HARMONIC DRIVE SYSTEMS INC.
AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2009

PRICEWATERHOUSECOOPERS

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Report of Independent Auditors

To the Board of Directors of Harmonic Drive Systems Inc.

We have audited the accompanying consolidated balance sheet of Harmonic Drive Systems Inc. ("the Company") and its subsidiaries as of March 31, 2009, and the related consolidated statements of income, changes in net assets, cash flows and supplementary schedules for the year 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 audit.

We conducted our audit 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 audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company and its subsidiaries as of March 31, 2009, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2009 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

PricewaterhouseCoopers Aarata

October 9, 2009

HARMONIC DRIVE SYSTEMS INC.
AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

ASSETS

	Thousands of yen		Thousands of U.S. dollars (Note 2)
	March 31,		March 31,
	2008	2009	2009
Assets:			
Current assets -			
Cash and bank deposits (Note 8(a))	¥5,879,201	¥6,667,052	$67,871
Notes and accounts receivable, trade (Notes 5(c) and 16)	5,665,975	2,601,904	26,487
Marketable securities (Notes 8(a) and 10)	30,418	30,537	310
Inventories	1,248,219	-	-
Merchandise and products	-	118,830	1,209
Work in process	-	419,301	4,268
Raw materials and supplies	-	654,649	6,664
Deferred income taxes (Note 14)	348,034	200,738	2,043
Other current assets	95,893	468,946	4,773
Allowance for doubtful accounts	(5,750)	(4,621)	(47)
Total current assets	13,261,992	11,157,338	113,583
Fixed assets (Note 9) -			
Tangible fixed assets (Note 5(b)):			
Buildings and structures	1,508,739	1,624,166	16,534
Machinery and equipment	540,613	511,362	5,205
Land	872,455	872,455	8,881
Leased assets	-	240,198	2,445
Construction in progress	221,844	80,026	814
Other	545,952	549,707	5,596
Total tangible fixed assets	3,689,605	3,877,916	39,477
Intangible fixed assets:			
Goodwill	7,974	5,980	60
Software	93,743	98,747	1,005
Other	7,888	10,157	103
Total intangible fixed assets	109,606	114,886	1,169
Investment securities and other assets:			
Investment securities (Note 10)	4,491,226	2,573,270	26,196
Investment in affiliated company (Note 5(a))	1,981,135	5,450,960	55,491
Long-term loans receivable	-	363,972	3,705
Long-term prepaid expenses (Note 12)	791,647	806,867	8,214
Deferred income taxes (Note 14)	17,439	33,764	343
Long-term bank deposits	11,878	9,103	92
Others	67,952	77,600	789
Allowance for doubtful accounts	(6,000)	(6,000)	(61)
Total investment securities and other assets	7,355,280	9,309,539	94,772
Total fixed assets	11,154,492	13,302,342	135,420
Total assets	¥24,416,485	¥24,459,681	$249,004

The accompanying notes are an integral part of these financial statements.

HARMONIC DRIVE SYSTEMS INC.
AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

LIABILITIES AND NET ASSETS

	Thousands of yen		Thousands of U.S. dollars (Note 2)
	March 31,		March 31,
	2008	2009	2009
Liabilities:			
Current liabilities -			
Notes and accounts payable, trade	¥2,019,833	¥1,414,274	$14,397
Short-term borrowings (Note 19)	25,200	34,900	355
Lease obligations	-	44,967	457
Current portion of long-term debt (Note 19)	30,803	736,086	7,493
Accrued income taxes	644,717	2,703	27
Accrued bonuses for employees	518,042	337,453	3,435
Accrued bonuses for directors and statutory auditors	108,100	18,400	187
Other current liabilities	781,400	544,322	5,541
Total current liabilities	4,128,097	3,133,107	31,895
Long-term liabilities -			
Long-term debt (Note 19)	161,709	2,985,623	30,394
Lease obligations	-	195,629	1,991
Deferred income taxes (Note 14)	1,039,177	281,562	2,866
Reserve for retirement allowances for employees (Note 12)	12,698	15,565	158
Reserve for retirement allowances for directors and statutory auditors	432,677	347,119	3,533
Reserve for retirement allowances for executive officers	39,942	55,795	568
Negative goodwill	22,175	16,631	169
Total long-term liabilities	1,708,380	3,897,926	39,681
Total liabilities	5,836,477	7,031,033	71,577
Net assets (Note 17):			
Shareholders' equity (Note 7) -			
Common stock:			
- Authorized: 396,000 shares			
Issued and outstanding: 105,277 shares	1,610,542	1,610,542	16,395
Capital surplus	5,203,709	5,203,709	52,974
Retained earnings	12,103,494	12,838,713	130,700
Treasury stock, at cost	(2,304,188)	(2,304,740)	(23,462)
Total shareholders' equity	16,613,558	17,348,224	176,608
Valuation and translation adjustments -			
Net unrealized gains on available-for-sale securities (Note 10)	1,171,352	(137,531)	(1,400)
Foreign currency translation adjustments	252,360	(272,769)	(2,776)
Total valuation and translation adjustments	1,423,712	(410,300)	(4,176)
Minority interest	542,735	490,724	4,995
Total net assets	18,580,007	17,428,648	177,426
Total liabilities and net assets	¥24,416,485	¥24,459,681	$249,004

The accompanying notes are an integral part of these financial statements.

HARMONIC DRIVE SYSTEMS INC.
AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

	Thousands of yen		Thousands of U.S. dollars (Note 2)
	For the years ended March 31,		For the year ended March 31,
	2008	2009	2009
Net sales (Notes 15 and 16)	¥19,212,353	¥16,165,164	$164,564
Cost of sales (Notes 6(b) and 15)	10,520,724	9,705,905	98,807
Gross profit	8,691,628	6,459,258	65,756
Selling, general and administrative expenses (Notes 6(a), 6(b), 9, 12 and 15)	4,275,249	4,031,862	41,045
Operating profit	4,416,379	2,427,395	24,711
Other income:			
Interest income	44,482	17,380	176
Dividend income	39,104	56,458	574
Amortization of negative goodwill	5,543	5,543	56
Equity in income of affiliated company	268,008	227,066	2,311
R&D subsidies	16,478	42,393	431
Other	9,508	40,112	408
	383,125	388,955	3,959
Other expenses:			
Interest paid	7,225	19,298	196
Charges for syndicate loan	-	37,500	381
R&D cost of subsidies	13,080	18,848	191
Loss on investment fund	2,743	7,279	74
Exchange loss	33,941	13,978	142
Other	4,479	9,806	99
	61,469	106,711	1,086
Ordinary income	4,738,035	2,709,640	27,584
Exceptional gains:			
Gain on sales of fixed assets (Note 6(c))	2,443	2,349	23
Reversal of allowance for doubtful accounts	-	270	2
	2,443	2,619	26
Exceptional losses:			
Loss on disposal of fixed assets (Note 6(d))	17,653	42,749	435
Loss on devaluation of investment securities	-	7,845	79
Loss on compensation of finished products	11,414	32,136	327
Additional payment of retirement allowance for executive officers	38,920	117,625	1,197
Additional payment of retirement allowance for employees	-	22,689	230
Loss on cancellation of purchase commitment	-	18,679	190
	67,987	241,725	2,460
Income before income taxes	4,672,491	2,470,534	25,150
Income taxes:			
Current	1,550,422	623,553	6,347
Reversal of prior years' income tax payable	(41,714)	(14,864)	(151)
Deferred	305,768	263,081	2,678
	1,814,476	871,771	8,874
Minority interest	116,664	79,868	813
Net income (Note 17)	¥2,741,350	¥1,518,895	$15,462

The accompanying notes are an integral part of these financial statements.

