Summary of Financial Statements for the Fiscal Year Ended March 31, 2010

May 14, 2010

Listed company name	SEIKOH GIKEN Co., Ltd.			Listed market JASDAQ
Code number	6834	URL http://www.seikoh-giken.co.jp		
Representative	(Title)	President & CEO	(Name) Masatoshi Ueno	
Inquiries	(Title)	Management Planning Team Manager	(Name) Yuji Saito	Tel +81-47-388-6401
Date of general shareholders' meeting		June 18, 2010	Date of dividend payment	–
Date of securities report submission		June 18, 2010		

(All amounts rounded down to the nearest million yen.)

1. Consolidated business results for the fiscal year ended March 31, 2010 (April 1, 2009 to March 31, 2010)

(1) Consolidated business performance

(Percentage figures show the changes from the previous year.)

	Net sales		Operating profit		Ordinary profit		Net profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended March 31, 2010	4,683	(27.1)	(925)	–	(716)	–	(1,342)	–
Year ended March 31, 2009	6,426	(10.1)	(710)	–	(552)	–	(857)	–

	Net profit per share	Fully diluted net profit per share	Net profit ratio per shareholders' equity	Ordinary profit ratio to total assets	Operating profit ratio to sales amount
	Yen	Yen	%	%	%
Year ended March 31, 2010	(146.91)	–	(6.5)	(3.2)	(19.8)
Year ended March 31, 2009	(93.43)	–	(3.8)	(2.3)	(11.1)

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Year ended March 31, 2010	21,660	20,079	92.7	2,196.82
Year ended March 31, 2009	23,344	21,537	92.2	2,355.04

(Reference) Shareholders' equity Year ended March 31, 2010 20,079 million yen Year ended March 31, 2009 21,525 million yen

(3) Consolidated cash flow

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Cash and cash equivalents at the end of the period
	Million yen	Million yen	Million yen	Million yen
Year ended March 31, 2010	30	(436)	(158)	1,671
Year ended March 31, 2009	779	(823)	(394)	2,218

2. Dividend status

(Base date)	Dividend per share					Gross dividend amount (annual)	Dividend propensity (consolidated)	Dividend ratio to net assets (consolidated)
	End of the first quarter	End of the second quarter	End of the third quarter	End of the year	Full year			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Year ended March 31, 2009	–	0.00	–	15.00	15.00	137	(16.1)	0.6
Year ended March 31, 20010	–	0.00	–	0.00	0.00	0	0.0	0.0
Year ending March 31, 2011 (Forecast)	–	0.00	–	0.00	0.00		0.0	

3. Forecast of consolidated business performance for the year ending March 31, 2011 (April 1, 2010 to March 31, 2011)

(Percentage figures for "Full year" show the changes from the previous year, and percentage figures for "Half year" show the changes from the previous interim period.)

	Sales amount		Operating profit		Ordinary profit		Net profit		Net profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Half year	2,400	3.9	(350)	–	(340)	–	(630)	–	(68.93)
Full year	5,000	6.8	(400)	–	(340)	–	(750)	–	(82.06)

4. Others

(1) Transfer of important subsidiaries during the current period (Transfer of specified subsidiaries necessary to change the range of consolidation): None

(2) Changes in principle, procedure, display method, etc. relating to accounting procedures for the preparation of consolidated financial statements (Items to be described in the "Changes in Important Matters Used as the Base for Preparing the Consolidated Financial Statements")

1) Changes according to the amendment of accounting standards, etc.: None
2) Changes other than 1): None

(3) Number of shares issued (common stocks)

1) Number of shares issued at the end of the year (Treasury stocks included):
[Fiscal year ended March 31, 2010] 9,333,654 shares / [Fiscal year ended March 31, 2009] 9,333,654 shares
2) Number of treasury stocks at the end of the term:
[Fiscal year ended March 31, 2010] 193,532 shares / [Fiscal year ended March 31, 2009] 193,482 shares

(Reference) Summary of individual business results

1. Individual business results for the fiscal year ended March 31, 2010 (April 1, 2009 to March 31, 2010)

(1) Individual business performance

(Percentage figures show the changes from the previous term.)

	Sales amount		Operating profit		Ordinary profit		Net profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended March 31, 2010	3,069	(41.6)	(1,042)	–	(815)	–	(1,508)	–
Year ended March 31, 2009	5,255	(14.5)	(929)	–	(593)	–	(871)	–

	Net profit per share	Fully diluted net profit per share
	Yen	Yen
Year ended March 31, 2010	(165.06)	–
Year ended March 31, 2009	(94.96)	–

(2) Individual financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Year ended March 31, 2010	21,636	20,222	93.5	2,212.54
Year ended March 31, 2009	23,292	21,864	93.9	2,392.17

(Reference) Shareholders' equity Year ended March 31, 2010 20,222 million yen Year ended March 31, 2009 21,864 million yen

2. Forecast of consolidated business performance for the fiscal year ending March 31, 2011 (April 1, 2010 to March 31, 2011)

(Percentage figures for "Full year" show the changes from the previous year, and percentage figures for "Half year" show the changes from the previous interim period.)

	Sales amount		Operating profit		Ordinary profit		Net profit		Net profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Half year	1,900	27.8	(350)	–	(330)	–	(610)	–	(66.74)
Full year	3,800	23.8	(460)	–	(400)	–	(700)	–	(76.59)

*Notes on using the business performance forecast and other special instructions

The business performance forecast figures above are based on information available as of the date of disclosure of this material, and therefore include many uncertainties. Actual results may differ from the forecast figures, depending on various factors such as changes in business conditions.

1. Business Results

(1) Analysis of business results

(Business results for the current consolidated fiscal year)

The global economy during the consolidated fiscal year under review continued to suffer deterioration of the real economy due to the financial crisis and accompanying credit crunch and other events resulting from the bankruptcy of major US investment bank Lehman Brothers the year before last. Although there were signs of recovery in some countries and regions, such as China, as the result of the financial summit frameworks of the various countries and stimulus measures, such as government subsidy of some products, overall the situation remained difficult due to worsening unemployment, cutbacks in corporate capital investment, and other factors in the advanced countries, especially Europe and the United States.

The Japanese economy saw exports and production increase for some companies as a result of strong demand in China. Although mild, consumer spending shows signs of a comeback as a result of economic stimulus measures taken by the government. The future remains uncertain, however, as unemployment remains high and signs of deflation are appearing as prices continue to fall and the economy remains down.

The information communications and digital home electronics related industries in which the Group belongs experienced growth in the sales of high-vision flat panel televisions, Blu-ray records, and other products by benefiting from the Eco Point system. The decline in prices for such digital home electronics is marked, however, so companies in the industry are struggling to survive and are taking such measures as merging with other companies and making bold decisions about selective use and concentration business resources.

Under this business environment, the Seikoh Giken Group is building a structure that will allow it to strengthen and utilize its precision machining technology that it has nurtured since it’s founding to provide products useful to society in a wide range of industrial areas.

The Group’s two existing businesses of the Precision Products & Engineering Business, the leading products of which are optical disc molds, and the Fiber Optics Products Business, the leading products of which are optical communication components and the equipment for manufacturing them, focused on producing attractive products that meet the needs of customers and society while also striving to improve the supply chain and manufacturing process to provide a stable supply of high-quality products at a reasonable price.

