

Financial Information  
As of March 31st, 2011

(The English translation of the  
“Yuukashoken-Houkokusho”  
For the year ended March 31<sup>st</sup>,  
2011)

Tokyo Seimitsu Co., Ltd

This report is based on the Company's Japanese-language annual filing "Yuukashoken-Houkokusho", with the Financial Services Agency "Kanto Local Finance Bureau" (Translated from Part 1 "Company Information", section 1 "Company Overview" to Part 1, section 5 "Financial Information" – 1. "Consolidated Financial Statements"). All information contained in this report has been obtained from sources believed to be reliable, but the accuracy of the data and the translation and the completeness and timeliness of the information are not warranted by the Company.

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[Submitted document]	Securities Report ("Yuukashoken-Houkokusho")
[Article of the applicable law requiring submission of this document]	Article 24, Paragraph 1 of the Securities Exchange Law
[Filed to]	Director, Kanto Local Finance Bureau
[Date submitted]	June 29 <sup>th</sup> , 2011
[Business year]	88th Fiscal Term (from April 1 <sup>st</sup> , 2010 to March 31 <sup>st</sup> , 2011)
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# Part I [Company Information]

## Section 1 [Company Overview]

### 1 [Key financial data and trends]

#### (1) Trends in consolidated management indicators and related data for the most recent 5 fiscal years

Fiscal term		84 <sup>th</sup>	85 <sup>th</sup>	86 <sup>th</sup>	87 <sup>th</sup>	88 <sup>th</sup>
Year ended		March, 2007	March, 2008	March, 2009	March, 2010	March, 2011
Net sales	(1,000s yen)	100,322,699	91,823,335	45,741,666	30,735,788	49,676,141
Ordinary income or loss	(1,000s yen)	13,612,728	9,375,477	- 2,838,357	- 1,874,279	6,030,869
Net income or loss	(1,000s yen)	8,741,469	4,813,956	- 11,198,530	- 3,512,372	6,103,627
Comprehensive Income	(1,000s yen)	-	-	-	-	6,170,347
Net assets	(1,000s yen)	54,281,931	55,487,148	40,830,477	39,050,431	44,928,992
Total assets	(1,000s yen)	114,831,615	107,667,377	81,831,976	69,485,440	77,038,674
Net assets per share	(yen)	1,347.09	1,370.98	1,005.30	944.06	1,086.96
Net income or loss per share	(yen)	217.91	119.84	- 278.55	- 86.60	148.10
Diluted net income per share	(yen)	203.10	111.93	-	-	147.95
Equity ratio	(%)	47.1	51.2	49.4	56.0	58.2
Return on equity	(%)	17.3	8.8	-	-	14.6
Price earnings ratio	(Times)	18.4	15.3	-	-	10.0
Cash flow from operating activities	(1,000s yen)	10,920,454	10,014,924	2,853,781	2,075,943	7,569,592
Cash flow from investing activities	(1,000s yen)	- 3,439,608	- 6,483,910	- 3,257,759	1,237,658	1,029,410
Cash flow from financing activities	(1,000s yen)	- 4,638,748	- 4,815,575	2,624,871	- 8,867,029	- 4,399,333
Cash and cash equivalents at end of year	(1,000s yen)	16,800,336	15,665,119	17,586,703	12,027,368	16,194,951
Employees		1,235	1,318	1,221	953	1,058
(Average number of part-time employees, not included in the above figure.)	(Person)	(840)	(880)	(530)	(225)	(410)

Notes: 1. "Net sales" are presented exclusive of consumption tax.

2. Diluted earnings per share for the 86th and 87th term are not stated because a net loss per share was recorded for the year.

3. "Return on equity" and "Price earnings ratio" for the 86th and 87th term are not listed because a net loss was recorded for the year.

4. Upper number of "Employees" indicates the number of full-time employees.

(2) The Trends in non-consolidated management indicators and related data for the most recent 5 fiscal years

Fiscal term	84 <sup>th</sup>	85 <sup>th</sup>	86 <sup>th</sup>	87 <sup>th</sup>	88 <sup>th</sup>
Year ended	March, 2007	March, 2008	March, 2009	March, 2010	March, 2011
Net sales (1,000s yen)	86,827,830	78,422,216	38,260,441	26,963,094	43,373,460
Ordinary income or loss (1,000s yen)	9,847,026	6,492,381	- 2,395,976	- 105,994	4,332,533
Net income or loss (1,000s yen)	5,666,258	3,442,518	- 10,809,653	- 1,538,681	5,569,684
Common stock (1,000s yen)	9,592,077	9,633,974	9,650,322	10,198,514	10,209,713
Number of shares issued (shares)	40,187,517	40,228,281	40,240,581	41,241,081	41,249,481
Net assets (1,000s yen)	42,695,134	42,849,473	28,863,097	28,925,578	34,469,736
Total assets (1,000s yen)	97,005,649	91,165,407	68,534,683	59,021,709	64,807,908
Net assets per share (yen)	1,058.57	1,056.60	707.67	698.37	833.20
Cash dividends per share (yen)	50.00	70.00	15.00	—	10.00
(Interim cash dividends included herein)	(25.00)	(30.00)	(15.00)	(—)	(5.00)
Net income or loss per share (yen)	141.25	85.70	- 268.87	- 37.94	135.14
Diluted net income per share (yen)	131.66	80.05	—	—	135.01
Equity ratio (%)	43.8	46.6	41.5	48.8	53.0
Return on equity (%)	14.0	8.1	—	—	17.6
Price earnings ratio (Times)	28.3	21.4	—	—	11.0
Cash dividends as a percentage of net income (%)	35.4	81.7	—	—	7.4
Employees (Persons)	665	742	737	570	569
(Average number of temporary employees, not included in the above figure).	(565)	(585)	(390)	(120)	(240)

Notes: 1. "Net sales" are presented exclusive of consumption tax.

2. Diluted earnings per share for the 86<sup>th</sup> and 87<sup>th</sup> term are not stated because a net loss per share was recorded for the year.

3. "Return on equity," "Price earnings ratio," and "Cash dividends as a percentage of net income" for the 86<sup>th</sup> and 87<sup>th</sup> term are not listed because a net loss was recorded for the year.

4. Upper number of "Employees" indicates the number of full-time employees.

## 2 [History]

March, 1949	Tokyo Seimitsu Kogu Co., Ltd. (the predecessor of Tokyo Seimitsu Co., Ltd.) was established, and began production and sales of cutting tools for sewing machine manufactures and various precision parts and tools. Capital: 1,600,000 yen
January, 1953	The company successfully developed Japan's first high pressure flow-type micrometer.
October, 1957	The company successfully developed Japan's first LVDT-type electric micrometer.
April, 1962	The company was renamed Tokyo Seimitsu Co., Ltd.
August, 1962	The company's stock was listed on the Second Section of the Tokyo Stock Exchange.
December, 1963	First phase construction at the Hachioji Plant was completed.
February, 1967	Second phase construction at the Hachioji Plant was completed.
April, 1969	Tosei Engineering Services Co., Ltd. (now Tosei Engineering Corp.) was established as a company for providing post-sales services.
July, 1969	First phase construction at the Tsuchiura Plant was completed.
January, 1971	Construction of the main building at the Hachioji Plant was completed.
August, 1981	Construction of the Tsuchiura 3D coordinate measuring machine plant was completed.
October, 1985	Tosei Systems Co., Ltd. was established as a company for carrying out software development.
September, 1986	The company's stock was selected for listing on the First Section of the Tokyo Stock Exchange.
March, 1989	Tokyo Seimitsu Europe GmbH (now Accretech (Europe) GmbH) was established in West Germany (now Germany) as a center for overseas business operations.
October, 1989	Tokyo Seimitsu America, Inc. was established in the U.S. as a center for overseas business operations.
October, 1992	Tokyo Seimitsu purchased the U.S. company Silicon Technology Corporation in order to obtain an overseas production center.
April, 1995	The holding company TSK America, Inc. was established for integrated management of U.S. subsidiaries.
July, 1997	Construction for expansion of the Hachioji Plant (No. 2 plant building) was completed.
January, 1998	In order to streamline production and sales for the North America region, four local subsidiaries in the U.S. were merged, with TSK America, Inc. as the surviving company (now Accretech USA, Inc.).
February, 1999	Tokyo Seimitsu increased the capitalization of Micro Technologies Co., Ltd. and reorganized it as a company for production of wafer inspection systems.
April, 1999	Construction of the Tsuchiura head office building and plant for our subsidiary Tosei Engineering Corp. was completed.
March, 2001	Construction of the new main building at the Hachioji Plant was completed.
June, 2001	Stock of Tokyo Seimitsu subsidiary Tosei Engineering Corp. was listed on the Second Section of the Tokyo Stock Exchange.
October, 2002	Accretech (China) Co., Ltd. was established as a center for sales, distribution, and maintenance services in China.
March, 2005	Construction of the Hachioji No. 3 Plant and Tsuchiura new main building was completed.
October, 2005	In order to increase the competitiveness and improve the corporate value of the Tokyo Seimitsu Group, Tokyo Seimitsu carried out a share exchange in order to make the subsidiary Tosei Engineering Corp. a wholly owned subsidiary. As a result, Tosei Engineering Corp. was delisted from the Tokyo Stock Exchange.
January, 2007	Tokyo Seimitsu increased the capitalization and reorganized a former local company to create Accretech Korea Co., Ltd. in order to strengthen the sales, service, and support operations for the Korea semiconductor market.

April, 2007	Tokyo Seimitsu merged the subsidiary Accretech Micro Technologies Corp. in order to strengthen the competitiveness of the wafer inspection systems business.
March, 2008	Construction of the Tsuchiura semiconductor plant at our subsidiary Tosei Engineering Corp. was completed.
April, 2008	Construction of the CMM building at the Tsuchiura Plant was completed.
April, 2009	Tokyo Seimitsu Co., Ltd. USA office was opened as a center for sales in North America
June, 2010	Head office was relocated from Mitaka-shi, Tokyo to Hachioji-shi, Tokyo.

### 3 [Business overview]

The Tokyo Seimitsu Group (the "Group") is composed of Tokyo Seimitsu Co., Ltd. (the "Company") and 20 subsidiary companies, with its primary business being the manufacturing and sales of semiconductor production equipment (SPE) and Metrology instruments.

Segmentation (as per Financial Announcements) of results is provided on the basis of business categories as shown below.

#### Semiconductor production equipment (SPE) business

This business handles manufacturing and inspection equipment such as wafer probing machines, wafer dicing machines, and other machines used in the semiconductor manufacturing and testing process. In this business, the Company is responsible for the primary production elements. Our subsidiary Tosei Engineering Corp is responsible for production of other related products. Sales and post-sales service is carried out primarily by the Company and software is provided by our subsidiary Tosei Systems Co., Ltd.

For overseas sales, in addition to exports by the Company, sales are conducted in the USA by our USA branch, in Europe by our subsidiary Accretech (Europe) GmbH, and in Asia by our subsidiaries such as Accretech Korea Co., Ltd. and Accretech (China) Co., Ltd.

#### <Major affiliates>

Tosei Engineering Corp., Tosei Systems Co., Ltd., Accretech (Europe) GmbH, Accretech Korea Co., Ltd, Accretech (China) Co., Ltd.

#### Metrology business

This business handles 3D coordinate measuring machines, surface texture and contour measuring systems, and other precision measuring systems. For this business, the Company and Tosei Engineering Corp. are responsible for the production and primary elements of sales and our subsidiary Tosei Systems Co., Ltd. provides software. Certain related products are manufactured by Tosei Engineering (Pinghu) Co., Ltd.

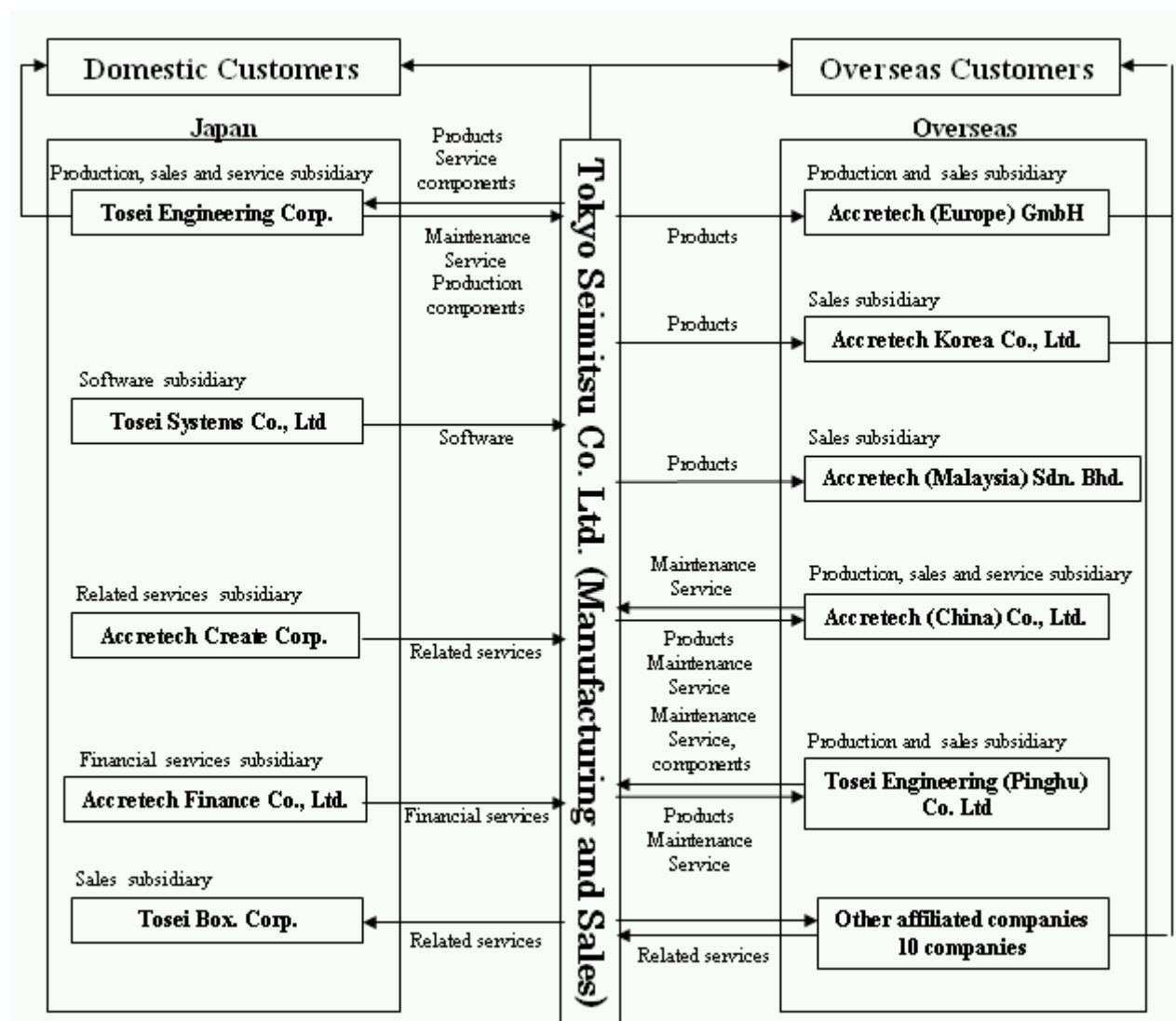
For overseas sales, in addition to exports by the Company and Tosei Engineering Corp, sales are conducted in Europe by our subsidiary Accretech (Europe) GmbH and in China by our subsidiary Accretech (China) Co., Ltd.

#### <Major affiliates>

Tosei Engineering Corp., Tosei Systems Co., Ltd., Accretech (China) Co., Ltd., Tosei Engineering (Pinghu) Co., Ltd



The correlation between Company and Group subsidiary are as shown below.



Our consolidated and non-consolidated subsidiaries are as shown below.

	Consolidated subsidiaries	Non-consolidated subsidiaries	Affiliated companies
Company Name	Tosei Engineering Corp. Tosei Systems Co., Ltd. Accretech Create Corp. Tosei Box Corp. Accretech Finance Co., Ltd. Accretech USA, Inc. Accretech (Europe) GmbH Accretech Korea Co., Ltd. Accretech (China) Co., Ltd. Tosei Engineering(Pinghu) Co., Ltd	Accretech Taiwan Co., Ltd Accretech (Malaysia) Sdn. Bhd. Accretech (Israel) Ltd. Accretech (Singapore) Pte. Ltd. Tosei Korea Co., Ltd. Tosei (Thailand) Co., Ltd. Tosei Engineering Private Ltd. Tosei America, Inc PT Tosei Indonesia Accretech Software in Khabarovsk Co., Ltd.	No corresponding companies

#### 4 [Overview of affiliates]

Name of company	Location	Capital or investment	Description of Principal business	Percentage voting rights held by Company (holding Company)		Relationship with Company					
				Hold by Company (%)	Holding Company (%)	Concurrent Position as Directors		Business transactions	Financial assistance	Leasing of fixed assets	
						Company directors	Company employees				
(Consolidated subsidiaries)											
Tosei Engineering Corp. (Note 3)	Tsuchiura, Ibaraki	(1,000s yen) 988,472	SPE business Metrology business	100.0	—	2	—	Supply of parts for SPE to the Company, and maintenance and services for products related to the Company's metrology instruments	No	Yes	
Tosei Systems Co., Ltd.	Hachioji, Tokyo	(1,000s yen) 50,000	SPE business Metrology business	100.0	—	2	1	Provision of software to the Company	No	Yes	
Accretech Create Corp.	Hachioji, Tokyo	(1,000s yen) 10,000	SPE business Metrology business	100.0	—	2	2	Shipping of the Company's products and provision of various other services	No	Yes	
Tosei Box Corp.	Hachioji, Tokyo	(1,000s yen) 10,000	Metrology business	100.0	—	—	3	Provision of office facilities to the Company	Yes	Yes	
Accretech Finance Co., Ltd.	Hachioji, Tokyo	(1,000s yen) 50,000	SPE business	100.0	—	1	2	Provision of financial services to the Company	No	No	
Accretech USA, Inc. (Note 5)	Bloom hills, Michigan, USA	(1,000s US\$) 12,076	SPE business	100 (8.0)	—	—	1	Sales of products related to the Company's SPE	Yes	No	
Accretech (Europe) GmbH	Munich, Bavaria, Germany	(1,000s Euro) 1,500	SPE business Metrology business	100.0	—	2	—	Sales of products related to the Company's SPE and measuring instruments	No	No	
Accretech Korea Co., Ltd.	Seongnam-si, Gyeonggi-do Korea	(Millions KRW) 1,000	SPE business	100.0	—	2	3	Sales of products related to the Company's SPE	Yes	No	
Accretech (China) Co., Ltd	Shanghai, China	(1,000s CNY) 15,211	SPE business Metrology business	100.0	—	5	2	Sales of products related to the Company's SPE and measuring instruments	No	No	
Tosei Engineering (Pinghu) Co., Ltd	Pinghu, Zhejiang, China	(1,000s CNY) 26,396	Metrology business	100.0 (100.0)	—	1	—	—	No	No	

Notes: 1. The "Description of Principal business" column lists the name of the business segment(s).

- Figures listed in parentheses in the "Percentage voting rights held by Company (holding Company)" column indicate the percent indirectly held.
- Of the above companies, Tosei Engineering Corp is a specified subsidiary.
- None of the above companies have filed a securities registration statement or securities report ("Yuukashoken-Houkokusho").
- Of the above companies, ACCRETECH USA INC. is company which has excess of debt (¥2,505,716 thousand, US\$30,134 thousand). Accretech USA Inc had been liquidated on Mar 31<sup>st</sup>, 2009, and liquidation process is continuing as of March 31<sup>st</sup>, 2011.

## 5 [Employees]

### (1) Consolidated companies

At March 31<sup>st</sup>, 2011

Name of business segment	Number of employees
SPE business	567 (215)
Metrology business	439 (180)
Company-wide (corporate staff)	52 (15)
Total	1,058 (410)

Notes: 1. The number of employees presented above represents full-time employees.

2. The numbers in parentheses in the “Number of employees” column is the average annual number of part-time employees which have not been included in the number of full-time employees.

3. The increase of 105 employees from the previous fiscal year end is mainly due to company consolidation.

### (2) The Company

At March 31<sup>st</sup>, 2011

Number of employees	Average age	Average years of continuous service	Average annual salary (yen)
569 (240)	42.1	14.6	6,320,739

Name of business segment	Number of employees
SPE business	382 (185)
Metrology business	152 (50)
Company-wide (corporate staff)	35 (5)
Total	569 (240)

Notes: 1. The number of employees presented above represents full-time employees.

2. The number in parentheses in the “Number of employees” column is the average annual number of part-time employees which have not been included in the number of full-time employees.

3. The average annual salary includes bonuses and overtime pay.

### (3) Trade union

The trade union for this company is a member of Japan Association of Metal, Machinery, and Manufacturing workers (JAM). There are no particular items concerning labor-management relations which require mentioning. While trade unions have not been formed at our consolidated subsidiaries, the labor-management relationships in those subsidiaries are good.

## Section 2 [Business Overview]

### 1 [Overview of business results]

#### (1) Operating results

Although apprehension in the market arising from concerns such as budget deficits in Europe; the uncertain recovery in employment levels in Japan, USA, and Europe; the rising of crude oil prices lead by political concerns in Middle East and North African countries; and appreciation of the Japanese Yen, business conditions in the Fiscal Year 2011 ended March 31<sup>st</sup>, 2011 showed a gradual recovery trend mainly lead by intervention measures taken by governments around the globe , and continuing strong growth in emerging countries such as China. The 2011 earthquake off the Pacific coast of Tohoku in Japan (hereinafter referred to as “the Earthquake”) occurred on March 11<sup>th</sup>, 2011 contributed to global economic uncertainty. However, the affects on financial results for Fiscal Year 2011 has been limited.

The consolidated operating results for the group for FY2011 (April 1<sup>st</sup>, 2010 – March 31<sup>st</sup>, 2011) were: net sales of 49.676 billion (up 61.6% YoY), operating income of ¥6.679 billion (FY2010: ¥1.567 billion loss), ordinary income of ¥6.030 billion (FY2010: ¥1.874 billion loss), and net income of ¥ 6.103 billion (FY2010: ¥3.512 billion loss).

The operating results by business segment are summarized as follows:

#### A. SPE business

Semiconductor manufacturers’ stance towards capital investment was positive. This was mainly driven by the rapid increase in demand for smartphones, tablet PCs, industrial machinery, communications infrastructure and automotive semiconductors. Even though a conservative stance on capital investments because of a slow-down in market conditions for PCs and digital household appliances was seen around the middle of the fiscal year, it was limited.

Business opportunities were increased because of firm demand for Probing Machines (for testing processes) at Taiwan, South East Asian Countries, and USA, and a comparatively firm tone in demand for Wafer Dicing Machines and Polish Grinding Machines (for manufacturing processes) in Korea, South East Asian Countries, and China, (the slow-down in manufacturing processes was seen during the Fiscal Year 2011).