HARMONIC DRIVE SYSTEMS INC.
AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

	Thousands of yen		Thousands of U.S. dollars (Note 2)
	For the years ended March 31,		For the year ended March 31,
	2008	2009	2009
Shareholders' equity			
Common Stock			
Balance at the end of previous year	¥1,610,542	¥1,610,542	$16,395
Change during the year			
Total changes	-	-	-
Balance at the end of current year	1,610,542	1,610,542	16,395
Capital surplus			
Balance at the end of previous year	5,203,709	5,203,709	52,974
Change during the year			
Total changes	-	-	-
Balance at the end of current year	5,203,709	5,203,709	52,974
Retained earnings			
Balance at the end of previous year	10,054,225	12,103,494	123,215
Change during the year			
Cash dividends	(692,080)	(783,676)	(7,977)
Net income	2,741,350	1,518,895	15,462
Total changes	2,049,269	735,218	7,484
Balance at the end of current year	12,103,494	12,838,713	130,700
Treasury stock			
Balance at the end of previous year	(2,304,188)	(2,304,188)	(23,457)
Change during the year			
Purchases of treasury stock	-	(552)	(5)
Total changes	-	(552)	(5)
Balance at the end of current year	(2,304,188)	(2,304,740)	(23,462)
Total shareholders' equity			
Balance at the end of previous year	14,564,289	16,613,558	169,129
Change during the year			
Cash dividends	(692,080)	(783,676)	(7,977)
Net income	2,741,350	1,518,895	15,462
Purchases of treasury stock	-	(552)	(5)
Total changes	2,049,269	734,665	7,479
Balance at the end of current year	¥16,613,558	¥17,348,224	$176,608

The accompanying notes are an integral part of these financial statements.

HARMONIC DRIVE SYSTEMS INC.
AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

(Continued)

	Thousands of yen		Thousands of U.S. dollars (Note 2)
	For the years ended March 31,		For the year ended March 31,
	2008	2009	2009
Valuation and translation adjustments			
Net realized gains on other securities			
Balance at the end of previous year	¥1,473,278	¥1,171,352	$11,924
Change during the year			
Net changes in items other than those in shareholders' equity	(301,926)	(1,308,884)	(13,324)
Total changes	(301,926)	(1,308,884)	(13,324)
Balance at the end of current year	1,171,352	(137,531)	(1,400)
Foreign currency translation adjustments			
Balance at the end of previous year	256,844	252,360	$2,569
Change during the year			
Net changes in items other than those in shareholders' equity	(4,484)	(525,129)	(5,345)
Total changes	(4,484)	(525,129)	(5,345)
Balance at the end of current year	252,360	(272,769)	(2,776)
Total valuation and translation adjustments			
Balance at the end of previous year	1,730,123	1,423,712	14,493
Change during the year			
Net changes in items other than those in shareholders' equity	(306,410)	(1,834,013)	(18,670)
Total changes	(306,410)	(1,834,013)	(18,670)
Balance at the end of current year	1,423,712	(410,300)	(4,176)
Minority interest			
Balance at the end of previous year	542,753	542,735	5,525
Change during the year			
Net changes in items other than those in shareholders' equity	(17)	(52,011)	(529)
Total changes	(17)	(52,011)	(529)
Balance at the end of current year	542,735	490,724	4,995
Total net assets			
Balance at the end of previous year	16,837,165	18,580,007	189,147
Change during the year			
Cash dividends	(692,080)	(783,676)	(7,977)
Net income	2,741,350	1,518,895	15,462
Purchases of treasury stock	-	(552)	(5)
Net changes in items other than those in shareholders' equity	(306,427)	(1,886,025)	(19,200)
Total changes	1,742,841	(1,151,359)	(11,721)
Balance at the end of current year	¥18,580,007	¥17,428,648	$177,426

The accompanying notes are an integral part of these financial statements.

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HARMONIC DRIVE SYSTEMS INC.
AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Thousands of yen		Thousands of U.S. dollars (Note 2)
	For the years ended March 31,		For the year ended March 31,
	2008	2009	2009
Cash flows from operating activities:			
Income before income taxes	¥4,672,491	¥2,470,534	$25,150
Adjustments for -			
Amortization of goodwill	1,993	1,993	20
Amortization of negative goodwill	(5,543)	(5,543)	(56)
Depreciation and amortization	652,109	801,172	8,156
Net provision of allowance for doubtful accounts	2,051	(41)	(0)
Net provision of reserve for retirement allowances for employees	3,512	2,866	29
Net provision of reserve for retirement allowances for directors and statutory auditors	19,738	(85,557)	(870)
Net provision of reserve for retirement allowances for executive officers	(30,711)	15,852	161
Net provision of reserve for bonuses for directors and statutory auditors	1,200	(89,700)	(913)
Interest income earned	(44,482)	(17,380)	(176)
Dividend income	(39,104)	(56,458)	(574)
Interest expense incurred	7,225	19,298	196
Equity in income of affiliated company	(268,008)	(227,066)	(2,311)
Loss on investment fund	2,743	7,279	74
Loss on devaluation of investment securities	-	7,845	79
Gain on sales of fixed assets	(2,443)	(2,349)	(23)
Loss on disposal of fixed assets	17,653	42,749	435
Decrease (increase) in trade receivables	(133,035)	2,997,683	30,516
Increase in inventories	(53,264)	(8,897)	(90)
Increase (decrease) in trade payables	172,687	(543,930)	(5,537)
Other	(212,166)	(509,255)	(5,184)
Subtotal	4,764,646	4,821,093	49,079
Interest and dividends received	81,666	73,853	751
Dividends received from affiliated company	161,830	161,600	1,645
Interest paid	(26,468)	(19,298)	(196)
Income taxes paid	(2,142,800)	(1,452,734)	(14,789)
Proceeds from refund of income taxes	41,714	530	5
Net cash provided by operating activities	2,880,587	3,585,044	36,496

The accompanying notes are an integral part of these financial statements.