As a result of these efforts, for the current consolidated fiscal year the Company posted sales of ¥4,683,374 thousand (down 27.1% from the previous consolidated accounting year). Profits were affected by the decrease in sales resulting in an operating loss of ¥925,487 thousand (an operating loss of ¥710,217 thousand in the previous consolidated accounting year). In addition, the posting of non-operating income, such as interest earned, resulted in an ordinary loss of ¥716,068 thousand (an ordinary loss of ¥552,381 thousand in the previous consolidated accounting year). Further, the reduction of some fixed assets and a special loss on the sale of fixed assets and other factors resulted in a current net loss of ¥1,342,823 thousand (a net loss of ¥857,716 thousand in the previous consolidated accounting year).

Performance by sector was as follows.

1) Precision Products & Engineering Business

The completion of the switch in Japan to terrestrial digital television broadcasting in July 2011 will facilitate high-quality audio and visual. This will create demand for high-capacity storage media for recording television programs, so attention is focusing on Blu-ray discs, which have a much larger capacity than conventional DVD.

The economic recession during the current consolidated fiscal year, however, forced Blu-ray disc molding companies to hold off on installing new optical disc manufacturing lines and this prevented the formation of strong demand for the Company’s optical disc molds. In addition, the operation rate for existing DVD manufacturing lines is down, which has caused a decline in demand for mold maintenance and replacement parts.

In response, the Precision Products & Engineering Business revised the production process and shortened manufacturing lead times to reduce manufacturing costs while also working to increase orders for new products that make use of precision machining, precision polishing, and mold technology to improve the earning power of the division. In addition, the High Heat-Resistant Lens Business also focused on demand for camera lenses used in mobile telephones for China and other emerging markets and worked to mass produce these lenses.

These efforts resulted in current consolidated fiscal year sales for the Precision Products & Engineering Business of ¥906,720 thousand (down 41.5% from the previous consolidated accounting year).

2) Fiber Optic Products Business

Optical communications networks are being built around the world because this infrastructure can transmit a large amount of information at high speed over long distances. Developing countries, such as China and India, are hurrying to expand these networks because they are using them not only to spread the Internet but to also build social infrastructure using optical fiber. In Japan the major telecommunications companies are building next-generation networks (NGN) to provide high-quality image distribution, TV telephone, and highly reliable communications and other services, so even greater demand is expected for optical communications related components that are essential to their construction.

In response, the Fiber Optic Products Business promoted the local procurement of materials that comprise optical communications components and changes in the supply chain to increase orders in the high-growth Chinese market and strengthen its cost competitiveness. At the same time, the business also focused on selling high value-added optical communications component manufacturing equipment and new products. During the global economic recession at the time, however, telecommunication companies in Europe and the United States cut back on capital investment while at the same time stiff competition drove down prices for optical communications components and thus the overall environment for the business was difficult.

As a result, the current consolidated fiscal year sales for the Fiber Optic Products Business were ¥3,776,654 thousand (down 22.5% from the previous consolidated accounting year).

Performance by region was as follows.

1) Japan

In Japan, the market environment was very difficult due to cut backs in capital investment and inventory adjustments by customers. In addition, the expansion pace of FTTH service for high-speed high-capacity communications was slowed by a fall in the number of home installations and a decrease in demand caused by the poor economy. This slowed sales of optical disc molds, maintenance, and optical communication components resulting in Japan sales of ¥2,047,671 thousand (down 33.7% from the previous consolidated accounting year). The decline in sales impacted operating income resulting in an operating loss of ¥1,155,755 thousand (an operating loss of ¥1,022,131 thousand in the previous consolidated accounting year).

2) North America

In North America, although some optical disc molding companies showed signs of a recovery in their equipment operation rates during the second half, overall activity was subdued and demand for mold maintenance and mold part replacement was slow. In addition, adjustments to inventories in response to the uncertainty regarding the future of the economy lowered the desire of customers to invest in optical communications equipment, resulting in sales of ¥743,429 thousand (down 36.0% from the previous consolidated accounting year). The decrease in sales resulted in an operating loss of ¥7,937 thousand (an operating profit of ¥60,093 thousand in the previous consolidated accounting year).

3) Asia

In Asia, capital investment by optical disc molding companies in Taiwan grew and demand was good for mold maintenance and mold part replacement. In addition, the Chinese optical communications market expanded well and demand for optical communications products increased. As a result, sales for Asia were ¥1,169,405 thousand (up 3.7% from the previous consolidated accounting year). The increase in sales and improved profitability at the Company's Chinese subsidiary resulted in an operating profit of ¥203,617 thousand (up 14.3% from the previous consolidated accounting year).

4) Europe

In Europe, inventory adjustments kept down the equipment operation rates at optical disc molding companies and demand for mold maintenance and mold part replacement also slowed. In addition, the slowdown in investment in optical communications related equipment restrained demand for optical communications components. As a result, sales in Europe were ¥722,869 thousand (down 31.0% from the previous consolidated accounting year). Further, the decline in sales resulted in an operating loss of ¥25,146 thousand (an operating profit of ¥11,544 thousand in the previous consolidated accounting year).

(Forecast for the next fiscal year)

The market environment for the year ending March 2011 (April 1, 2010 to March 31, 2011) is expected to show an increase in exports from countries led by the economic growth in China and elsewhere in Asia and the accompanying increase in production and increased willingness to make capital investments.

The information communication and digital home electronics related industries in which the Group belongs expect to see an increase in demand for optical communications components accompanying the building of next-generation networks (NGN) and an increase in demand for home electronics goods generated by the Eco Point system. On the other hand, stronger competition from an increase in the number of companies entering the market has caused a drop in sales prices, hurting earnings.

Against this business environment, the Group will launch the new long-term business plan, "Master Plan 2010," and work to build a profitable structure as soon as possible, but the consolidated performance prospects for the coming year are sales of ¥5,000 million, an operating loss of ¥400 million, and an ordinary loss of ¥340 million. In addition, the Company expects to post a current net loss of ¥750 million due to a special loss of ¥380 million accompanying the cost of restructuring under Master Plan 2010.

*The above forecasts are based on information available at the time, so the actual results could differ depending on changes in a variety of variables.

(2) Analysis of financial position

1) Conditions of assets, liabilities and net assets

(Assets)

The total balance of assets at the end of the current consolidated accounting year was ¥21,660,069 thousand, a reduction of ¥1,684,859 thousand from the end of the previous consolidated accounting year. The main factors for the decrease were a reduction in cash and cash equivalents, notes receivable, and accounts receivable as well as a reduction in the fixed asset balance from further disposal of impaired assets and depreciation.

(Liabilities)

The total balance of liabilities at the end of the current consolidated accounting year was ¥1,580,880 thousand, a decrease of ¥226,475 thousand from the end of the previous consolidated accounting year. The main factor for the decrease was reduced accrued liabilities.

(Net Assets)

The total balance of net assets at the end of the current consolidated accounting year was ¥20,079,188 thousand, a decrease of ¥1,458,383 thousand from the end of the previous consolidated accounting year. The main factor for the decrease was reduced retained earnings.

2) Cash flow status

The balance of cash and cash equivalents at the end of the current consolidated accounting year was ¥1,671,388 thousand, a decrease of ¥547,231 thousand from the end of the previous consolidated accounting year. The status and factors of the cash flow from respective activities are as follows:

(Cash flow from operating activities)

The fund earned from operating activities was ¥30,412 thousand (down 96.1% from the previous consolidated accounting year). The main factors for the increase in the fund from operating activities were depreciation of ¥499,116 thousand and decrease in trade accounts receivable of ¥229,547 thousand. The main factors for the decrease in the fund were a net loss before taxes and other adjustments of ¥1,383,462 thousand, and a decrease in accrued liabilities of ¥208,914 thousand.