As a result, sales in FY2011 were ¥34.627 billion (up 69.2% YoY), and Segment profit (operating income) was ¥3.828 billion (FY2010: ¥2.467 billion loss).

#### B. Metrology business

The recovery in investment in the automobile industry and machinery equipment industry, which are the major users of our products, continued to consolidate underpinned by persistent demand from Asian emerging countries, and from Governments’ measures to stimulate demand.

Simultaneously, the Company Groups have focused on strengthening business to the Aircraft sector, the Energy Generation Equipment sector, public office use, and Small and Medium sized Enterprises in Japan, and to emerging markets such as in China, South East Asian Countries and in India.

The results for this business in FY 2011 were sales of ¥15.048 billion (up 46.5% YoY), and Segment profit (operating income) was ¥ 2.850 billion (up 216.7% YoY).

Note: The above amounts are exclusive of consumption tax.

## (2) Cash flows

Cash and cash equivalents at the end of FY 2011 increased by ¥4.054 billion. As a result, cash and cash equivalents at the end of FY 2011 were ¥16.194 billion. The cash flows for each type of activity (operating activities, investment activities, and financing activities) compared to the previous fiscal year are shown below.

Cash and cash equivalents provided by operating activities (amount of positive cash flow) significantly increased from ¥2.075 billion in FY 2010 to ¥7.569 billion in FY2011. This was primarily due to the fact that income (or loss) before income taxes and minority interests positively shifted from a loss of ¥1.621 billion in FY 2010 to income of ¥6.564 billion in FY2011.

Cash and cash equivalents earned from investment activities decreased from ¥1.237 in FY2010 to ¥1.029 billion in FY2011. This was the result of factors including an increase by Proceeds from sales of tangible fixed assets of ¥604 million, an increase from Proceeds from sales of investment securities of ¥323 million offset by a decrease in Proceeds from term deposits from ¥1.038 billion in FY2010 to ¥38 million in FY2011.

Net cash used in financing activities significantly decreased from ¥8.867 billion in FY 2010 to ¥4.399 billion in FY2011 due mainly to variations in repayment scheduling across financial years in the category of short term loans.

## 2 [Production, orders, and sales]

### (1) Actual Production

The production results for each business segment in FY 2011 are shown below.

Business segment	Production (1,000s yen)	Comparison with previous year (%)
SPE business	33,542,190	101.9
Metrology business	15,128,070	57.2
Total	48,670,261	85.5

Notes: 1. The above production results are based on the sales prices.

2. The above amounts are exclusive of consumption tax.

### (2) Orders received

The orders received for each business segment in FY 2011 are shown below.

Business segment	Orders received (1,000s yen)	Comparison with previous year (%)	Order backlog (1,000s yen)	Comparison with previous year (%)
SPE business	40,538,972	88.5	11,580,092	104.5
Metrology business	17,152,850	65.7	3,967,766	112.2
Total	57,691,822	81.1	15,547,859	106.4

Notes: 1. The above amounts are exclusive of consumption tax.

### (3) Actual Sales

The sales amounts for each business segment in FY 2011 are shown below.

Business segment	Sales (1,000s yen)	Comparison with previous year (%)
SPE business	34,627,256	69.2
Metrology business	15,048,884	46.5
Total	49,676,141	61.6

Notes: 1. The sales amounts for each major customer and their ratio to total sales are omitted because there are no customers with sales amounts that account for 10% or more of total sales.

2. The above amounts are exclusive of consumption tax.

### 3 [Issues for the Company and the Group]

#### (1) Establishing profitable structure

Tokyo Seimitsu has dramatically reorganized itself in order to galvanize in the face of the global recession and reestablish itself for the future growth. Tokyo Seimitsu will continue to promote further quality improvement and product innovation, to enhance company structure, to increase its sales, and to establish a profitable structure.

#### (2) Dividends

Tokyo Seimitsu has resumed dividends from FY2011 interim dividends. Company management is acutely aware that dividend payments remain a key indicator of business success and thorough business recovery.

#### (3) Strengthening corporate governance

In recent years, corporate governance and risk management have become increasingly important. Tokyo Seimitsu will endeavor to strengthen its corporate governance by maintaining effective internal control systems and a proper compliance management system, thereby ensuring sound and transparent management.

#### 4 [Business and other risks]

Risk factors that may affect the Tokyo Seimitsu Group's business results, financial position, cash flows and other performance indicators are described below.

The Group is endeavoring to avert these risks and to reduce potential risks by hedging and diversifying. However, an unforeseen situation may have considerable influence on the Group's business performance.

Any future forecasts included in the following descriptions are based on the estimates or judgment of the Group as at the end of FY2011.

##### (1) Fluctuations in market conditions

The Tokyo Seimitsu Group conducts SPE business and Metrology business on a global scale. Both of these business areas, as promising sectors in the development of an advanced information society, are expected to continue to grow. However, if the supply-demand balance is disturbed or economic conditions deteriorate in the markets of each business area, the Group's business performance could be adversely affected.

##### (2) Product development

The business field in which the Group operates is one in which revolutionary new technologies are developed and accumulated on a daily basis. Efforts aimed at developing advanced technologies and creating products based on them are an absolute necessity in order to strengthen and maintain competitiveness. However, there always remains the possibility that the results of research and development by the Group may not suit the demands of the market.

##### (3) Fluctuation in foreign currency exchange rates

In principle, the Group's overseas sales are made on a Japanese Yen basis. However, transactions are carried out in U.S. dollars with customers in the United States and some other regions and/or users. For receivables denominated in U.S. dollars, foreign currency risks are hedged using forward agreements and other methods, and whenever possible the transaction contracts themselves are changed to yen denominations. Nevertheless, in the event of unforeseen exchange rate fluctuations, the Group's business results may be influenced.

##### (4) Protection of intellectual property rights

The Tokyo Seimitsu Group's SPE and precision Metrology equipments embody cutting edge technologies. Particular attention is paid to the protection of rights related to these technologies. Specifically, the Group has taken measures to defend its interest with regard to such matters as attribution of patent-related rights and protection of trademarks and brands. However, if a lawsuit or other legal dispute with a third party in Japan or overseas were to arise concerning rights, the Group's business performance could be affected.

##### (5) Financial Covenants

To ensure liquidity, the Company has put in place loan facilities with banks and Corporate Bond subscription agreement (lead by, and with Mizuho Corporate Bank Ltd.); these facilities include covenants in which the breach of certain conditions invokes the requirement to repay loans. The Groups' business results for the future may lead to a breach of certain conditions which may invoke the increase of interest, or repayment of loans. The Group's business performance could therefore be affected.



(6) Natural disasters, accidents, and other unforeseen events

In order to minimize damage caused by a possible interruption of production activities, the Tokyo Seimitsu Group regularly conducts disaster prevention inspections and carries out production facility maintenance. Capital investment is also made to secure the safety of the facilities. Nevertheless, a sudden calamity, natural disaster or unforeseen accident could damage production facilities or interrupt operations, greatly impacting the Group's business performance.

(7) Country risk

Because the Company and the Group conduct operations on a global scale, business is conducted in a manner best suited to the laws and regulations of each individual country. However, there is the possibility that an unexpected change in the laws or regulations of a particular country may affect consolidated operating results. In addition, there is the possibility that unpredictable events such as acts of terrorism, wars, and events of natural catastrophes may also impact consolidated operating results.

## 5 [Important business contracts]

<The Company>

Business collaboration contract

Name of counterparty	Contents of contract	Contract period
Carl Zeiss Inc. (Germany)	Mutually Exclusive agency agreement in the multi-purpose measuring instruments field	Three years minimum, five years maximum beginning October 1 <sup>st</sup> , 2010

<Consolidated subsidiaries>

There are no notable contracts.

## 6 [R&D Activities]

The R&D activities of the Group are carried out primarily at the Company and its consolidated subsidiaries including Tosei Engineering. They cover the full range of SPE products and measuring instrument products. Through these activities, we carry out basic research aimed at long-term growth, product improvements to boost the competitiveness of existing products, and the development of new product models.

The total amount of R&D costs for the Group in FY2011 was ¥3.187 billion. A description of the specific activities in each business segment is provided below.

### a. SPE business

In the SPE field, as the trends toward higher-precision LSI with finer structures and toward larger diameter wafers continue, the equipment at our customer companies is becoming increasingly diversified, as these companies pursue automation, higher precision, higher performance, and higher reliability in order to improve production yields and throughput. In recent years, significant advancements have been made in terms of the higher wafer densities, multiple wafer layers, and thinner wafer sizes needed to accompany these finer structures. The Group is working for rapid development of next-generation devices in order to meet these market needs.

The major research and development results from FY2011 include “Enhancement of Blade Dicing Machines’ performance”, and “Next Generation Polish Grinder”.

The total amount of R&D costs for this business area in FY2011 was ¥2.626 billion.

### b. Metrology business

As our customers continue to rationalize their production processes and implement factory automation, there are increasing demands for lower prices, in addition to demands for higher precision measurement accuracy and functionality. We are working to develop and improve a range of products to meet these needs.

The major research and development results from FY2011 include “Small and Reasonable Price CNC Machine” and “Improvement of ACCTee(measurement data analysis software)”.

The total amount of R&D costs for this business area in FY2011 was ¥560 million.

## 7 [Analysis of financial position and operating results, and Cash Flow]

### (1) Significant accounting policies and estimates

The consolidated financial statements of the Group are prepared in accordance with accounting principles generally accepted in Japan. When preparing the consolidated financial statements, we perform specific estimates which are necessary for calculations such as, assets and liabilities at the end of the consolidated fiscal year, and income and expenses during the consolidated fiscal year. These estimates were performed for inventories, allowance for bad debts, deferred tax assets, investment securities, cost of sales, employee retirement benefit expenses, and other items. These estimates are based on past results with consideration for future expectations, and are performed with an emphasis on sustainable, rational, and conservative evaluation.

### (2) Analysis of financial position for FY 2011

The financial position of the Group at the end of FY 2011 consisted of total assets in the amount of ¥77.038 billion (¥50.820 billion in current assets and ¥26.218 billion in fixed assets), liabilities in the amount of ¥32.109 billion, and total net assets of ¥44.928 billion.

#### [1] Assets

Total assets in FY2011 have increased by ¥7.553 billion from the end of FY2010, made up of a decrease in both tangible and intangible fixed assets including sales of lands and properties in Mitaka City, Tokyo, the Company's ex-Head office, and depreciation, an increase in Trade notes receivable and inventories, and increase in Cash and Cash equivalents from net profit.

#### [2] Liabilities

Total Liabilities in FY2011 have increased by ¥1.674 billion from the end of FY2010, primarily because of repayment of long term loans payable and an increase in Trade notes and accounts payable.

#### [3] Net assets

Total net assets in FY2011 have increased by ¥5.878 billion from the end of FY2010, primarily because of profitable operations.

### (3) Analysis of operating results for FY 2011

#### [1] Sales

Sales for FY 2011 were ¥34.627 billion for the SPE business and ¥15.048 billion for the metrology business, with a combined total of the two businesses of ¥49.676 billion. Business results in FY2011 have significantly improved along with global economic recovery.

#### [2] Cost of sales, selling and general administrative expenses

The ratio of the cost of sales to total sales in FY 2011 decreased from 86.4% in FY 2010 to 68.9%. This was due to the relative cost reductions from high factory utilization rates.

Due to the increase in variable costs by an increase in total sales, including Agent Fees and Transportation, selling and general administration expenses in FY2011 increased by ¥3.027 billion from FY2010. However, due to continuation of a rigorous cost reduction program, the ratio of selling and general administration expenses to total sales slightly decreased from 18.7% in FY 2010 to 17.7% in FY 2011.

[3] Operating income

As results of [1] and [2] above, operating income for FY 2011 was ¥6.679 billion.

[4] Non-operating income and expenses

Due to a decrease in Dividend income and Proceeds from Government grants for employment promotion, Non-operating income for FY 2011 was ¥262 million, decreasing by ¥351 million from FY 2010.

Non-operating expenses for FY 2011 were ¥910 million, mostly equivalent to FY 2010, mainly because of a drastic decrease in Financing Expenses offset by capitalization of Foreign Exchange Losses.

[5] Ordinary income

As recorded above, ordinary income for FY 2011 was ¥6.030 billion.

[6] Extraordinary gains and losses

Extraordinary gains in FY 2011 were ¥948 million, mainly because of Proceeds from sales of Lands.

Extraordinary losses in FY 2011 were ¥415 million, mainly because of Loss on valuation of investment securities.

[7] Income before income taxes and minority interests

As a result, Income before taxes and minority interests for FY 2011 was ¥6.564 billion.

[8] Income taxes

Income taxes and others in FY2011 were ¥460 million, which includes the effect of losses carried forward from previous years.

[9] Net income

As a result of the above, net income for FY 2011 was ¥6.103 billion.

(4) Analysis of Cash Flow for FY 2011

FY2011 Cash and cash equivalents earned by operating activities (amount of positive cash flow) was ¥7.569 billion, earned by investing activities was ¥1.029 billion of positive cash flow, used in financing activities was ¥4.399 billion of negative cash flow. As a result, Cash and cash equivalents at the end of FY 2011 were increased by ¥4.054 billion to ¥16.194 billion. These were primarily due to factors including Income before income taxes and minority interests from operating activities, proceeds from sales of lands investment activities, and repayment of short and long term loans payable from financing activities.

(5) Factors having important effects on the operating performance

Both the SPE and Metrology industries, which are the primary fields of activity for the Group, are industries with a fast pace of technological innovation and with intense competition, producing high-level technological demands. The industry which our customers operate in is the semiconductor industry, which regularly experiences cycles of expansion and contraction on a large-scale. The performance of the Group has been affected by these cycles many times in the past. In this environment, our most important tasks are to constantly develop new products and to continue creating a highly competitive product lineup which can keep the effects of market volatility to a minimum.

(6) Medium- and long-term management strategies

The Company builds cooperative Win-Win relationships with domestic and overseas companies and individuals that share a common goal. Behind all our efforts is the goal of being a truly global company.

In recent years, the Company Groups' overseas sales have exceeded domestic sales. Therefore sales organization has been fully localized in each region, and in China local manufacturing has commenced. The Company Groups will optimize management organization for its global operations through actions such as hiring local management executives, establishing localized supply chains, and standardizing management information flows to and from Head Office.

(7) Sources of capital and capital liquidity

To ensure liquidity, the Company Group has put in place loan facilities with multiple financial institutions and Corporate Bond subscription agreements; these include covenants in which the breach of certain conditions invokes the requirement to repay loans. Our focus will be to continue to improve cash flow through reducing interest bearing debt, enhancing profit and total assets turnover, and optimizing expenses.

## Section 3 [Equipment and Facilities]

### 1 [Overview of capital expenditures]

Capital expenditures of the Group are primarily centered on production equipment in both the SPE business and metrology business, in order to expand future business opportunities and product differentiation versus competitors, and are aimed at rationalizing and labor-saving.

The total amount of capital expenditures in FY 2011 was ¥1.106 billion. An overview of this investment by business segment is provided below.

#### (1) SPE business

Capital expenditures in this business during FY 2011 were conducted primarily in preparation for expanding production of existing products, and for re-engineering production lines to be available to respond quickly to the market situation and customer needs in a timely manner.

The primary contents of this investment were ¥726 million for construction of the Hachioji 5<sup>th</sup> Plant (2<sup>nd</sup> payment). Total capital expenditures in this business during FY 2011 were ¥916 million.

#### (2) Metrology business

Capital expenditures in this business during FY 2011 were conducted primarily in preparation for expanding production, and also aimed at achieving cost reductions and constructing efficient and flexible production lines.

Total capital expenditures in this business during FY 2011 were ¥190 million.

## 2 [Major equipment and facilities]

### (1) The Company

At March 31<sup>st</sup>, 2011

Location	Business segment	Description	Book value (1,000s yen)						Number of employees
			Buildings & structures	Machinery & vehicles	Tools & supplies	Land (1000s m2)	Lease assets	Total	
Hachioji Headquarters, Plant (Hachioji, Tokyo)	SPE business	Production equipment for SPE	4,234,211	819,801	293,697	3,442,796 ( 37)	766,920	9,557,426	347
Tsuchiura Plant (Tsuchiura, Ibaraki)	Metrology business	Production equipment for measurement instruments	1,612,118	13,586	39,913	151,377 ( 17)	—	1,816,996	111
Sales offices	SPE business Metrology business	Sales office vehicles, others	8,435	2,877	3,115	— (-)	—	14,429	77
USA Office	SPE business	Sales office, others	151	32,811	7,447	— (-)	—	40,410	34
Others	SPE business Metrology business	Guest houses, others	36,611	—	2,470	52,134 ( 3)	—	91,215	0

Notes: 1. The book value does not include amounts for construction in progress account.

2. Currently there is no idle equipment.

### (2) Domestic subsidiaries

At March 31<sup>st</sup>, 2011

Company	Location	Business segment	Description	Book value (1,000s yen)						Number of employees
				Buildings & structures	Machinery & vehicles	Tools & supplies	Land (1000s m2)	Lease assets	Total	
Tosei Engineering Corp.	Head Office & Plant (Tsuchiura, Ibaraki)	SPE business Metrology business	Production equipment for measurement instruments, others	1,331,125	224,824	42,625	1,861,962 ( 40)	—	3,460,537	211
Tosei Systems Co., Ltd.	Head Office (Hachioji, Tokyo)	SPE business Metrology business	Instrument supplies, others	371	—	174	— (-)	—	546	73
Accretech Create Corp.	Head Office (Hachioji, Tokyo)	SPE business Metrology business	Instrument supplies, others	433	41	70	— (-)	—	545	0
Tosei Box Corp.	Head Office (Hachioji, Tokyo)	Metrology business	Head office building, others	122,403	—	460	1,976 ( 1)	—	124,840	11

Notes: 1. The book value does not include amounts for construction in progress account.

2. Currently there is no idle equipment.

## (3) Overseas subsidiaries

At March 31<sup>st</sup>, 2011

Company	Location	Business segment	Description	Book value (1,000s yen)						Number of employees
				Buildings & structures	Machinery & vehicles	Tools & supplies	Land (1000s m <sup>2</sup> )	Lease assets	Total	
ACCRETECH (EUROPE) GmbH	Head Office (Munich, Bavaria, Germany)	SPE business Metrology business	Demonstration Equipments, instrument supplies, others	3,930	76,942	16,328	— (—)	—	97,201	40
ACCRETECH KOREA CO, LTD	Head Office (Seongnam-si, Gyeonggi-do, Korea)	SPE business	instrument supplies, others	—	—	4,459	— (—)	—	4,459	35
ACCRETECH (China) CO, LTD	Head Office (Shanghai, China)	SPE business Metrology business	Vehicles, instrument supplies, others	—	10,149	28,708	(—) (—)	684	39,542	82
TOSEI ENGINEERING (PINGHU) CO, LTD	Head Office (Pinghu, Zhejiang, China)	Metrology business	Production equipment for measurement instruments	—	6,685	1,351	— (—)	—	8,036	37

Notes: 1. The book value does not include amounts for construction in progress account.

2. Currently there is no idle equipment.



### 3 [Plans for equipment and facility additions or disposals]

#### (1) Additions of major equipment and facilities

Company	Location	Business segment	Equipment or facility		Expected amount of investment		Start date	Expected completion date
			Type	Description	Total (1,000s yen)	Amount already invested (1,000s yen)		
The Company	Hachioji Plant (Hachioji, Tokyo)	SPE business	Buildings and structures	Construction of 5 <sup>th</sup> Plant, others	2,755,785	1,481,041	July, 2008	Dec. 2011
			Machinery	Ultra precise surface grinder, others	759,647	184,640	Nov. 2007	Dec. 2011
			Tools, instruments	Update of Storage System, others	226,808	4,787	Mar. 2011	Mar. 2012
			Software	Data management software, others	69,700	—	July, 2011	Mar. 2012
					3,811,940	1,670,468		
	Tsuchiura Plant (Tsuchiura, Ibaraki-ken)	Metrology business	Buildings and structures	Construction of Show room	12,006	—	May, 2011	Sep. 2011
			Tools, instruments	DHCP Servers, others	30,811	2,114	Mar. 2011	Sep. 2011
			Software	e-image Web function	824	—	June, 2011	July, 2011
					43,461	2,114		
	Total					3,855,581	1,672,582	
Tosei Engineering Corp.	Head Office, plants, and others (Tsuchiura-shi, Ibaraki-ken, and elsewhere)	SPE division Measuring systems division	Machinery	Turn-mill Centers, others	214,000	—	July, 2011	Sep. 2011
			Vehicles	Sales vehicles	14,000	—	May, 2011	Dec. 2011
			Tools, instruments	Network tools, others	85,000	—	July, 2011	Sep. 2011
			Total					313,000

Note: 1. Future required capital will be financed internally.

2. Because it is difficult to quantitatively estimate the capacity increase after completion, this information has been omitted.

3. The above amounts do not include consumption tax.

#### (2) Disposal of major equipment and facilities

Except for disposals conducted in the course of the Group's routine renewal of its equipment and facilities, there is no plan for significant disposals of any major equipment and facilities.

## Section 4 [Corporate Information]

### 1 [Information on the Company's shares]

#### (1) Number of shares and other

##### [1] Number of shares

Type	Total number of shares authorized to be issued
Common stock	110,501,100
Total	110,501,100

##### [2] Number of shares issued

Type	Number of shares issued at end of the financial year (As of March 31 <sup>st</sup> , 2011)	Number of shares issued on the filing date of the securities report (As of June 29 <sup>th</sup> , 2011)	Stock exchanges on which the Company is listed	Description
Common stock	41,249,481	41,249,481	Tokyo Stock Exchange (First Section)	Unit amount of stocks is 100.
Total	41,249,481	41,249,481	—	—

Note: The number of shares issued as of the filing date of the securities report does not include those issued upon the exercise of share subscription rights (including bonds with warrants for the purchase of shares of common stock issued under former Commercial Code of Japan) during the period from June 1<sup>st</sup>, 2011, through the filing date of this report.