HARMONIC DRIVE SYSTEMS INC.
AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Continued)

	Thousands of yen For the years ended March 31,		Thousands of U.S. dollars (Note 2) For the year ended March 31,
	2008	2009	2009
Cash flows from investing activities:			
Payments for purchases of marketable securities	-	(480)	(4)
Proceeds from sale of marketable securities	11,936	480	4
Payments for purchases of fixed assets	(1,076,942)	(919,123)	(9,356)
Proceeds from sale of fixed assets	4,196	2,792	28
Payments for purchases of software and other intangibles	(29,137)	(44,086)	(448)
Payments for purchases of investment securities	(943,764)	(300,000)	(3,054)
Proceeds from maturities of government bonds	1,000,000	-	-
Payment for purchases of investment in affiliated company	-	(3,766,470)	(38,343)
Payments for time deposits with a deposit period of over three months	(427,255)	(1,950)	(19)
Proceeds from redemption of time deposits with a deposit period of over three months	-	886,598	9,025
Payments for deposits	(2,150)	(9,990)	(101)
Proceeds from deposits	3,490	2,335	23
Proceeds from acquisition of shares of newly consolidated subsidiaries	42,105	-	-
Payments for purchase of subsidiary’s shares	(35,000)	-	-
Payments for short-term loan	-	(175,000)	(1,781)
Proceeds from short-term loan	-	175,000	1,781
Payments for long-term loan	-	(370,000)	(3,766)
Proceeds from long-term loan	-	596	6
Other	18,852	2,852	29
Net cash used in investing activities	(1,433,668)	(4,516,446)	(45,978)
Cash flows from financing activities:			
Proceeds from short-term borrowings	61,805	2,060,000	20,971
Payment of short-term borrowings	(450,611)	(2,050,300)	(20,872)
Proceeds from long-term debt	-	3,560,000	36,241
Payment of long-term debt	(37,617)	(30,803)	(313)
Payment of lease obligations	-	(26,073)	(265)
Payments for purchases of treasury stock	-	(552)	(5)
Cash dividends paid	(692,080)	(783,676)	(7,977)
Cash dividends paid to minority shareholders	(72,645)	(20,393)	(207)
Net cash (used in) / provided by financing activities	(1,191,150)	2,708,200	27,569
Effect of exchange rate changes on cash and cash equivalents	(45,986)	(65,580)	(667)
Net increase (decrease) in cash and cash equivalents	209,782	1,711,217	17,420
Cash and cash equivalents at beginning of year	4,774,740	4,984,522	50,743
Cash and cash equivalents at end of year (Note 7)	¥4,984,522	¥6,695,740	$68,163

The accompanying notes are an integral part of these financial statements.

HARMONIC DRIVE SYSTEMS INC.
AND CONSOLIDATED SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Nature of operations:

Harmonic Drive Systems Inc. (the "Company") and its consolidated subsidiaries (collectively referred as the "Companies") are engaged in the development, manufacture and sale of harmonic drive gears and related motion control products. The Company's manufacturing facilities are located in Japan and its products are marketed by the Company in Japan, a subsidiary in the United States and an affiliated company in Europe.

2. Summary of significant accounting policies:

The accompanying consolidated financial statements of the Companies are prepared based on the statutory books and records maintained by the Company and its domestic subsidiaries in accordance with accounting principles and practices generally accepted in Japan, which are different in certain respects with regard to the application and disclosure requirements from International Financial Reporting Standards. The consolidated financial statements are not intended to present the consolidated financial position, results of operations and cash flows of the Companies in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan. However, certain reclassifications are incorporated in order to present the financial statements in a form which is more familiar to readers outside Japan. Such reclassifications have no effect on net income or retained earnings.

In the consolidated financial statements, amounts less than ¥1 thousand have been omitted. As a result, the total shown in the consolidated financial statements and notes thereto do not necessarily agree with the sum of the individual account balances.

U.S. dollar amounts are included solely for convenience and have been translated, as a matter of arithmetical computation only, at the rate of ¥98.23 = US$1, the approximate exchange rate prevailing in the Japanese foreign exchange market at March 31, 2009. This translation should not be construed as implying that the yen amounts actually represent, have been or could be converted into U.S. dollars at this or any other rate.

(a) Basis of consolidation and accounting for investment in affiliated company -

The consolidated financial statements include the accounts of the Company and its consolidated subsidiaries. Consolidated subsidiaries for the years ended March 31, 2008 and 2009 are as follows:

- HD Systems, Inc.
- HD Logistics, Inc.
- Harmonic Precision Inc.
- Harmonic AD, Inc.
- Harmonic Drive L.L.C.
- Winbel Co., Ltd.

All significant intercompany transactions, accounts and unrealized intercompany profits are eliminated in consolidation.

The Company holds a 25% share in a sales distributor in Europe named Harmonic Drive AG for the year ended March 31, 2008 and purchased an additional 10% of Harmonic Drive A.G.'s stock for the purpose of the intensification of collaboration on September 29, 2008. As a result of the additional investment, the ratio of shareholding is now 35%.

In addition, the Company purchased 49.2% shares in Ome Iron Casting Co., Ltd on November 11, 2008. The investment in the shares of Ome Iron Casting Co., Ltd are accounted for by the equity method in the consolidated financial statements together with Harmonic Drive AG, effective from the acquisition date.

The Company's foreign subsidiaries (HD Systems, Inc. and Harmonic Drive L.L.C.) and affiliated company (Harmonic Drive AG) both have a year end date of December 31, which differs from that of the Company. The consolidation of the foreign subsidiaries and the application of the equity method in accounting for the affiliated company are based on the respective financial statements of these entities for the years ended December 31. Any material transactions occurring in respect of these entities in the period January 1 to March 31 are adjusted for, if appropriate, in these consolidated financial statements.

(b) Valuation methods for major assets -

① Marketable securities and investment securities:

Securities are classified into two categories.

Held-to-maturity debt securities are expected to be held to maturity and are recognized at amortized cost in the consolidated balance sheet.

Available-for-sale securities with market quotations are stated at fair value, with net unrealized gains or losses being reported as a separate component of net assets on a net-of-tax basis. Those securities without market quotations are stated at cost using the moving average method.

Subscriptions to non-affiliated investment funds that are included in investment securities are accounted for by the equity method based on the recent available financial information.

② Receivables and payables derived from derivatives:

All receivables and payables derived from derivatives are stated at fair value.

③ Inventories:

Finished products, work in process and raw materials are stated at moving average cost (for the book value of them on the balance sheets, by writing down based on their decrease in profitability of assets). Supplies are stated at cost, being determined by the last purchase price method.

(c) Depreciation and amortization method of major assets -

① Tangible fixed assets (excluding leased assets):

Property, plant and equipment, including significant renewals and additions, are capitalized at cost. Maintenance and repairs, as well as minor renewals and improvements, are charged to income as incurred. Depreciation is computed by the declining balance method for the Company and its domestic subsidiaries, with the exception of buildings acquired on or after April 1, 1998, which are computed using the straight-line method. For the foreign subsidiaries, depreciation is computed on a straight-line basis over the estimated useful lives of the assets.

② Intangible fixed assets (excluding leased assets):

Amortization is calculated based on the straight-line method. Software for in-house use is amortized based on the straight-line method over the expected useful life of 5 years.

③ Leased assets:

The straight-line method is employed for leased assets other than those of which ownership is deemed to be transferred to the lessee.
For the financial lease transactions that do not transfer ownership prior to the initial year of application, the Company has accounted for in a manner similar to the accounting for ordinary rental transaction.

(d) Treatment of deferred assets -

Stock issuance costs are not capitalized, but expensed as incurred.

(e) Basis of provision -

① Allowance for doubtful accounts -

The allowance for doubtful accounts is comprised of a general reserve based on historical bad debt experience and a specific reserve for amounts considered by management to be irrecoverable.

② Accrued bonuses for employees:

The Company and its domestic subsidiaries provide accrued bonuses for the expected payments of employee bonuses as of the end of the year.

③ Accrued bonuses for directors and statutory auditors:

The Company and its domestic subsidiaries estimate and provide an accrual for bonuses to directors and statutory auditors. The actual amount to be paid will be approved at the shareholders' meeting held subsequent to the end of the year.

