

FP CORPORATION and Subsidiaries

*Consolidated Financial Statements for the
Years Ended March 31, 2009 and 2008, and
Independent Auditors' Report*

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
FP CORPORATION:

We have audited the accompanying consolidated balance sheets of FP CORPORATION (the "Company") and subsidiaries as of March 31, 2009 and 2008, and the related consolidated statements of income, changes in equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of FP CORPORATION and subsidiaries as of March 31, 2009 and 2008, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

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

Deloitte Touche Tohmatsu

June 26, 2009

Consolidated Balance Sheets

FP CORPORATION and Subsidiaries

March 31, 2009 and 2008

| ASSETS | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
|--|------------------|------------------|--|
| | 2009 | 2008 | 2009 |
| CURRENT ASSETS: | | | |
| Cash and cash equivalents | ¥ 16,108 | ¥ 8,225 | \$ 163,982 |
| Receivables: | | | |
| Trade notes | 9,911 | 8,232 | 100,896 |
| Trade accounts | 15,511 | 15,513 | 157,905 |
| Associated companies | 457 | 492 | 4,652 |
| Other | 2,548 | 3,143 | 25,939 |
| Lease investment assets (Notes 2.1.and 13) | 100 | | 1,018 |
| Allowance for doubtful accounts | (85) | (137) | (865) |
| Inventories (Notes 2.d.and 4) | 12,299 | 14,124 | 125,206 |
| Prepaid expenses and other current assets (Note 15) | 1,667 | 1,047 | 16,971 |
| Total Current Assets | 58,516 | 50,639 | 595,704 |
| PROPERTY, PLANT AND EQUIPMENT (Note 5): | | | |
| Land | 22,865 | 21,581 | 232,770 |
| Buildings and structures | 60,276 | 57,303 | 613,621 |
| Machinery and equipment | 18,163 | 17,447 | 184,903 |
| Tools, furniture and fixtures | 13,220 | 12,879 | 134,582 |
| Lease assets (Note 2.1.) | 15,471 | | 157,498 |
| Construction in progress | 154 | 133 | 1,567 |
| Total | 130,149 | 109,343 | 1,324,941 |
| Accumulated depreciation | (56,804) | (51,672) | (578,275) |
| Net Property, Plant and Equipment | 73,345 | 57,671 | 746,666 |
| INVESTMENTS AND OTHER ASSETS: | | | |
| Investment securities (Note 3) | 2,755 | 2,859 | 28,046 |
| Investments in and advances to associated companies | 164 | 276 | 1,670 |
| Long-term loans | 795 | 3,488 | 8,093 |
| Goodwill | 243 | 5 | 2,474 |
| Deferred tax assets (Note 12) | 762 | 877 | 7,757 |
| Other assets | 2,296 | 1,993 | 23,374 |
| Allowance for doubtful accounts | (84) | (215) | (855) |
| Total Investments and Other Assets | 6,931 | 9,283 | 70,559 |
| TOTAL | ¥ 138,792 | ¥ 117,593 | \$ 1,412,929 |

See notes to consolidated financial statements.

FP CORPORATION and Subsidiaries
March 31, 2009 and 2008

LIABILITIES AND EQUITY

| | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
|--|-----------------|---------------|--|
| | 2009 | 2008 | 2009 |
| CURRENT LIABILITIES: | | | |
| Short-term bank loans (Note 7) | ¥ 21,200 | ¥ 10,200 | \$ 215,820 |
| Current portion of long-term debt (Note 7) | 9,285 | 8,102 | 94,523 |
| Payables: | | | |
| Trade accounts | 13,745 | 17,479 | 139,927 |
| Associated companies | | 0 | |
| Other | 4,973 | 4,174 | 50,626 |
| Commercial paper | | 10,000 | |
| Lease obligation (Note 2.1.) | 3,264 | | 33,228 |
| Accrued income taxes | 2,815 | 801 | 28,657 |
| Accrued expenses | 3,073 | 2,013 | 31,284 |
| Other current liabilities | 99 | 86 | 1,008 |
| Total Current Liabilities | 58,454 | 52,855 | 595,073 |
| LONG-TERM LIABILITIES: | | | |
| Long-term debt (Note 7) | 14,304 | 11,451 | 145,617 |
| Lease obligation (Note 2.1.) | 9,467 | | 96,376 |
| Liability for employees' retirement benefits (Note 8) | 1,371 | 1,256 | 13,957 |
| Retirement allowances for directors and corporate auditors (Note 9) | 705 | 677 | 7,177 |
| Other long-term liabilities | 243 | 330 | 2,474 |
| Total Long-Term Liabilities | 26,090 | 13,714 | 265,601 |

COMMITMENTS AND CONTINGENT
LIABILITIES (Notes 15,16 and 17)

EQUITY (Note 10):

| | | | |
|---|------------------|------------------|---------------------|
| Common stock, | | | |
| Authorized — 60,000,000 shares in 2009 and 2008 | | | |
| Issued — 22,142,106 shares in 2009 and 2008 | 13,151 | 13,151 | 133,880 |
| Capital surplus | 15,488 | 15,488 | 157,671 |
| Retained earnings | 29,254 | 25,275 | 297,811 |
| Net unrealized gain on available-for-sale securities | 192 | 218 | 1,955 |
| Treasury stock — at cost | | | |
| 1,257,341 shares in 2009 and 1,006,055 shares in 2008 | (3,902) | (3,165) | (39,723) |
| Total | 54,183 | 50,967 | 551,594 |
| Minority interests | 65 | 57 | 661 |
| Total Equity | 54,248 | 51,024 | 552,255 |
| TOTAL | ¥ 138,792 | ¥ 117,593 | \$ 1,412,929 |

See notes to consolidated financial statements.