(2) Status of share subscription rights

The 3rd share subscription rights

	As of the end of the fiscal year (March 31 <sup>st</sup> , 2011)	As of the end of the month prior to the date this report was submitted (May 31 <sup>st</sup> , 2011)
Number of share subscription rights	1,246 *Note1	Same as at left
Number of share subscription rights held by the Company	—	—
Type of shares to be issued upon the exercise of share subscription rights	Common Stock	Same as at left
Number of shares to be issued upon the exercise of share subscription rights	124,600 *Note1	Same as at left
Amount to be subscribed upon the exercise of the share subscription rights (yen)	3,309 per share *Note2	Same as at left
Exercise period for share subscription rights	July 1 <sup>st</sup> , 2006-June 30 <sup>th</sup> , 2011	Same as at left
Upon the exercise of the share subscription rights, issue price and amount to be credited to common stock (yen)	Issue price 3,309 Amount to be credited to common stock 1,655	Same as at left
Conditions for exercise of the share subscription rights	Partial exercise of each share subscription right is permitted only when the number of shares issued upon exercise of the share subscription right is an integer multiple of the number of shares in unit of company share.	Same as at left
Transfer of the share subscription rights	Approval by the Board of Directors is required in order to transfer share subscription rights.	Same as at left
Matters relating to subrogation payment	—	—
Matters relating to the issuance of share subscription rights as a result of organizational restructuring action	—	—

The 4th share subscription rights

	As of the end of the fiscal year (March 31 <sup>st</sup> , 2011)	As of the end of the month prior to the date this report was submitted (May 31 <sup>st</sup> , 2011)
Number of share subscription rights	717 *Note1	716 *Note1
Number of share subscription rights held by the Company	—	—
Type of shares to be issued upon the exercise of share subscription rights	Common Stock	Same as at left
Number of shares to be issued upon the exercise of share subscription rights	71,700 *Note1	71,600 *Note1
Amount to be subscribed upon the exercise of the share subscription rights (yen)	4,728 per share *Note2	Same as at left
Exercise period for share subscription rights	July 1 <sup>st</sup> , 2007-June 30 <sup>th</sup> , 2012	Same as at left
Upon the exercise of the share subscription rights, issue price and amount to be credited to common stock (yen)	Issue price 4,728 Amount to be credited to common stock 2,364	Same as at left
Conditions for exercise of the share subscription rights	Partial exercise of each share subscription right is permitted only when the number of shares issued upon exercise of the share subscription right is an integer multiple of the number of shares in unit of company share.	Same as at left
Transfer of the share subscription rights	Approval by the Board of Directors is required in order to transfer share subscription rights.	Same as at left
Matters relating to subrogation payment	—	—
Matters relating to the issuance of share subscription rights as a result of organizational restructuring action	—	—

### The 5th share subscription rights

	As of the end of the fiscal year (March 31 <sup>st</sup> , 2011)	As of the end of the month prior to the date this report was submitted (May 31 <sup>st</sup> , 2011)
Number of share subscription rights	49*Note1	Same as at left
Number of share subscription rights held by the Company	—	—
Type of shares to be issued upon the exercise of share subscription rights	Common Stock	Same as at left
Number of shares to be issued upon the exercise of share subscription rights	4,900 *Note1	Same as at left
Amount to be subscribed upon the exercise of the share subscription rights (yen)	5,813 per share *Note2	Same as at left
Exercise period for share subscription rights	July 26 <sup>th</sup> , 2008-June 30 <sup>th</sup> , 2013	Same as at left
Upon the exercise of the share subscription rights, issue price and amount to be credited to common stock (yen)	Issue price 5,813 Amount to be credited to common stock *Note3	Same as at left
Conditions for exercise of the share subscription rights	If the holder of the subscription right abandons the subscription right, exercise of that subscription right shall not be possible.	Same as at left
Transfer of the share subscription rights	Approval by the Board of Directors is required in order to transfer share subscription rights.	Same as at left
Matters relating to subrogation payment	—	—
Matters relating to the issuance of share subscription rights as a result of organizational restructuring action	*Note4	Same as at left
Matters relating to the provisions for acquisition of share subscription rights	*Note5	Same as at left

### The 6th share subscription rights

	As of the end of the fiscal year (March 31 <sup>st</sup> , 2011)	As of the end of the month prior to the date this report was submitted (May 31 <sup>st</sup> , 2011)
Number of share subscription rights	49 *Note1	Same as at left
Number of share subscription rights held by the Company	—	—
Type of shares to be issued upon the exercise of share subscription rights	Common Stock	Same as at left
Number of shares to be issued upon the exercise of share subscription rights	4,900 *Note1	Same as at left
Amount to be subscribed upon the exercise of the share subscription rights (yen)	4,603 per share *Note2	Same as at left
Exercise period for share subscription rights	July 20 <sup>th</sup> , 2009-June 30 <sup>th</sup> , 2014	Same as at left
Upon the exercise of the share subscription rights, issue price and amount to be credited to common stock (yen)	Issue price 4,603 Amount to be credited to common stock *Note3	Same as at left
Conditions for exercise of the share subscription rights	If the holder of the subscription right abandons the subscription right, exercise of that subscription right shall not be possible.	Same as at left
Transfer of the share subscription rights	Approval by the Board of Directors is required in order to transfer share subscription rights.	Same as at left
Matters relating to subrogation payment	—	—
Matters relating to the issuance of share subscription rights as a result of organizational restructuring action	*Note4	Same as at left
Matters relating to the provisions for acquisition of share subscription rights	*Note5	Same as at left

### The 7th share subscription rights

	As of the end of the fiscal year (March 31 <sup>st</sup> , 2011)	As of the end of the month prior to the date this report was submitted (May 31 <sup>st</sup> , 2011)
Number of share subscription rights	714 *Note1	Same as at left
Number of share subscription rights held by the Company	—	—
Type of shares to be issued upon the exercise of share subscription rights	Common Stock	Same as at left
Number of shares to be issued upon the exercise of share subscription rights	71,400 Note1	Same as at left
Amount to be subscribed upon the exercise of the share subscription rights (yen)	1,525 per share Note2	Same as at left
Exercise period for share subscription rights	Sep 26 <sup>th</sup> , 2010-June 30 <sup>th</sup> , 2015	Same as at left
Upon the exercise of the share subscription rights, issue price and amount to be credited to common stock (yen)	Issue price 1,525 Amount to be credited to common stock *Note3	Same as at left
Conditions for exercise of the share subscription rights	If the holder of the subscription right abandons the subscription right, exercise of that subscription right shall not be possible.	Same as at left
Transfer of the share subscription rights	Approval by the Board of Directors is required in order to transfer share subscription rights.	Same as at left
Matters relating to subrogation payment	—	—
Matters relating to the issuance of share subscription rights as a result of organizational restructuring action	*Note4	Same as at left
Matters relating to the provisions for acquisition of share subscription rights	*Note5	Same as at left

### Share subscription rights issued June 2005 ( stock-based compensation type)

	As of the end of the fiscal year (March 31 <sup>st</sup> , 2011)	As of the end of the month prior to the date this report was submitted (May 31 <sup>st</sup> , 2011)
Number of share subscription rights	146 *Note1	Same as at left
Number of share subscription rights held by the Company	—	—
Type of shares to be issued upon the exercise of share subscription rights	Common Stock	Same as at left
Number of shares to be issued upon the exercise of share subscription rights	14,600 *Note1	Same as at left
Amount to be subscribed upon the exercise of the share subscription rights (yen)	1 per share	Same as at left
Exercise period for share subscription rights	June 30 <sup>th</sup> , 2005-June 30 <sup>th</sup> , 2025	Same as at left
Upon the exercise of the share subscription rights, issue price and amount to be credited to common stock (yen)	Issue price 1 Amount to be credited to common stock 1	Same as at left
Conditions for exercise of the share subscription rights	*Note6	Same as at left
Transfer of the share subscription rights	Approval by the Board of Directors is required in order to transfer share subscription rights.	Same as at left
Matters relating to subrogation payment	—	—
Matters relating to the issuance of share subscription rights as a result of organizational restructuring action	—	—

Share subscription rights issued July 2006 ( stock-based compensation type)

	As of the end of the fiscal year (March 31 <sup>st</sup> , 2011)	As of the end of the month prior to the date this report was submitted (May 31 <sup>st</sup> , 2011)
Number of share subscription rights	101 *Note1	Same as at left
Number of share subscription rights held by the Company	—	—
Type of shares to be issued upon the exercise of share subscription rights	Common Stock	Same as at left
Number of shares to be issued upon the exercise of share subscription rights	10,100 *Note1	Same as at left
Amount to be subscribed upon the exercise of the share subscription rights (yen)	1 per share	Same as at left
Exercise period for share subscription rights	July 15 <sup>th</sup> , 2006-July 14 <sup>th</sup> , 2026	Same as at left
Upon the exercise of the share subscription rights, issue price and amount to be credited to common stock (yen)	Issue price 1 Amount to be credited to common stock *Note3	Same as at left
Conditions for exercise of the share subscription rights	*Note6	Same as at left
Transfer of the share subscription rights	Approval by the Board of Directors is required in order to transfer share subscription rights.	Same as at left
Matters relating to subrogation payment	—	—
Matters relating to the issuance of share subscription rights as a result of organizational restructuring action	*Note4	Same as at left
Matters relating to the provisions for acquisition of share subscription rights	*Note5	Same as at left

Share subscription rights issued July 2007 ( stock-based compensation type)

	As of the end of the fiscal year (March 31 <sup>st</sup> , 2011)	As of the end of the month prior to the date this report was submitted (May 31 <sup>st</sup> , 2011)
Number of share subscription rights	122 *Note1	Same as at left
Number of share subscription rights held by the Company	—	—
Type of shares to be issued upon the exercise of share subscription rights	Common Stock	Same as at left
Number of shares to be issued upon the exercise of share subscription rights	12,200 *Note1	Same as at left
Amount to be subscribed upon the exercise of the share subscription rights (yen)	1 per share	Same as at left
Exercise period for share subscription rights	July 20 <sup>th</sup> , 2007-July 19 <sup>th</sup> , 2027	Same as at left
Upon the exercise of the share subscription rights, issue price and amount to be credited to common stock (yen)	Issue price 1 Amount to be credited to common stock *Note3	Same as at left
Conditions for exercise of the share subscription rights	*Note6	Same as at left
Transfer of the share subscription rights	Approval by the Board of Directors is required in order to transfer share subscription rights.	Same as at left
Matters relating to subrogation payment	—	—
Matters relating to the issuance of share subscription rights as a result of organizational restructuring action	*Note4	Same as at left
Matters relating to the provisions for acquisition of share subscription rights	*Note5	Same as at left

Notes:

- The number of shares issued upon the exercise of the share subscription rights (hereafter referred to as “Number of Shares Granted”) is 100. Meanwhile, the Number of Shares granted may be adjusted by following adjustment methods.

(Adjustment of the Number of Shares Granted)

If the Company conducts a stock split or reverse stock split, the Number of Shares Granted shall be adjusted according to the following formula, with resulting fractions less than 1 share to be rounded down.

$$\text{Adjusted Number of Shares Granted} = \text{Number of Shares Granted before adjustment} \times \text{Stock split (or reverse stock split) ratio}$$

In addition, if another unavoidable circumstance which requires adjusting the Number of Shares Granted occurs, the Number of Shares Granted shall be adjusted within a reasonable range with consideration for the various conditions extant at the time.

- The amount to be paid by the holders upon the exercise of each share subscription right shall be the amount calculated by multiplying the amount to be subscribed per share (hereafter the “Exercise Price”) for the Company’s shares of common stock that may be issued upon the exercise of share subscription rights by the number of shares granted. However, if any of the cases below takes place, the Exercise Price shall be adjusted by applying the following formulas, with resulting fractions less than one yen to be rounded up.

- A stock split or reverse stock split of the Company stock occurs.

$$\text{Adjusted Exercise Price} = \text{Exercise Price before adjustment} \times \frac{1}{\text{Stock split (or reverse stock split) ratio}}$$

- If the Company issues shares of new common stock or disposes of its treasury stock at prices less than the then-current market price (excluding the costs of exercise of share subscription rights).

$$\text{Adjusted Exercise Price} = \text{Exercise Price before adjustment} \times \frac{\text{Number of shares already issued} + \frac{\text{Number of new shares to be issued (disposed of)} \times \text{Issue (disposal) price per share}}{\text{Market price}}}{\text{Number of shares already issued} + \text{Number of new shares to be issued}}$$

- If another unavoidable circumstance which requires adjusting the Exercise Price occurs, the Exercise Price shall be adjusted within a reasonable range with consideration for the various conditions extant at the time.

- The amount of capital increase occurring when shares are issued upon exercise of a share subscription right shall be 1/2 of the capital increase limit as calculated according to Article 17, Item 1 of the Corporate Calculation Rules, with resulting fractions less than one yen to be rounded up.

- In the event that the Company experiences a merger (only if the company is eliminated as a result of the merger), absorption-type company split or incorporation-type company split (in each case only if the Company becomes a split company), or stock swap or stock transfer (in each case only if the Company becomes a wholly owned subsidiary) (the above events hereafter collectively referred to by the general term “Structural Reorganization”), then the holders of share subscription rights remaining at the time the Structural Reorganization takes effect (hereafter referred to as “Remaining share subscription rights”) shall be provided with share subscription rights based on the conditions below for the public company as indicated in Article 236, Item 1, Number 8, (a) – (e) of the Corporation Law of Japan (hereafter referred to as “Reorganized Company”).

However, the provision of share subscription rights for the Reorganized Company in accordance with the conditions below shall occur only when such provision is specified in the absorption-type merger agreement, incorporation-type merger agreement, absorption-type split agreement, incorporation-type split plan, stock swap agreement, or stock transfer plan.

- Number of share subscription rights for the Reorganized Company to be provided  
The number of provided share subscription rights shall be the same as the number of Remaining share subscription rights possessed by the holder of the Remaining share subscription rights.
- Type of Reorganized Company shares issued upon exercise of the share subscription rights  
The issued shares shall be common stock of the Reorganized Company.
- Number of Reorganized Company shares issued upon exercise of the share subscription rights  
The number of issued shares shall be determined in accordance with “Number of shares issued upon exercise of stock acquisition rights” in the table above, with consideration for the conditions and other details of the Structural Reorganization.
- Amount to be paid by the holder of the share subscription right upon exercise of that right  
The amount to be paid by the holder of the provided share subscription right upon exercise of that right shall be the amount calculated by multiplying the post-reorganization paid-in amount (determined by adjusting the Exercise Price with consideration for the conditions and other details of the Structural Reorganization) by the number of Reorganized Company shares issued upon exercise of the stock acquisition rights as determined according to (3) above.  
For the post-reorganization paid-in amount of share subscription rights provided as stock-based compensation, the amount shall be 1 yen per share of the Reorganized Company.
- Period in which the share subscription rights can be exercised  
The period shall be from either the later of the start date determined in “Exercise period for share subscription rights” above or the date on which the Structural Reorganization took effect until the end date determined in “Exercise period for stock acquisition rights” above.
- Restrictions on acquisition of share subscription rights by transfer  
The acquisition of share subscription rights by transfer requires approval by a resolution of the Reorganized Company Board of Directors.
- Provisions for acquisition of the share subscription rights  
This shall be determined in accordance with “Items related to the provisions for acquisition of share subscription rights” above.
- Other conditions concerning exercise of the share subscription rights  
These shall be decided in accordance with “Conditions for exercise of the share subscription rights” above.

5. If any of resolutions (1) – (5) listed below is approved by a General Meeting of Shareholders of the Company or, when a resolution of the General Meeting of Shareholders is not required, if a resolution by the Board of Directors or decision by a representative executive officer occurs, the Company shall be permitted to acquire share subscription rights at no cost on the date decided separately by the Board of Directors.
  - (1) A resolution approving a merger agreement by which the Company becomes an extinct company
  - (2) A resolution approving a split agreement or split plan by which the Company becomes a split company
  - (3) A resolution approving a stock swap agreement or stock transfer plan by which the Company becomes a wholly owned subsidiary
  - (4) A resolution approving a change in the articles of incorporation in order to require approval by the Company for acquisition by means of stock transfer of any shares issued by the company
  - (5) A resolution approving a change in the articles of incorporation in order to require approval by the Company for acquisition by means of stock transfer of shares which were issued by the company upon exercise of share subscription rights, or in order for the Company to acquire all of this class of stock pursuant to a resolution by the General Meeting of Shareholders.
6. (1) The share subscription rights can only be exercised when the holder of the share subscription rights has lost his/her position as a director of the Company (including executive officers of companies with a committee system of corporate governance) or executive officer. However, the share subscription rights can be exercised only during the period from the date following the day on which the holder of the share subscription rights lost his/her position (hereafter referred to as the “Right Exercise Start Date”) until the day when 7 days have passed after the Right Exercise Start Date (or if that day is not a business day, the preceding business day).
- (2) In the event that the holder of the share subscription rights dies, the heirs of the holder may exercise the share subscription rights. However in this case, the share subscription rights can be exercised only during the period from the date following the next date of the holder’s death until the day when 6 months have passed from this date (or if that day is not a business day, the preceding business day).



(3) Status of exercise of corporate bond with share subscription rights with an amended exercise price, others

Not applicable.

(4) Contents of the rights plan

Not applicable.

(5) Changes in the number of shares issued, the amount of common stock and related others

Period	Changes in the number of shares issued (shares)	Balance of the number of shares issued (shares)	Changes in common stock (1,000s yen)	Balance of common stock (1,000s yen)	Changes in additional paid-in capital (1,000s yen)	Balance of additional paid-in capital (1,000s yen)
April 1 <sup>st</sup> , 2006 – March 31 <sup>st</sup> , 2007 *Note	87,350	40,187,517	144,492	9,592,077	144,421	16,965,201
April 1 <sup>st</sup> , 2007 – March 31 <sup>st</sup> , 2008 *Note	40,764	40,228,281	41,896	9,633,974	41,887	17,007,088
April 1 <sup>st</sup> , 2008 – March 31 <sup>st</sup> , 2009 *Note	12,300	40,240,581	16,348	9,650,322	16,343	17,023,431
April 1 <sup>st</sup> , 2009 – March 31 <sup>st</sup> , 2010 *Note	1,000,500	40,241,081	548,192	10,198,514	547,213	17,570,644
April 1 <sup>st</sup> , 2010 – March 31 <sup>st</sup> , 2011 *Note	8,400	40,249,481	11,198	10,209,713	11,195	17,581,839

Note: Breakdown by reason for changes in the number of shares issued, the amount of capital, and the amount of paid-in capital

Date	Reason for change	Changes in the number of shares issued (shares)	Changes in common stock (1,000s yen)	Changes in the amount of paid-in capital (1,000s yen)
April 1 <sup>st</sup> , 2006 – March 31 <sup>st</sup> , 2007	Increase due to conversion of convertible bonds	550	499	499
	Increase due to exercise of share subscription rights of stock option	86,800	143,992	143,922
April 1 <sup>st</sup> , 2007 – March 31 <sup>st</sup> , 2008	Increase due to conversion of convertible bonds	27,564	25,000	24,997
	Increase due to exercise of share subscription rights of stock option	13,200	16,895	16,889
April 1 <sup>st</sup> , 2008 – March 31 <sup>st</sup> , 2009	Increase due to exercise of share subscription rights of stock option	12,300	16,348	16,343
April 1 <sup>st</sup> , 2009 – March 31 <sup>st</sup> , 2010	Increase due to exercise of share subscription rights of stock option	32,500	47,736	47,725
	Increase due to allocation of new shares to a Third party *Note	968,000	500,456	499,488
April 1 <sup>st</sup> , 2010 – March 31 <sup>st</sup> , 2011	Increase due to exercise of share subscription rights of stock option	8,400	11,198	11,195

Note: Detail of allocation of new shares to a third party, include allocator, issued price and paid-in capital is as follows:

Allocator: Tsugami Corporation, issued price: 1,033 yen, paid-in capital: 517 yen

## (6) Details of shareholders

At March 31<sup>st</sup>, 2011

Classification	Status of shares (1 unit = 100 shares)								Shares under 1 unit (shares)
	National and local governments	Financial institutions	Securities companies	Other corporations	Foreign shareholders		Individuals and other	Total	
					Other than individuals	Individuals			
Number of shareholders (person)	1	49	38	337	106	15	28,548	29,094	—
Number of shares held (units)	25	134,785	3,710	48,809	34,279	118	190,243	411,969	52,581
Ratio (%)	0.01	32.71	0.90	11.85	8.32	0.03	46.18	100.00	—

Notes: 1. Treasury stock of 32,018 shares are included in "Individuals and other" for 320 units and in "Shares under 1 unit" for 18 shares. The effective number as of March 31<sup>st</sup>, 2011 was also 32,018 shares.

## (6) Principal shareholders

At March 31<sup>st</sup>, 2011

Name	Address	Number of Shares held (1,000s)	Number of Shares held as a percentage of total shares issued (%)
The Master Trust Bank of Japan, Ltd. Trust account	2-11-3 Hamamatsu-cho, Minato-ku, Tokyo	5,080	12.32
Japan Trustee Services Bank, Ltd. Trust account	1-8-11 Harumi, Chuo-ku, Tokyo	1,626	3.94
The Precise Measurement Technique Promoting Foundation	3-1-6-203 Kyonan-cho, Musashino-shi, Tokyo	1,058	2.57
Tsugami Corporation	1-9-10, Horidome-cho, Nihonbashi, Chuo-ku, Tokyo	1,033	2.50
Mizuho Corporate Bank, Ltd.	1-3-3 Marunouchi, Chiyoda-ku, Tokyo	840	2.04
Japan Trustee Services Bank, Ltd. Trust account No.9	1-8-11 Harumi, Chuo-ku, Tokyo	785	1.90
The Nomura Trust and Banking Co., Ltd. Trust account	2-2-2 Otemachi, Chiyoda-ku, Tokyo	736	1.79
Hideko Takagi	Mitaka-shi, Tokyo	610	1.48
Ayako Yano	Chiyoda-ku, Tokyo	604	1.47
BBH(LUX) for Fidelity Active Strategy Japan Fund (Standing Proxy: Mitsubishi Tokyo UFJ Bank)	KANSALLIS HOUSE PLACE DE L ETOILE LUXEMBOURG LUXEMBOURG L-1021 (2-7-1 Marunouchi, Chiyoda-ku, Tokyo)	500	1.21
The Dai-ichi Mutual Life Insurance Company, Limited	1-13-1 Yurakucho, Chiyoda-ku, Tokyo	500	1.21
Total	—	13,376	32.43

Note: The following corporations have submitted a Large Shareholding Report (change report) in FY2011. The reports of the number of shares held have been submitted on the dates listed below. However, because the Company was unable to verify the actual number of shares held as of the end of the most recent fiscal year, they are not considered to be among the "Major shareholders" above.

Name	Address	Shares held (1,000s)	Shares held as a percentage of total shares issued (%)	Reporting obligation date
FIL Investments (Japan) Limited	4-3-1 Toranomon, Minato-ku, Tokyo	4,174	10.12	Oct. 22 <sup>nd</sup> , 2010

## (7) Status of voting rights

## [1] Shares issued

At March 31<sup>st</sup>, 2011

Classification	Number of shares (Shares)	Number of voting rights (Units)	Description
Shares without voting rights	—	—	—
Shares with limited voting rights (treasury stock, etc.)	—	—	—
Shares with limited voting rights (other)	—	—	—
Shares with full voting rights (treasury stock, etc.)	(Treasury stock) Common stock: 32,000	—	—
Shares with full voting rights (others)	Common stock: 41,161,900	411,649	—
Shares under one unit	Common stock: 52,581	—	—
Total shares issued	41,249,481	—	—
Total voting rights held by all shareholders	—	411,649	—

Note) The common stock in the “Shares under one unit” includes 18 shares of treasury stock owned by the Company.