④ Reserve for retirement allowances for directors and statutory auditors:

In accordance with the Company's "Rule for Retirement Allowances for Directors and Statutory Auditors," the reserve for retirement allowances for directors and statutory auditors of the Companies is calculated as 100% of the amount that would have been payable if all directors and statutory auditors had retired at the consolidated balance sheet date.

⑤ Reserve for retirement allowances for executive officers:

In accordance with the Company's "Rule for Retirement Allowances for Executive Officers," the reserve for retirement allowances for executive officers of the Companies is calculated as 100% of the amount that would have been payable if all executive officers had retired at the consolidated balance sheet date.

(f) Reserve for retirement allowances for employees -

The reserve for retirement allowances for employees of the Company and its domestic subsidiaries represents the estimated present value of projected benefit obligations in excess of the fair value of the plan assets, net of the unrecognized balance of actuarial differences. As of March 31, 2008 and 2009 this results in debit balances of ¥780,787 thousand and ¥806,870 thousand ($8,214 thousand), respectively, which are recorded as prepaid pension costs in investment securities and other assets – long-term prepaid expenses in the consolidated balance sheet. Prior service costs are amortized over a period of approximately 3 years from the year in which they occur. Actuarial differences are amortized on a straight-line basis over 3 years, starting from the year following that in which they occur. Certain domestic subsidiaries have adopted a simplified method in the calculation of their retirement benefit obligation and recorded as reserve for retirement allowances for employees in the consolidated balance sheet.

(g) Foreign currency translation -

Assets and liabilities of the foreign subsidiaries are translated into Japanese yen at the exchange rate prevailing at the balance sheet date, net asset accounts are translated at historical rates, and all income and expense accounts are translated at the average exchange rate during the year. Foreign currency translation adjustments resulting from such procedures are recorded in the consolidated balance sheet as a separate component of net assets.

(h) Consumption tax -

The consumption tax withheld upon sales of goods and the consumption tax paid by the Companies upon purchases of goods and services are not included in revenue and cost or expense items, respectively, in the accompanying consolidated statements of income.

(i) Valuation method for assets and liabilities of subsidiaries -

Assets and liabilities of the subsidiaries were measured at the fair values of the year in which they were consolidated.

(j) Amortization of goodwill and negative goodwill -

Goodwill and negative goodwill are amortized on a straight-line basis over a period of 5 years.

(k) Cash and cash equivalents -

Cash and cash equivalents include all highly liquid investments, generally with original maturities of three months or less, those are readily convertible to known amounts of cash and are so close to maturity that they present an insignificant risk of changes in value.

3. Accounting changes:

(a) Accounting standard for measurement of inventories -

From the year ended March 31, 2009, the Company and its consolidated subsidiaries in Japan adopted the "Accounting Standard for Measurement of Inventories" (ASBJ Statement No 9 issued on July 5, 2006), and use the value method to devaluate a book value for decreasing profitability. The impact of this change on the consolidated statements of income is immaterial.

(b) Accounting standard for lease transactions -

Lease payments under finance leases that do not transfer ownership the leased property to the lessee had been recognized as expense. However, starting from the year ended March 31, 2009, the Company and its consolidated subsidiaries have applied the "Accounting Standard for Lease Transactions" (ASBJ Statement No.13 – issued by the 1st committee of the Business Accounting Council on June 17, 1993 and revised on March 30, 2007) and the "Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No.16 – issued by the Accounting Practice Committee of the Japan Institute of Certified Public Accountants on January 18, 1994 and revised on March 30, 2007) and are following accounting procedures for ordinary sales transactions.
Depreciation expense of leased assets is calculated based on the straight-line method over the lease period, assuming no residual asset value at the end of the lease period.
Any finance lease transaction that does not transfer ownership, which became effective prior to the fiscal year during which the Accounting Standard became applicable, will continue to be treated similarly to the manner in which ordinary lease transactions are treated.
As a result of this change, ¥240,198 thousand ($2,445 thousand) of leased assets is recognized in the balance sheet as of March 31, 2009. The impact of this change on the consolidated statement of income is immaterial.

(c) Adoption of "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" -

Effective for the fiscal year ended March 31, 2009, the Company has adopted the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for

Consolidated Financial Statements" (ASBJ PITF No.18, issued on May 17, 2006).
There were no necessary adjustments for the preparation of consolidated financial statements as a result of this adoption.

4. Change in presentation:

In accordance with the revised Regulation on Financial Statements (issued by the Financial Service Agency of Japan on August 7, 2008), the item "Inventories" in the consolidated financial statement for the year ended March 31, 2008 is included in the "Merchandise and products", "Work in process" and "Raw materials and supplies" sections. "Merchandise and products", "Work in process" and "Raw materials and supplies" included in the Inventories section in the consolidated financial statement for the year ended March 31, 2008 were ¥134,675 thousand, ¥520,671 thousand and ¥592,872 thousand, respectively.

5. Notes to consolidated balance sheet:

(a) Investment in unconsolidated subsidiaries and affiliates -

Investment in unconsolidated subsidiaries and affiliates at March 31 is as follows:

	Thousands of yen		Thousands of U.S. dollars
	2008	2009	2009
Investment in affiliated company	¥1,981,135	¥5,450,960	$55,491

(b) Assets pledged as collateral and liabilities secured by the collateral -

The following assets are pledged as collateral to secure long-term debt, including the current portion thereof, at March 31:

	Thousands of yen		Thousands of U.S. dollars
	2008	2009	2009
Buildings	¥1,122,848	¥1,053,893	$10,728
Structures	2,955	2,348	23
Land	537,664	537,664	5,473
	¥1,663,469	¥1,593,907	$16,226
Secured long-term debt:			
Current portion of long-term loans	¥3,828	¥703,828	$7,165
Long-term loans	44,689	2,840,861	28,920
	¥48,517	¥3,544,689	$36,085

Included in the above, the following assets are pledged to secure factory funded bonds at March 31:

	Thousands of yen		Thousands of U.S. dollars
	2008	2009	2009
Buildings	¥118,939	¥107,436	$1,093
Structures	2,955	2,348	23
Land	49,168	49,168	500
	¥171,063	¥158,954	$1,618
Secured long-term debt:			
Current portion of long-term loans	¥ -	¥700,000	$7,126
Long-term loans	-	2,800,000	28,504
	¥ -	¥3,500,000	$35,630

(c) Notes receivable discounted -

The amount of notes receivable discounted are ¥3,242 thousand and ¥1,926 thousand ($19 thousand) for the years ended March 31, 2008 and 2009, respectively.

(d) Credit facility contracts -

On March 26, 2007, the Company entered into credit facility contracts totaling ¥3,000,000 thousand ($30,540 thousand) for 3 years with four banks. As of March 31, 2008 and 2009, there are no loans outstanding under these contracts.