(Cash flow from investing activities)

The fund used in investing activities was ¥436,669 thousand (down form ¥823,111 thousand the previous consolidated accounting year). The main factor for the increase from investing activities was ¥12,178,722 thousand in income from the repayment of a time deposit. The main factor for the decrease was ¥12,260,102 thousand in time deposit payments.

(Cash flow from financing activities)

The fund used for financing activities was ¥158,018 thousand (down from ¥394,882 thousand the previous consolidated accounting year). The main factor for the decrease in the fund from financing activities was ¥137,102 thousand in dividend payments.

(Reference) Changes in indicators related to cash flow

	Year ended March 31, 2006	Year ended March 31, 2007	Year ended March 31, 2008	Year ended March 31, 2009	Year ended March 31, 2010
Equity ratio (%)	94.2	93.5	92.1	92.2	92.7
Equity ratio on market value basis (%)	145.7	97.9	75.5	27.4	32.4
Cash flow versus ratio of interest-bearing liabilities (%)	–	–	–	2.7	–
Interest coverage ratio	–	–	–	2,030.6	171.6

Equity ratio: Shareholders’ equity/total assets

Equity ratio on market value basis: Market capitalization/total assets

Cash flow versus ratio of interest-bearing liabilities: Interest-bearing liabilities/cash flow

Interest coverage ratio: Cash flow/interest payment

* The calculation of each indicator is based on financial figures from the consolidated accounting basis.

* Market capitalization is calculated by multiplying the closing price at the end of the term by the number of shares issued at the end of the term (after deducting treasury stocks).

* Operating cash flow is used for cash flow.

* Interest-bearing liabilities are all those liabilities of the recorded liabilities on which interest is paid.

(3) Basic policies for the allocation of earnings and dividends in the current year/next year

The Company’s main policy for the distribution of profits to shareholders is to pay shareholders a stable dividend while retaining earnings to provide for future investment.

Since, including the current term, a net loss was recorded for the third straight term, however, we sincerely regret to announce that a dividend will not be paid at the end of the year.

In regards to the next term, that term is the first year of the new long-term business plan and the Company will strive to strengthen sales activities and thoroughly reduce expenses, but the business environment is expected to remain difficult, so the Company plans not to pay a year-end dividend the same as for the current term. We will work to move the Company back into profitability as soon as possible so that we may again pay our shareholders a stable return on their investment.

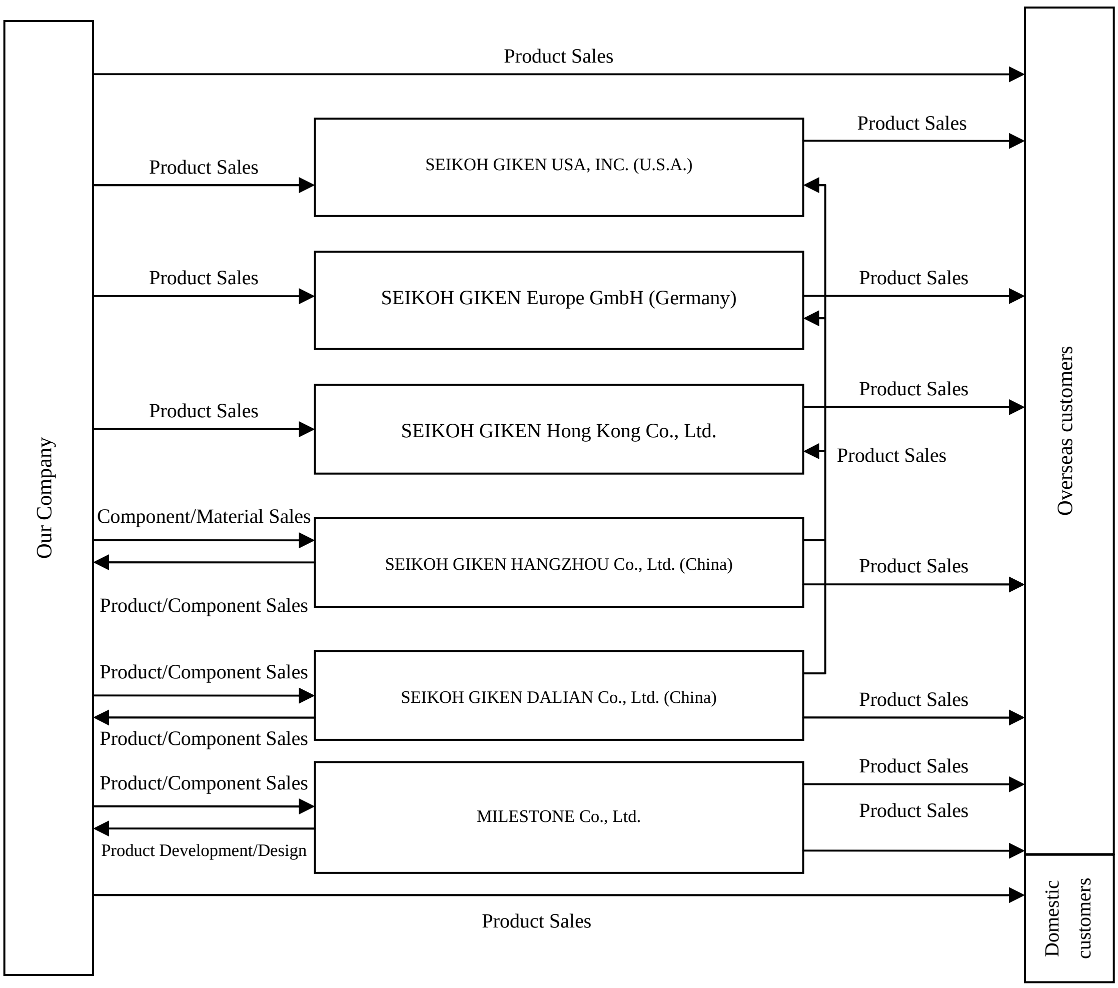
2. Conditions of Seikoh Giken Group

The core businesses of the Company Group are the Optical Mold Disc Group, which manufacturers and sells optical disc molds and other precision molds and lenses, and the Optical Communications Group, which manufactures and sells optical components used in optical communications equipment and equipment for manufacturing such components, and passive light transmission devices used in terrestrial digital broadcasting receivers and transceivers. The total number of companies in the Company Group as of the end of the current term is seven, consisting of the Company and its six subsidiaries.

The main products of each division and the position of each company within the Company Group are given below.