Consolidated Statements of Income
FP CORPORATION and Subsidiaries
Years ended March 31, 2009 and 2008

| | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
|---|-----------------|-----------|--|
| | 2009 | 2008 | 2009 |
| NET SALES | ¥ 128,244 | ¥ 125,514 | \$ 1,305,548 |
| COST OF SALES (Note 11) | 93,099 | 93,954 | 947,765 |
| Gross Profit | 35,145 | 31,560 | 357,783 |
| SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 11) | 25,954 | 25,573 | 264,217 |
| Operating Income | 9,191 | 5,987 | 93,566 |
| OTHER INCOME (EXPENSES): | | | |
| Interest and dividend income | 181 | 187 | 1,843 |
| Interest expense | (688) | (361) | (7,004) |
| Loss on valuation of investment of securities | (220) | | (2,240) |
| Loss on valuation of inventories | | (39) | |
| Other — net (Note 6) | 369 | 808 | 3,757 |
| Other income — net | (358) | 595 | (3,644) |
| INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS | 8,833 | 6,582 | 89,922 |
| INCOME TAXES (Note 12): | | | |
| Current | 3,955 | 2,435 | 40,263 |
| Deferred | (435) | (19) | (4,428) |
| Total | 3,520 | 2,416 | 35,835 |
| MINORITY INTERESTS IN NET INCOME | 11 | 9 | 112 |
| NET INCOME | ¥ 5,302 | ¥ 4,157 | \$ 53,975 |

| | Yen | | U.S. Dollars (Note 1) |
|---------------------------------------|----------|----------|-----------------------|
| PER SHARE OF COMMON STOCK (Note 2.p): | | | |
| Basic net income | ¥ 253.29 | ¥ 192.18 | \$ 2.58 |
| Cash dividends | 76.00 | 58.00 | 0.77 |

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

FP CORPORATION and Subsidiaries

Years ended March 31, 2009 and 2008

| | Issued number of shares of common stock | Common stock | Capital surplus | Retained earnings | Shares / Millions of Yen | | Total | Minority interests | Total equity |
|----------------------------------|---|--------------|-----------------|-------------------|--|----------------|----------|--------------------|--------------|
| | | | | | Net unrealized gain (loss) on available-for-sale securities | Treasury stock | | | |
| BALANCE AT APRIL 1, 2007 | 22,142,106 | ¥ 13,151 | ¥ 15,488 | ¥ 22,359 | ¥ 823 | ¥ (1,004) | ¥ 50,817 | ¥ 49 | ¥ 50,866 |
| Cash dividends, ¥57.00 per share | | | | (1,241) | | | (1,241) | | (1,241) |
| Net income | | | | 4,157 | | | 4,157 | | 4,157 |
| Purchase in treasury stock | | | | | | (2,162) | (2,162) | | (2,162) |
| Disposal of treasury stock | | | | (0) | | 1 | 1 | | 1 |
| Net change in the year | | | | | (605) | | (605) | 8 | (597) |
| BALANCE AT MARCH 31, 2008 | 22,142,106 | ¥13,151 | ¥15,488 | ¥ 25,275 | ¥218 | ¥(3,165) | ¥50,967 | ¥57 | ¥51,024 |
| Cash dividends, ¥63.00 per share | | | | (1,323) | | | (1,323) | | (1,323) |
| Net income | | | | 5,302 | | | 5,302 | | 5,302 |
| Purchase in treasury stock | | | | | | (737) | (737) | | (737) |
| Disposal of treasury stock | | | 0 | | | 0 | 0 | | 0 |
| Net change in the year | | | | | (26) | | (26) | 8 | (18) |
| BALANCE AT MARCH 31, 2009 | 22,142,106 | ¥13,151 | ¥15,488 | ¥29,254 | ¥192 | ¥(3,902) | ¥54,183 | ¥65 | ¥54,248 |

| | Common stock | Capital surplus | Retained earnings | Thousands of U.S. Dollars (Note 1) | | Total | Minority interests | Total equity |
|----------------------------------|--------------|-----------------|-------------------|--|----------------|------------|--------------------|--------------|
| | | | | Net unrealized gain (loss) on available-for-sale securities | Treasury stock | | | |
| BALANCE AT MARCH 31, 2008 | \$ 133,880 | \$ 157,671 | \$ 257,304 | \$ 2,220 | \$ (32,220) | \$ 518,855 | \$ 580 | \$ 519,435 |
| Cash dividends, \$0.64 per share | | | (13,468) | | | (13,468) | | (13,468) |
| Net income | | | 53,975 | | | 53,975 | | 53,975 |
| Purchase in treasury stock | | | | | (7,503) | (7,503) | | (7,503) |
| Disposal of treasury stock | | 0 | | | 0 | 0 | | 0 |
| Net change in the year | | | | (265) | | (265) | 81 | (184) |
| BALANCE AT MARCH 31, 2009 | \$ 133,880 | \$ 157,671 | \$ 297,811 | \$ 1,955 | \$ (39,723) | \$ 551,594 | \$ 661 | \$ 552,255 |

