.

Because the counterparties to these derivatives are limited to major international financial institutions, the Companies do not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Companies have been made in accordance with internal policies which regulate the authorization and credit limit amount.

As noted in Note 13, the Companies 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 Not Applied at March 31, 2010

	Millions of Yen		
	2010		
	Contract Amount	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts— Selling U.S.$	¥ 1,467	¥ (59)	¥ (59)

	Thousands of U.S. Dollars		
	2010		
	Contract Amount	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts— Selling U.S.$	$ 15,763	$ (632)	$ (632)

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

		Millions of Yen		
		2010		
	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts— Selling U.S.$	Receivables	¥ 873		¥ (1)
Interest rate swaps—fixed rate payment, floating rate receipt	Long-term debt	10,000	¥ 9,000	

		Thousands of U.S. Dollars		
		2010		
	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts— Selling U.S.$	Receivables	$ 9,384		$ (11)
Interest rate swaps—fixed rate payment, floating rate receipt	Long-term debt	107,481	$ 96,733	

The above interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements is recognized and included in interest expense or income. In addition, the fair value of such interest rate swaps in Note 13 is included in that of hedged items.

The following is the fair value information for foreign currency forward contracts to which hedge accounting is not applied at March 31, 2009. Foreign currency forward contracts which qualify for hedge accounting are excluded from the information below.

	Millions of Yen		
	2009		
	Contract Amount	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts— Selling U.S.$	¥ 1,139	¥ 1,178	¥ (39)

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 Company's exposure to credit or market risk.

15. SEGMENT INFORMATION

Information about industry segments, geographical segments and sales to foreign customers of the Companies for the years ended March 31, 2010, 2009 and 2008, is as follows:

(1) *Industry Segments*

Industry segment information is not shown since substantially all consolidated net sales, operating income and identifiable assets for 2010, 2009 and 2008 resulted from the primary business of the Companies, which is to manufacture and sell electronic devices such as electron tubes and semiconductor devices.

(2) *Geographical Segments*

The segment information is grouped by geographic area based on the countries and areas where the Companies are located. The segments mainly consist of the following countries:

Asia — Thailand, Singapore and China
North America — United States of America

The geographical segments of the Companies for the years ended March 31, 2010, 2009 and 2008, are summarized as follows:

	Millions of Yen				
	2010				
	Japan	Asia	North America	Eliminations or Corporate	Consolidated
Sales:					
To customers	¥ 34,696	¥ 4,450	¥1,142		¥ 40,288
Interarea transfers	4,979	5,564	3	¥ (10,546)	
Total	39,675	10,014	1,145	(10,546)	40,288
Operating expenses	38,385	10,056	1,166	(6,564)	43,043
Operating income (loss)	¥ 1,290	¥ (42)	¥ (21)	¥ (3,982)	¥ (2,755)
Total assets	¥ 36,355	¥ 3,621	¥ 285	¥ 1,178	¥ 41,439

	Thousands of U.S. Dollars				
	2010				
	Japan	Asia	North America	Eliminations or Corporate	Consolidated
Sales:					
To customers	$ 372,912	$ 47,825	$ 12,281		$ 433,018
Interarea transfers	53,515	59,800	37	$ (113,352)	
Total	426,427	107,625	12,318	(113,352)	433,018
Operating expenses	412,558	108,080	12,548	(70,553)	462,633
Operating income (loss)	$ 13,869	$ (455)	$ (230)	$ (42,799)	$ (29,615)
Total assets	$ 390,743	$ 38,919	$ 3,065	$ 12,667	$ 445,394

	Millions of Yen				
	2009				
	Japan	Asia	North America	Eliminations or Corporate	Consolidated
Sales:					
To customers	¥ 40,456	¥ 3,550	¥ 1,713		¥ 45,719
Interarea transfers	4,700	6,118	2	¥ (10,820)	
Total	45,156	9,668	1,715	(10,820)	45,719
Operating expenses	44,261	9,721	1,797	(5,695)	50,084
Operating income (loss)	¥ 895	¥ (53)	¥ (82)	¥ (5,125)	¥ (4,365)
Total assets	¥ 42,499	¥ 2,952	¥ 250	¥ 6,761	¥ 52,462