6. Notes to consolidated statement of income:

(a) Selling, general and administrative expenses -

The major components included in selling, general and administrative expenses for the years ended March 31 are as follows:

	Thousands of yen		Thousands of U.S. dollars
	2008	2009	2009
Salaries and bonuses	¥1,255,757	¥1,126,373	$11,466
Reserve for bonuses for directors and statutory auditors	106,100	16,800	171
Reserve for retirement allowance for directors and statutory auditors	52,288	42,190	429
Reserve for retirement allowance for executive officers	18,848	15,852	161
Research and development	1,150,382	1,230,984	12,531
Allowance for doubtful accounts	2,300	655	6

(b) Research and development expenditures -

Research and development expenditures, which are charged to income when incurred, and are included in cost of sales and selling, general and administrative expenses, amounted to ¥1,185,457 thousand and ¥1,245,690 thousand ($12,681 thousand) for the years ended March 31, 2008 and 2009, respectively.

(c) Gain on sales of fixed assets -

Gain on sales of fixed assets for the years ended March 31 is comprised of the following:

	Thousands of yen		Thousands of U.S. dollars
	2008	2009	2009
Machinery and equipment	¥2,443	¥1,818	$18
Furniture and fixtures	-	531	5
	¥2,443	¥2,349	$23

(d) Loss on disposal of fixed assets -

Loss on disposal of fixed assets for the years ended March 31 is comprised of the following:

	Thousands of yen		Thousands of U.S. dollars
	2008	2009	2009
Buildings and structures	¥1,280	¥22,926	$233
Machinery and equipment	1,214	1,372	13
Vehicles	94	-	-
Furniture and fixtures	14,516	8,627	87
Other	547	9,822	99
	¥17,653	¥42,749	$435

7. Notes to consolidated statement of changes in net assets:

(a) Shares issued -

Share type	March 31, 2007	Increase	Decrease	March 31, 2008
Common stock (shares)	105,277	-	-	105,277

Share type	March 31, 2008	Increase	Decrease	March 31, 2009
Common stock (shares)	105,277	-	-	105,277

(b) Treasury stock -

Share type	March 31, 2007	Increase	Decrease	March 31, 2008
Common stock (shares)	3,500.4	-	-	3,500.4

Share type	March 31, 2008	Increase	Decrease	March 31, 2009
Common stock (shares)	3,500.4	1.6	-	3,502.0

The increase in common stock is due to the purchase of fractional shares under demand from fractional shareholders.

(c) Stock subscription rights -

The Company had no stock subscription rights at March 31, 2008 and 2009.

(d) Dividends –

For the year ended March 31, 2008

① Dividends paid during the current year

(i) The following were resolved by the annual shareholders' meeting held on June 22, 2007

Type of shares	Common stock
Total amount of dividends paid in cash (Thousands of yen)	¥346,040
Cash dividend per share (Yen)	¥3,400
Record date	March 31, 2007
Effective date	June 25, 2007

(ii) The following were determined by the Board of Directors meeting held on November 16, 2007

Type of shares	Common stock
Total amount of dividends paid in cash (Thousands of yen)	¥346,040
Cash dividend per share (Yen)	¥3,400
Record date	September 30, 2007
Effective date	December 13, 2007

② Dividends for the current year that are to be paid after the consolidated balance sheets date

The following have been approved by the annual shareholders' meeting held on June 20, 2008

Type of shares	Common stock
Resource of the dividends to be paid	Retained earnings
The total amount of the dividends in cash paid (Thousands of yen)	¥468,172
Cash dividend per share (Yen)	¥4,600
Record date	March 31, 2008
Effective date	June 23, 2008

For the year ended March 31, 2009

① Dividends paid during the current year

(i) The following were resolved by the annual shareholders' meeting held on June 20, 2008

Type of shares	Common stock
Total amount of dividends paid in cash	
(Thousands of yen)	¥468,172
(Thousands of U.S. dollars)	($4,766)
Cash dividend per share	
(Yen)	¥4,600
(U.S. dollars)	($46.83)
Record date	March 31, 2008
Effective date	June 23, 2008

(ii) The following were determined by the Board of Directors meeting held on November 14, 2008

Type of shares	Common stock
Total amount of dividends paid in cash	
(Thousands of yen)	¥315,504
(Thousands of U.S. dollars)	($3,211)
Cash dividend per share	
(Yen)	¥3,100
(U.S. dollars)	($31.56)
Record date	September 30, 2008
Effective date	December 12, 2008

② Dividends for the current year that are to be paid after the consolidated balance sheets date

The following have been approved by the annual shareholders' meeting held on June 19, 2009

Type of shares	Common stock
Resource of the dividends to be paid	Retained earnings
The total amount of the dividends in cash paid	
(Thousands of yen)	¥111,952
(Thousands of U.S. dollars)	($1,139)
Cash dividend per share	
(Yen)	¥1,100
(U.S. dollars)	($11.20)
Record date	March 31, 2009
Effective date	June 22, 2009

8. Notes to consolidated statements of cash flows:

(a) Cash and cash equivalents -

Cash and cash equivalents, for the purpose of the consolidated statements of cash flows, at March 31 are comprised of the following:

	Thousands of yen		Thousands of U.S. dollars
	2008	2009	2009
Cash and bank deposits	¥5,879,201	¥6,667,052	$67,871
Highly liquid investments	30,418	30,537	310
Time deposits - maturities exceeding three months	(925,097)	(1,850)	(18)
Cash and cash equivalents	¥4,984,522	¥6,695,740	$68,163

(b) Supplemental consolidated cash flow information -

In May 2007, the Company acquired 50% of the shares of Winbel Co., Ltd for ¥50,000 thousand. As a result, assets and liabilities of Winbel Co., Ltd are included in the Company's consolidated financial statements effective from the acquisition date.

	Thousands of yen
Current assets	¥185,962
Fixed assets	82,223
Goodwill	9,967
Current liabilities	(113,786)
Long-term liabilities	(74,335)
Minority interest	(40,032)
Payment for purchase of Winbel Co., Ltd shares	50,000
Cash and cash equivalents owned by Winbel Co., Ltd	92,105
Acquisition of cash owned by Winbel Co., Ltd, net of payment for purchase of subsidiary's shares	¥42,105

9. Leases transactions:

(a) Financial lease transactions that do not transfer ownership prior to the initial year of application of the “Accounting Standard for Lease Transactions” -

For the year ended March 31, 2008, leased assets and related expenses in respect of the Companies’ finance leases, other than those which transfer ownership of the leased assets to the lessee, are accounted for using a method similar to that used for operating leases. Regarding finance leases that do not transfer ownership for which the starting date for the lease transaction is prior to March 31, 2008, lease payments on recognized as expenses. Finance lease charges of the Companies for the years ended March 31, 2008 and 2009 are ¥395,502 thousand and ¥383,041 thousand ($3,899 thousand), respectively. Had these leases been capitalized on the consolidated balance sheet, the following would have been recognized on the consolidated balance sheet and the consolidated statements of income as of March 31 and for the years then ended:

	Thousands of yen		Thousands of U.S. dollars
	2008	2009	2009
Machinery and equipment	¥2,100,309	¥1,726,305	$17,574
Tools, furniture and vehicles	85,427	53,699	546
Software	10,649	2,828	28
	2,196,385	1,782,832	18,149
Less - Accumulated depreciation	(1,027,270)	(973,858)	(9,914)
	¥1,169,115	¥808,974	$8,235

	Thousands of yen		Thousands of U.S. dollars
	2008	2009	2009
Depreciation	¥372,665	¥356,964	$3,633
Interest expense	24,240	23,666	240

Depreciation expense is calculated based on the straight-line method over the lease period, assuming no residual asset value at the end of the lease period. Interest expense is determined as the difference between the acquisition cost and the total lease fee. Total interest payments over the lease period are allocated to each period by the "interest method."