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows
FP CORPORATION and Subsidiaries
Years ended March 31, 2009 and 2008

| | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
|--|-----------------|----------------|--|
| | 2009 | 2008 | 2009 |
| OPERATING ACTIVITIES: | | | |
| Income before income taxes and minority interests | ¥ 8,833 | ¥ 6,582 | \$ 89,922 |
| Adjustments for: | | | |
| Income taxes - paid | (1,961) | (3,924) | (19,963) |
| Depreciation and amortization | 8,467 | 4,742 | 86,196 |
| Impairment loss | 201 | | 2,046 |
| Provision for allowance for doubtful accounts | (184) | (218) | (1,874) |
| Loss on disposal of property, plant and equipment | 151 | 32 | 1,537 |
| Provision for retirement benefits | 115 | 57 | 1,171 |
| Retirement allowances for directors and corporate auditors | 27 | 12 | 275 |
| Changes in operating assets and liabilities, net of effects: | | | |
| (Increase) decrease in trade receivables | (1,545) | 4,578 | (15,728) |
| Decrease (increase) in inventories | 1,825 | (1,656) | 18,579 |
| Decrease in other accounts receivables | 354 | 1,053 | 3,604 |
| Decrease in trade payables | (3,735) | (1,487) | (38,024) |
| Other — net | 2,021 | (666) | 20,574 |
| Total adjustments | 5,736 | 2,523 | 58,393 |
| Net cash provided by operating activities | 14,569 | 9,105 | 148,315 |
| INVESTING ACTIVITIES: | | | |
| Purchases of property, plant and equipment | (7,833) | (11,893) | (79,741) |
| Purchases of intangible assets | (720) | | (7,330) |
| Proceeds from sales of investment securities | 6 | 33 | 61 |
| Purchases of investment securities | (117) | (48) | (1,191) |
| Decrease in short-term loans — net | 38 | 41 | 387 |
| Payments for long-term loans | (505) | (764) | (5,141) |
| Proceeds from collection of long-term loans | 3,489 | 963 | 35,519 |
| Increase in other assets | (83) | (340) | (845) |
| Net cash used in investing activities | (5,725) | (12,008) | (58,281) |
| FINANCING ACTIVITIES: | | | |
| Increase (decrease) in short-term bank loans — net | 11,000 | (3,450) | 111,982 |
| (Decrease) increase in Commercial paper — net | (10,000) | 10,000 | (101,802) |
| Proceeds from long-term debt | 13,300 | 8,150 | 135,397 |
| Repayments of long-term debt | (9,265) | (8,360) | (94,319) |
| Purchase of treasury stock | (737) | (2,162) | (7,503) |
| Dividends paid | (1,322) | (1,240) | (13,458) |
| Repayments of lease obligations | (3,606) | | (36,710) |
| Repayments of obligations under reorganization proceeding of subsidiaries | (328) | (333) | (3,339) |
| Other — net | (3) | | (32) |
| Net cash (used in) provided by financing activities | (961) | 2,605 | (9,784) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 7,883 | (298) | 80,250 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 8,225 | 8,523 | 83,732 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | ¥ 16,108 | ¥ 8,225 | \$ 163,982 |

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

FP CORPORATION and Subsidiaries

Years ended March 31, 2009 and 2008

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of FP Corporation (the "Company") have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2008 consolidated financial statements to conform to the classifications used in 2009.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥98.23 to \$1, the rate of exchange at March 31, 2009. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of consolidation

The consolidated financial statements as of March 31, 2009 and 2008 include the accounts of the Company and all subsidiaries (28 in 2009 and 29 in 2008) (together, the "Group").

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated.

Investments in the associated companies are stated at cost. If the equity method of accounting had been applied to the investments in those companies, the effect on the accompanying consolidated financial statements would not be material.

The significant excess of the Company's investments in consolidated subsidiaries over its equity in the net assets at the respective dates of acquisition is being amortized over five years. The insignificant excess of cost over net assets of subsidiaries acquired is charged to income when incurred.

Negative goodwill is reported in the balance sheet as other long-term liabilities and is amortized using the straight-line method over five years.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

(b) Cash Equivalents

Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Cash equivalents include time deposits and mutual funds investing in bonds that represent short-term investments, all of which mature or become due within three months of the date of acquisition.