## [2] Treasury stock, etc.

At March 31<sup>st</sup>, 2011

Shareholders	Address of shareholders	Number of shares held under own name (Shares)	Number of shares held under the names of others (Shares)	Total (Shares)	Percent of total shares issued (%)
(Treasury stock) Tokyo Seimitsu Co., Ltd.	2968-2 Ishikawa-machi, Hachioji-shi, Tokyo	32,000	—	32,000	0.08
Total	—	32,000	—	32,000	0.08

(8) Stock option plans

The Company has adopted a stock option plan under which share subscription rights are granted to directors, auditors and employees of the Company and its subsidiaries and affiliates in accordance with the former Commercial Code of Japan and the Company Law.

The details of the plan are as follows.

The 3rd share subscription rights

Date for resolution	June 29 <sup>th</sup> , 2004 (Annual general meeting of the shareholders)
Categories and numbers of persons to whom rights are granted	Directors of the Company: 10 Auditors of the Company: 4 Employees of the Company: 53 Directors of subsidiaries: 5 Employees of subsidiaries: 10
Type of shares to be issued upon the exercise of the share subscription rights	Listed in “(2) Share subscription rights.”
Number of shares	Same as above
Amount to be subscribed upon the exercise of the share subscription rights (yen)	Same as above
Exercise period	Same as above
Conditions for the exercise of the share subscription rights	Same as above
Transfer of the share subscription rights	Same as above
Matters relating to subrogation payment	Same as above
Matters relating to the issuance of share subscription rights as a result of organizational restructuring action	Same as above

The 4th share subscription rights

Date for resolution	June 29 <sup>th</sup> , 2005 (Annual general meeting of the shareholders)
Categories and numbers of persons to whom rights are granted	Directors of the Company: 11 Auditors of the Company: 4 Employees of the Company: 273 Directors of subsidiaries: 16 Employees of subsidiaries: 3
Type of shares to be issued upon the exercise of the share subscription rights	Listed in “(2) Share subscription rights.”
Number of shares	Same as above
Amount to be subscribed upon the exercise of the share subscription rights (yen)	Same as above
Exercise period	Same as above
Conditions for the exercise of the share subscription rights	Same as above
Transfer of the share subscription rights	Same as above
Matters relating to subrogation payment	Same as above
Matters relating to the issuance of share subscription rights as a result of organizational restructuring action	Same as above

The 5th share subscription rights

Date for resolution	June 29 <sup>th</sup> , 2006 (Annual general meeting of the shareholders)
Categories and numbers of persons to whom rights are granted	Directors of the Company: 9 Auditors of the Company: 5 Employees of the Company: 277 Directors of subsidiaries: 11 Employees of subsidiaries: 6
Type of shares to be issued upon the exercise of the share subscription rights	Listed in “(2) Share subscription rights.”
Number of shares	Same as above
Amount to be subscribed upon the exercise of the share subscription rights (yen)	Same as above
Exercise period	Same as above
Conditions for the exercise of the share subscription rights	Same as above
Transfer of the share subscription rights	Same as above
Matters relating to subrogation payment	Same as above
Matters relating to the issuance of share subscription rights as a result of organizational restructuring action	Same as above
Matters relating to the conditions of acquisition of share subscription rights	Same as above

The 6th share subscription rights

Date for resolution	June 28 <sup>th</sup> , 2007 (Annual general meeting of the shareholders)
Categories and numbers of persons to whom rights are granted	Directors of the Company: 9 Employees of the Company: 319 Directors of subsidiaries: 8 Employees of subsidiaries: 18
Type of shares to be issued upon the exercise of the share subscription rights	Listed in “(2) Share subscription rights.”
Number of shares	Same as above
Amount to be subscribed upon the exercise of the share subscription rights (yen)	Same as above
Exercise period	Same as above
Conditions for the exercise of the share subscription rights	Same as above
Transfer of the share subscription rights	Same as above
Matters relating to subrogation payment	Same as above
Matters relating to the issuance of share subscription rights as a result of organizational restructuring action	Same as above
Matters relating to the conditions of acquisition of share subscription rights	Same as above

The 7th share subscription rights

Date for resolution	June 27 <sup>th</sup> , 2008 (Annual general meeting of the shareholders)
Categories and numbers of persons to whom rights are granted	Directors of the Company: 7 Employees of the Company: 301 Directors of subsidiaries: 8 Employees of subsidiaries: 15
Type of shares to be issued upon the exercise of the share subscription rights	Listed in “(2) Share subscription rights.”
Number of shares	Same as above
Amount to be subscribed upon the exercise of the share subscription rights (yen)	Same as above
Exercise period	Same as above
Conditions for the exercise of the share subscription rights	Same as above
Transfer of the share subscription rights	Same as above
Matters relating to subrogation payment	Same as above
Matters relating to the issuance of share subscription rights as a result of organizational restructuring action	Same as above
Matters relating to the conditions of acquisition of share subscription rights	Same as above

Share subscription rights issued in June 2005 (stock-based compensation type)

Date for resolution	June 29 <sup>th</sup> , 2005 (Annual general meeting of the shareholders)
Categories and numbers of persons to whom rights are granted	Directors of the Company: 7 Employees of the Company (executive officers): 11
Type of shares to be issued upon exercise of the share subscription rights	Listed in “(2) Share subscription rights.”
Number of shares	Same as above
Amount to be subscribed upon the exercise of the share subscription rights (yen)	Same as above
Exercise period	Same as above
Conditions for the exercise of the share subscription rights	Same as above
Transfer of the share subscription rights	Same as above
Matters relating to subrogation payment	Same as above
Matters relating to the issuance of share subscription rights as a result of organizational restructuring action	Same as above

Share subscription rights issued in July 2006 (stock-based compensation type)

Date for resolution	June 29 <sup>th</sup> , 2006 (Annual general meeting of the shareholders)
Categories and numbers of persons to whom rights are granted	Directors of the Company: 6 Employees of the Company (executive officers): 12
Type of shares to be issued upon exercise of the share subscription rights	Listed in “(2) Share subscription rights.”
Number of shares	Same as above
Amount to be subscribed upon the exercise of the share subscription rights (yen)	Same as above
Exercise period	Same as above
Conditions for the exercise of the share subscription rights	Same as above
Transfer of the share subscription rights	Same as above
Matters relating to subrogation payment	Same as above
Matters relating to the issuance of share subscription rights as a result of organizational restructuring action	Same as above
Matters relating to the conditions of acquisition of share subscription rights	Same as above

Share subscription rights issued in July 2007 (stock-based compensation type)

Date for resolution	June 28 <sup>th</sup> , 2007 (Annual general meeting of the shareholders)
Categories and numbers of persons to whom rights are granted	Directors of the Company: 6 Employees of the Company (executive officers): 12
Type of shares to be issued upon exercise of the share subscription rights	Listed in “(2) Share subscription rights.”
Number of shares	Same as above
Amount to be subscribed upon the exercise of the share subscription rights (yen)	Same as above
Exercise period	Same as above
Conditions for the exercise of the share subscription rights	Same as above
Transfer of the share subscription rights	Same as above
Matters relating to subrogation payment	Same as above
Matters relating to the issuance of share subscription rights as a result of organizational restructuring action	Same as above
Matters relating to the conditions of acquisition of share subscription rights	Same as above

The 8th share subscription rights

Date for resolution	June 27 <sup>th</sup> , 2011 (Annual general meeting of the shareholders)
Categories and numbers of persons to whom rights are granted	Directors of the Company: 7 Employees of the Company: 191 Directors of subsidiaries: 10 Employees of subsidiaries: 72
Type of shares to be issued upon the exercise of the share subscription rights	Common Stock
Number of shares	62,400 *Note 1
Amount to be subscribed upon the exercise of the share subscription rights (yen)	*Note 2
Exercise period	July 13 <sup>th</sup> , 2013 – June 30 <sup>th</sup> , 2018
Conditions for the exercise of the share subscription rights	If the holder of the subscription right abandons the subscription right, exercise of that subscription right shall not be possible.
Transfer of the share subscription rights	Approval by the Board of Directors is required in order to transfer share subscription rights.
Matters relating to subrogation payment	-
Matters relating to the issuance of share subscription rights as a result of organizational restructuring action	*Note 3
Matters relating to the conditions of acquisition of share subscription rights	*Note 4

Share subscription rights issued in July 2011 (stock-based compensation type)

Date for resolution	June 28 <sup>th</sup> , 2011 (Annual general meeting of the shareholders)
Categories and numbers of persons to whom rights are granted	Directors of the Company: 6 Employees of the Company (executive officers): 2
Type of shares to be issued upon exercise of the share subscription rights	Common Stock
Number of shares	33,100 *Note 1
Amount to be subscribed upon the exercise of the share subscription rights (yen)	The amount to be paid by the holders upon the exercise of each share subscription right shall be the amount calculated by multiplying the amount to be subscribed per share (to be set as 1 yen) for the Company's shares of common stock that may be issued upon the exercise of share subscription rights by the number of shares granted.
Exercise period	July 13 <sup>th</sup> , 2011 – July 12 <sup>th</sup> , 2031
Conditions for the exercise of the share subscription rights	*Note 5
Transfer of the share subscription rights	Approval by the Board of Directors is required in order to transfer share subscription rights.
Matters relating to subrogation payment	Same as above
Matters relating to the issuance of share subscription rights as a result of organizational restructuring action	*Note 3
Matters relating to the conditions of acquisition of share subscription rights	*Note 4



Notes:

1. The number of shares issued upon the exercise of the share subscription rights (hereafter referred to as “Number of Shares Granted”) is 100. Meanwhile, the Number of Shares granted may be adjusted by following adjustment methods.)

If the Company conducts a stock split or reverse stock split, the Number of Shares Granted shall be adjusted according to the following formula, with resulting fractions less than 1 share to be rounded down.

Adjusted Number of Shares Granted

= Number of Shares Granted before adjustment × Stock split (or reverse stock split) ratio

In addition, if another unavoidable circumstance which requires adjusting the Number of Shares Granted occurs, the Number of Shares Granted shall be adjusted within a reasonable range with consideration for the various conditions extant at the time.

2. The amount to be paid by the holders upon the exercise of each share subscription right shall be the amount calculated by multiplying the amount to be subscribed per share (hereafter the “Exercise Price”) for the Company’s shares of common stock that may be issued upon the exercise of share subscription rights by the number of shares granted. Exercise Price shall be the higher of 1) averaged share price, which shall be calculated from the closing price of the shares at Tokyo Stock Exchange each day for a month before the month of exercise, or 2) closing price of the shares on the day before the day of exercise, multiplied by 1.025. However, if any of the cases below takes places, the Exercise Price shall be adjusted by applying the following formulas, with resulting fractions less than one yen to be rounded up.

(1) A stock split or reverse stock split of the Company stock occurs.

$$\text{Adjusted Exercise Price} = \text{Exercise Price before adjustment} \times \frac{1}{\text{Stock split (or reverse stock split) ratio}}$$

(2) If the Company issues shares of new common stock or disposes of its treasury stock at prices less than the then-current market price (excluding the costs of exercise of share subscription rights).

$$\text{Adjusted Exercise Price} = \text{Exercise Price before adjustment} \times \frac{\text{Number of shares already issued} + \frac{\text{Number of new shares to be issued (disposed of)} \times \text{Issue (disposal) price per share}}{\text{Market price}}}{\text{Number of shares already issued} + \text{Number of new shares to be issued}}$$

(3) If another unavoidable circumstance which requires adjusting the Exercise Price occurs, the Exercise Price shall be adjusted within a reasonable range with consideration for the various conditions extant at the time.

3. In the event that the Company experiences a merger (only if the company is eliminated as a result of the merger), absorption-type company split or incorporation-type company split (in each case only if the Company becomes a split company), or stock swap or stock transfer (in each case only if the Company becomes a wholly owned subsidiary) (the above events hereafter collectively referred to by the general term “Structural Reorganization”), then the holders of share subscription rights remaining at the time the Structural Reorganization takes effect (hereafter referred to as “Remaining share subscription rights”) shall be provided with share subscription rights based on the conditions below for the public company as indicated in Article 236, Item 1, Number 8, (a) – (e) of the Corporation Law of Japan (hereafter referred to as “Reorganized Company”).

However, the provision of share subscription rights for the Reorganized Company in accordance with the conditions below shall occur only when such provision is specified in the absorption-type merger agreement, incorporation-type merger agreement, absorption-type split agreement, incorporation-type split plan, stock swap agreement, or stock transfer plan.

- (1) Number of share subscription rights for the Reorganized Company to be provided  
The number of provided share subscription rights shall be the same as the number of Remaining share subscription rights possessed by the holder of the Remaining share subscription rights.
- (2) Type of Reorganized Company shares issued upon exercise of the share subscription rights  
The issued shares shall be common stock of the Reorganized Company.
- (3) Number of Reorganized Company shares issued upon exercise of the share subscription rights  
The number of issued shares shall be determined in accordance with “Number of shares issued upon exercise of stock acquisition rights” in the table above, with consideration for the conditions and other details of the Structural Reorganization.
- (4) Amount to be paid by the holder of the share subscription right upon exercise of that right  
The amount to be paid by the holder of the provided share subscription right upon exercise of that right shall be the amount calculated by multiplying the post-reorganization paid-in amount (determined by adjusting the Exercise Price with consideration for the conditions and other details of the Structural Reorganization) by the number of Reorganized Company shares issued upon exercise of the stock acquisition rights as determined according to (3) above.
- (5) Period in which the share subscription rights can be exercised  
The period shall be from either the later of the start date determined in “Exercise period for share subscription rights” above or the date on which the Structural Reorganization took effect until the end date determined in “Exercise period for stock acquisition rights” above.
- (6) Restrictions on acquisition of share subscription rights by transfer  
The acquisition of share subscription rights by transfer requires approval by a resolution of the Reorganized Company Board of Directors.
- (7) Provisions for acquisition of the share subscription rights  
This shall be determined in accordance with “Items related to the provisions for acquisition of share subscription rights” above.

4. If any of resolutions (1) – (5) listed below is approved by a General Meeting of Shareholders of the Company or, when a resolution of the General Meeting of Shareholders is not required, if a resolution by the Board of Directors or decision by a representative executive officer occurs, the Company shall be permitted to acquire share subscription rights at no cost on the date decided separately by the Board of Directors.
  - (1) A resolution approving a merger agreement by which the Company becomes an extinct company
  - (2) A resolution approving a split agreement or split plan by which the Company becomes a split company
  - (3) A resolution approving a stock swap agreement or stock transfer plan by which the Company becomes a wholly owned subsidiary
  - (4) A resolution approving a change in the articles of incorporation in order to require approval by the Company for acquisition by means of stock transfer of any shares issued by the company
  - (5) A resolution approving a change in the articles of incorporation in order to require approval by the Company for acquisition by means of stock transfer of shares which were issued by the company upon exercise of share subscription rights, or in order for the Company to acquire all of this class of stock pursuant to a resolution by the General Meeting of Shareholders.
5. (1) The share subscription rights can only be exercised when the holder of the share subscription rights has lost his/her position as a director of the Company (including executive officers of companies with a committee system of corporate governance) or executive officer. However, the share subscription rights can be exercised only during the period from the date following the day on which the holder of the share subscription rights lost his/her position (hereafter referred to as the “Right Exercise Start Date”) until the day when 7 days have passed after the Right Exercise Start Date (or if that day is not a business day, the preceding business day).
- (2) In the event that the holder of the share subscription rights dies, the heirs of the holder may exercise the share subscription rights. However in this case, the share subscription rights can be exercised only during the period from the date following the next date of the holder’s death until the day when 6 months have passed from this date (or if that day is not a business day, the preceding business day).

## 2 [Acquisition of treasury stock]

Type of shares: Acquisition of shares of common stock under Article 155, Paragraph 7 of the Company Law of Japan

(1) Acquisition of treasury stock based on a resolution approved at the annual general meeting of shareholders  
Not applicable.

(2) Acquisition of treasury stock based on a resolution approved by the Board of Directors  
Not applicable.

(3) Acquisition of treasury stock not based on a resolution approved at the general meeting of shareholders or Board of Directors

Classification	Number of shares	Total amount (1,000s yen)
Treasury stock acquired during FY2011	419	526
Treasury stock acquired during the period for acquisition	67	105

Note: "Treasury stock acquired during the period for acquisition" does not include the number of shares under 1 unit purchased during the period from June 1<sup>st</sup>, 2011 to the filing date of this Financial Document (Yuukashoken-houkokusho).

(4) Current status of disposition and holding of acquired treasury stock

Classification	FY2011		Period for acquisition	
	Number of shares	Total disposition amount (1,000s yen)	Number of shares	Total disposition amount (1,000s yen)
Acquired treasury stock for which subscribers were solicited	—	—	—	—
Acquired treasury stock which was disposed	—	—	—	—
Acquired treasury stock for which transfer of shares was conducted in association with merger, stock exchange, or corporate separation.	—	—	—	—
Others (sales of shares under 1 unit)	—	—	—	—
Number of shares of treasury stock held	32,018	—	32,018	—

Note: 1 "Acquired treasury stock which was disposed of during the period" does not include shares under 1 unit which were sold between June 1<sup>st</sup>, 2011 to the date of this Financial Document (Yuukashoken-houkokusho).was submitted.

2 "Treasury stock held during the period for acquisition" does not include shares under 1 unit which were purchased or sold between June 1<sup>st</sup>, 2011 to the date of this Financial Document (Yuukashoken-houkokusho) was submitted.

### 3 [Dividend policy]

The Company believes the most important management task for the Company is to enhance its corporate value and constantly distribute profits to shareholders through a business model of providing World's No. 1 products based on state-of-the-art technologies in growth fields.

The Company makes it a basic policy to distribute dividends from surplus twice annually (that is, an interim dividend and a year-end dividend.) Dividends are determined with consideration for various factors, including consolidated business results, financial position, investments for business expansion, and shareholders' long-term prospects.

For FY 2011, the Company paid ¥10 per share as the dividend, including an interim one (¥5 per share) paid on December 1<sup>st</sup>, 2010.

Retained earnings will be used effectively for the capital investments that are indispensable for the growth of the Company, including research and development activities and production facilities.

The Company has included the following statement in its articles of incorporation. "Pursuant to a resolution of the Board of Directors, interim dividends may be paid to shareholders or registered pledges listed or recorded in the latest shareholder registry on September 30<sup>th</sup> of each year." The Board of Directors acts as the deciding body for the interim dividend, while the General Meeting of Shareholders acts as the deciding body for the year-end dividend.

(Note): Dividends from earned surplus for which the record date belongs to the current fiscal year are as follows.

Date of resolution	Total dividend amount (1,000s yen)	Dividend per share (yen)
Resolution of the Board of Directors meeting on November 10 <sup>th</sup> , 2010	206,069	5
Resolution of the annual general meeting of shareholders held on June 27 <sup>th</sup> , 2011	206,087	5

### 4 [Changes in the market price of the Company's share]

#### (1) Highest and lowest share prices during the past 5 years

Fiscal term	84 <sup>th</sup>	85 <sup>th</sup>	86 <sup>th</sup>	87 <sup>th</sup>	88 <sup>th</sup>
Fiscal Year-end	March, 2007	March, 2008	March, 2009	March, 2010	March, 2011
Highest (yen)	7,640	4,900	2,160	1,646	1,698
Lowest (yen)	3,920	1,627	677	806	991

Note: The above prices are those quoted on the First Section of the Tokyo Stock Exchange.

#### (2) Highest and lowest share prices during the past 6 months

Month	October, 2010	November	December	January, 2011	February	March
Highest (yen)	1,133	1,250	1,350	1,390	1,691	1,660
Lowest (yen)	1,023	1,018	1,182	1,283	1,296	1,050

Note: The above prices are those quoted on the First Section of the Tokyo Stock Exchange.