Main products of each division		Companies constituting the Company Group and their functions		
Div.	Main products	Development	Manufacturing	Marketing
Optical Disc Mold Group	Molds for optical disc molding, molds for powder metallurgy molding and others	SEIKOH GIKEN Co., Ltd.	SEIKOH GIKEN Co., Ltd.	SEIKOH GIKEN Co., Ltd. SEIKOH GIKEN USA, INC. (U.S.A.) SEIKOH GIKEN EUROPE GmbH (Germany)
	Lenses	SEIKOH GIKEN Co., Ltd. MILESTONE Co., Ltd. (Japan)	SEIKOH GIKEN Co., Ltd. SEIKOH GIKEN HANGZHOU Co., Ltd. (China)	SEIKOH GIKEN Co., Ltd. MILESTONE Co., Ltd. (Japan)
Optical Communications Group	Optical connectors, optical connector cables, optical attenuators, ferrules, isolators, optical connector polishing machines and others	SEIKOH GIKEN Co., Ltd.	SEIKOH GIKEN Co., Ltd. SEIKOH GIKEN HANGZHOU Co., Ltd. (China) SEIKOH GIKEN DALIAN Co., Ltd. (China)	SEIKOH GIKEN Co., Ltd. SEIKOH GIKEN USA, INC. (U.S.A.) SEIKOH GIKEN EUROPE GmbH (Germany) SEIKOH GIKEN Hong Kong Co., Ltd. (China) SEIKOH GIKEN HANGZHOU Co., Ltd. (China) SEIKOH GIKEN DALIAN Co., Ltd. (China)
	Passive light transmission devices, Optical electric field sensors, etc.	SEIKOH GIKEN Co., Ltd.	SEIKOH GIKEN Co., Ltd.	SEIKOH GIKEN Co., Ltd.

The following is the organizational chart of the Company Group:



3. Management Policies

(1) Basic policies of corporate management

Our management philosophy is “Based on outstanding technologies and creativity, we will supply high-quality products, contribute to social development, and pursue corporate growth and employee satisfaction, while fulfilling our social responsibilities.”

We will provide society with new value by utilizing the core technologies we have fostered since our founding and strive to continuously provide and improve stable corporate value to our stakeholders, which include our shareholders, customers, and employees and their families.

(2) Management index targets

For the current consolidated fiscal year, the Seikoh Giken Group experienced a large drop in sales accompanying the worsening of the global economy since the year before last resulting in a current net loss for 3 straight years. Although part of the market economy in which the Group is involved has bottomed out, the outlook is that more time will be required before a true recovery begins. In view of this, fundamental restructuring is required to transform the corporate structure as quickly as possible into one that will continuously improve corporate value, so in April of this year the Company launched a new five-year long-term business plan, “Master Plan 2010.” Master Plan 2010 sets targets of sales of ¥10 billion and consolidated ordinary profit of ¥1.4 billion in fiscal 2015, and to reach these targets we will we establish a strong operational foundation and strengthen sales ability and product appeal.

(3) Issues to be addressed by the Company and management strategies in the medium and long terms

The long-term business plan, Master Plan 2010, includes the corporate vision of “Becoming the best partner for customers around the world based on our core competency of precision machining. –Being indispensable for helping our customers grow—“. The Group recognizes that the following issues must be urgently addressed to realize this vision.

1) Restructure operations

a) Withdraw from unprofitable products

In the 38 years since its founding, the Group has utilized its core technologies of precision polishing, precision machining, and assembly to expand business and provide a variety of molds and optical communications related products to the market. As the market has matured, however, the technological barriers have lowered and competitors have increased around the world. Sales prices also continue to decline and although we are striving to lower manufacturing costs, some unprofitable products have begun to appear. By withdrawing from such unprofitable products we will build a wholesome business structure that continuously produces profits.

b) Production structure optimization

Since the Group established SEIKOH GIKEN USA, INC., in Georgia, USA, in 2000, until today, it has established 6 subsidiaries and 1 branch in Japan and abroad. During this time, the business environment surrounding the Company has rapidly changed. These changes include the growth of developing countries led by China, the accompanying increase in labor costs, changing needs in each market, quickening pace of business, and major changes in the preconditions for establishing a subsidiary. To respond to these changes and create the Group structure that best fits the current business environment, the Company is redefining the purpose of its headquarters and other facilities and organizing the functions of those facilities. At the same time, the facilities structure is being optimized through consolidation and elimination as necessary.

c) Selection and concentration of development resources

The Group consists of only two profit centers, the Precision Products & Engineering Business and the Fiber Optic Products Business, and both of these businesses are easily affected by customer capital investment. To achieve stable growth in companywide performance, creating new businesses to succeed these two businesses is an urgent task and to date the Company has made business development investments to target various markets with many proposals. The long-term business plan, Master Plan 2010, narrows down these proposals in terms of commercialization speed, growth potential, and degree of risk among other factors to select and concentrate business resources. Going forward the Company will strive to grow these new business proposals being developed so that they will contribute to earnings as quickly as possible.

d) Reasonable sizing of business resources

Today, as the scale of sales declines, labor costs and fixed costs, like depreciation, weigh on the Companies profitability. The business resources containing fixed costs must be revised to obtain a business structure that can continuously produce profits. To accomplish this, the Company has decided to reduce assets and labor. In particular, the two plants in Japan will be separated from the commercial assets and leased out by the Company and an elective retirement plan will be offered to all headquarters employees. This will make the Company lean and improve it earning power.

2) Business expansion

a) Strengthen sales capability

The competitive environment for the current product groups will continue to get tougher. In this environment, increasing share and presence in the market requires closer interaction with customers. Further, customer needs are diversifying for each global market, the speed of business decision making in each region is increasing, and efficiently managing profit and loss is now a requirement. In view of this, the Group is restructuring to form a sales management by region organization to keep a close watch on world markets (globalization) to accurately meet the needs of customers (market-in) to increase sales of existing products.

b) Strengthen product appeal

The information communications and digital home electronics related industries in which the Group belongs are subject to short product life cycles, so to achieve continuous growth in sales requires that new products be introduced to the market ahead of competitors. The Group will make the deliberation about starting development projects and progress management for projects in development structurally efficient to develop and introduce new products ahead of competitors. In addition, the Company will continue to promote the development of new products that capture the top share globally, such as optical disc molds and optical connector polishers.

3) Organizational restructuring

a) Organizational structure revision

The organization must function efficiently to implement the operational restructuring and business growth strategy according to plan. The Group has reorganized the existing Precision Products & Engineering Division and Fiber Optic Products Division by function for sales, technological development, and manufacturing to streamline the organization and speed up decision making. This is expected to open up information that has been kept inside the existing divisions and realize never before attained synergies. This will also simplify the organizational units and numerically clarify the profitability of each organizational unit to increase awareness and attain profit targets.

b) Improve corporate culture and conduct personnel training

As market needs change, the Company must keep a step ahead of the competition in identifying these changes and providing the market with products that lead the development of society. To achieve this requires personnel with the ability to foresee these changes while being willing to actively change the Company. The Group is working to foster the kind of organizational culture that will put each employee in the center of things and prompt them to take action while bringing in others to work together to produce results. In addition, systematic and effective personnel training will be conducted in line with the personnel training basic policy of “supporting individual autonomous career development and growth via the Company to improve the abilities of employees and pass on the core technologies to the next generation.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Unit: Thousands of yen)