	Millions of Yen				
	2008				
	Japan	Asia	North America	Eliminations or Corporate	Consolidated
Sales:					
To customers	¥ 53,065	¥ 4,685	¥ 2,693		¥ 60,443
Interarea transfers	6,502	7,682	12	¥ (14,196)	
Total	59,567	12,367	2,705	(14,196)	60,443
Operating expenses	52,005	12,558	2,684	(8,346)	58,901
Operating income (loss)	¥ 7,562	¥ (191)	¥ 21	¥ (5,850)	¥ 1,542
Total assets	¥ 48,824	¥ 3,800	¥ 457	¥ 4,996	¥ 58,077

Notes:

1. The unallocated operating expenses for the years ended March 31, 2010, 2009 and 2008, amounting to ¥3,904 million ($41,964 thousand), ¥5,246 million and ¥5,911 million, respectively, are included in "Eliminations or Corporate" column, which mainly consisted of administration expenses of the Company.

2. The corporate assets at March 31, 2010, 2009 and 2008, amounting to ¥4,553 million ($48,932 thousand), ¥9,310 million and ¥8,252 million, respectively, are included in "Eliminations or Corporate" column, and consisted primarily of funds held by the Company for investing purposes (cash, time deposits, marketable securities and investment securities) and assets held for administration of the Company.

3. As discussed in Note 2.g, effective April 1, 2008, the Company applied ASBJ Statement No. 9, "Accounting Standard for Measurement of Inventories." The effect of this change for the years ended March 31, 2010 and 2009 was to decrease operating income of Japan by ¥177 million ($1,907 thousand) and ¥715 million, respectively.

4. As discussed in Note 2.b, effective April 1, 2008, the Company applied ASBJ PITF No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements." The effect of this change on the consolidated financial statements of operating loss is immaterial for the years ended March 31, 2010 and 2009.

(3) *Sales to Foreign Customers*

Sales to foreign customers for the years ended March 31, 2010, 2009 and 2008, amounted to ¥19,361 million ($208,090 thousand), ¥21,060 million and ¥27,254 million, respectively, and accounted for 48.1%, 46.1% and 45.1%, respectively, of consolidated net sales.

The segment information is grouped by geographic area based on the countries and regions where the Companies' customers are located. The segments mainly consist of the following countries and regions:

Asia	—China, Hong Kong, Republic of Korea, Singapore, Taiwan and Malaysia
North America	—United States of America
Europe	—United Kingdom, Germany, Italy and Holland
Other	—Israel and Mexico

	Millions of Yen				
	2010				
	Asia	North America	Europe	Other	Total
Sales	¥ 15,686	¥ 1,818	¥ 1,127	¥ 730	¥ 19,361

	Thousands of U.S. Dollars				
	2010				
	Asia	North America	Europe	Other	Total
Sales	$ 168,595	$ 19,537	$ 12,117	$ 7,841	$ 208,090

	Millions of Yen				
	2009				
	Asia	North America	Europe	Other	Total
Sales	¥ 15,620	¥ 2,229	¥ 1,435	¥ 1,776	¥ 21,060

	Millions of Yen				
	2008				
	Asia	North America	Europe	Other	Total
Sales	¥ 20,569	¥ 3,365	¥ 1,548	¥ 1,772	¥ 27,254

16. RELATED PARTY TRANSACTIONS

(1) *Parent Company*

Nisshinbo Holdings Inc.

(2) *Related Party Transactions*

Transactions with and balances due from and to related party for the year ended March 31, 2010 are not disclosed because they are immaterial.

17. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2010, 2009 and 2008 is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year Ended March 31, 2010	Net Income (Loss)	Weighted-Average Shares	EPS	
Basic EPS—Net loss available to common shareholders	¥ (10,011)	39,125	¥ (255.88)	$ (2.75)
Year Ended March 31, 2009				
Basic EPS—Net loss available to common shareholders	¥ (2,782)	39,126	¥ (71.10)	
Year Ended March 31, 2008				
Basic EPS—Net income available to common shareholders	¥ 435	39,128	¥ 11.12	

Diluted net income per share is not disclosed because it is anti-dilutive for the years ended March 31, 2010, 2009 and 2008 and because of the Company's net loss position for the years ended March 31, 2010 and 2009.

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