The present values of future lease payments of the Companies as of March 31 are as follows:

	Thousands of yen		Thousands of U.S. dollars
	2008	2009	2009
Current portion	¥357,356	¥288,028	$2,932
Long-term obligation	832,441	545,951	5,557
	¥1,189,798	¥833,980	$8,490

(b) Leased assets -

Finance leased assets are mainly machinery and equipment. Depreciation expense is calculated based on the straight-line method over the lease period, assuming no residual asset value at the end of the lease period.

(c) Operating lease transactions -

Future operating lease payments under non-cancelable lease contracts as of March 31 are as follows:

	Thousands of yen		Thousands of U.S. dollars
	2008	2009	2009
Current portion	¥87,673	¥54,292	$552
Long-term obligation	151,223	50,047	509
	¥238,896	¥104,340	$1,062

There is no impairment loss allocated to leased assets for the years ended March 31, 2008 and 2009.

10. Marketable securities and investment securities:

The aggregate cost, gross unrealized gains and losses, and carrying amount on the consolidated balance sheet, which are re-valued to the related fair value, of available-for-sale securities with market quotations at March 31 are as follows:

	Thousands of yen			
March 31, 2008:	Cost	Gross unrealized gains	Gross unrealized losses	Carrying amount
Equity securities	¥2,483,277	1,971,419	(2,855)	¥4,451,841

	Thousands of yen			
March 31, 2009:	Cost	Gross unrealized gains	Gross unrealized losses	Carrying amount
Equity securities	¥2,483,277	10,171	(248,085)	¥2,245,362

	Thousands of U.S. dollars			
March 31, 2009:	Cost	Gross unrealized gains	Gross unrealized losses	Carrying amount
Equity securities	$25,280	103	(2,525)	$22,858

In cases where the fair value of securities is lower than the carrying value by 30% or more, and recovery of fair value to the carrying value is not deemed possible in the foreseeable future, impairment losses are recognized in the statement of income for that period. The impairment losses for the years ended March 31, 2008 and 2009 are recognized zero and ¥7,845 thousand ($79 thousand) on available-for-sale securities with market quotations.

The proceeds from sales of available-for-sale securities for the years ended March 31, 2008 and 2009 are ¥11,936 thousand and ¥480 thousand ($4 thousand), respectively. No realized gains and losses are recognized on these sales for the years ended March 31, 2008 and 2009.

The carrying amounts of available-for-sale securities without market quotations at March 31 are as follows:

	Thousands of yen		Thousands of U.S. dollars
	2008	2009	2009
Equity securities	¥3,800	¥303,800	$3,092
Money management funds	30,418	30,537	310
Subscriptions to investment funds	35,584	24,107	245
Total	¥69,802	¥358,444	$3,647

The redemption schedule for "Other securities" with maturity dates, and "Held-to-maturity debt securities" at March 31 are as follows:

	Thousands of yen			
	March 31, 2008			
	Due Within 1 year	Due After 1 year within 5 years	Due After 5 years within 10 years	Due After 10 years
Bonds:				
Government bonds, Municipal bonds, etc.	¥ -	¥ -	¥ -	¥ -
Corporate bonds	-	-	-	-
Other	-	-	-	-
Others:	-	35,584	-	-
	¥ -	¥35,584	¥ -	¥ -

	Thousands of yen			
	March 31, 2009			
	Due Within 1 year	Due After 1 year within 5 years	Due After 5 years within 10 years	Due After 10 years
Bonds:				
Government bonds, Municipal bonds, etc.	¥ -	¥ -	¥ -	¥ -
Corporate bonds	-	-	-	-
Other	-	-	-	-
Others:	-	24,107	-	-
	¥ -	¥24,107	¥ -	¥ -

	Thousands of U.S. dollars			
	March 31, 2009			
	Due Within 1 year	Due After 1 year within 5 years	Due After 5 years within 10 years	Due After 10 years
Bonds:				
Government bonds, Municipal bonds, etc.	$ -	$ -	$ -	$ -
Corporate bonds	-	-	-	-
Other	-	-	-	-
Others:	-	245	-	-
	$ -	$245	$ -	$ -

11. Derivative financial instruments:

(a) Types and purpose of transactions -

The Companies utilize derivative financial instruments such as foreign exchange contracts in order to reduce its exposure to fluctuations in foreign currency exchange rates while conducting regular operations.

(b) Derivative transactions policies -

The Companies utilize the foreign exchange contracts in order to reduce its exposure to fluctuations in foreign currency exchange rates while conducting regular operations and do not enter into contracts for speculative purposes.

(c) Description of risks relating to derivative transactions -

There is the risk of foreign currency exchange fluctuations on the foreign exchange contracts. The management of the Companies believes that the credit risk is insignificant as the Companies enter into foreign exchange contracts only with financial institutions with sound credit profiles.

(d) Risk management for derivative transactions -

Derivative transactions are executed and managed by the accounting / finance department in accordance with the president's approval.

(e) National amount, fair value and gain (loss) -

The Company had no derivative financial instruments and no contracts at March 31, 2008.

	Thousands of Yen			
	March 31, 2009			
	National amount	National amount (Over 1 year)	Fair value	Gains (Losses)
Forward exchange contracts:				
Sell U.S. Dollar	¥63,760	¥ -	¥68,728	(¥4,968)
	¥63,760	¥ -	¥68,728	(¥4,968)

	Thousands of U.S. Dollars			
	March 31, 2009			
	National amount	National amount (Over 1 year)	Fair value	Gains (Losses)
Forward exchange contracts:				
Sell U.S. Dollar	$649	$ -	$699	($50)
	$649	$ -	¥699	($50)

Note: Calculation of fair value
Forward exchange contracts ··· Forward exchange rate

12. Retirement benefits and reserve for employees:

Severance indemnity regulations, which cover substantially all employees of the Company and its domestic subsidiaries, provide for benefit payments based on the employee's eligible salary, length of service, position in the respective company and conditions under which the termination of employment occurs.

The Company has established a non-contributory funded, defined benefit, and tax qualified pension plan for the benefit payments established under the severance indemnity regulations for its employees. Under the pension plan, a retiring employee may elect either a lump-sum payment or annuity payments.

Foreign subsidiaries maintain a simplified employee plan (the "SEP Plan"). All employees are eligible to participate in the SEP Plan upon completion of one year of service and after attaining the age of 21. The SEP Plan provides for discretionary contributions by the subsidiaries. Participants vest in the subsidiaries' contributions based on their annual compensation and length of service.

(a) Multi-employer pension plan -

① Funded status of the multi-employer pension plan -

The funded status as of March 31, 2007 and 2008 of the multi-employer pension plan are as follows:

	Millions of yen		Millions of U.S. dollars
	2007	2008	2008
Plan assets	¥132,459	¥116,372	$1,184
Benefit obligation	139,971	147,188	1,498
Net balance	(¥7,512)	(¥30,815)	($313)

② Percentage -

The Companies percentage of the contribution of the multi-employer plan is 1.09% and 1.15% for the year ended March 31, 2007 and 2008, respectively.