	Previous Consolidated Accounting Year (As of March 31, 2009)	Current Consolidated Accounting Year (As of March 31, 2010)
Assets		
Current assets		
Cash and deposits	13,796,969	13,331,995
Notes and accounts receivable-trade	1,414,526	1,197,020
Merchandise and finished goods	195,104	217,228
Work in process	385,094	349,725
Raw materials and supplies	411,717	322,763
Income taxes receivable	17,790	22,977
Other	242,964	215,602
Allowance for doubtful accounts	(5,000)	(3,046)
Total current assets	16,459,167	15,654,266
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	4,333,845	3,910,151
Accumulated depreciation	(2,092,483)	(2,238,323)
Buildings and structures, net	2,241,362	1,671,827
Machinery, equipment and vehicles	2,429,688	2,369,637
Accumulated depreciation	(1,822,423)	(1,902,786)
Machinery, equipment and vehicles, net	607,265	466,850
Land	2,211,508	2,131,083
Other	2,006,206	2,177,840
Accumulated depreciation	(1,379,992)	(1,524,283)
Other, net	626,213	653,557
Total property, plant and equipment	5,686,349	4,923,319
Intangible assets		
Goodwill	89,936	7,639
Other	87,814	64,655
Total intangible assets	177,751	72,295
Investments and other assets		
Investment securities	13,553	15,336
Real estate for investment	876,999	869,055
Other	132,703	125,795
Allowance for doubtful accounts	(1,597)	—
Total investments and other assets	1,021,659	1,010,188
Total noncurrent assets	6,885,761	6,005,802
Total assets	23,344,928	21,660,069

(Unit: Thousands of yen)

	Previous Consolidated Accounting Year (As of March 31, 2009)	Current Consolidated Accounting Year (As of March 31, 2010)
Liabilities		
Current liabilities		
Accounts payable-trade	449,504	253,217
Current portion of long-term loans payable	20,880	—
Income taxes payable	31,064	32,318
Other	694,493	669,025
Total current liabilities	1,195,942	954,561
Noncurrent liabilities		
Provision for retirement benefits	297,932	328,534
Long-term accounts payable-other	148,814	147,490
Long-term guarantee deposited	145,630	128,497
Long-term lease deposited	19,037	19,037
Other	—	2,759
Total noncurrent liabilities	611,414	626,318
Total liabilities	1,807,356	1,580,880
Net assets		
Shareholders' equity		
Capital stock	6,791,682	6,791,682
Capital surplus	10,571,419	10,571,419
Retained earnings	4,880,104	3,400,178
Treasury stock	(427,107)	(427,143)
Total shareholders' equity	21,816,099	20,336,137
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(4,840)	(1,012)
Foreign currency translation adjustment	(285,796)	(255,936)
Total valuation and translation adjustments	(290,637)	(256,948)
Minority interests	12,109	—
Total net assets	21,537,571	20,079,188
Total liabilities and net assets	23,344,928	21,660,069

(2) Consolidated Income Statement

(Unit: Thousands of yen)

	Previous Consolidated Accounting Year (from April 1, 2008 to March 31, 2009)	Current Consolidated Accounting Year (from April 1, 2009 to March 31, 2010)
Net sales	6,426,466	4,683,374
Cost of sales	4,523,606	3,511,019
Gross profit	1,902,860	1,172,355
Selling, general and administrative expenses	2,613,077	2,097,842
Operating loss	(710,217)	(925,487)
Non-operating income		
Interest income	98,535	71,010
Dividends income	396	338
Rent of real estate for investment	38,400	38,400
Royalty income	13,078	11,646
Foreign exchange gains	15,467	23,133
Subsidy income	—	28,995
Other	24,408	53,870
Total non-operating income	190,286	227,394
Non-operating expenses		
Interest expenses	374	177
Rent cost of real estate	14,412	13,214
Loss on valuation of derivatives	14,873	948
Other	2,791	3,636
Total non-operating expenses	32,451	17,976
Ordinary loss	(552,381)	(716,068)
Extraordinary income		
Gain on sales of noncurrent assets	102	1,865
Reversal of allowance for doubtful accounts	74	1,466
Gain on abolishment of retirement benefit plan	—	21,439
Total extraordinary income	176	24,770
Extraordinary loss		
Loss on retirement of noncurrent assets	6,712	26,852
Loss on sales of noncurrent assets	—	450
Impairment loss	270,240	662,530
Loss on valuation of investment securities	2,599	2,332
Total extraordinary losses	279,551	692,165
Loss before income taxes and minority interests	(831,756)	(1,383,462)
Income taxes-current	61,026	28,136
Refund of income taxes for prior periods	—	(74,451)
Income taxes-deferred	48,370	17,785
Total income taxes	109,397	(28,529)
Minority interests in loss	(83,437)	(12,109)
Net loss	(857,716)	(1,342,823)

(3) Statement of Changes in Consolidated Shareholders' Equity

(Unit: Thousands of yen)

	Previous Consolidated Accounting Year (from April 1, 2008 to March 31, 2009)	Current Consolidated Accounting Year (from April 1, 2009 to March 31, 2010)
Shareholders' equity		
Capital stock		
Balance at the end of previous period	6,791,682	6,791,682
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of current period	6,791,682	6,791,682
Capital surplus		
Balance at the end of previous period	10,571,419	10,571,419
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of current period	10,571,419	10,571,419
Retained earnings		
Balance at the end of previous period	5,986,363	4,880,104
Effect of changes in accounting policies applied to foreign subsidiaries	27,445	—
Changes of items during the period		
Dividends from surplus	(275,988)	(137,102)
Net loss	(857,716)	(1,342,823)
Total changes of items during the period	(1,133,704)	(1,479,926)
Balance at the end of current period	4,880,104	3,400,178
Treasury stock		
Balance at the end of previous period	(370,462)	(427,107)
Changes of items during the period		
Purchase of treasury stock	(56,645)	(35)
Total changes of items during the period	(56,645)	(35)
Balance at the end of current period	(427,107)	(427,143)
Total shareholders' equity		
Balance at the end of previous period	22,979,003	21,816,099
Effect of changes in accounting policies applied to foreign subsidiaries	27,445	—
Changes of items during the period		
Dividends from surplus	(275,988)	(137,102)
Net loss	(857,716)	(1,342,823)
Purchase of treasury stock	(56,645)	(35)
Total changes of items during the period	(1,190,349)	(1,479,961)
Balance at the end of current period	21,816,099	20,336,137

(Unit: Thousands of yen)

	Previous Consolidated Accounting Year (from April 1, 2008 to March 31, 2009)	Previous Consolidated Accounting Year (from April 1, 2009 to March 31, 2010)
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at the end of previous period	1,814	(4,840)
Changes of items during the period		
Net changes of items other than shareholders' equity	(6,655)	3,827
Total changes of items during the period	(6,655)	3,827
Balance at the end of current period	(4,840)	(1,012)
Foreign currency translation adjustment		
Balance at the end of previous period	155,770	(285,796)
Changes of items during the period		
Net changes of items other than shareholders' equity	(441,566)	29,860
Total changes of items during the period	(441,566)	29,860
Balance at the end of current period	(285,796)	(255,936)
Total valuation and translation adjustments		
Balance at the end of previous period	157,584	(290,637)
Changes of items during the period		
Net changes of items other than shareholders' equity	(448,221)	33,688
Total changes of items during the period	(448,221)	33,688
Balance at the end of current period	(290,637)	(256,948)
Minority interests		
Balance at the end of previous period	―	12,109
Changes of items during the period		
Net changes of items other than shareholders' equity	12,109	(12,109)
Total changes of items during the period	12,109	(12,109)
Balance at the end of current period	12,109	―
Total net assets		
Balance at the end of previous period	23,136,587	21,537,571
Effect of changes in accounting policies applied to foreign subsidiaries	27,445	―
Changes of items during the period		
Dividends from surplus	(275,988)	(137,102)
Net loss	(857,716)	(1,342,823)
Purchase of treasury stock	(56,645)	(35)
Net changes of items other than shareholders' equity	(436,111)	21,578
Total changes of items during the period	(1,626,461)	(1,458,383)
Balance at the end of current period	21,537,571	20,079,188