(c) Investment Securities

Investment securities are classified as available-for-sale securities and are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. The cost of securities sold is determined based on the moving-average method. Non-marketable available-for-sale securities are stated at cost determined by the moving-average method. For other than temporary declines in fair value, marketable and non-marketable available-for-sale securities are reduced to net realizable value by a charge to income.

(d) Inventories

Prior to April 1, 2008, inventories were stated at cost. Merchandise, finished products, semi-finished products, raw materials and work in process were stated at cost determined by the monthly average-method. Real estate for sale was stated at cost determined by the specific identification method. Supplies were stated at cost determined by the last purchased cost method.

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

The Group applied this new accounting standard for measurement of inventories effective April 1, 2008. The effect of this change was to decrease operating income and income before income taxes and minority interests by ¥29 million (\$295 thousand).

(e) Property, Plant and Equipment

Property, plant and equipment are stated at cost.

Depreciation is computed substantially by the declining-balance method over the estimated useful lives of the assets. Additionally, equipment of certain consolidated subsidiaries is depreciated by the straight-line method. Machinery and equipment held for lease are depreciated by the straight-line over the respective lease periods.

The range of useful lives are mainly as follows:

| | |
|---|----------------|
| Buildings and structures | 15 to 35 years |
| Machinery and equipment (excluding lease) | 4 to 8 years |

(f) Long-Lived assets

The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

(g) Other Assets

Intangible assets are carried at cost less accumulated amortization, which is calculated by the straight-line method principally over five years.

(h) Allowance for Doubtful Accounts

The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the Group's past credit loss experience and an evaluation of potential losses in the receivables outstanding.

(i) Liability for Employees' Retirement Benefits

The Company and certain consolidated subsidiaries have non-contributory funded defined benefit pension plans and unfunded retirement benefit plans for employees which cover approximately 50%, respectively, of their benefits. Most of the other consolidated subsidiaries have defined contribution annuity plans.

The employees' retirement benefits account for the liability for retirement benefits based on projected benefit obligation and plan assets at the balance sheet date in conformity with the accounting standard for employees' retirement benefits.

(j) Retirement Allowances for Directors and Corporate Auditors

Retirement allowance for directors and corporate auditors of the Company and certain subsidiaries are also provided under the internal guidelines.

(k) Research and Development Costs

Research and development costs are charged to income as incurred.

(l) Leases

In March 2007, the ASBJ issued ASBJ Statement No.13, "Accounting Standard for Lease Transactions", which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007.

Lessee

Under the previous accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee were to be capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions should be capitalized to recognize lease assets and lease obligations in the balance sheet. In addition, the revised accounting standard permits leases which existed at the transition date and do not transfer ownership of the leased property to the lessee to be measured at the obligations under finance leases less interest expense at the transition date and recorded as acquisition cost of lease assets.

The Group applied the revised accounting standard effective April 1, 2008. In addition, the Group accounted for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as acquisition cost of lease assets measured at the obligations under finance leases less interest expense at the transition date. The effect of this change was to increase operating income by ¥125 million (\$1,273 thousand), and to decrease income before income taxes and minority interests by ¥94 million (\$957 thousand). The cumulative effect was presented in other expense in the 2009 consolidated statement of income.

Lessor

Under the previous accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee were to be treated as sales. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if sold" information is disclosed in the note to the lessor's financial statements. The revised accounting standard requires that all finance leases that deem to transfer ownership of the leased property to the lessee should be recognized as lease receivables, and all finance leases that deem not to transfer ownership of the leased property to the lessee should be recognized as investments in lease.

Revenue was recognized as interest income, not as sales.

The Group applied the revised accounting standard effective April 1, 2008. The effect of this change was to decrease operating income by ¥27 million (\$275 thousand), and income before income taxes and minority interests by ¥6 million (\$61 thousand). The cumulative effect was presented in other expense in the 2009 consolidated statement of income.

(m) Bonuses to directors and corporate auditors

Bonuses to directors and corporate auditors are accrued at the year end to which such bonuses are attributable.

(n) Income taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

(o) Per share information

Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period. Diluted net income per share was not presented because there was no dilution for the years ended March 31, 2009 and 2008.

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

(p) New Accounting Pronouncements

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

(1) The current accounting standard for business combinations allows companies to apply the pooling of interests method of accounting when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests. The revised standard requires to account for such business combination by the purchase method and the pooling of interests method of accounting is no longer allowed.

(2) The current accounting standard accounts for the research and development costs to be charged to income as incurred. Under the revised standard, an in-process research and development (IPR&D) acquired by the business combination is capitalized as an intangible asset.

(3) The current accounting standard accounts for a bargain purchase gain (negative goodwill) to be systematically amortized within 20 years. Under the revised standard, the acquirer recognizes a bargain purchase gain in profit or loss on the acquisition date after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed with a review of such procedures used.

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

Unification of Accounting Policies Applied to Foreign Associated

Companies for the Equity Method—The current accounting standard requires to unify accounting policies within the consolidation group.

However, the current guidance allows to apply the equity method for the financial statements of its foreign associated company which have been prepared in accordance with generally accepted accounting principles in their respective jurisdictions without unification of accounting policies.