## 5 [Directors and Auditors]

Function	Position	Name	Date of birth	Career profile		Term of office	Number of shares owned (1,000s)
Director	Chairman	Kazuo Fujimori	Oct. 15 <sup>th</sup> , 1946	April 1970 Jan. 1996 Oct. 1999 July 2001 June 2002 April 2003 April 2008 April 2011	Joined Toyota Motor Corporation Chief, Production Technology Development Department Joined the Company. Tsuchiura Plant Manager, Production Headquarters Director Representative Director. President & CEO Chairman (current position)	*Note 3	6
Representative Director	President	Kunimasa Ohta	Feb. 16 <sup>th</sup> , 1949	April 1971 April 1996 June 1999 April 2001 April 2002 June 2002 April 2003 June 2004 Oct. 2004 April 2011	Joined The Fuji Bank, Limited. Kobe Branch Manager Director and Accounting Division Manager at Toho Rayon Co., Ltd. Joined the Company. Managing Executive Officer of the Administration Company Director President of the Administration Company Representative Director Representative Director and CFO President (current position)	*Note 3	10
Representative Director	Director in Charge of Production	Shigeru Umenaka	Mar. 17 <sup>th</sup> , 1948	Feb. 1970 June 1992 June 1996 Oct. 1997 April 2004 June 2004 Oct. 2007 June 2011	Joined Tosei Engineering Service Co., Ltd. (now Tosei Engineering Corp.). Director and General Manager of Administration Department Managing Director Representative Senior Managing Director President (current position) Director of the Company Director in Charge of Production (current position) Representative Director (current position)	*Note 3	13
Representative Director	President of Metrology Company	Hitoshi Yoshida	Nov. 26 <sup>th</sup> , 1959	April 1983 April 2000 April 2002 April 2005 June 2005 Oct. 2007 June 2011	Joined the Company. Metrology Group Measuring Instrument Group Leader Measuring Instrument Group Leader Metrology Company Managing Executive Officer, Measuring Instrument Group Leader Director President of Metrology Company (current position) Representative Director (current position)	*Note 3	3
Representative Director	President of Semiconductor Company	Ryuichi Kimura	Dec. 30 <sup>th</sup> , 1962	April 1986 April 2000 April 2005 June 2005 Oct. 2007 June 2011	Joined the Company. Sales Section 1 Manager, Semiconductor Sales Dept. 1, Sales Headquarters Semiconductor Company Executive Officer, Sales Division Tokyo Sales Office General Manager and Osaka Sales Office General Manager Director President of Semiconductor Company (current position) Representative Director (current position)	*Note 3	2

Function	Position	Name	Date of birth	Career history		Term of office	Number of shares owned (1,000s)
Director	President of Administration Company	Koichi Kawamura	Oct. 5 <sup>th</sup> , 1957	April 1980 July 2002 Jan. 2005 April 2007 April 2008 April 2009 June 2009 June 2011	Joined The Fuji Bank, Limited. Mizuho Bank, Ltd. Fujisawa Branch Manager Mizuho Corporate Bank, Ltd, Senior Corporate Officer Financial Institutions & Public Sector Business Unit General Manager Financial Institutions & Public Sector Banking Division Joined the Company, Executive Officer of Administration Company Senior Executive officer of Administration Company Director (current position) President of Administration Company (current position)	*Note 3	1
Director	Part-time	Wolfgang Bonatz	Dec. 21 <sup>st</sup> , 1964	Oct. 1992 April 1996 Nov. 1999 Oct. 2001 June 2002	Joined Tokyo Seimitsu Europe GmbH (now Accretch (Europe) GmbH). Operations Manager Director President (current position) Director (part-time) of the Company (current position)	*Note 3	1
Director	Part-time	Hidenori Kimura	Nov. 3 <sup>rd</sup> , 1941	Apr. 1988 Apr. 1995 Apr. 1999 Apr. 2001 Nov. 2007 Oct. 2009 July 2010	Professor at the Department of Mechanical Engineering, Faculty of Engineering, Osaka University Professor at the Dept. of Information Physics and Computing, Univ. of Tokyo Professor at the Dept. of Complex Science and Engineering, Graduate School of Frontier Science Leader of the Biological Control Systems Laboratory, the Institute of Physical and Chemical Research (RIKEN) Director of the RIKEN BSI-Toyota Collaboration Center (Current Position) Principal Fellow of Center for Research and Development Strategy, Japan Science and Technology Agency (Current Position) Director of the Company (Current Position)	*Note 3	—
Auditor	Full-time	Hideo Sawada	Jan. 26 <sup>th</sup> , 1947	April 1969 Mar. 1992 Mar. 1997 Nov. 2002 Dec. 2003 April 2005 Jan. 2007 April 2010 June 2010	Joined Hitachi Ltd. General Manager of WS development department, OA division General Manager of Patent Promotion Center Joined the Company General Manager of Patent Dept. Executive Officer of Administration Company, General Manager of IP Dept. Section Adviser, General Manager of Legal and IP Dept. Section Adviser Auditor (current position)	*Note 4	5
Auditor	Part-time	Hiroo Ohi	Jan. 25 <sup>th</sup> , 1945	April 1967 June 1994 May 1995 June 1997 June 2000 Dec. 2004 June 2009	Joined The Fuji Bank, Limited. Director, General Manager of public relation Director, Nagoya branch manager President at Fine Credit Co., Ltd. Managing Director at Nippon Oil & Fats Co., Ltd. (current: NOF CORPORATION) Director and Executive Operating Officer Auditor of the Company (current position)	*Note 5	—

Function	Position	Name	Date of birth	Career history		Term of office	Number of shares owned (1,000s)
Auditor	Part-time	Yoshiharu Kikuchi	April 17 <sup>th</sup> , 1948	April 1971 June 2000 June 2001 April 2004 Apr. 2006 June 2010	Joined Tsugami Corporation Director and Leader of the Automatic Lathe Group, Nagaoka Factory Managing Director and Leader of the Automatic Lathe Group, Nagaoka Factory Director, Senior Executive Officer and General Manager of the Sales Headquarters Representative Director, Senior Executive Officer and General Manager of the Sales Headquarters Auditor of the Company (current position)	*Note 4	—
Auditor	Part-time	Yoshihiro Yoshimura	Feb. 20 <sup>th</sup> , 1949	April 1972 June 1992 April 1998 April 2000 June 2001 June 2003 June 2011	Joined The Mitsui Bank, Ltd The Sakura Bank, Limited, Shinagawa eki-mae Branch General Manager International Business Division General Manager Thailand Country Manager, Bangkok Branch General Manager Executive Officer of Sumitomo Mitsui Banking Corporation, Bangkok Branch General Manager President of SMBC International Business Co., Ltd (current position) Auditor of the Company (current position)	*Note 6	—
Total							42

Notes:

1. Director Hidenori Kimura is external corporate director as stipulated in Article 2, No. 15 of the Company Law of Japan.
2. Auditors Hiroo Ohi, Yoshiharu Kikuchi, and Yoshihiro Yoshimura are external corporate auditors as stipulated in Article 2, No. 16 of the Company Law of Japan.
3. Until the conclusion of the Regular General Meeting of Shareholders for the final fiscal year ending within 1 year following the conclusion of the Regular General Meeting of Shareholders which was held on June 27<sup>th</sup>, 2011.
4. Until the conclusion of the Regular General Meeting of Shareholders for the final fiscal year ending within 4 years following the conclusion of the Regular General Meeting of Shareholders which was held on June 24<sup>th</sup>, 2010.
5. Until the conclusion of the Regular General Meeting of Shareholders for the final fiscal year ending within 4 years following the conclusion of the Regular General Meeting of Shareholders which was held on June 29<sup>th</sup>, 2009.
6. Until the conclusion of the Regular General Meeting of Shareholders for the final fiscal year ending within 4 years following the conclusion of the Regular General Meeting of Shareholders which was held on June 27<sup>th</sup>, 2011.
7. In order to prevent any situations in which the Company fails to maintain the number of auditors required by law, the Company has appointed 1 alternate auditor as defined in Article 329, Paragraph 2 of the Company Law of Japan.

Name	Date of birth	Career history		Number of shares owned (1,000s shares)"
Shu Hamba	August 21 <sup>st</sup> , 1965	April, 1993  February, 2004	"Registered as an attorney at law, No. 1 Tokyo Bar Association. Joined Iwata Godo, Attorneys and Counselors at Law" Registered as an attorney at law, New York, USA.	—

## 6 [Corporate governance and others]

### (1) Status of Corporate Governance

#### (1) Corporate Governance philosophy

I. The Company operates corporate governance systems described as follows, which have been ratified by the Board of Director in May, 2006.

1. Basic corporate governance philosophy

The philosophy of the Company can be expressed as “Creating the World’s No.1 products through uniting worldwide outstanding technologies, wisdoms, and information, and growing together”. In order to establish WIN-WIN relationship with all stakeholders including shareholders, customers, suppliers and employees and to sustain long-term growth, the Company keeps diligent and transparent operations through strengthening corporate governance and compliance.

2. Systems to ensure that Director’s business dealings meet laws and articles

i. To meet appropriate corporate governance standards, The Board of Directors has put in place an effective internal control system and established a system for compliance with laws, regulations, and the articles of incorporation.

ii. The Board of Auditors monitors the effectiveness and function of the internal control system.

3. Systems of information preservation and management of Director’s business dealings

i. Directors shall secure all information and documents related to business dealings based on the “Tokyo Seimitsu’s Basic policy for confidential information control”.

ii. Upon requests by Directors and Auditors, this information will be made available for inspection.

4. Systems for risk managements

i. The Company works to prevent potential risks. If risks appear, all personnel in the Company, chaired by President, immediately carry out activities quickly and calmly.

ii. The Company has “Regulations for risk management” for the purpose of understanding risks that may affect the business operations and its management. The Company has a “Risk Management Committee,” chaired by the President. This committee helps prevent potential risks, while developing a system for emergency preparedness in accordance with Regulations for risk management.

iii. In the event of a risk scenario arising, the committee would immediately establish a “Risk Response Headquarters” managed by the President, and carry out activities aimed at responding to the risk and quickly bringing it under control.

5. Systems for effect business operations by Directors

i. The Board of Directors holds regular meetings once each month. It makes decisions concerning important operational matters such as half fiscal year business forecasts and monitors the status of business execution. The Company is strictly observant to ratify the matters that are defined under regulations of the Board of Directors and/or the matters to be ratified. All necessary documents are properly distributed to all Directors and auditors.

ii. In order to realize quick business decisions for R&D and/or tactics based on market conditions, the Company adopted an executive officer system in April 2002. The Company holds regular executive officer meetings once each month to monitor the status of business plans.



- iii. For the execution of routine business, the Company delegates authority and responsibility to appropriate personnel based on the Company's regulations in accordance with business authorization and responsibility.
6. Systems to ensure employees' activities observe laws and articles of corporation
    - i. The Company established the "Compliance Committee," in May 2004, chaired by the President of Administration Company. In addition, the Company created "Accretech Group Code of Conduct" in August 2004 to ensure that in all business activities, employees always observe laws, regulations, the articles of incorporation, company rules, and social rules, to conduct themselves in a manner that is honest and ethical
    - ii. The Company has a system for reporting incidence relating to compliance, by which the responsible directors and/or executive officer report details and action plans to the Board of Directors and Auditors in a timely manner.
    - iii. The internal reporting system guards the reporter and establishes systems to undertake appropriate action.
    - iv. The Company has the Audit dept. which is overseen directly by the President, and carries out internal audits in order to verify issues such as compliance with laws, regulations, the articles of incorporation, company rules, and validity of management decision making.
  7. Systems for ensuring the correctness of operations in the Group
    - i. The Company and Subsidiaries (Group) has the Management Support dept. which collects information concerning various problems and major risks within the Group, and works to share the information throughout the Group and to ensure the correctness of business activities from the overall Group's profit point of view.
    - ii. If the Management Support dept. notifies risk of loss occurring at Subsidiaries, the Management Support dept. collects information concerning problems and major risks and reports details to Board of Directors and responsible departments.
    - iii. In order to avoid unfair and/or improper transactions and/or accounting, the Management Support dept shares information with the Company's Audit dept and/or equivalent dept. in subsidiaries frequently.
  8. Matters for employees who has been appointed to support Auditor's task
    - i. If necessary, the Company appoints approximately 2 employees who belong to the Management Support dept. and/or Audit dept. to support Auditors task.
    - ii. The direction from Auditors is fully quarantined from the original organization from which the co-opted employees belong.
  9. Independence of employees those who supports Auditors from Directors
    - i. The appointment and/or transfer of employees to support Auditors shall be agreed by the Board of Auditors.
    - ii. The assessment of employees to support Auditors shall be referred for Auditor's opinion.
  10. Systems for reporting from Directors and/or employees to Auditors, and related to the reports to other Auditors
    - i. Based on regulations of the Board of Auditors, Directors and employees shall brief and share necessary information to/with Auditors upon request.
    - ii. Major matters to be reported on are as follows.
      - Status of Audit dept. and Management Support dept. relating to the Company's internal control system.

- Status of Auditors and internal audit dept. of the Subsidiaries
  - Company's important accounting policies, standards, and methods, and these revisions
  - Contents of business results and forecasts to be in public, and/or the content of important disclosure documents
  - Status of operation of internal reporting system and detail of reports
  - Internal Ringi (Ratification) document and meeting minutes requested by Auditors
11. Systems to ensure issuing reliable financial reports
 

Dealing with the risk related to the reliability of financial reporting on the Company and its subsidiaries, the Company institutes "Basic Principles of Internal Control Over Financial Reporting" as a policy to ensure the control activity to reduce the risk sufficiently.
  12. Systems to ensure that Auditor enables effective audit
    - i. Representative Director of the Company communicates with Auditors as much as possible and shares the comments for not only business reports but also operations.
    - ii. Board of Directors shall reserve Auditor's availability for attendance to meetings such as executive officers meeting that are important to assessing proper business operations.
  13. Policies and preparations for the severance of relationships with anti-social forces
    - i. The Group does not have any relationships with anti-social forces. In a case where anti-social forces contact the company, the Group will immediately notify and inform the police department and other relevant organizations, and will manage it with lawyers and other relevant organizations as necessary.
    - ii. The Group mandates the severance of relationships with anti-social forces as a part of the "Accretech Group Code of Conduct," and collects related information from sources such as the relevant police departments and the shareholder registry, in order to understand the most recent changes in preparation for unforeseen events. Responses to anti-social forces are determined by each responsible department, and are carried out in cooperation with external organizations as necessary.

## II. Status of the risk management system

The Company has established a "Risk Management Regulations," and a "Risk Management Committee" chaired by the President, which is intended to identify and manage risks associated with our business practices. Based on the Risk Management Regulations, the Risk Management Committee helps prevent potential risks, while developing a system for emergency preparedness. In addition, during risks situations, this committee immediately establishes a "Risk Response Headquarters" that is managed by the President, and carries out activities aimed at responding to the risk and quickly bringing it under control.

1. Composition of the Risk Management Committee
  - i. The committee chairman is the President.
  - ii. The Vice Chairman and committee members are appointed from among the executive officers at each internal company, the directors of subsidiaries, or equivalent persons.
  - iii. The secretariat is the President of the Administration Company.
2. Activities of the Risk Management Committee
  - i. The Risk Management Committee initially formulates the risk management action plan in the beginning of any Fiscal Year, then follows that action plan and convenes regular meetings of the committee at least once every 2 months, and requests reports from primary risk divisions concerning activities to prevent potential risks.
  - ii. The Risk Management Committee reports the minutes of the regular meetings as necessary to the Board of Directors.

3. Communication system for manifested risks
 

If a risk becomes manifested, the Risk Management Committee and primary risk divisions immediately report the details of the manifested risk and the plan for correction to the Board of Directors and Board of Auditors via the Risk Management Committee members and the responsible officials. If necessary, the “Risk Response Headquarters” is also immediately established.
4. Composition of the Risk Response Headquarters
  - i. The headquarters is managed by the President.
  - ii. The secretariat is the President of the Administration Company.
  - iii. The headquarters members are the related directors and auditors, as well as persons assigned by the President.
5. Duties of the Risk Response Headquarters
  - i. Collect information concerning the manifested risk
  - ii. Review, decide on, and carry out response plan
  - iii. Communicate with and respond to related government agencies
  - iv. Create a plan for and respond to media institutions
  - v. Review, decide on, and carry out plans to prevent recurrence
  - vi. All other duties related to the manifested risk
6. Notification of the manifest risk
  - i. When notification to the government agencies concerning the manifested risk is necessary, the notification shall be made to the responsible government agencies quickly and accurately.
  - ii. Notification to government agencies is the duty of the Risk Response Headquarters secretariat.
  - iii. The secretariat must obtain the advance approval of the Board of Directors for the contents of the notification to the government agencies.
7. Important points concerning the Risk Response Headquarters
  - i. When reviewing and deciding on response plans and recurrence prevention plans, the Risk Response Headquarters shall pay sufficient attention to the effects on the company trust and reputation, and to the effects on business performance.
  - ii. In order to resolve the manifested risk, the Risk Response Headquarters is permitted to request the advice of third parties as necessary.
8. Disbanding of the Risk Reaction Headquarters
 

The Risk Response Headquarters is disbanded by a decision of the headquarters secretariat when the manifested risk has been eliminated.

### III. Outline of the contract between the Company and External Corporate Directors and Auditors as stipulated in Article 427, No. 1 of the Company Law of Japan

As stipulated in Article 427, No. 1 of the Company Law of Japan, the Company concludes a contract with Hidenori Kimura, external corporate director, and with Hiroo Ohi, Yoshiharu Kikuchi, and Yoshihiro Yoshimura of external corporate auditors. The Outline of the contract is as follows.

#### 1. Limited indemnity

Where external Corporate Director and/or Auditors violates in Article 423, No. 1 of the Company Law of Japan, forgetting duty of external corporate director/auditors, and made loss to the Company, if it was a benevolent act and without obvious negligence is confirmed, then the upper limit of indemnity shall be set as the limit of indemnity as stipulated in Article 425, No. 1 of the Company Law of Japan.

2. Ratification of compliance with limited responsibility  
The Company will ratify if the act of related external corporate director/auditors comply with the limited responsibility described above.
3. Approval from shareholder's meeting  
If the Company's external Corporate Director and/or auditors acts cause loss to the Company over than the range as described by the limited liability, and if contracts limited these Directors/Auditor's liability, then these Directors/Auditors shall not receive any economic benefits including, but not limited to retirement benefits from the Company without approval from a shareholders meeting.
4. Expiration of limited liability contract  
If the external Corporate Director/auditors are appointed to director, executive officer, and/or employees of the Company and/or Subsidiaries, the contract shall be expire thereafter.

IV. The maximum number of directors as determined by the articles of incorporation

The Company determined maximum number of directors as 15 by the articles of incorporation.

V. Resolutions to appoint directors as determined by the articles of incorporation

The articles of incorporation of the Company require that "resolutions which appoint directors must be made at meetings where shareholders with a minimum of 1/3 of the exercisable shareholder voting rights are present, and must be approved by a majority of the present voting rights," and also that such resolutions "shall not be decided by cumulative voting."

(2) Internal audits and independent auditor audits

I. Organization, personnel, and procedures for internal audits and independent auditor audits

1. As of March 31<sup>st</sup>, 2011, the Board of Auditors, as a parallel organization to the Board of Directors, is composed of 1 internal auditor and 3 external corporate auditors. Through means such as attending meetings of the Board of Directors and other important meetings, holding hearings concerning the status of business practices, and examining important financial documents, the members carry out audits related to the business practices, accounting processes, financial management, and other activities of the Company, checking for any actions which violate laws, regulations, or the duty of good faith.
2. The Audit dept. is a different internal auditing organization. This organization is overseen directly by the President, and is composed of 2 members. It is primarily tasked with checking compliance against laws and regulations, conforming to the articles of incorporation, and validating management actions though internal audit. If the Audit dept. finds any violation against laws, article of incorporation and /or regulations, the Audit dept. must immediately reports to the Company's president and issue instructions for corrections.

II. Cooperation between internal audits, independent auditor audits, and accounting audits

When reviewing to determine whether or not the annual financial reports reflect the true status of the Company, the Board of Auditors receives reports and explanations from the accounting auditors. The Board of Auditors and the accounting auditors hold meetings for reporting and reviews related to matters such as accounting audit systems, plans, and operating conditions once every 2 months, working to maintain close cooperation. The Board of Auditors and the Audit dept. hold meetings for reporting and reviews once every 1 month.

The auditors also comprise the members of the Advisory Committee, which assists the Chairperson of the Board of Directors. This committee advises on various topics of management. Upon request such as from the Board of Directors or Executive Officers Meeting, this committee may also provide advices for necessary actions within the Audit dept.

### III. Auditors financial expertise

The auditors, especially external corporate auditors have significant knowledge of finance and accounting matters through their abundant corporate experience including working at the financial institutions.

#### (3) External corporate director and auditors

##### I. Personnel relationships, capital relationships, and commercial or other business relationships between the Company and the outside Directors/Auditors

1. Number of external corporate director: 1, Number of external corporate auditors: 3
2. The relationships between the external corporate auditors and the Company are as follows.

	Name	Relationship	Capital relationship (number of shares of the Company owned)	Commercial or other business relationship
External corporate director	Hidenori Kimura	Not applicable	0 shares	None
External corporate auditors	Hiroo Ohi	Not applicable	0 shares	None
	Yoshiharu Kikuchi	Not applicable	0 shares	None
	Yoshihiro Yoshimura	Not applicable	0 shares	None

##### II. The roll and function of external corporate director and auditors in order to maintain the Company

1. The external Corporate Director shall participate in important meetings such as Board of Directors, and supervise business decisions, and business dealings in areas relating to his/her special knowledge and operations of his/her organizations experienced.
2. The external Corporate Auditors shall participate in important meetings such as Board of Directors, and audit functionality and effectiveness of internal control systems in keeping with his/her each special knowledge and operations of his/her organizations experienced.
3. The external Corporate Director and Auditors shall carry out their functions as independent positions which shall not cause conflict of interest against general shareholders.

##### III. Status of appointing external corporate director and auditors

1. The external corporate director has been appointed with expectation that his special knowledge such as engineering and experience leading his organization at university and administrative agencies may positively effect to the Company's business operation.
2. The external corporate auditors have been appointed with expectation that their special knowledge of finance, service, and manufacturing and their abundant experiences may positively effect to the Company's audit.

##### IV. Coordination among audits by external corporate director/auditors, internal audits, audits by auditors and accounting audits, and relationships to internal control division

1. The external Corporate Director shall participate in important meetings such as Board of Directors, and supervise director's business dealings, and/or freely provide advice differing from the views of other executive directors.

2. The external corporate auditors shall cooperate with the Board of Auditors and have mutual relationship among Board of Directors, Audit dept. and related agency and/or division.

(4) Compensation paid to directors and auditors

- I. Total number and types, of compensation to the Directors/Auditors of the Company per position in FY2011 (from Apr 1<sup>st</sup>, 2010 – March 31<sup>st</sup>, 2011)

Type	Total numbers of compensation (1,000s yen)	Type of compensation (1,000s yen)				Applicable directors and auditors (person)
		Basic compensation	Stock Option	Bonus	Retirement Benefits	
Directors (except external Corporate Directors)	83,957	83,642	315	—	—	7
Auditors (except external Corporate Auditors)	11,265	11,265	—	—	—	2
External Corporate Directors and Auditors	21,090	21,090				4

Notes

1: Compensation to directors shall be less than ¥360 million per year based on the ratification at the 83rd annual shareholders meeting held on June, 2006. As same as this ratification, the 83rd annual shareholders meeting also ratified that the compensation by the share subscription rights as stock options shall be less than ¥200 million.

2: Compensation to the auditors shall be less than ¥60 million per year based on the ratification at the 83rd annual shareholders meeting held on June, 2006. As same as this ratification, the 83rd annual shareholders meeting also ratified that the compensation by the share subscription rights as stock options shall be less than ¥15 million.

- II. Consolidated Compensation paid to each Directors/Auditors by the Company

Consolidated compensation paid to each Directors/Auditors omitted because there are no Directors/Auditors who are paid over ¥100 million per year by the Company.

- III. Important notification of salary to the director-employees

Not applicable.

- IV. Policy of determining compensation for the Directors/Auditors

The Company has a procedure for determining compensation for Directors/Auditors, as follows.

1. Compensation for the Directors

The compensation committee, organized by a part of representative director and other directors are entrusted by Board of Directors to determine compensation to each director based on the representative director C.E.O's compensation multiplied by a certain ratio. This committee consults the Audit committee in relation to such matters and the Audit committee reports to representative director C.E.O.

2. Compensation for the Auditors

Compensation to the Auditors is determined by the Board of Auditors.