(4) Consolidated Cash Flow Statement

(Unit: Thousands of yen)

	Previous Consolidated Accounting Year (from April 1, 2008 to December 31, 2009)	Previous Consolidated Accounting Year (from April 1, 2009 to December 31, 2010)
Net cash provided by (used in) operating activities		
Loss before income taxes and minority interests	(831,756)	(1,383,462)
Depreciation and amortization	634,016	499,116
Amortization of goodwill	72,994	77,862
Impairment loss	270,240	662,530
Interest and dividends income	(98,932)	(71,349)
Proceeds from rent income	(38,400)	(38,400)
Loss (gain) on sales of noncurrent assets	(102)	(1,414)
Loss on retirement of noncurrent assets	6,712	26,852
Loss (gain) on valuation of investment securities	2,599	2,332
Increase (decrease) in allowance for doubtful accounts	(300)	(3,625)
Increase (decrease) in long-term accounts payable-other	(199)	(1,327)
Increase (decrease) in provision for retirement benefits	28,855	30,602
Foreign exchange losses (gains)	(106)	(876)
Decrease (increase) in notes and accounts receivable-trade	273,216	229,547
Decrease (increase) in inventories	195,927	110,364
Decrease (increase) in other current assets	157,001	38,001
Increase (decrease) in notes and accounts payable-trade	247,766	(208,914)
Increase (decrease) in other current liabilities	(260,727)	(64,312)
Subtotal	658,804	(96,472)
Interest and dividends income received	101,116	95,632
Income taxes refund	51,273	93,485
Income taxes paid	(31,441)	(62,233)
Net cash provided by (used in) operating activities	779,752	30,412
Net cash provided by (used in) investing activities		
Payments into time deposits	(13,562,623)	(12,260,102)
Proceeds from withdrawal of time deposits	13,111,190	12,178,722
Purchase of property, plant and equipment	(426,325)	(360,296)
Proceeds from sales of property, plant and equipment	16,363	2,732
Purchase of intangible assets	(8,755)	(3,567)
Purchase of investment securities	(306)	(288)
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	60,411	—
Payments for guarantee deposits	—	(34,610)
Proceeds from collection of guarantee deposits	—	1,345
Proceeds from rental of real estate for investment	38,400	38,400
Other payments	(3,562)	(3,080)
Other proceeds	2,095	4,076
Payments of loans receivable	(50,000)	—
Net cash provided by (used in) investing activities	(823,111)	(436,669)

(Unit: Thousands of yen)

	Previous Consolidated Accounting Year (from April 1, 2008 to March 31, 2009)	Current Consolidated Accounting Year (from April 1, 2009 to March 31, 2010)
Net cash provided by (used in) financing activities		
Purchase of treasury stock	(56,645)	(35)
Repayment of long-term loans payable	(62,255)	(20,880)
Cash dividends paid	(275,982)	(137,102)
Net cash provided by (used in) financing activities	(394,882)	(158,018)
Effect of exchange rate change on cash and cash equivalents	(200,752)	17,043
Net increase (decrease) in cash and cash equivalents	(638,994)	(547,231)
Cash and cash equivalents at beginning of period	2,857,613	2,218,619
Cash and cash equivalents at end of period	2,218,619	1,671,388

(Segment Information)

a. Segment Information by Business Type

Previous Consolidated Accounting Year (from April 1, 2008 to March 31, 2009)

(Unit: Thousands of yen)

	Optical Disk Mold Group	Optical Communications Group	Total	Elimination or Company-total	Consolidated
I. Sales Amount and Operating Profit or (Loss)					
Sales Amount					
(1) Sales amount to external customers	1,550,969	4,875,497	6,426,466	–	6,426,466
(2) Internal sales amount or transfer amount between segments	–	–	–	–	–
Total	1,550,969	4,875,497	6,426,466	–	6,426,466
Operating Expenses	2,109,513	5,027,170	7,136,684	–	7,136,684
Operating (Loss)	(558,544)	(151,672)	(710,217)	–	(710,217)
II. Assets, Depreciation and amortization, Impairment Loss and Capital Expenditure					
Assets	2,006,370	4,839,791	6,846,162	16,498,766	23,344,928
Depreciation Expenses	211,699	360,204	571,904	135,107	707,011
Impairment Loss	153,963	21,547	175,510	94,729	270,240
Capital Expenditure	206,915	178,598	585,514	12,612	398,127

Notes: 1. The business category is defined in consideration of the product group and market similarity.

2. Main products by business category

(1) Optical Disk Mold Group: Molds for optical disc molding, molds for powder metallurgy molding, lens and others

(2) Optical Communications Group: Optical connectors, optical connector cables, optical attenuators, ferrules, isolators, optical connector polishing machines, passive light transmission devices and others

3. The company-wide asset figure included in the “Elimination or Company-total” item out of the total assets is ¥16,498,766 thousand and its main components are surplus investment funds (cash and deposits) and assets related to administrative organization of the Company.

4. Changes in the method of accounting procedures

(Accounting standards related to valuation of inventory assets)

As indicated in 4 of “Important Matters Used as the Basis for Preparing the Consolidated Financial Statements,” starting from the current consolidated accounting year, “Accounting standards related to valuation of inventory assets” (Corporate accounting standard No. 9, July 5, 2006) is applied. The effects of this change on the current consolidated accounting year are an increase in the operating loss for the Optical Disk Mold Group of ¥4,814 thousand and for the Optical Communications Group of ¥48,613 thousand.

Current Consolidated Accounting Year (from April 1, 2009 to March 31, 2010)

(Unit: Thousands of yen)

	Optical Disk Mold Group	Optical Communications Group	Total	Elimination or Company-total	Consolidated
I. Sales Amount and Operating Profit or (Loss)					
Sales Amount					
(1) Sales amount to external customers	906,720	3,776,654	4,683,374	–	4,683,374
(2) Internal sales amount or transfer amount between segments	–	–	–	–	–
Total	906,720	3,776,654	4,683,374	–	4,683,374
Operating Expenses	1,623,433	3,985,428	5,608,861	–	5,608,861
Operating (Loss)	(716,713)	(208,773)	(925,487)	–	(925,487)
II. Assets, Depreciation and amortization, Impairment Loss and Capital Expenditure					
Assets	1,603,256	4,198,846	5,802,102	15,857,966	21,660,069
Depreciation and amortization	106,215	304,563	410,779	166,200	576,979
Impairment Loss	66,065	387,005	453,071	209,458	662,530
Capital Expenditure	208,887	116,031	324,919	78,350	403,269

Notes: 1. The business category is defined in consideration of the product group and market similarity.