③ Supplementary explanation -

The principal reason for the net balance above is related to the prior service cost of ¥34,122 million and ¥34,179 million ($347 million), respectively. Amortization of the prior service cost is 20 years. The percentage of ② above is not agreed with the actual obligation of the Companies.

Contributions to the plan for the years ended March 31, 2008 and 2009 are ¥78,398 thousand and ¥86,301 thousand ($878 thousand), respectively.

(b) Tax qualified pension plan -

The prepaid pension cost recorded in the consolidated balance sheet as of March 31 is calculated as follows:

	Thousands of yen		Thousands of U.S. dollars
	2008	2009	2009
Projected benefit obligations (PBO)	(¥1,417,629)	(¥1,500,984)	($15,280)
Plan assets	1,948,942	1,553,435	15,814
Excess of plan assets over PBO	531,313	52,451	533
Unrecognized actuarial differences	247,937	754,418	7,680
Unrecognized prior service cost	1,539	-	-
Prepaid pension cost	780,790	806,870	8,214
Reserve for retirement allowances for employees	12,698	15,565	158

- Domestic subsidiaries have adopted a simplified method in the calculation of their retirement benefit obligation.

The net periodic pension cost relating to retirement benefits for the years ended March 31 is as follows:

	Thousands of yen		Thousands of U.S. dollars
	2008	2009	2009
Service cost	¥80,098	¥89,950	$915
Interest cost	26,766	28,352	288
Expected return on plan assets	(44,808)	(38,978)	(396)
Amortization of unrecognized losses	(149,722)	(3,861)	(39)
Amortization of unrecognized prior service cost	1,539	1,539	15
Net periodic pension cost	(¥86,126)	¥77,001	$783

- Retirement benefit expenses for domestic subsidiaries adopting the simplified method are included in “Service cost.”

The assumptions used in the above actuarial computations for the years ended March 31 are as follows:

	2008	2009
Discount rate	2.0%	2.0%
Expected rate of return on plan assets	2.0%	2.0%
Method of attributing pension benefits to employee service periods	Straight-line basis	Straight-line basis
Amortization of net transition obligation for pension benefits	3 years	3 years
Amortization of unrecognized actuarial Differences	3 years	3 years
Amortization of unrecognized prior service cost	3 years	3 years

13. Stock options:

No stock options were granted during the years ended March 31, 2008 and 2009.

14. Income taxes:

Deferred tax assets and liabilities as of March 31 consist of the following:

	Thousands of yen		Thousands of U.S. dollars
	2008	2009	2009
Deferred tax assets - current:			
Accrued enterprise taxes	¥61,253	¥ -	$ -
Accrued bonuses	209,550	136,473	1,389
Inventory write-down	10,859	5,133	52
Unrealized intercompany profit	39,209	34,926	355
Accrued social expenses	23,605	16,356	166
Other	3,556	7,848	79
Net deferred tax assets – current	¥348,034	¥200,738	$2,043
Deferred tax assets – non current:			
Reserve for retirement allowances for directors and statutory auditors	¥9,582	¥5,520	56
Reserve for retirement allowance for employees	-	6,226	63
Foreign tax credit carried forward	57,124	-	-
Tax loss carryforwards	-	18,108	184
Other	7,857	3,909	39
	74,563	33,764	343
Valuation allowance	(57,124)	-	-
Net deferred tax assets - non-current	¥17,439	¥33,764	$343

	Thousands of yen		Thousands of U.S. dollars
	2008	2009	2009
Deferred tax liabilities - non-current:			
Reserve for retirement allowances for directors and statutory auditors	¥165,477	¥134,912	$1,373
Devaluation of golf club memberships	7,775	7,775	79
Depreciation	340	255	2
Devaluation of investment securities	22,256	25,433	258
Loss on investment fund	6,893	6,506	66
Reserve for retirement allowances for executive officers	16,176	22,596	230
Unrealized gains on available-for-sale securities	(797,307)	93,613	952
Undistributed earnings of foreign subsidiary	(147,680)	(240,494)	(2,448)
Prepaid pension costs	(316,014)	(326,555)	(3,324)
Other	2,906	(5,607)	(57)
Net deferred tax liabilities - non-current	(1,039,177)	(281,562)	(2,866)

Reconciliation of the differences between the statutory tax rate and the effective income tax rate for the year ended March 31, 2008 is omitted due to materiality.

Reconciliation of the differences between the statutory tax rate and the effective income tax rate for the year ended March 31, 2009 is as follows:

	2009
Statutory tax rate	40.5%
Increase (decrease) in taxes resulting from:	
Tax credit relating to research and development expenses	(7.0)
Undistributed earnings of foreign subsidiaries and affiliated company	3.7
Others, net	(1.9)
Effective income tax rate	35.3%

15. Segment information:

(a) Industry segment information -

The Companies' business operations fall within a single business segment, based on similarities in the type and nature of the businesses.

(b) Geographic area information and export sales information -

	Thousands of yen				
	Japan	North America	Combined	Elimination and /or Corporate	Consolidated
For the year ended March 31, 2008:					
Sales:					
Third party	¥16,127,314	¥3,085,039	¥19,212,353	¥ -	¥19,212,353
Intersegment	899,918	-	899,918	(899,918)	-
Total	17,027,232	3,085,039	20,112,271	(899,918)	19,212,353
Operating expenses	12,432,825	2,901,698	15,334,524	(538,550)	14,795,973
Operating profit	¥4,594,406	¥183,340	¥4,777,747	(¥361,368)	¥4,416,379
At March 31, 2008:					
Total Assets	¥17,999,669	¥1,640,806	¥19,640,475	¥4,776,009	¥24,416,485

	Thousands of yen				
	Japan	North America	Combined	Elimination and /or Corporate	Consolidated
For the year ended March 31, 2009:					
Sales:					
Third party	¥13,764,293	¥2,400,871	¥16,165,164	¥ -	¥16,165,164
Intersegment	748,545	-	748,545	(748,545)	-
Total	14,512,838	2,400,871	16,913,709	(748,545)	16,165,164
Operating expenses	11,809,110	2,301,728	14,110,839	(373,070)	13,737,768
Operating profit	¥2,703,727	¥99,142	¥2,802,870	(¥375,474)	¥2,427,395
At March 31, 2009:					
Total Assets	¥18,511,780	¥1,439,717	¥19,951,498	¥4,508,182	¥24,459,681

	Thousands of U.S. dollars				
	Japan	North America	Combined	Elimination and /or Corporate	Consolidated
For the year ended March 31, 2009:					
Sales:					
Third party	$140,123	$24,441	$164,564	$ -	$164,564
Intersegment	7,620	-	7,620	(7,620)	-
Total	147,743	24,441	172,184	(7,620)	164,564
Operating expenses	120,218	23,432	143,651	(3,797)	139,853
Operating profit	$27,524	$1,009	$28,533	($3,822)	$24,711
At March 31, 2009					
Total Assets	$188,453	$14,656	$203,110	$45,894	$249,004

- Countries and areas are segmented based on their geographical proximity.

- Major countries and areas which belong to segments other than Japan are as follows:

  (1) North America …… The United States

- Operating expenses amounting to ¥406,854 thousand and ¥360,880 thousand ($3,673 thousand) for the years ended March 31, 2008 and 2009, respectively, which cannot be allocated to any particular geographical area, are included in the "Elimination and/or Corporate" column. These represent expenses incurred for research and development activities, and certain expenses incurred by corporate departments, such as the General Affairs and Accounting Department.