(5) Shares held by the Company

- I. Description of shares held by the company without a purpose of net investment and accounted on balance sheet

Number of Brands: 39 brands

Total numbers Accounted on Balance Sheet: ¥2,779,131 thousand

- II. Types, Brands, Number of holdings, Amount recorded on Balance Sheet, and Purpose of share holdings by the company without the purpose of net investment

FY2010 (from Apr 1<sup>st</sup>, 2009 – March 31<sup>st</sup>, 2010)

Specific Shares for investment

Brand	Number of shares holdings by the Company	Accounted on Balance Sheet (1,000s yen)	Purpose of share holdings
Toyota Motor Corporation	200,000	749,000	Sales activity(such as smooth dealing)
Mizuho Financial Group, Inc.	500,000	500,000	Same as at above
NSK Ltd.	605,900	447,154	Same as at above
Asahi Diamond Industrial Co., Ltd.	400,000	343,200	Same as at above
MITSUI & CO., LTD.	100,000	157,100	Same as at above
Tokyo Electron Limited	23,300	144,460	Same as at above
KYOCERA Corporation	15,500	141,205	Same as at above
THK CO., LTD.	60,000	122,400	Same as at above
FORMFACTOR, INC	66,667	108,975	Same as at above
TAIHEIYO CEMENT CORPORATION	612,000	82,008	Stabilization of shareholding

FY2011 (from Apr 1<sup>st</sup>, 2010 – March 31<sup>st</sup>, 2011)

Specific Shares for investment

Brand	Number of share holdings by the Company (share)	Accounted on Balance Sheet (1,000s yen)	Purpose of share holdings
Toyota Motor Corporation	200,000	670,000	Sales activity(such as smooth dealing)
Asahi Diamond Industrial Co., Ltd.	400,000	638,400	Same as at above
NSK Ltd.	296,900	212,877	Same as at above
KYOCERA Corporation	15,500	130,665	Same as at above
THK CO., LTD.	60,000	125,520	Same as at above
Tokyo Electron Limited	23,300	106,830	Same as at above
TAIHEIYO CEMENT CORPORATION	612,000	85,860	Stabilization of shareholding
Yamazen Co., Ltd.	160,000	77,600	Sales activity(such as smooth dealing)
Teikoku Piston Ring Co., Ltd.	100,000	76,700	Same as at above
TOA CORPORATION	380,000	63,080	Same as at above
Tomita Co., Ltd	119,341	57,880	Same as at above
FORMFACTOR, INC	66,667	56,354	Same as at above
The Yachiyo Bank, Limited	18,500	52,355	Same as at above
ASAHI GLASS CO., LTD.	36,398	38,072	Same as at above
Mitsubishi UFJ Financial Group, Inc.	80,000	30,720	Same as at above
JOYO BANK, LTD.	48,510	15,862	Same as at above
Taiho Kogyo Co., Ltd.	20,000	14,780	Same as at above
JX Holdings, Inc.	21,440	11,984	Same as at above
MICRON MACHINERY CO., LTD.	10,000	10,100	Same as at above
Sato shoji Corporation	14,834	7,491	Same as at above
Daiichi Sankyo Company, Limited	4,636	7,445	Same as at above
Eiwa Corporation	29,040	7,230	Same as at above
Tsukuba Bank, Ltd.	28,000	7,084	Same as at above
KURODA Precision Industries Ltd.	40,750	6,846	Same as at above
Resona Holdings, Inc.	16,275	6,444	Same as at above



Shares subject to deemed holding

Brand	Number of share holdings by the company (shares)	Accounted on Balance Sheet (1,000s yen)	Purpose of share holdings
TSUGAMI CORPORATION	4,592,000	2,663,360	The Company holds voting rights.
Shoei Co., Ltd	399,300	300,273	Same as at above
Advantest Corporation	40,400	60,519	Same as at above
Nikon Corporation	19,000	32,585	Same as at above
Sumitomo Mitsui Financial Group, Inc.	10,800	27,928	Same as at above

Note: Upon listing higher-ranked brands accounted on Balance Sheet, totaling of Specific shares for investment and Shares subject to deemed holding is not performed.

III. Types, Brands, Number of holdings, Amount recorded on Balance Sheet, and Purposes of share holdings by the company with the purpose of net investment  
Not applicable.

(6) Names, affiliated independent auditors, and years of continuous auditing service for the Certified Public Accountants who have carried out auditing work, and Assistants to the audits

I. Names, affiliated independent auditors, and years of continuous auditing service for the Certified Public Accountants who have carried out auditing work

Name of Certified Public Accountant		Affiliated independent auditor	Years of continuous auditing service
Designated employee and partner	Sayaka Shimura	Ernst & Young ShinNihon LLC	—
	Kohichi Taniguchi		—

II. Assistants to the audits

Certified Public Accountants: 4, Junior accountants: 11, Others: 2

(7) Authority for the Board of Directors to decide resolutions of the General Meeting of Shareholders

I. So that the Company is able to carry out its capital strategy in a flexible manner that is appropriate for changes in the business environment, the articles of incorporation state that "under the provisions of Article 165, Paragraph 2 of the Company Law of Japan, the Company may, by resolution of the Board of Directors, acquire its own shares through market trading and other means that are identified in Paragraph 1 of the same article."

II. In order to return profits to the shareholders in a flexible manner, the articles of incorporation state that "the Company may, by resolution of the Board of Directors, pay an interim dividend to shareholders or registered pledgees listed or recorded in the latest shareholder registry on September 30<sup>th</sup> of each year."

(8) Requirements for special resolutions of the General Meeting of Shareholders

In order to ensure smooth operation of the General Meeting of Shareholders by reducing the quorum required for a special resolution, the articles of incorporation state that "the resolutions which are identified in Article 309, Paragraph 2 of the Company Law of Japan require the attendance of 1/3 or more of shareholders with voting rights, and shall be decided by a minimum 2/3 majority of the voting rights present."

(2) Status of remuneration to auditors, and others

(1) Remuneration for public accountants

	FY2010		FY2011	
	Remuneration related to Audit & assurance (1,000s yen)	Remuneration not related to Audit & assurance (1,000s yen)	Remuneration related to Audit & assurance (1,000s yen)	Remuneration not related to Audit & assurance (1,000s yen)
The Company	36,000	—	41,400	—
Consolidated Subsidiaries	10,000	—	11,000	—
Total	46,000	—	52,400	—

(2) Other important remunerations

FY2010 (Apr 1<sup>st</sup>, 2009 – Mar 31<sup>st</sup>, 2010)

The Company (USA branch), and the Company's consolidated subsidiary company Accretech USA Inc and Accretech (Europe) GmbH paid total ¥6,054 thousand to Ernst & Young, which belongs to the same network of the Company's Public Accountant as remuneration for Audit & assurance for the Fiscal Year. There has been no other remuneration other than for the purpose of audit & assurance.

FY2011 (Apr 1<sup>st</sup>, 2010 – Mar 31<sup>st</sup>, 2011)

The Company (USA branch), and the Company's consolidated subsidiary company Accretech USA Inc and Accretech (Europe) GmbH paid total ¥6,850 thousand to Ernst & Young, which belongs to the same network of the Company's Public Accountant as remuneration for Audit & assurance for the Fiscal Year. There has been no other remuneration other than for the purpose of audit & assurance.

(3) Business from Certified Public Accountants to the Company without a purpose of audit and assurance

Not applicable.

(4) Policy of determining remuneration to independent auditors

Although there is no specific policy of determining remuneration from the Company to the Certified public accountants, both mutually discusses and determines it based on the days spent for the audit, estimated workforce and turnover volume of the Company.

## Section 5 [Financial Information]

### 1. Basis of preparation of the consolidated financial statements and the non-consolidated financial statements

- (1) The consolidated financial statements of the Company are prepared in accordance with “Regulations Concerning the Terminology, Forms, and Preparation Methods of Consolidated Financial Statements” (Ministry of Finance Ordinance No. 28, 1976, hereafter referred to as “Regulations for Consolidated Financial Statements”).  
However, the consolidated financial statements for FY2010 (April 1<sup>st</sup>, 2009 – March 31<sup>st</sup>, 2010) were prepared in accordance with the “Regulations for Consolidated Financial Statements” before amendment; whereas, the consolidated financial statements for FY2011 (April 1<sup>st</sup>, 2010 – March 31<sup>st</sup>, 2011) were prepared in accordance with the “Regulations for Consolidated Financial Statements” after amendment.
- (2) The non-consolidated financial statements of the Company are prepared in accordance with “Regulations Concerning the Terminology, Forms, and Preparation Methods of Non-Consolidated Financial Statements” (Ministry of Finance Ordinance No. 59, 1963, hereafter referred to as “Regulations for Non-Consolidated Financial Statements”).  
However, the consolidated financial statements for FY2010 (April 1<sup>st</sup>, 2009 – March 31<sup>st</sup>, 2010) were prepared in accordance with the “Regulations for Non-Consolidated Financial Statements” before amendment; whereas, the consolidated financial statements for FY2011 (April 1<sup>st</sup>, 2010 – March 31<sup>st</sup>, 2011) were prepared in accordance with the “Regulations for Non-Consolidated Financial Statements” after amendment.

### 2. Audit reports

Pursuant to Article 193-2-1 of the Financial Instruments and Exchange Act, the Company has had its consolidated financial statements of FY2010 (April 1<sup>st</sup>, 2009 – May 31<sup>st</sup>, 2010), non-consolidated financial statements of FY2010 (April 1<sup>st</sup>, 2009 – May 31<sup>st</sup>, 2010), consolidated financial statements of FY2011 (April 1<sup>st</sup>, 2010 – May 31<sup>st</sup>, 2011), and non-consolidated financial statements of FY2011 (April 1<sup>st</sup>, 2010 – May 31<sup>st</sup>, 2011) audited by Ernst & Young ShinNihon LLC.

### 3. System to secure appropriate Consolidated Financial Statements

In order to secure appropriate Consolidated Financial Statements, the Company collects necessary information to ensure the details and changes in accounting standards in a timely manner, and receives updated training from organizations such as the Financial Accounting Standards Foundation and seminars sponsored by public accountants and industry forums.

# 1. Consolidated Financial Statements

## (1) Consolidated financial statements

### [1] Consolidated balance sheets

1,000s yen

	FY2010 (Mar 31 <sup>st</sup> , 2010)		FY2011 (Mar 31 <sup>st</sup> , 2011)	
<b>ASSETS</b>				
Current Assets				
Cash and cash equivalents		12,055,368		16,222,951
Notes and accounts receivable		15,511,527		18,796,807
Merchandise and finished goods		984,741		797,437
Work in progress		9,362,007		10,546,881
Raw materials and supplies		2,317,624		2,733,940
Differed tax assets		763,852		1,056,885
Others		911,244		910,974
Allowance for doubtful accounts		- 202,959		- 245,688
Total current assets		41,703,407		50,820,190
Fixed Assets				
Tangible fixed assets				
Building and structures		14,681,080		14,541,512
Accumulated depreciation		- 6,628,418		- 7,191,719
Accumulated impairment loss		- 134,759		-
Building and structures(net)	*3	7,917,902	*3	7,349,792
Tools and fixtures		5,398,450		5,667,820
Accumulated depreciation		- 4,045,607		- 4,480,100
Tools and fixtures(net)		1,352,843		1,187,720
Other fixed assets		3,544,878		3,725,652
Accumulated depreciation		- 3,130,817		- 3,284,827
Accumulated impairment loss		- 2,369		-
Other fixed assets(net)		411,690		440,825
Land	*3	5,713,972	*3	5,510,246
Lease assets		1,840,350		1,598,544
Accumulated depreciation		- 715,862		- 830,940
Lease assets (net)		1,124,488		767,604
Construction in process account		945,344		1,725,459
Total Tangible Fixed Assets		17,466,241		16,981,648
Intangible Fixed Assets				
Goodwill		1,830,115		1,497,367
Others		590,680		428,079
Total Intangible Fixed Assets		2,420,796		1,925,447
Investments and other assets				
Investment Securities	*1	3,513,257	*1	3,031,224
Long-term loans		48,715		97,342
Differed tax assets		3,955,662		3,860,082
Others	*1	1,029,731	*1	339,494
Allowance for doubtful accounts		- 652,370		- 16,753
Total Investments and other assets		7,894,995		7,311,389
Total Fixed Assets		27,782,033		26,218,484
Total Assets		69,485,440		77,038,674

	FY2010		FY2011	
	(Mar 31 <sup>st</sup> , 2010)		(Mar 31 <sup>st</sup> , 2011)	
<b>LIABILITIES</b>				
Current Liabilities				
Notes and accounts payable		8,185,406		11,568,669
Short-term debt		1,300,000		1,300,000
Current portion of long-term debt	*3,5	3,888,000	*3,5	3,484,000
Lease liabilities		323,503		306,561
Income taxes payable		75,921		521,257
Deferred tax liability		-		66,882
Bonus reserve		245,531		643,443
Reserve for director's bonuses		5,200		5,500
Provision for loss on business liquidation		89,076		12,043
Others		1,596,670		3,284,569
<b>Total current liabilities</b>		<b>15,709,310</b>		<b>21,192,927</b>
Long-term Liabilities				
Corporate bond	*5	3,000,000	*5	3,000,000
Long-term debt	*3,5	8,384,000	*3,5	4,900,000
Lease liabilities		834,704		495,024
Allowance for employee retirement benefits		2,363,257		2,403,779
Allowance for director retirement benefits		114,443		88,657
Long-term accounts payable		29,294		29,294
<b>Total Long-term liabilities</b>		<b>14,725,698</b>		<b>10,916,755</b>
<b>Total Liabilities</b>		<b>30,435,009</b>		<b>32,109,682</b>
<b>NET ASSETS</b>				
Shareholder's Equity				
Common Stock		10,198,514		10,209,713
Capital Surplus		21,216,175		21,227,370
Retained earnings		7,987,757		13,805,502
Treasury Stock		- 107,750		- 108,276
<b>Total Shareholder's Equity</b>		<b>39,294,697</b>		<b>45,134,308</b>
Accumulated other comprehensive income				
Holding gain or loss on investment		- 194,558		- 17,004
Foreign currency translation adjustment		- 195,891		- 315,618
<b>Total accumulated other comprehensive income</b>		<b>- 390,449</b>		<b>- 332,622</b>
Share subscription rights		146,184		127,306
<b>Total Net Assets</b>		<b>39,050,431</b>		<b>44,928,992</b>
<b>Total Liabilities and Net Assets</b>		<b>69,485,440</b>		<b>77,038,674</b>

## [2] Consolidated statements of income and comprehensive income

## [Consolidated statements of income]

1,000s yen

	FY2010		FY2011	
	(April 1 <sup>st</sup> , 2009		(April 1 <sup>st</sup> , 2010	
	- Mar 31 <sup>st</sup> , 2010)		- Mar 31 <sup>st</sup> , 2011)	
Net Sales		30,735,788		49,676,141
Cost of Sales	*1,3	26,540,893	*1,3	34,207,147
Gross profit on sales		4,194,895		15,468,993
Selling, general and administrative expenses				
Selling expenses		4,024,701		6,017,075
General expenses	*3	1,737,227	*3	2,772,833
Total selling, general and administrative expenses	*2	5,761,928	*2	8,789,909
Operating income ( - : operating loss)		- 1,567,033		6,679,084
Non-operating income				
Interest		21,531		5,423
Dividend income		118,396		49,458
Foreign exchange income		79,594		-
Proceeds from government grants for employment promotion		135,195		-
Reversal of allowance for doubtful accounts		78,893		71,616
Others		180,862		135,995
Total non-operating income		614,475		262,493
Non-operating expenses				
Interest expenses		500,602		543,682
Financing expenses		278,307		-
Foreign exchange loss		-		323,618
Others		142,811		43,408
Total non-operating expenses		921,720		910,709
Ordinary income ( - : ordinary loss)		- 1,874,279		6,030,869
Extraordinary gains				
Proceeds from sales of lands		-		872,680
Reversal of share subscription rights		187,139		-
Reversal of reserve for loss on business liquidation		222,469		-
Gain on sales of investment securities		1,440		-
Others		-		76,292
Total extraordinary gains		411,048		948,972
Extraordinary losses				
Loss on valuation of investment securities		-		363,267
Loss from earthquake damages		-	*4	52,049
Impairment loss	*5	137,129		-
Others		21,402		-
Total extraordinary losses		158,531		415,316
Income before income taxes and minority interests ( - : loss)		- 1,621,762		6,564,525
Income tax and other taxes		487,785		580,097
Adjustment on income tax		1,402,824		- 119,200
Total Income tax and others		1,890,609		460,897
Income (loss) before minority interests		-		6,103,627
Net Income ( - : Net loss)		- 3,512,372		6,103,627

## [Consolidated statements of comprehensive income]

1,000s yen

	FY2010	FY2011
	(April 1 <sup>st</sup> , 2009	(April 1 <sup>st</sup> , 2010
	- Mar 31 <sup>st</sup> , 2010)	- Mar 31 <sup>st</sup> , 2011)
Income (Loss) before minority interests	-	6,103,627
Other comprehensive income		
Holding gain or loss on investment	-	177,554
Foreign currency translation adjustment	-	- 110,834
Total other comprehensive income	- *2	66,719
Comprehensive Income	- *1	6,170,347
(breakdown)		
Comprehensive income attributable to owners of the parent	-	6,170,347
Comprehensive income attributable to minority interests	-	-

[3] Consolidated statements of changes in net assets

1,000s yen

	FY2010 (April 1 <sup>st</sup> , 2009 - Mar 31 <sup>st</sup> , 2010)	FY2011 (April 1 <sup>st</sup> , 2010 - Mar 31 <sup>st</sup> , 2011)
<b>Shareholder's equity</b>		
<b>Common Stock</b>		
Balance as of previous fiscal year	9,650,322	10,198,514
Changes during the fiscal year		
Issue of new shares	548,192	11,198
Total changes during the fiscal year	548,192	11,198
Balance as of end of the fiscal year	10,198,514	10,209,713
<b>Capital Surplus</b>		
Balance as of previous fiscal years	20,668,961	21,216,175
Changes during the fiscal year		
Issue of new shares	547,213	11,195
Total changes during the fiscal year	547,213	11,195
Balance as of end of the fiscal year	21,216,175	21,227,370
<b>Retained earnings</b>		
Balance as of previous fiscal years	11,500,129	7,987,757
Changes during the fiscal year		
Cash dividends paid	-	- 206,069
Net income ( - :net loss)	- 3,512,372	6,103,627
Change in scope of consolidation	-	- 79,813
Total changes during the fiscal year	- 3,512,372	5,817,744
Balance as of end of the fiscal year	7,987,757	13,805,502
<b>Treasury stock</b>		
Balance as of previous fiscal years	- 107,237	- 107,750
Changes during the fiscal year		
Purchases of treasury stock	- 512	- 526
Total changes during the fiscal year	- 512	- 526
Balance as of end of the fiscal year	- 107,750	- 108,276
<b>Total Shareholder's equity</b>		
Balance as of previous fiscal years	41,712,175	39,294,697
Changes during the fiscal year		
Issue of new shares	1,095,405	22,393
Cash dividends paid	-	- 206,069
Net income ( - :net loss)	- 3,512,372	6,103,627
Purchases of treasury stock	- 512	- 526
Change in scope of consolidation	-	- 79,813
Total changes during the fiscal year	- 2,417,478	5,839,611
Balance as of end of the fiscal year	39,294,697	45,134,308



	FY2010 (April 1st, 2009 - Mar 31st, 2010)	FY2011 (April 1st, 2010 - Mar 31st, 2011)
Total accumulated other comprehensive income		
Holding gain or loss on investment		
Balance as of previous fiscal years	- 963,588	- 194,558
changes during the fiscal year		
Net changes in items other than shareholders' equity	769,029	177,554
total changes during the fiscal year	769,029	177,554
Balance as of end of the fiscal year	- 194,558	- 17,004
Foreign currency translation adjustments		
Balance as of previous fiscal years	- 326,161	- 195,891
changes during the fiscal year		
Net changes in items other than shareholders' equity	130,270	- 119,727
total changes during the fiscal year	130,270	- 119,727
Balance as of end of the fiscal year	- 195,891	- 315,618
Total accumulated other comprehensive income		
Balance as of previous fiscal years	- 1,289,750	- 390,449
changes during the fiscal year		
Net changes in items other than shareholders' equity	899,300	57,827
total changes during the fiscal year	899,300	57,827
Balance as of end of the fiscal year	- 390,449	- 332,622
Share subscription rights		
Balance as of previous fiscal years	408,052	146,184
changes during the fiscal year		
Net changes in items other than shareholders' equity	- 261,868	- 18,877
total changes during the fiscal year	- 261,868	- 18,877
Balance as of end of the fiscal year	146,184	127,306
Net assets		
Balance as of previous fiscal years	40,830,477	39,050,431
changes during the fiscal year		
Issue of new shares	1,095,405	22,393
Cash dividends paid	-	- 206,069
Net income ( - :net loss)	- 3,512,372	6,103,627
Purchases of treasury stock	- 512	- 526
Change in scope of consolidation	-	- 79,813
Net changes in items other than shareholders' equity	637,432	38,949
total changes during the fiscal year	- 1,780,046	5,878,560
Balance as of end of the fiscal year	39,050,431	44,928,992

## [4] Consolidated statements of cash flows

1,000s yen

	FY2010 (April 1 <sup>st</sup> , 2009 - Mar 31 <sup>st</sup> , 2010)	FY2011 (April 1 <sup>st</sup> , 2010 - Mar 31 <sup>st</sup> , 2011)
<b>Cash flows from operating activities:</b>		
Income before income taxes and minority interests ( - :loss)	- 1,621,762	6,564,525
Depreciation and amortization	2,088,306	1,789,201
Impairment Loss	137,129	-
Amotizationof goodwill	332,748	332,748
Stock related expense	20,700	3,569
Change in allowance for employee retirement benefits ( - :decrease)	- 1,042,025	40,522
Change in allowance for director retirement benefits ( - :decrease)	9,450	- 25,786
Change in allowance for doubtful accounts ( - :decrease)	- 178,144	- 592,489
Change in allowance for liquidation of business ( - :decrease)	- 311,463	- 77,032
Interest and dividend income	- 139,928	- 54,881
Interest expense	500,602	543,682
Gain on reversal of subscription rights	- 187,139	- 62
Loss on sales and disposal of tangible assets ( - :gain)	81,968	20,507
Loss on sale of lands ( - :gain)	13,730	- 872,680
Loss on sale of investment securities ( - : gain)	-	- 75,229
Loss on revaluation of investments in securities ( - :gain)	7,672	363,267
Change in trade notes and accounts receivable ( - :increase)	- 3,690,264	- 3,819,962
Change in inventories ( - :increase)	5,459,343	- 1,438,991
Change in trade notes and accounts payable ( - :decrease)	2,932,885	3,457,363
Others	- 1,647,512	1,851,955
Subtotal	2,766,298	8,010,229
Proceeds from interest and dividend income	139,928	54,881
Payment of interest	- 530,724	- 562,519
Payment (or refund) of income taxes ( - : payment)	- 299,558	67,000
Net cash provided by operating activities	2,075,943	7,569,592
<b>Cash flows from investing activities:</b>		
Payment for time deposits	- 38,000	- 38,000
Proceeds from time deposits	1,038,000	38,000
Payment for purchase of tangible fixed assets	- 181,369	- 174,902
Proceeds from sales of tangible fixed assets	382,471	986,821
Payment for purchase of intangible fixed assets	- 4,672	- 98,224
Payment for purchase of investment securities	- 2,402	- 2,441
Proceeds from sales of investment securities	66,875	390,028
Payment for purchase of shares of consolidated company	-	- 14,950
Payment for investment in consolidated company	-	- 8,293
Payment of other investments in capital	- 10	-
Payment for loans receivable	- 28,970	- 51,950
Proceeds from collection of loans receivable	5,735	3,323
Net cash used in investing activities	1,237,658	1,029,410