On December 26, 2008, the ASBJ issued ASBJ Statement No.16 (Revised 2008), "Revised Accounting Standard for Equity Method of Accounting for Investments". The new standard requires adjustments to be made to conform the associate's accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate's financial statements are used in applying the equity method unless it is impracticable to determine adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP unless they are not material: 1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in the equity; 3) expensing capitalized development costs of R&D; 4) cancellation of the fair value model accounting for property, plant, and equipment and investment properties and incorporation of the cost model accounting; 5) recording the prior years' effects of changes in accounting policies in the income statement where retrospective adjustments to the financial statements have been incorporated; and 6) exclusion of minority interests from net income, if contained.

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

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

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

3. INVESTMENT SECURITIES

Investment securities as of March 31, 2009 and 2008 consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars | |
|----------------------------------|-----------------|---------|---------------------------|--|
| | 2009 | 2008 | 2009 | |
| Non-current: | | | | |
| Marketable equity securities | ¥ 1,865 | ¥ 1,948 | \$ 18,986 | |
| Non-marketable equity securities | 856 | 865 | 8,714 | |
| Trust fund investment and other | 34 | 46 | 346 | |
| Total | ¥ 2,755 | ¥ 2,859 | \$ 28,046 | |

The carrying amounts and aggregate fair values of investment securities at March 31, 2009 and 2008 were as follows:

| | Millions of Yen | | | |
|------------------------------|-----------------|------------------|-------------------|------------|
| | Cost | Unrealized Gains | Unrealized Losses | Fair Value |
| March 31, 2009 | | | | |
| Securities classified as: | | | | |
| Available-for-sale: | | | | |
| Equity securities | ¥ 1,517 | ¥ 434 | ¥ (86) | ¥ 1,865 |
| Trust fund investments | 34 | | | 34 |

| | Millions of Yen | | | |
|------------------------------|-----------------|------------------|-------------------|------------|
| | Cost | Unrealized Gains | Unrealized Losses | Fair Value |
| March 31, 2008 | | | | |
| Securities classified as: | | | | |
| Available-for-sale: | | | | |
| Equity securities | ¥ 1,542 | ¥ 522 | ¥ (116) | ¥ 1,948 |
| Trust fund investments | 61 | | (15) | 46 |

| | Thousands of U.S. Dollars | | | |
|------------------------------|---------------------------|------------------|-------------------|------------|
| | Cost | Unrealized Gains | Unrealized Losses | Fair Value |
| March 31, 2009 | | | | |
| Securities classified as: | | | | |
| Available-for-sale: | | | | |
| Equity securities | \$ 15,443 | \$ 4,418 | \$ (875) | \$ 18,986 |
| Trust fund investments | 346 | | | 346 |

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2009 and 2008 were as follows:

| | Carrying Amount | | | |
|-------------------------|-----------------|-------|---------------------------|--|
| | Millions of Yen | | Thousands of U.S. Dollars | |
| | 2009 | 2008 | 2009 | |
| Available-for-sale: | | | | |
| Equity securities | ¥ 856 | ¥ 865 | \$ 8,714 | |
| Total | ¥ 856 | ¥ 865 | \$ 8,714 | |

Proceeds from sales of available-for-sale securities for the years ended March 31, 2009 and 2008 were ¥ 6 million (\$ 61 thousand) and ¥ 33 million, respectively. Gross realized gains on these sales, computed on the moving average cost basis, were ¥ 2 million (\$ 20 thousand) and ¥ 17 million, for the year ended March 31, 2009 and 2008, respectively. (No losses were realized for the Years ended March 31, 2009 and 2008)

4. INVENTORIES

Inventories at March 31, 2009 and 2008 consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|--|-----------------|----------|------------------------------|
| | 2009 | 2008 | 2009 |
| Merchandise | ¥ 666 | ¥ 657 | \$ 6,780 |
| Real estate for sale | 51 | 52 | 519 |
| Finished products | 9,872 | 10,074 | 100,499 |
| Semi-finished products and work in process | 396 | 438 | 4,031 |
| Raw materials | 881 | 1,560 | 8,969 |
| Supplies | 433 | 420 | 4,408 |
| Paintings and antiques | | 923 | |
| Total | ¥ 12,299 | ¥ 14,124 | \$ 125,206 |

5. PROPERTY, PLANT AND EQUIPMENT

Under certain conditions such as receipt of government subsidy for specific fixed assets, Japanese tax laws permit companies to defer the profit arising from such transactions by reducing the cost of the assets acquired or by providing a special reserve in the equity section.

The reduced-value entry, which is directly deducted from Machinery and equipment, amounted to ¥ 170 million (\$ 1,731 thousand). The reduced-value entry is applied due to government subsidies.

Depreciation expense for the years ended March 31, 2009 and 2008 was ¥8,467 million (\$86,196 thousand) and ¥4,742 million, respectively.

6. LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment as of March 31, 2009.

As a result, the Group recognized an impairment loss of ¥ 201 million (\$ 2,046 thousand) as other expense for certain idle assets of Fukuyama land and the carrying amount of the land was written down to the recoverable amount. The recoverable amount of the land was measured at its net selling price determined by assessed value of fixed assets.

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

Short-term bank loans at March 31, 2009 and 2008 bore interest at annual rates of 0.70 % to 1.01 % and 0.90 % to 1.02 %, respectively.

Long-term debt at March 31, 2009 and 2008 consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|--|-----------------|----------|------------------------------|
| | 2009 | 2008 | 2009 |
| Unsecured loans from banks and other financial institutions due serially to 2013 with interest rates ranging from 0.70 % to 1.65 % (2009) and from 0.60% to 1.59% (2008) | ¥ 23,589 | ¥ 19,553 | \$ 240,140 |
| Total | 23,589 | 19,553 | 240,140 |
| Less-current portion | 9,285 | 8,102 | 94,523 |
| Long-term debt, less current portion | ¥ 14,304 | ¥ 11,451 | \$ 145,617 |

The aggregate annual maturities of long-term debt as of March 31, 2009 were as follows:

| Year ending March 31 | Millions of Yen | Thousands of U.S. Dollars |
|----------------------|-----------------|------------------------------|
| 2010 | ¥ 9,285 | \$ 94,523 |
| 2011 | 5,682 | 57,844 |
| 2012 | 8,498 | 86,511 |
| 2013 | 124 | 1,262 |
| Total | ¥ 23,589 | \$ 240,140 |

The Company and certain subsidiaries entered into credit agreements with several Japanese banks under which the banks committed a maximum of ¥ 34,550 million (\$ 351,725 thousand) and ¥ 37,550 million to the Company and certain subsidiaries in the form of cash borrowings at March 31, 2009 and 2008 respectively. The unused lines of credit under these agreement amounted ¥ 13,350 million (\$ 135,906 thousand) and ¥ 27,350 million at March 31, 2009 and 2008, respectively.

8. LIABILITY FOR EMPLOYEES' RETIREMENT BENEFITS

The Company and certain subsidiaries have severance payment plans for employees.

Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service and certain other factors. Such retirement benefits are made in the form of a lump-sum severance payment from the Company or from certain subsidiaries and annuity payments from a trustee. Employees are entitled to larger payments if the termination is involuntary, or by voluntary retirement at certain specific ages prior to the mandatory retirement age.

Most of the other subsidiaries entered into the Smaller Enterprise Retirement Allowance Mutual Aid Corporation which is a defined contribution pension plan.

The liability for employees' retirement benefits as of March 31, 2009 and 2008 consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars | |
|---------------------------------|-----------------|---------|---------------------------|--|
| | 2009 | 2008 | 2009 | |
| Projected benefit obligation | ¥ 2,687 | ¥ 2,367 | \$ 27,354 | |
| Fair value plan assets | (1,082) | (1,015) | (11,015) | |
| Unrecognized actuarial loss | (119) | (96) | (1,211) | |
| Unrecognized prior service cost | (115) | | (1,171) | |
| Net liability | ¥ 1,371 | ¥ 1,256 | \$ 13,957 | |

The components of net periodic benefit costs for the years ended March 2009 and 2008 were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars | |
|------------------------------------|-----------------|-------|---------------------------|--|
| | 2009 | 2008 | 2009 | |
| Service cost | ¥ 319 | ¥ 308 | \$ 3,248 | |
| Interest cost | 38 | 33 | 387 | |
| Expected return on plan assets | (11) | (10) | (112) | |
| Recognized actuarial loss | 18 | 11 | 183 | |
| Amortization of prior service cost | 29 | | 295 | |
| Net periodic benefit costs | ¥ 393 | ¥ 342 | \$ 4,001 | |

Assumptions used for the years ended March 31, 2009 and 2008 were set forth as follows:

| | 2009 | 2008 |
|---|---------|---------|
| Discount rate | 2.0 % | 2.0 % |
| Expected rate of return on plan assets | 1.5 % | 1.5 % |
| Recognition period of actuarial gain / loss | 5 years | 5 years |

9. RETIREMENT ALLOWANCES FOR DIRECTORS AND CORPORATE AUDITORS

Retirement allowances for directors and corporate auditors are paid subject to approval of the shareholders.

The Company and certain subsidiaries recorded a liability for their unfunded retirement allowances plan covering all of their directors and corporate auditors. The annual provisions for retirement allowances for directors and corporate auditors for the years ended March 31, 2009 and 2008 were ¥ 52 million (\$ 529 thousand) and ¥ 52 million, respectively.

10. EQUITY

Since May 1, 2006, Japanese companies have been subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria.

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

Semi-annual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act also provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(b) Increases / decreases and transfer of common stock, reserve and surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity.

The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

11. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to operating expenses were ¥965 million (\$9,824 thousand) and ¥914 million for the years ended March 31, 2009 and 2008, respectively.