- Assets of ¥5,122,272 thousand and ¥4,798,105 thousand ($48,845 thousand) as of March 31, 2008 and 2009, respectively, which cannot be allocated to any particular geographical area, are included in the "Elimination and/or Corporate" column. These assets represent excess cash at banks, long-term investments such as investment securities, other investments and other assets and those used by corporate departments.

(c) Export sales -

Export sales by major area for the years ended March 31 are as follows:

	Thousands of yen			
	March 31, 2008			
	Europe	North America	Other	Total
Overseas sales	¥1,361,116	¥3,085,039	¥94,366	¥4,540,521
Consolidated sales:				19,212,353
Overseas sales as a ratio of consolidated sales (%)	7.1	16.1	0.5	23.6

	Thousands of yen			
	March 31, 2009			
	Europe	North America	Other	Total
Overseas sales	¥1,275,029	¥2,400,871	¥119,726	¥3,795,627
Consolidated sales:				16,165,164
Overseas sales as a ratio of consolidated sales (%)	7.9	14.9	0.7	23.5

	Thousands of U.S. dollars			
	March 31, 2009			
	Europe	North America	Other	Total
Overseas sales	$12,980	$24,441	$1,218	$38,640
Consolidated sales:				164,564
Overseas sales as a ratio of consolidated sales (%)	7.9	14.9	0.7	23.5

- Countries and areas are segmented based on their geographical proximity.
- Major countries and areas which belong to segments other than Japan are as follows:

  (1) Europe ……………Germany

  (2) North America ……The United States

- Export sales consist of export sales of the Company and its domestic subsidiaries and sales (other than exports to Japan) of the foreign subsidiaries.

16. Transactions with related parties:

(a) Transactions with related parties -

Category	Affiliate company
Entity name	Harmonic Drive AG
Location	Land Hessen, Germany
Capital or investment in capital	Euro 1,550 thousand
Description of business	Manufacturing and sales of precision speed reducers
The group's interest in entity	25.0% directly owned (as of March 31, 2008)
	35.0% directly owned (as of March 31, 2009)
Description of relationship	
- Shared director	-
- Business relationship	Seller of the Company's products in Europe, Middle and Near East, Africa, India and South America
Business relationship	Seller of the Company's products

	Thousands of yen		Thousands of U.S. dollars
	2008	2009	2009
Sales to the affiliated company	¥1,361,116	¥1,275,029	$12,980
Notes and accounts receivable, trade	445,989	381,288	3,881

Transactions are made at arm's-length, at prices that are considered to be equivalent to market prices.

(Supplementary information)

Effective from the fiscal year ended March 31, 2009, "Accounting Standard for Related Party Disclosures" (ASBJ Statement No. 11, October 17, 2006) and "Guidance on Accounting Standard for Related Party Disclosures" (ASBJ Statement Guidance No. 13, October 17, 2006) have been adopted.

(b) Notes to significant affiliates -

Condensed financial information

The financial information of the significant affiliates company, Harmonic Drive AG, is as follows:

	Thousands of yen	Thousands of U.S. dollars
Current assets	¥3,898,039	$39,682
Fixed assets	960,636	9,779
Investment securities and other assets	700,490	7,131
Current liabilities	697,220	7,097
Long-term liabilities	852,921	8,682
Net assets	4,009,023	40,812
Sales	8,507,212	86,605
Income before income taxes	2,262,048	23,028
Net income	1,384,998	14,099

17. Earnings per share information:

The computation of earnings per share is based on the weighted-average number of common shares outstanding during each year. Treasury stocks held during these years are excluded.

	Yen		U.S. dollars
	2008	2009	2009
Net assets per share	¥177,224.15	¥166,425.19	$1,694.24
Earnings per share	26,934.97	14,923.97	151.93

Diluted net earnings per share was not recorded because the Company does not have potential dilutive shares.

The following is a reconciliation of basic earnings per share to diluted earnings per share.

	Thousands of yen		Thousands of U.S. dollars
	2008	2009	2009
Net income	¥2,741,350	¥1,518,895	$15,462
Net income attributable to common shareholders	¥2,741,350	¥1,518,895	$15,462

The weighted average number of shares used in the computation of basic and diluted earnings per share are as follows:

	Number of shares	
	2008	2009
Weighted average number of shares	101,776.6	101,775.5

18. Subsequent events:

There have been no significant events after April 1, 2009.

19. Consolidated supplementary schedules:

(a) Schedules of borrowing -

Category	Thousands of yen: Balance at March 31, 2008	Thousands of yen: Balance at March 31, 2009	Thousands of U.S. dollars: Balance at March 31, 2009	Average interest rate (%)	Maturity
Short-term borrowings	¥25,200	¥34,900	$355	2.5	-
Current portion of long-term debt	30,803	736,086	7,493	1.2	-
Current portion of lease obligations	-	44,967	457	10.5	-
Long-term debt (excluding current portion)	161,709	2,985,623	30,394	1.2	2010-2020
Lease obligations (excluding current portion)	-	195,629	1,991	4.9	2010-2015
Total	¥217,712	¥3,997,205	$40,692	-	-

- Aggregate annual maturities of long-term debt for the 5 years subsequent to March 31, 2009 are as follows:

	Thousands of yen			
	March 31, 2009			
	Due after 1 year but within 2 years	Due after 2 years within 3 years	Due after 3 years within 4 years	Due after 4 years within 5 years
Long-term debt	¥733,232	¥729,420	¥726,556	¥726,556
Lease obligation	46,124	46,568	43,703	42,016

	Thousands of U.S. dollars			
	March 31, 2009			
	Due after 1 year but within 2 years	Due after 2 years within 3 years	Due after 3 years within 4 years	Due after 4 years within 5 years
Long-term debt	$7,464	$7,425	$7,396	$7,396
Lease obligation	469	474	444	427

- The average interest rate represents the weighted-average rate applicable to the year-end balance.

(b) Others -

The condensed financial information of each quarter for the year ended March 31, 2009 is as follows:

	Thousands of yen (Net income (loss) per share: yen)			
	1st quarter ended June 30, 2008	2nd quarter ended September 30, 2008	3rd quarter ended December 31, 2008	4th quarter ended March 31, 2009
Sales	¥4,899,852	¥4,753,392	¥3,962,896	¥2,549,022
Income (loss) before income taxes	1,160,688	988,658	660,606	(339,419)
Net income (loss)	609,016	636,317	401,441	(127,880)
Net income (loss) per share	¥5,983.87	¥6,252.15	¥3,944.40	(¥1,256.51)

	Thousands of U.S. Dollars (Net income (loss) per share: U.S. Dollars)			
	1st quarter ended June 30, 2008	2nd quarter ended September 30, 2008	3rd quarter ended December 31, 2008	4th quarter ended March 31, 2009
Sales	$49,881	$48,390	$40,343	$25,949
Income (loss) before income taxes	11,816	10,064	6,725	(3,455)
Net income (loss)	6,199	6,477	4,086	(1,301)
Net income (loss) per share	$60.92	$63.65	$40.15	($12.79)