	FY2010	FY2011
	(April 1 <sup>st</sup> , 2009 - Mar 31 <sup>st</sup> , 2010)	(April 1 <sup>st</sup> , 2010 - Mar 31 <sup>st</sup> , 2011)
<b>Cash flows from financing activities:</b>		
Change in short-term loans payable ( - : decrease)	- 8,304,000	-
Proceeds from long-term debt	1,000,000	-
Repayment of long-term debt	- 5,199,500	- 3,888,000
Proceeds from issuance of Corporate bonds	3,000,000	-
Proceeds from issuance of common stock	999,944	-
Repayment of lease liability	- 362,993	- 304,746
Proceeds from exercise of stock options	32	8
Dividend payments	-	- 206,069
Others	- 512	- 526
Net cash provided by (used in) financing activities	- 8,867,029	- 4,399,333
Effect of exchange rate changes on cash and cash equivalents	- 5,907	- 145,595
Net increase in cash and cash equivalents ( - : decrease)	- 5,559,334	4,054,073
Cash and cash equivalents at beginning of year	17,586,703	12,027,368
Net increase (-: decrease) in cash and cash equivalents by change in consolidated subsidiaries	-	113,509
Cash and cash equivalents at end of year	12,027,368	16,194,951

## Significant accounting policies

FY 2010 (April 1 <sup>st</sup> , 2009 - March 31 <sup>st</sup> , 2010)	FY 2011 (April 1 <sup>st</sup> , 2010 - March 31 <sup>st</sup> , 2011)
<p>1.Scope of consolidation (1) Consolidated subsidiaries (8 companies)</p> <p style="padding-left: 40px;">Tosei Engineering Corp. Tosei Systems Co., Ltd. Accretech Create Corp. Tosei Box Corp. Accretech Finance Co., Ltd. Accretech USA, Inc. Accretech (Europe) GmbH Accretech Korea Co., Ltd.</p> <p>Accretech USA Inc was liquidated on Mar 31<sup>st</sup>, 2009 and liquidation process is on going as of Mar 31<sup>st</sup>, 2010. However, company included ACCRETECH USA Inc's business results until Mar 31<sup>st</sup>, 2010 for it's consolidated results of Balance Sheet, Income, and Cash Flow.</p> <p>(2) Non- Consolidated subsidiaries Accretech (China) Co., Ltd. Tosei Engineering (Pinghu) Co., Ltd. Accretech Taiwan Co., Ltd. Accretech (Malaysia) SDN, BHD Accretech (Israel) Ltd. Accretech (Singapore) PTE Ltd. Tosei Korea Co., Ltd. Tosei (Thailand) Co., Ltd. Tosei Engineering Private Limited Tosei America, Inc Accretech Software in Khabarovsk Co., Ltd.</p> <p>All of the above 11 companies which were excluded from the consolidation range are all small companies, in terms of their total assets, total sales, total net income, total retained earnings, and others (amounts commensurate with our equity) and do not have a significant effect on our financial statements.</p> <p>2. Equity Method Non-consolidated subsidiaries where the equity method is not used all have an extremely small effect on the consolidated net income, consolidated retained earnings, and other financial amounts, and overall are of low importance. For these reasons, the equity method is not used for these companies, and a cost evaluation method is used instead for evaluation.</p>	<p>1.Scope of consolidation (1) Consolidated subsidiaries (10 companies)</p> <p style="padding-left: 40px;">Tosei Engineering Corp. Tosei Systems Co., Ltd. Accretech Create Corp. Tosei Box Corp. Accretech Finance Co., Ltd. Accretech USA, Inc. Accretech (Europe) GmbH Accretech Korea Co., Ltd. Accretech (China) Co., Ltd. Tosei Engineering (Pinghu) Co., Ltd.</p> <p>Accretech (China) Co., Ltd. and Tosei Engineering (Pinghu) Co., Ltd, which was excluded from the consolidation range until FY2010 has been newly included to the consolidation range because effects on our financial statements became significant. Accretech USA Inc was liquidated on Mar 31<sup>st</sup>, 2009 and liquidation process is on going as of Mar 31<sup>st</sup>, 2011 However, company included ACCRETECH USA Inc's business results until Mar 31<sup>st</sup>, 2011 for it's consolidated results of Balance Sheet, Income, and Cash Flow.</p> <p>(2) Non- Consolidated subsidiaries Accretech Taiwan Co., Ltd. Accretech (Malaysia) SDN, BHD Accretech (Israel) Ltd. Accretech (Singapore) PTE Ltd. Tosei Korea Co., Ltd. Tosei (Thailand) Co., Ltd. Tosei Engineering Private Limited Tosei America, Inc PT TOSEI Indonesia Accretech Software in Khabarovsk Co., Ltd.</p> <p>All of the above 10 companies which were excluded from the consolidation range are all small companies, in terms of their total assets, total sales, total net income, total retained earnings, and others (amounts commensurate with our equity) and do not have a significant effect on our financial statements.</p> <p>2. Equity Method Same as Left</p>

Significant accounting policies (cont'd)

FY 2010 (April 1 <sup>st</sup> , 2009 - March 31 <sup>st</sup> , 2010)	FY 2011 (April 1 <sup>st</sup> , 2010 - March 31 <sup>st</sup> , 2011)
<p>3. Accounting period of consolidated subsidiaries The end of the fiscal year at consolidated subsidiaries matches the end of the consolidated fiscal year at the Company.</p> <p>4. Significant accounting policies (1) Valuation standards and methods for important assets (A) Securities Other securities Marketable securities Marketable securities classified as other securities are carried at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, directly included in shareholders' equity. Costs of securities sold are calculated by the moving average method. Non-marketable securities Non-marketable securities classified as other securities are carried at cost determined by the moving average method.</p> <p>(B) Derivatives Derivatives financial instruments are stated at fair value.</p> <p>(C) Inventories Goods, finished products, materials, and supplies of the Company and its consolidated subsidiaries are stated at cost determined by the first-in, first-out method. Work in progress is stated at specific identification costs (using the method of devaluing the book price to reflect declines in profitability), however, external consolidated subsidiaries use the lower of cost determined by the first-in, first-out method.</p> <p>(2) Depreciation of significant assets (A) Tangible fixed assets (except leasing assets) The Company and its consolidated subsidiaries use the declining balance method. However, the straight-line method is used for buildings (excluding equipment attached to buildings) which were acquired on or after April 1<sup>st</sup>, 1998. External consolidated subsidiaries use the straight-line method. The significant useful lives are as follows. Buildings and structures      3 - 50 years Machinery and equipment      2 - 8 years</p> <p>(C) Intangible fixed assets (except lease assets) Software intended for market sales is depreciated using a method based on the predicted sales quantity or a straight-line method based on the remaining useful life. Software for use by the Company is depreciated using a straight-line method based on the estimated life at the Company. Other intangible fixed assets are depreciated using the straight-line method.</p> <p>(D) Lease assets For lease assets (Financial leases other than those deemed to transfer ownership of properties to lessees) is depreciated using the straight-line method under leasing term to be considered as useful lives.</p>	<p>3. Accounting period of consolidated subsidiaries The end-date of Fiscal term for both Accretech (China) Co., Ltd and Tosei Engineering (Pinghu) Co., Ltd are at December 31<sup>st</sup>. In order to prepare this Consolidated Financial Statement, the Company applied statements of these subsidiaries as at December 31<sup>st</sup>. Any significant business transactions which were completed between their Fiscal end and the Company's Fiscal end were properly adjusted for in the consolidated review. The end of the fiscal year for remaining consolidated subsidiaries matches the end of the consolidated fiscal year of the Company.</p> <p>4. Significant accounting policies (1) Valuation standards and methods for important assets (A) Securities Other securities Marketable securities Same as left</p> <p>Non-marketable securities Same as left</p> <p>(B) Derivatives Same as left</p> <p>(C) Inventories Same as left</p> <p>(2) Depreciation of significant assets (A) Tangible fixed assets (except leasing assets) Same as left</p> <p>(C) Intangible fixed assets (except lease assets) Same as left</p> <p>(D) Lease assets . Same as left</p>

Significant accounting policies (cont'd)

FY 2010 (April 1 <sup>st</sup> , 2009 - March 31 <sup>st</sup> , 2010)	FY 2011 (April 1 <sup>st</sup> , 2010 - March 31 <sup>st</sup> , 2011)
<p>(3) Basis for significant reserves</p> <p>(A) Allowance for doubtful accounts For covering probable losses on collection of receivables, the allowance for doubtful accounts is calculated based on past experience for ordinary receivables. For companies in financial difficulties, it is based on individual estimates of the collectability of receivables, and consists of the amount estimated to be uncollectible.</p> <p>(B) Allowance for bonuses The Company and its domestic consolidated subsidiaries calculate the allowance for bonuses to employees based on the expected amount of payment.</p> <p>(C) Accrued director's bonuses The Company and its domestic consolidated subsidiaries calculate the allowance for bonuses to directors based on the expected amount of payment during that consolidated fiscal year.</p> <p>(D) Provision for loss on business liquidation The Company and its consolidated subsidiaries calculate the losses for discontinuation of Wafer inspection equipment business based on the expected loss during that consolidated fiscal year.</p> <p>(E) Accrued retirement benefits This allowance for employee retirement benefits is calculated based on an estimate of the pension and severance obligations and the plan assets at the end of that consolidated fiscal year. For actuarial gains and losses, proportional amounts are each amortized beginning from the consolidated fiscal year following the year in which it occurs, using a fixed number of years (10) that is within the average estimated remaining service time of the employees for each consolidated fiscal year.</p> <p>(Changes in accounting standards) Starting from the period under review, the Company applies "Partial Amendments to Accounting Standard for Retirement Benefits (Part3)" (ASBJ Statement No.19, July 31<sup>st</sup>, 2008). There is no effect on Consolidated Financial Statements.</p> <p>(F) Accrued director's retirement benefits Domestic consolidated subsidiaries calculate the allowance for payment of director retirement benefits that are forecast to occur upon director retirement. For this purpose, the expected amount of payment at the end of the year is calculated based on internal regulations.</p> <p>(4) Standard of Foreign currency translation of significant foreign currency based assets/liabilities at consolidated companies to calculate Consolidated Financial Statements Receivables and payables denominated in foreign currencies are translated into yen at the rate of exchange in effect on the balance sheet date, and differences arising from the translation are processed as gains or losses. Assets/liabilities and income/expenses for overseas consolidated subsidiaries are converted to yen at the rate of exchange in effect on the balance sheet date, and differences arising from the translation are included in the foreign currency translation adjustment item in the NET ASSETS column.</p>	<p>(3) Basis for significant reserves</p> <p>(A) Allowance for doubtful accounts Same as left</p> <p>(B) Allowance for bonuses Same as left</p> <p>(C) Accrued director's bonuses The Company's domestic consolidated subsidiaries calculate the allowance for bonuses to directors based on the expected amount of payment during that consolidated fiscal year.</p> <p>(D) Provision for loss on business liquidation Same as left</p> <p>(E) Accrued retirement benefits This allowance for employee retirement benefits is calculated based on an estimate of the pension and severance obligations and the plan assets at the end of that consolidated fiscal year. For actuarial gains and losses, proportional amounts are each amortized beginning from the consolidated fiscal year following the year in which it occurs, using a fixed number of years (10) that is within the average estimated remaining service time of the employees for each consolidated fiscal year.</p> <p>(F) Accrued director's retirement benefits Same as left</p> <p>(4) Standard of Foreign currency translation of significant foreign currency based assets/liabilities at consolidated companies to calculate Consolidated Financial Statements Same as left</p>

Significant accounting policies (cont'd)

FY 2010 (April 1 <sup>st</sup> , 2009 - March 31 <sup>st</sup> , 2010)	FY 2011 (April 1 <sup>st</sup> , 2010 - March 31 <sup>st</sup> , 2011)
<p>(6) Hedges accounting (A) Hedge accounting When their conditions for use are met, interest rate swaps are accounted for by exceptional accounting methods.</p> <p>(B) Hedging instruments and hedged items Hedging instrument : Interest rate swap Hedged item: Debt</p> <p>(C) Hedging policy Interest rates == Hedge accounting is used to prevent effects swap on procurement costs (interest paid) due to variable interest rates.</p> <p>(D) Assessment of hedge effectiveness Assessment of hedge effectiveness is conducted by verifying the relationship between the hedge instrument and hedged item.</p> <p>(6) Amortization of goodwill -</p> <p>(7) Cash and cash equivalents in the consolidated statements of cash flows -</p> <p>(8) Other significant accounting policies Accounting for consumption tax Transactions subject to national and local consumption taxes are recorded as amounts exclusive of consumption tax.</p> <p>5. Valuation of assets and liabilities at consolidated subsidiaries Valuation of assets and liabilities at consolidated subsidiaries utilizes the full fair value method.</p> <p>6. Amortization of goodwill Amortization of goodwill is evaluated for each acquisition, and is carried out over a reasonable number of years (10).</p> <p>7. Cash and cash equivalents in the consolidated statements of cash flows Cash and cash equivalents in the consolidated statements consist of cash on hand, available funds on deposit, and short-term, highly liquid investments that are readily convertible to cash, with original maturities of three months or less, and that are substantially free of price fluctuation risk.</p>	<p>(6) Hedges accounting (A) Hedge accounting Same as left.</p> <p>(B) Hedging instruments and hedged items Same as left</p> <p>(C) Hedging policy Same as left</p> <p>(D) Assessment of hedge effectiveness Same as left</p> <p>(6) Amortization of goodwill Amortization of goodwill is evaluated for each acquisition, and is carried out over a reasonable number of years (10).</p> <p>(7) Cash and cash equivalents in the consolidated statements of cash flows Cash and cash equivalents in the consolidated statements consist of cash on hand, available funds on deposit, and short-term, highly liquid investments that are readily convertible to cash, with original maturities of three months or less, and that are substantially free of price fluctuation risk.</p> <p>(8) Other significant accounting policies (A) Accounting for consumption tax Transactions subject to national and local consumption taxes are recorded as amounts exclusive of consumption tax. (B) Consolidated tax-reporting The Company Group applies consolidated tax-reporting system from FY2011.</p> <p>5. Valuation of assets and liabilities at consolidated subsidiaries -</p> <p>6. Amortization of goodwill -</p> <p>7. Cash and cash equivalents in the consolidated statements of cash flows -</p>

Changes in accounting methods

FY 2010 (April 1 <sup>st</sup> , 2009 - March 31 <sup>st</sup> , 2010)	FY 2011 (April 1 <sup>st</sup> , 2010 - March 31 <sup>st</sup> , 2011)
<p style="text-align: center;">_____</p>	<p>(Applying changes in Asset Retirement Obligations)                      The Company Group applied "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No.18, March 31<sup>st</sup>, 2008), and "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No.21, March 31<sup>st</sup>, 2008).                      There is no effect on Consolidated Financial Statements.</p>



Changes in presentation

FY 2010 (April 1 <sup>st</sup> , 2009 - March 31 <sup>st</sup> , 2010)	FY 2011 (April 1 <sup>st</sup> , 2010 - March 31 <sup>st</sup> , 2011)
<p>(Consolidated statements of income)</p> <p>1. In FY 2009, "Loss on disposal of assets" was listed separately. However, because in FY 2010 this amount did not exceed 10% of the total amount of "Non-operating expenses," it was included in "Non-operating expenses" - "Other." The amount of "Loss on disposal of assets" in FY 2010 was ¥81,968 thousand.</p>	<p>(Consolidated statements of income)</p> <p>1. In FY 2010, "Financing expenses" was listed separately. However, because in FY 2011 this amount did not exceed 10% of the total amount of "Non-operating expenses," it was included in "Non-operating expenses" - "Other." The amount of "Financing expenses" in FY 2011 was ¥5,235 thousand.</p> <p>2. In FY 2010, "Reversal of share subscription rights" was listed separately. However, because in FY 2011 this amount did not exceed 10% of the total amount of "Extraordinary gains," it was included in "Extraordinary gains" - "Other." The amount of "Reversal of share subscription rights" in FY 2011 was ¥62 thousand.</p> <p>3. In FY 2010, "Gain on sales of investment securities" was listed separately. However, because in FY 2011 this amount did not exceed 10% of the total amount of "Extraordinary gains," it was included in "Extraordinary gains" - "Other." The amount of "Gain on sales of investment securities" in FY 2011 was ¥75,229 thousand.</p> <p>4. In FY 2010, "Loss on valuation of investment securities" was included in "Extraordinary losses" - "Other." However, because in FY 2011 this amount exceeded 10% of the total amount of "Extraordinary losses," it was listed separately. The amount of "Loss on valuation of investment securities" in FY 2010 was ¥7,672 thousand.</p> <p>5. The Company Group applied "Cabinet Office Ordinance No.5 for Partial Amendment to the Regulations on Financial Statements"(March 24<sup>th</sup> 2009), in accordance with the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, December 26<sup>th</sup>, 2008) and shown in "income before minority interests".</p>

Additional Information

FY 2010 (April 1 <sup>st</sup> , 2009 - March 31 <sup>st</sup> , 2010)	FY 2011 (April 1 <sup>st</sup> , 2010 - March 31 <sup>st</sup> , 2011)
<p>_____</p>	<p>1.Accounting Standard for Presentation of Comprehensive Income) The Company Group applied “Accounting Standard for Presentation of Comprehensive Income” (ASBJ Statement No.25, June 30<sup>th</sup>, 2010). However, values of “Total other comprehensive income” and “Comprehensive Income” for FY2010 is stating “Valuation and translation adjustments” and “total valuation and translation adjustments”.</p> <p>2. “Expansion of capitalization on equipment placement for recording Sales Mainly because of an increase in sales of products which takes comparatively longer period from shipment to placement completion lead by an increase in preciseness of products and an increase in overseas sales ratio, and also because of completion of reconstructing Group’s infrastructure to be capable to follow product placement from these shipments, the Company and consolidated affiliates expanded the application of a change to accounting procedures for recording Sales to not only Polish Grinders and CMPs which had already applied placement-based accounting, but also remaining SPE products which require placement and specific Metrology equipment, where Sales are now capitalized on placement with the customer rather than on the shipment date. In FY2011, compared with the previous accounting methods, these changes resulted in a decrease of ¥830,546 thousand in Sales and a decrease of ¥331,697 thousand in Consolidated Operating Income, Ordinary Income, and Income before income taxes and minority interests.</p>

## Notes

## (Consolidated balance sheet)

FY 2010 (April 1 <sup>st</sup> , 2009 - March 31 <sup>st</sup> , 2010)	FY 2011 (April 1 <sup>st</sup> , 2010 - March 31 <sup>st</sup> , 2011)																
<p>*1. Investment in non-consolidated subsidiaries</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td></td> <td style="text-align: right;">(1,000s yen)</td> </tr> <tr> <td>Investment securities (stock) :</td> <td style="text-align: right;">236,142</td> </tr> <tr> <td>Other investment or other assets (Capital stock)</td> <td style="text-align: right;">42,156</td> </tr> </table>		(1,000s yen)	Investment securities (stock) :	236,142	Other investment or other assets (Capital stock)	42,156	<p>*1. Investment in non-consolidated subsidiaries</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td></td> <td style="text-align: right;">(1,000s yen)</td> </tr> <tr> <td>Investment securities (stock) :</td> <td style="text-align: right;">251,093</td> </tr> <tr> <td>Other investment or other assets (Capital stock)</td> <td style="text-align: right;">21,169</td> </tr> </table>		(1,000s yen)	Investment securities (stock) :	251,093	Other investment or other assets (Capital stock)	21,169				
	(1,000s yen)																
Investment securities (stock) :	236,142																
Other investment or other assets (Capital stock)	42,156																
	(1,000s yen)																
Investment securities (stock) :	251,093																
Other investment or other assets (Capital stock)	21,169																
<p style="text-align: right;">(1,000s yen)</p> <p>2. Trade notes receivable discounted    560,011</p>	_____																
<p>*3 Pledged asset</p> <p>The assets set as pledges for the long term debts of ¥11,100,000 thousand (include ¥3,400,000 of current portion of debts) are as follows:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td></td> <td style="text-align: right;">(1,000s yen)</td> </tr> <tr> <td>Building and Structures</td> <td style="text-align: right;">¥4,688,286</td> </tr> <tr> <td><u>Lands</u></td> <td style="text-align: right;"><u>¥4,457,867</u></td> </tr> <tr> <td>Total</td> <td style="text-align: right;">¥9,146,154</td> </tr> </table>		(1,000s yen)	Building and Structures	¥4,688,286	<u>Lands</u>	<u>¥4,457,867</u>	Total	¥9,146,154	<p>*3 Pledged asset</p> <p>The assets set as pledges for the long term debts of ¥7,700,000 thousand (include ¥3,000,000 of current portion of debts) are as follows:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td></td> <td style="text-align: right;">(1,000s yen)</td> </tr> <tr> <td>Building and Structures</td> <td style="text-align: right;">¥4,355,150</td> </tr> <tr> <td><u>Lands</u></td> <td style="text-align: right;"><u>¥4,457,867</u></td> </tr> <tr> <td>Total</td> <td style="text-align: right;">¥8,813,017</td> </tr> </table>		(1,000s yen)	Building and Structures	¥4,355,150	<u>Lands</u>	<u>¥4,457,867</u>	Total	¥8,813,017
	(1,000s yen)																
Building and Structures	¥4,688,286																
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Total	¥9,146,154																
	(1,000s yen)																
Building and Structures	¥4,355,150																
<u>Lands</u>	<u>¥4,457,867</u>																
Total	¥8,813,017																
<p>4. In order to steadily and flexibly source funds for its operations, the Company has concluded 1-year long-term loan commitment agreements with 4 financial institutions by the syndication method.</p> <p>The remaining loan balance for loan commitment agreements for FY 2010 is as follows.</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td></td> <td style="text-align: right;">(1,000s yen)</td> </tr> <tr> <td>Total amount of loan commitment agreement</td> <td style="text-align: right;">3,000,000</td> </tr> <tr> <td><u>Amount exercised</u></td> <td style="text-align: right;"><u>—</u></td> </tr> <tr> <td>Balance remaining</td> <td style="text-align: right;">3,000,000</td> </tr> </table>		(1,000s yen)	Total amount of loan commitment agreement	3,000,000	<u>Amount exercised</u>	<u>—</u>	Balance remaining	3,000,000	_____								
	(1,000s yen)																
Total amount of loan commitment agreement	3,000,000																
<u>Amount exercised</u>	<u>—</u>																
Balance remaining	3,000,000																
<p>*5. Financial Covenants</p> <p>To ensure liquidity, the Company Group has put in place loan facilities with banks (lead bank Mizuho Corporate Bank Ltd.); these facilities include covenants in which the breach of certain conditions invokes the requirement to repay loans.</p> <p>The balance remaining in these loans as of March 31<sup>st</sup>, 2010 are ¥3,400,000 thousand (current portion of long-term debt), and ¥7,700,000 thousand (long-term debt). The balance remaining in corporate bond is ¥3,000,000 thousand.</p>	<p>*5. Financial Covenants</p> <p>To ensure liquidity, the Company has put in place loan facilities with banks and Corporate Bond subscription agreement (lead by, and with Mizuho Corporate Bank Ltd.); these facilities include covenants in which the breach of certain conditions invokes the requirement to repay loans.</p> <p>The balance remaining in these loans as of March 31<sup>st</sup>, 2011 are ¥3,000,000 thousand (current portion of long-term debt), and ¥4,700,000 thousand (long-term debt). The balance remaining in corporate bond is ¥3,000,000 thousand.</p>																