12. INCOME TAXES

The Group is subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 40.4% for the years ended March 31, 2009 and 2008.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2009 and 2008 were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|-----------------|----------------|------------------------------|
| | 2009 | 2008 | 2009 |
| Deferred Tax Assets: | | | |
| Tax loss carry forwards | ¥ 23 | ¥ 98 | \$ 235 |
| Accrued enterprise tax | 217 | 71 | 2,209 |
| Accrued expenses | 955 | 565 | 9,722 |
| Inventories-intercompany profits | 80 | 33 | 814 |
| Allowance for doubtful accounts | 37 | 115 | 377 |
| Accrued pension and severance costs | 539 | 491 | 5,487 |
| Retirement allowances for directors and corporate auditors | 284 | 273 | 2,891 |
| Allowance for loss on investments | 107 | 116 | 1,089 |
| Other | 362 | 232 | 3,685 |
| Less valuation allowance | (383) | (189) | (3,899) |
| Total | 2,221 | 1,805 | 22,610 |
| Deferred Tax Liabilities: | | | |
| Allowance for doubtful accounts-intercompany balances | (8) | (7) | (81) |
| Unrealized gain on available-for-sale securities | (175) | (210) | (1,782) |
| Other | (1) | (3) | (10) |
| Total | (184) | (220) | (1,873) |
| Net deferred tax assets | ¥ 2,037 | ¥ 1,585 | \$ 20,737 |

A reconciliation schedule for the year ended March 31, 2009 was omitted because the difference between the normal effective statutory tax rate and the actual effective tax rate after applying tax effect accounting was less than 5% of the normal effective statutory tax rate. This treatment is permitted by the Japanese accounting regulations.

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income for the year ended March 31, 2008 was as follows:

| | 2008 |
|--|--------------|
| Normal effective statutory tax rate | 40.4% |
| Tax effects on permanent differences | 0.7 |
| Per capita levy of inhabitants taxes | 1.3 |
| Tax loss carryforwards of subsidiaries | (4.2) |
| Other – net | (1.5) |
| Actual effective tax rate | 36.7% |

At March 31, 2009, certain subsidiaries have tax loss carryforwards aggregating approximately ¥23 million (\$235 thousand) which are available to be offset against taxable income of such subsidiaries in future years. These tax loss carryforwards, if not utilized, will expire as follows:

| Year Ending March 31 | Millions of Yen | Thousands of U.S. Dollars |
|----------------------|-----------------|------------------------------|
| 2010 | ¥ | \$ |
| 2011 | | |
| 2012 | | |
| 2013 | 0 | 0 |
| 2014 | 1 | 10 |
| 2015 | 13 | 133 |
| 2016 | 9 | 92 |
| Total | ¥ 23 | \$ 235 |

13. LEASES

(a) As lessee

The Group leases certain machinery, computer equipment and other assets.

Total rental expense for the years ended March 31, 2009 and 2008 was ¥ 1,210 million (\$ 12,318 thousand) and ¥ 5,074 million, respectively, including ¥ 263 million (\$ 2,677 thousand) and ¥ 3,832 million of lease payments under finance leases.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligation under finance leases, depreciation expense and interest expense of finance leases that do not transfer ownership of the leased property to the lessee on an “as if capitalized” basis for the years ended March 31, 2008 was as follows:

| | Millions of Yen | | |
|--------------------------|----------------------------|-------------------------------------|----------|
| | Machinery and Equipment | Tools, Furniture and Fixtures | Total |
| 2008 | | | |
| Acquisition cost | ¥ 17,147 | ¥ 5,260 | ¥ 22,407 |
| Accumulated depreciation | 8,210 | 2,728 | 10,938 |
| Net leased property | ¥ 8,937 | ¥ 2,532 | ¥ 11,469 |

Obligations under finance leases:

| | Millions of Yen |
|--------------------|-----------------|
| | 2008 |
| Due with one year | ¥ 3,303 |
| Due after one year | 8,369 |
| Total | ¥ 11,672 |

Depreciation expense and interest expense under finance leases:

| | Millions of Yen |
|----------------------|-----------------|
| | 2008 |
| Depreciation expense | ¥ 3,627 |
| Interest expense | 205 |
| Total | ¥ 3,832 |

Depreciation expense and interest expense, which were not reflected in the accompanying consolidated statements of income, were computed by the straight-line method and the

interest method, respectively.

(b) As lessor

The Group subleases certain machinery, computer equipment, vehicle and other assets. The net investment in lease are summerized as follows:

| | Millions of Yen | Thousands of U.S. Dollars |
|----------------------------------|-----------------|------------------------------|
| | 2009 | 2009 |
| Gross lease receivables | ¥ 108 | \$ 1,099 |
| Unearned interest income | (8) | (81) |
| Investments in lease, current | ¥ 100 | \$ 1,018 |
| Gross lease receivables | ¥ 248 | \$ 2,525 |
| Unearned interest income | (9) | (92) |
| Investments in lease, noncurrent | ¥ 239 | \$ 2,433 |