2. Main products by business category

(1) Optical Disk Mold Group: Molds for optical disc molding, molds for powder metallurgy molding, lens and others

(2) Optical Communications Group: Optical connectors, optical connector cables, optical attenuators, ferrules, isolators, optical connector polishing machines, passive light transmission devices and others

3. The company-wide asset figure included in the “Elimination or Company-total” item out of the total assets is ¥15,858,509 thousand and its main components are surplus investment funds (cash and deposits) and assets related to administrative organization of the Company.

b. Segment Information by Location

Previous Consolidated Accounting Year (from April 1, 2008 to March 31, 2009)

(Unit: Thousands of yen)

	Japan	North America	Asia	Europe	Total	Elimination or Company-total	Consolidated
I. Sales Amount and Operating Profit or (Loss)							
Sales Amount							
(1) Sales amount to external customers	3,089,534	1,161,360	1,128,109	1,047,461	6,426,466	–	6,426,466
(2) Internal sales amount or transfer Amount between segments	2,130,149	13,140	1,401,293	449	3,545,033	(3,545,033)	–
Total	5,219,683	1,174,501	2,529,403	1,047,911	9,971,499	(3,545,033)	6,426,466
Operating Expenses	6,241,815	1,114,407	2,351,244	1,036,367	10,743,834	(3,607,149)	7,136,684
Operating Profit or (Loss)	(1,022,131)	60,093	178,159	11,544	(772,334)	62,116	(710,217)
II. Assets	6,571,181	479,471	2,174,610	424,392	9,649,657	13,695,271	23,344,928

Notes: 1. The category of country or territory is based on geographical proximity.

2. Details of countries and territories belonging to categories other than Japan are as follows:

(1) North America: U.S.A.

(2) Asia: China, Taiwan

(3) Europe: Germany

3. The company-wide asset amount included in the “Elimination or Company-total” item out of the total assets is ¥16,498,766 thousand and its main components are surplus funds for investment (cash and deposits) related to administrative organizations.

4. Changes in the method of accounting procedures

(Accounting standards related to valuation of inventory assets)

As indicated in 4 of “Changes in principle, procedure, display method, etc. relating to accounting procedures for the preparation of quarterly consolidated financial statements,” starting from the current consolidated first quarter, “Accounting standards related to valuation of inventory assets” (Corporate accounting standard No. 9, July 5, 2006) is applied. Accordingly, operating loss for the current consolidated accounting year increased by ¥53,427 thousand in Japan under the new method.

Current Consolidated Accounting Year (from April 1, 2009 to March 31, 2010)

(Unit: Thousands of yen)

	Japan	North America	Asia	Europe	Total	Elimination or Company-total	Consolidated
I. Sales Amount and Operating Profit or (Loss)							
Sales Amount							
(1) Sales amount to external customers	2,047,671	743,429	1,169,405	722,869	4,683,374	–	4,683,374
(2) Internal sales amount or transfer Amount between segments	1,058,671	2,989	961,391	901	2,023,954	(2,023,954)	–
Total	3,106,343	746,418	2,130,796	723,770	6,707,329	(2,023,954)	4,683,374
Operating Expenses	4,262,098	754,356	1,927,178	748,917	7,692,551	(2,083,689)	5,608,861
Operating Profit or (Loss)	(1,155,755)	(7,937)	203,617	(25,146)	(985,221)	59,734	(925,487)
II. Assets	5,579,850	417,625	2,505,081	398,340	8,900,897	12,759,171	21,660,069

Notes: 1. The category of country or territory is based on geographical proximity.

2. Details of countries and territories belonging to categories other than Japan are as follows:

(1) North America: U.S.A.

(2) Asia: China, Taiwan

(3) Europe: Germany

3. The company-wide asset amount included in the “Elimination or Company-total” item out of the total assets is ¥15,836,390 thousand and its main components are surplus funds for investment (cash and deposits) related to administrative organizations.

c. Overseas Sales Amount

Previous Consolidated Accounting Year (from April 1, 2008 to March 31, 2009)

(Unit: Thousands of yen)

	America and Regions	Europe and Regions	Asia and Other Regions	Total
I. Overseas sales amount	1,161,360	1,088,288	1,306,093	3,555,742
II. Consolidated sales amount	–	–	–	6,426,466
III. Overseas sales amount ratio to consolidated sales amount	18.1%	16.9%	20.3%	55.3%

Notes: 1. The category of country or territory is based on geographical proximity.
2. Details of countries and territories belonging to categories other than Japan are as follows:
(1) North America: U.S.A.
(2) Asia: China, Taiwan
(3) Europe: Germany
3. Overseas sales amount means the sales amount of our Company and consolidated subsidiaries in countries and territories other than Japan.

Current Consolidated Accounting Year (from April 1, 2009 to March 31, 2010)

(Unit: Thousands of yen)

	America and Regions	Europe and Regions	Asia and Other Regions	Total
I. Overseas sales amount	743,429	723,567	1,303,341	2,770,337
II. Consolidated sales amount	–	–	–	4,683,374
III. Overseas sales amount ratio to consolidated sales amount	15.9%	15.5%	27.8%	59.2%

Notes: 1. The category of country or territory is based on geographical proximity.
2. Details of countries and territories belonging to categories other than Japan are as follows:
(1) North America: U.S.A.
(2) Asia: China, Taiwan
(3) Europe: Germany
3. Overseas sales amount means the sales amount of our Company and consolidated subsidiaries in countries and territories other than Japan.

5. Individual Financial Statements

(1) Balance Sheet

(Unit: Thousands of yen)

	37th Term (As of March 31, 2009)	38th Term (As of March 31, 2010)
Assets		
Current assets		
Cash and deposits	12,784,413	12,277,319
Notes receivable-trade	211,630	131,660
Accounts receivable-trade	924,610	795,490
Merchandise and finished goods	7,487	14,570
Work in process	302,211	236,166
Raw materials and supplies	201,489	169,142
Prepaid expenses	2,935	5,528
Income taxes receivable	17,790	18,479
Accounts receivable-other	163,336	193,064
Deferred tax assets	3,762	1,313
Consumption taxes receivable	69,295	39,454
Other	60,107	37,183
Allowance for doubtful accounts	(260)	(340)
Total current assets	14,748,810	13,919,033
Noncurrent assets		
Property, plant and equipment		
Buildings	3,897,553	3,448,648
Accumulated depreciation	(1,897,800)	(2,015,450)
Buildings, net	1,999,752	1,433,197
Structures	185,548	182,790
Accumulated depreciation	(142,410)	(148,863)
Structures, net	43,138	33,927
Machinery and equipment	1,573,209	1,473,939
Accumulated depreciation	(1,337,294)	(1,330,878)
Machinery and equipment, net	235,915	143,061
Vehicles	23,363	25,745
Accumulated depreciation	(13,795)	(17,898)
Vehicles, net	9,567	7,846
Tools, furniture and fixtures	1,568,274	1,532,288
Accumulated depreciation	(1,117,182)	(1,222,247)
Tools, furniture and fixtures, net	451,091	310,041
Land	2,211,508	2,131,083
Total property, plant and equipment	4,950,973	4,059,158
Intangible assets		
Goodwill	62,330	7,639
Software	31,174	12,129
Right of using facilities	3,081	2,736
Total intangible assets	96,586	22,505
Investments and other assets		
Investment securities	13,553	15,336
Stocks of subsidiaries and affiliates	537,402	431,322
Investments in capital of subsidiaries and affiliates	1,948,217	2,198,217
Real estate for investment	876,999	869,055
Deferred tax assets	3,278	1,045
Insurance funds	114,180	113,185
Other	3,668	7,250
Allowance for doubtful accounts	(1,597)	—
Total investments and other assets	3,495,703	3,635,413
Total noncurrent assets	8,543,263	7,717,077
Total assets	23,292,074	21,636,111

(Unit: Thousands of yen)