Maturities of investment in lease for finance leases that deem not to transfer ownership of the leased property to the lessee are as follows:

| Year Ending March 31 | Millions of Yen | Thousands of U.S. Dollars |
|----------------------|-----------------|------------------------------|
| 2010 | ¥ 100 | \$ 1,018 |
| 2011 | 72 | 733 |
| 2012 | 56 | 570 |
| 2013 | 38 | 387 |
| 2014 | 24 | 244 |
| 2015 and thereafter | 49 | 499 |
| Total | ¥ 339 | \$ 3,451 |

14. RELATED PARTY DISCLOSURES

(1) Related party transactions between the Company and directors for the year ended March 31, 2009

| Type | Name | Location | Principal business, or title | Capital | | Equity ownership | | Relationship | Transaction | Amount of transaction (Note 1) | | Account | Balanced at year-end (Note 2) | |
|---|--------------------------|--------------------------|--|------------------------|-----------------------------|------------------|--|----------------|----------------------------------|--------------------------------|-----------------------------|-----------------------------|-------------------------------|-----------------------------|
| | | | | <u>Millions of yen</u> | <u>Thousands of dollars</u> | | | | | <u>Millions of yen</u> | <u>Thousands of dollars</u> | | <u>Millions of yen</u> | <u>Thousands of dollars</u> |
| Companies which directors and their close relatives owned a majority interest. (Note 3) | HY Corporation Co., Ltd. | Fukuyama, Hiroshima prf. | ·Lease and management of real estate ·Management of restaurants | 50 | 509 | | | — Leasing land | Leasing land for delivery center | 12 | 122 | Revenue received in advance | 0 | 0 |

(2) Related party transactions between the consolidated subsidiaries and directors for the year ended March 31, 2009

| Type | Name | Location | Principal business, or title | Capital | | Equity ownership | | Relationship | Transaction | Amount of transaction (Note 1) | | Account | Balanced at year-end (Note 2) | |
|---|--------------------------|-------------------------|--|------------------------|-----------------------------|------------------|------|---------------------|--------------------------------------|--------------------------------|-----------------------------|------------------------------|-------------------------------|-----------------------------|
| | | | | <u>Millions of yen</u> | <u>Thousands of dollars</u> | | | | | <u>Millions of yen</u> | <u>Thousands of dollars</u> | | <u>Millions of yen</u> | <u>Thousands of dollars</u> |
| Director | Yasuhiro Komatsu | — | Representing director of the Company | — | — | Direct | 1.8% | Sale of merchandise | Sale of paintings and antiques | 1,333 | 13,570 | — | — | — |
| Companies which directors and their close relatives owned a majority interest. (Note 3) | HY Corporation Co., Ltd. | Fukuyama Hiroshima prf. | ·Lease and management of real estate ·Management of restaurants | 50 | 509 | | | Renting premises | Renting premises for delivery center | 134 | 1,364 | Prepaid expenses Deposits | 11 111 | 112 1,130 |

Notes :

1. Excluding consumption taxes
2. Including consumption taxes
3. Yasuhiro Komatsu, who is the representing director of the Company, owns all shares of HY Corporation Co., Ltd.
4. Rent of buildings and land is determined "at arms-length" based on market rates in the neighboring areas.
5. Sales price of merchandise is determined "at arms-length" based on third party bidding.

15. DERIVATIVES

The Group enters into foreign currency forward contracts to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies. The Group does not hold or issue derivatives for trading purposes.

All derivative transactions are entered into to hedge foreign currency exposures incorporated within its business. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged assets or liabilities.

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

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

The Group had the following derivatives contracts outstanding at March 31, 2009 and 2008:

Foreign currency forward contracts: Selling U.S. Dollars

| | Millions of Yen | | Thousands of U.S. Dollars |
|-----------------|-----------------|------|------------------------------|
| | 2009 | 2008 | 2009 |
| Contract Amount | ¥ 13 | ¥ 25 | \$ 132 |
| Fair Value | 12 | 25 | 122 |
| Unrealized Gain | (1) | (0) | (10) |

Foreign currency forward contracts: Buying U.S. Dollars

| | Millions of Yen | | Thousands of U.S. Dollars |
|-----------------|-----------------|------|------------------------------|
| | 2009 | 2008 | 2009 |
| Contract Amount | ¥ 42 | ¥ 25 | \$ 428 |
| Fair Value | 41 | 23 | 418 |
| Unrealized Gain | (1) | (2) | (10) |

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

The fair value of derivatives in the above table was determined from counterparty quotes.

16. CONTINGENT LIABILITIES

At March 31, 2009, the Group had the following contingent liability.

| | Millions of Yen | Thousands of U.S. Dollars |
|--------------------------------|-----------------|------------------------------|
| Repurchase of notes receivable | ¥ 218 | \$ 2,219 |

17. SUBSEQUENT EVENTS

Appropriations of Retained Earnings

The following appropriation of retained earnings at March 31, 2009 was approved at the board of directors meeting held on May 28, 2009:

| | Millions of Yen | Thousands of U.S. Dollars |
|--|--------------------|------------------------------|
| Year-end cash dividends, ¥43.00 (\$0.44) per share | ¥ 898 | \$ 9,142 |

* * * * *