	37th Term (As of March 31, 2009)	38th Term (As of March 31, 2010)
Liabilities		
Current liabilities		
Accounts payable-trade	210,576	236,949
Accounts payable-other	347,557	317,149
Accrued expenses	171,670	165,533
Income taxes payable	22,758	17,782
Deposits received	28,774	28,021
Unearned revenue	3,200	3,200
Other	31,483	21,048
Total current liabilities	816,020	789,684
Noncurrent liabilities		
Provision for retirement benefits	297,932	328,534
Long-term accounts payable-other	148,570	147,470
Long-term guarantee deposited	145,630	128,497
Long-term lease deposited	19,037	19,037
Total noncurrent liabilities	611,169	623,538
Total liabilities	1,427,190	1,413,223
Net assets		
Shareholders' equity		
Capital stock	6,791,682	6,791,682
Capital surplus		
Legal capital surplus	10,571,419	10,571,419
Total capital surplus	10,571,419	10,571,419
Retained earnings		
Legal retained earnings	1,697,920	1,697,920
Other retained earnings		
General reserve	5,500,000	3,000,000
Retained earnings brought forward	(2,264,190)	(1,409,979)
Total retained earnings	4,933,729	3,287,941
Treasury stock	(427,107)	(427,143)
Total shareholders' equity	21,869,724	20,223,900
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(4,840)	(1,012)
Total valuation and translation adjustments	(4,840)	(1,012)
Total net assets	21,864,883	20,222,887
Total liabilities and net assets	23,292,074	21,636,111

(2) Consolidated Income Statement

(Unit: Thousands of yen)

	37th Term (from April 1, 2008 to March 31, 2009)	38th Term (from April 1, 2009 to March 31, 2010)
Net sales		
Net sales of finished goods	5,227,382	3,046,215
Net sales of goods	28,505	23,758
Total net sales	5,255,888	3,069,974
Cost of sales		
Cost of finished goods sold		
Beginning finished goods	16,771	7,487
Cost of products manufactured	4,253,769	2,652,690
Total	4,270,541	2,660,178
Transfer to other account	67,224	35,778
Ending finished goods	7,487	12,546
Cost of finished goods sold	4,195,828	2,611,852
Cost of goods sold		
Beginning goods	21	—
Cost of purchased goods	14,952	17,059
Total	14,973	17,059
Goods transfer to other account	—	(15)
Ending goods	—	2,024
Cost of goods sold	14,973	15,050
Total cost of sales	4,210,801	2,626,903
Gross profit	1,045,087	443,071
Selling, general and administrative expenses	1,974,147	1,485,672
Operating loss	(929,060)	(1,042,601)
Non-operating income		
Interest income	85,277	66,280
Dividends income	207,840	12,969
Rent of real estate for investment	38,400	38,400
Foreign exchange gains	—	5,289
Royalty income	25,471	45,649
Subsidy income	—	28,995
Other	27,153	43,895
Total non-operating income	384,142	241,481
Non-operating expenses		
Rent cost of real estate	14,412	13,214
Foreign exchange losses	17,392	—
Loss on valuation of derivatives	14,873	948
Other	1,909	411
Total non-operating expenses	48,586	14,574
Ordinary loss	(593,505)	(815,693)
Extraordinary income		
Gain on sales of noncurrent assets	44	1,865
Reversal of allowance for doubtful accounts	190	—
Gain on abolishment of retirement benefit plan	—	21,439
Total extraordinary income	234	23,304
Extraordinary loss		
Loss on retirement of noncurrent assets	672	14,357
Loss on valuation of investment securities	2,599	2,332
Loss on valuation of subsidiaries' stocks	—	106,080
Impairment loss	209,484	655,850
Total extraordinary losses	212,755	778,621
Loss before income taxes	(806,026)	(1,571,010)
Income taxes-current	11,191	7,445
Refund of income taxes	—	(74,451)
Income taxes-deferred	54,534	4,681
Total income taxes	65,725	(62,324)
Net loss	(871,751)	(1,508,685)

(3) Statement of Changes in Consolidated Shareholders’ Equity

(Unit: Thousands of yen)

	37th Term (from April 1, 2008 to March 31, 2009)	38th Term (from April 1, 2009 to March 31, 2010)
Shareholders' equity		
Capital stock		
Balance at the end of previous period	6,791,682	6,791,682
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of current period	6,791,682	6,791,682
Capital surplus		
Legal capital surplus		
Balance at the end of previous period	10,571,419	10,571,419
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of current period	10,571,419	10,571,419
Total capital surplus		
Balance at the end of previous period	10,571,419	10,571,419
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of current period	10,571,419	10,571,419
Retained earnings		
Legal retained earnings		
Balance at the end of previous period	1,697,920	1,697,920
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of current period	1,697,920	1,697,920
Other retained earnings		
General reserve		
Balance at the end of previous period	5,500,000	5,500,000
Changes of items during the period		
Reversal of general reserve	—	(2,500,000)
Total changes of items during the period	—	(2,500,000)
Balance at the end of current period	5,500,000	3,000,000
Retained earnings brought forward		
Balance at the end of previous period	(1,116,451)	(2,264,190)
Changes of items during the period		
Dividends from surplus	(275,988)	(137,102)
Reversal of general reserve	—	2,500,000
Net loss	(871,751)	(1,508,685)
Total changes of items during the period	(1,147,739)	854,211
Balance at the end of current period	(2,264,190)	(1,409,979)

(Unit: Thousands of yen)

	37th Term (from April 1, 2008 to March 31, 2009)	38th Term (from April 1, 2009 to March 31, 2010)
Total retained earnings		
Balance at the end of previous period	6,081,469	4,933,729
Changes of items during the period		
Dividends from surplus	(275,988)	(137,102)
Reversal of general reserve	—	—
Net loss	(871,751)	(1,508,685)
Total changes of items during the period	(1,147,739)	(1,645,788)
Balance at the end of current period	4,933,729	3,287,941
Treasury stock		
Balance at the end of previous period	(370,462)	(427,107)
Changes of items during the period		
Purchase of treasury stock	(56,645)	(35)
Total changes of items during the period	(56,645)	(35)
Balance at the end of current period	(427,107)	(427,143)
Total shareholders' equity		
Balance at the end of previous period	23,074,109	21,869,724
Changes of items during the period		
Dividends from surplus	(275,988)	(137,102)
Net loss	(871,751)	(1,508,685)
Purchase of treasury stock	(56,645)	(35)
Total changes of items during the period	(1,204,385)	(1,645,824)
Balance at the end of current period	21,869,724	20,223,900
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at the end of previous period	1,814	(4,840)
Changes of items during the period		
Inserted directly into net assets	(6,655)	3,827
Total changes of items during the period	(6,655)	3,827
Balance at the end of current period	(4,840)	(1,012)
Total valuation and translation adjustments		
Balance at the end of previous period	1,814	(4,840)
Changes of items during the period		
Inserted directly into net assets	(6,655)	3,827
Total changes of items during the period	(6,655)	3,827
Balance at the end of current period	(4,840)	(1,012)
Total net assets		
Balance at the end of previous period	23,075,924	21,864,883
Changes of items during the period		
Dividends from surplus	(275,988)	(137,102)
Net loss	(871,751)	(1,508,685)
Inserted directly into net assets	(6,655)	3,827
Purchase of treasury stock	(56,645)	(35)
Total changes of items during the period	(1,211,040)	(1,641,996)
Balance at the end of current period	21,864,883	20,222,887