## (Consolidated statements of income)

FY 2010 (April 1 <sup>st</sup> , 2009 - March 31 <sup>st</sup> , 2010)	FY 2011 (April 1 <sup>st</sup> , 2010 - March 31 <sup>st</sup> , 2011)								
<p>*1. devaluing the book price of inventories (primarily for sales) to reflect declines in profitability</p> <p style="text-align: right;">(1,000s yen)</p> <p>Cost of sales - 447,394</p>	<p>*1. devaluing the book price of inventories (primarily for sales) to reflect declines in profitability</p> <p style="text-align: right;">(1,000s yen)</p> <p>Cost of sales - 1,360</p>								
<p>*2. Primary items of selling, general, and administrative expenses</p> <p style="text-align: right;">(1,000s yen)</p> <p>Selling expenses</p> <p>Salaries for employees 1,133,935</p> <p>Provision for employees' bonuses 25,041</p> <p>Provision for retirement benefits for employees 81,545</p> <p>General, and administrative expenses</p> <p>Salaries for employees 295,169</p> <p>Provision for employees' bonuses 7,836</p> <p>Provision for directors' and corporate auditors' bonuses 5,200</p> <p>Provision for retirement benefits for employees 38,095</p> <p>Provision for retirement benefits for directors and corporate auditors 11,925</p> <p>Amortization of goodwill 332,748</p>	<p>*2. Primary items of selling, general, and administrative expenses</p> <p style="text-align: right;">(1,000s yen)</p> <p>Selling expenses</p> <p>Salaries for employees 1,401,534</p> <p>Provision for employees' bonuses 89,001</p> <p>Provision for retirement benefits for employees 54,509</p> <p>Sales expenses 1,018,357</p> <p>Provision of allowance for doubtful accounts 49,828</p> <p>General, and administrative expenses</p> <p>Salaries for employees 368,471</p> <p>Provision for employees' bonuses 23,645</p> <p>Provision for directors' and corporate auditors' bonuses 5,500</p> <p>Provision for retirement benefits for employees 30,239</p> <p>Provision for retirement benefits for directors and corporate auditors 11,964</p> <p>Amortization of goodwill 332,748</p> <p>Research and development costs 1,234,086</p>								
<p>*3. Research and development costs included in general and administrative expenses and manufacturing costs are ¥1,769,106 thousand.</p>	<p>*3. Research and development costs included in general and administrative expenses and manufacturing costs are ¥3,187,061 thousand.</p>								
	<p>*4. Loss from Earthquake damages Is the loss from the 2011 earthquake off the Pacific coast of Tohoku in Japan, and amount is as follows.</p> <p style="text-align: right;">(1,000s yen)</p> <p>Inventory Loss from Disposal, others 41,600</p> <p><u>Repair Fee for Tangible Fixed Assets, others</u> 10,449</p> <p>Total 52,049</p>								
<p>* 4 impairment loss In FY2010, impairment loss was resulted at following asset</p> <p>(1) Outline of assets group where impairment loss was resulted</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Place</th> <th style="text-align: center;">Purpose</th> <th style="text-align: center;">Type</th> <th style="text-align: center;">Impairment Loss</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">Mitaka-shi, Tokyo</td> <td style="text-align: center;">Head Office</td> <td style="text-align: center;">Building and Structures, Tool and Supply, others</td> <td style="text-align: center;">¥137,129 thousand</td> </tr> </tbody> </table> <p>(2) Reasons of resulting impairment loss</p> <p>Contract of re-assignment for the Head office located on Mitaka-shi, Tokyo has been signed on Feb 12<sup>th</sup>, 2010. Therefore, the balance between transfer value and book value were accounted as impairment loss.</p> <p>(3) Description of impairment loss for each type of fixed assets</p> <p style="text-align: right;">(1,000s yen)</p> <p>Building and Structures 134,759</p> <p>Tool and Supply, and others 2,369</p> <p>(4) Method of asset-grouping</p> <p>Assets are grouped based on the business segments, and Idle assets are grouped per each asset.</p> <p>(5) Calculation of collectability</p> <p>Collectability of the asset group applies net transfer value, and evaluated with the value based on assignment contract.</p>	Place	Purpose	Type	Impairment Loss	Mitaka-shi, Tokyo	Head Office	Building and Structures, Tool and Supply, others	¥137,129 thousand	
Place	Purpose	Type	Impairment Loss						
Mitaka-shi, Tokyo	Head Office	Building and Structures, Tool and Supply, others	¥137,129 thousand						



(Consolidated statements of changes in net assets)

FY 2010 (April 1<sup>st</sup>, 2009 - March 31<sup>st</sup>, 2010)

1. Issued stock

Stock class	At end of FY 2009	Increase	Decrease	At end of FY 2010
Common stock (shares)	40,240,581	1,000,500	—	41,241,081

Note: Reason of the increase is as follows.

Exercise of share subscription rights from stock options 32,500 shares

Allocation to the third party 968,000 shares

2. Treasury stock

Stock class	At end of FY 2009	Increase	Decrease	At end of FY 2010
Common stock (shares)	31,171	428	—	31,599

Note: The increase of 428 shares was due to purchases of shares less than 1 unit.

3. Share subscription rights

Company name	Breakdown	Class of stock issued upon exercise of the right	Number of shares issued upon exercise of the right (shares)				Balance at end of FY 2010 (1,000s yen)
			At end of FY 2009	Increase	Decrease	At end of FY 2010	
The Company	The 5th share subscription rights (stock options) (Issued 2006)	—		—		6,762	
	The 6th share subscription rights (stock options) (Issued 2007)	—		—		6,325	
	The 7th share subscription rights (stock options) (Issued 2008)	—		—		11,415	
	Share subscription rights issued July 2006 (stock-based compensation options)	—		—		61,800	
	Share subscription rights issued July 2007 (stock-based compensation options)	—		—		59,880	
Total				—		146,184	

Note: The exercise period start date for the 7th share subscription rights has not yet arrived.

4. Dividends

(1) Amounts of dividends paid

Not applicable.

(2) Dividends with a shareholders' cut-off date in FY 2010 and an effective date in FY 2011

Not applicable.

FY 2011 (April 1<sup>st</sup>, 2010 - March 31<sup>st</sup>, 2011)

### 1. Issued stock

Stock class	At end of FY 2010	Increase	Decrease	At end of FY 2011
Common stock (shares)	40,241,081	8,400	—	41,249,481

Note: Reason for the increase of 8,400 shares is exercise of share subscription rights from stock options.

### 2. Treasury stock

Stock class	At end of FY 2010	Increase	Decrease	At end of FY 2011
Common stock (shares)	31,599	419	—	32,018

Note: The increase of 419 shares was due to purchases of shares less than 1 unit.

### 3. Share subscription rights

Company name	Breakdown	Class of stock issued upon exercise of the right	Number of shares issued upon exercise of the right (shares)				Balance at end of FY 2011 (1,000s yen)
			At end of FY 2010	Increase	Decrease	At end of FY 2011	
The Company	The 5th share subscription rights (stock options) (Issued 2006)	—		—		6,762	
	The 6th share subscription rights (stock options) (Issued 2007)	—		—		6,325	
	The 7th share subscription rights (stock options) (Issued 2008)	—		—		14,922	
	Share subscription rights issued July 2006 (stock-based compensation options)	—		—		49,934	
	Share subscription rights issued July 2007 (stock-based compensation options)	—		—		49,361	
Total				—		127,306	

### 4. Dividends

#### (1) Amounts of dividends paid

Resolution	Class of stock	Total amount of dividends (1,000s yen)	Dividend per share (yen)	Cut-off date	Effective date
November 10 <sup>th</sup> , 2010 Board of Directors	Common stock	206,069	5	September 30 <sup>th</sup> , 2010	December 1 <sup>st</sup> , 2010

#### (2) Dividends with a shareholders' cut-off date in FY 2010 and an effective date in FY 2011

Resolution	Class of stock	Total amount of dividends (1,000s yen)	Dividend per share (yen)	Cut-off date	Effective date
June 27 <sup>th</sup> , 2011 Regular General Meeting of Shareholders	Common stock	206,087	5	March 31 <sup>st</sup> , 2011	June 28 <sup>th</sup> , 2011

(Consolidated statements of cash flows)

FY 2010 (April 1 <sup>st</sup> , 2009 - March 31 <sup>st</sup> , 2010)	FY 2011 (April 1 <sup>st</sup> , 2010 - March 31 <sup>st</sup> , 2011)
1. Relationship between cash and cash equivalents at year end and the amounts for items listed in the consolidated balance sheet	1. Relationship between cash and cash equivalents at year end and the amounts for items listed in the consolidated balance sheet
(1,000s yen)	(1,000s yen)
"Cash and cash equivalents (Balance sheets)"	"Cash and cash equivalents (Balance sheets)"
12,055,368	16,222,951
Time deposits with original maturities over three months	Time deposits with original maturities over three months
- 28,000	- 28,000
"Cash and cash equivalents (Statement of cash flows)"	"Cash and cash equivalents (Statement of cash flows)"
12,027,368	16,194,951



(Lease transactions)

FY 2010 (April 1 <sup>st</sup> , 2009 - March 31 <sup>st</sup> , 2010)	FY 2011 (April 1 <sup>st</sup> , 2010 - March 31 <sup>st</sup> , 2011)																
<p>1 Finance lease transactions</p> <p>(Lender) Financial lease transactions other than those deemed to transfer ownership of properties to lessees</p> <p>(1) Description of lease assets Mainly consisted of Machinery and equipment for SPE business.</p> <p>(2) Formulas for calculating estimated depreciation expense of lease assets Calculated by the straight-line method using the lease term as the effective life and with zero scrap value</p> <p>2 Operation Lease Transaction</p> <p>(Lender) Estimative balance of lease premiums included in undissolvable operation lease transactions</p> <table style="width: 100%; margin-left: auto; margin-right: auto;"> <tr> <td></td> <td style="text-align: right;">(1,000s yen)</td> </tr> <tr> <td style="text-align: right;">Current portion</td> <td style="text-align: right;">29,388</td> </tr> <tr> <td style="text-align: right;"><u>Non-current portion</u></td> <td style="text-align: right;"><u>28,172</u></td> </tr> <tr> <td style="text-align: right;">Total</td> <td style="text-align: right;">57,561</td> </tr> </table>		(1,000s yen)	Current portion	29,388	<u>Non-current portion</u>	<u>28,172</u>	Total	57,561	<p>1 Finance lease transactions</p> <p>(Lender) Financial lease transactions other than those deemed to transfer ownership of properties to lessees</p> <p>(1) Description of lease assets Same as left</p> <p>(2) Formulas for calculating estimated depreciation expense of lease assets Same as left</p> <p>2 Operation Lease Transaction</p> <p>(Lender) Estimative balance of lease premiums included in undissolvable operation lease transactions</p> <table style="width: 100%; margin-left: auto; margin-right: auto;"> <tr> <td></td> <td style="text-align: right;">(1,000s yen)</td> </tr> <tr> <td style="text-align: right;">Current portion</td> <td style="text-align: right;">17,900</td> </tr> <tr> <td style="text-align: right;"><u>Non-current portion</u></td> <td style="text-align: right;"><u>19,941</u></td> </tr> <tr> <td style="text-align: right;">Total</td> <td style="text-align: right;">37,841</td> </tr> </table>		(1,000s yen)	Current portion	17,900	<u>Non-current portion</u>	<u>19,941</u>	Total	37,841
	(1,000s yen)																
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	(1,000s yen)																
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<u>Non-current portion</u>	<u>19,941</u>																
Total	37,841																

(Investment securities)

FY2010 (April 1<sup>st</sup>, 2009 – March 31<sup>st</sup>, 2010)

(Additional Information)

Starting from FY2010, the Company applies the “Accounting Standard for Financial Instruments and its Implementation Guidance” (ASBJ Statement No.10, March 10<sup>th</sup>, 2008) and the “Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Statement No.19, March 10<sup>th</sup>, 2008).

## 1. Status of Financial Instruments

### 1 System for managing financial instruments in the Company Group

The Company Group accommodates long-term finances based on the forecast of Group investments for SPE and Metrology business mainly by loans from banks and corporate bonds. Short term finance is derived mainly by loans from banks, and temporarily unused funds are managed with low-risk financial assets. Derivatives are only to be applied for the purpose of risk management, and not applied for speculative purposes.

### 2 Detail and risk of Financial Instruments

Trade notes and accounts receivable face reliability risks of these customers and foreign-currency based bonds though the Group’s global business also face foreign currency risk. Investment securities, mainly stocks related to correspondent companies or capital and business alliances, therefore face market price fluctuation risk.

Liabilities such as trade notes and accounts payables are mostly consistent with current face values. Although these liabilities face interest rate fluctuation risk because interest on loans, corporate bonds, leasing bonds are set to variable rates, this is hedged by interest rate swaps.

A derivative, which is an interest rate swap, is to hedge interest rate fluctuation risk of these bonds. The policy for hedge accounting and evaluation is described in “Significant accounting policies”.

### 3 Risk management for Financial Instruments

#### i. Reliability management (risk of client’s breach of contract)

The Company controls trade notes and balances and due dates per each client working with both accounting dept. and sales dept in order to assess the financial status of each client and avoid contract breach risk The consolidated subsidiaries apply same method for reliability management

#### ii. Market risk management (risk of fluctuation in exchange rates or interest rates)

The Company periodically checks market prices of investment securities and the financial status of those who issued these securities. In parallel, the amount of holding investment securities is also reviewed and revised as necessary based on the conditions of trade between the Company and those who issued these securities. In addition, in order to hedge interest rate fluctuations, interest rate swaps are applied.

In relation to the purchase of derivatives, the Company authorizes delegates from the Accounting dept. to make market transactions to meet the hedging requirements of the originating business area. Further risk management of these derivatives is handled by the Management Support dept in accordance with our policy on “Regulation of derivatives”. Details of all outstanding contracts including details of transactions, class, and balances are reported through the Management Support dept. to the Representative Director.

iii. Liquidity risk management in financing operations

To manage liquidity risk, the company generates and revises financial plans as necessary to keep short-term liquidity to appropriate levels based on business activity forecasts. The consolidated subsidiaries apply same method for liquidity risk management.

To ensure liquidity, the Company has put in place loan facilities with banks and Corporate Bond subscription agreement (lead by, and with Mizuho Corporate Bank Ltd.); these facilities include covenants in which the breach of certain conditions invokes the requirement to repay loans.

4 Additional information for the current value of Financial Instruments

Current value of Financial Instruments includes not only the value based on a current market price (or the reasonably calculated value if market price does not exist), but is also formulated using an allowance for price fluctuations that may affect expected market value.

Contracted value of derivatives itself described in the notes for “Derivative transactions” does not mean any market risk to any derivative transaction.

## 2. Current Value of Financial Instruments

Accounted value on Balance Sheet, Current Value and balance as of March 31<sup>st</sup>, 2010 (the date when FY2010 has ended) are as follows.

The items for which current value cannot accurately be estimated are omitted (refer to Notes 2.)

	Accounted value on consolidated balance sheet (1,000s yen)	Current Value (1,000s yen)	Balance (1,000s yen)
(1) Cash and cash equivalents	12,055,368	12,055,368	—
(2) Notes and accounts receivable	15,511,527	15,511,527	—
(3) Investment securities			
Others	2,774,676	2,774,676	—
Assets Total	30,341,572	30,341,572	—
(1) Notes and accounts payable	8,185,406	8,185,406	—
(2) Short-term debt	1,300,000	1,300,000	—
(3) Corporate bonds	3,000,000	3,085,203	85,203
(4) Long term debt (includes current portion)	12,272,000	12,234,283	- 37,717
(5) Lease liabilities	1,158,207	1,175,720	17,512
Liability Total	25,915,614	25,980,612	64,998
Derivatives	—	—	—
Hedge accounting is applied			
Derivatives Total	—	—	—

Notes 1. evaluation method of Financial instrument and information for investment securities and derivatives

### Assets

#### (1) Cash and cash equivalents

Based on book value because all cash equivalents are current amounts and current value is mostly equivalent to book value.

#### (2) Notes and Account receivables

Based on book value because all settlements are planned in short-term, and current value is mostly equivalent to book value.

#### (3) Investment Securities

These are based on market price, because all of securities are the stocks. Additional notes are described in “Security”

### Liabilities

#### (1) Notes and account payables, and (2) short term debts

Based on book value because all settlements are planned in short-term, and current value is mostly equivalent to book value.

#### (3) Corporate bond

Current value of corporate bond (the Company has issued) are calculated by original value, interest rate (multiplied by reliability risk) and divided by remaining term of the corporate bond.

#### (4) Long term debt and (5) Lease liability

Calculated by original value and discounted by estimated interest rate (if newly contracted leases).

### Derivatives

Described in “Derivative transactions”.

Notes 2. Financial Instruments where current value is omitted

Type	Accounted value on Consolidated Balance Sheet (1,000s yen)
Investment Securities (unlisted stock)	738,580

These securities are excluded from (3) Investment Securities – other because these securities do not have a listed Market value and the cost/benefit of further estimating their value is negligible.

Notes 3. Notes due for redemption after FY2010

Category	Less than 1 year (1,000s yen)	1-5 years (1,000s yen)	5 – 10 years (1,000s yen)	Over 10 years (1,000s yen)
Bank deposits	12,037,388	–	–	–
Notes and accounts receivable	15,511,527	–	–	–
Total	27,548,916	–	–	–

Notes 4 corporate bonds, long-term debts, and lease liabilities due for redemption are separately described

1. Status of Financial Instruments

1 System for managing financial instruments in the Company Group

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Liabilities such as trade notes and accounts payables are mostly consistent with current face values. Although these liabilities face interest rate fluctuation risk because interest on loans, corporate bonds, leasing bonds are set to variable rates, this is hedged by interest rate swaps.

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The Company controls trade notes and balances and due dates per each client working with both accounting dept. and sales dept in order to assess the financial status of each client and avoid contract breach risk The consolidated subsidiaries apply same method for reliability management

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To manage liquidity risk, the company generates and revises financial plans as necessary to keep short-term liquidity to appropriate levels based on business activity forecasts. The consolidated subsidiaries apply same method for liquidity risk management.

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Accounted value on Balance Sheet, Current Value and balance as of March 31<sup>st</sup>, 2011 (the date when FY2011 has ended) are as follows.

The items for which current value cannot accurately be estimated are omitted (refer to Notes 2.)

	Accounted value on consolidated balance sheet (1,000s yen)	Current Value (1,000s yen)	Balance (1,000s yen)
(1) Cash and cash equivalents	16,222,951	16,222,951	—
(2) Notes and accounts receivable	18,796,807	18,796,807	—
(3) Investment securities			
Others	2,534,842	2,534,842	—
Assets Total	37,544,601	37,544,601	—
(1) Notes and accounts payable	11,568,669	11,568,669	—
(2) Short-term debt	1,300,000	1,300,000	—
(3) Corporate bonds	3,000,000	3,094,131	94,131
(4) Long term debt (includes current portion)	8,384,000	8,438,856	54,856
Liability Total	24,252,669	24,401,657	148,987
Derivatives	—	—	—
Hedge accounting is applied			
Derivatives Total	—	—	—

Notes 1. evaluation method of Financial instrument and information for investment securities and derivatives

### Assets

#### (1) Cash and cash equivalents

Based on book value because all cash equivalents are current amounts and current value is mostly equivalent to book value.

#### (2) Notes and Account receivables

Based on book value because all settlements are planned in short-term, and current value is mostly equivalent to book value.

#### (3) Investment Securities

These are based on market price, because all of securities are the stocks. Additional notes are described in “Security”

### Liabilities

#### (1) Notes and account payables, and (2) short term debts

Based on book value because all settlements are planned in short-term, and current value is mostly equivalent to book value.

#### (3) Corporate bond

Current value of corporate bond (the Company has issued) are calculated by original value, interest rate (multiplied by reliability risk) and divided by remaining term of the corporate bond.

#### (4) Long term debt

Calculated by original value and discounted by estimated interest rate (if newly contracted leases).

### Derivatives

Described in “Derivative transactions”.



Notes 2. Financial Instruments where current value is omitted

Type	Accounted value on Consolidated Balance Sheet (1,000s yen)
Investment Securities (unlisted stock)	496,381

These securities are excluded from (3) Investment Securities – other because these securities do not have a listed Market value and the cost/benefit of further estimating their value is negligible.

Notes 3. Notes due for redemption after FY2011

Category	Less than 1 year (1,000s yen)	1-5 years (1,000s yen)	5 – 10 years (1,000s yen)	Over 10 years (1,000s yen)
Bank deposits	16,216,334	–	–	–
Notes and accounts receivable	18,796,807	–	–	–
Total	35,013,141	–	–	–

Notes 4 corporate bonds, long-term debts, and lease liabilities due for redemption are separately described

(Other Securities)

FY2010 (Apr 1<sup>st</sup>, 2009- March 31<sup>st</sup>, 2010)

1. Other Securities with current value (as of March 31<sup>st</sup>, 2010)

	Type	Acquisition cost (1,000s yen)	Carrying value (1,000s yen)	Difference (1,000s yen)
Securities with a carrying value higher than the acquisition cost	(1) Stocks	1,299,893	1,069,750	230,143
	(2) Bonds	—	—	—
	(3) Other	—	—	—
	Subtotal	1,299,893	1,069,750	230,143
Securities with a carrying value no higher than the acquisition cost	(1) Stocks	1,474,782	1,899,484	- 424,701
	(2) Bonds	—	—	—
	(3) Other	—	—	—
	Subtotal	1,474,782	1,899,484	- 424,701
Total		2,774,676	2,969,234	- 194,558

Note : Unlisted stock (accounted value: ¥738,580 thousand) is excluded from (3) other above because no market price exists, and current value estimation is unreliable.

2. Securities with impairment loss (April 1<sup>st</sup>, 2009 – March 31<sup>st</sup>, 2010)

Impairment loss on FY2010 results ¥7,672 thousand's loss on valuation of investment securities. The acquisition prices above and book value contain these impairment losses.

3. Securities sold within FY2010 (April 1<sup>st</sup>, 2009 – March 31<sup>st</sup>, 2010)

Type	Sale price (1,000s yen)	Proceeds from sales (1,000s yen)	Loss on sales (1,000s yen)
(1) Stocks	—	—	—
(2) Bonds	—	—	—
(3) Other	66,875	1,440	—
Subtotal	66,875	1,440	—

FY2011 (Apr 1<sup>st</sup>, 2010- March 31<sup>st</sup>, 2011)

1. Other Securities with current value (as of March 31<sup>st</sup>, 2011)

	Type	Acquisition cost (1,000s yen)	Carrying value (1,000s yen)	Difference (1,000s yen)
Securities with a carrying value higher than the acquisition cost	(1) Stocks	1,205,294	723,266	482,027
	(2) Bonds	—	—	—
	(3) Other	—	—	—
	Subtotal	1,205,294	723,266	482,027
Securities with a carrying value no higher than the acquisition cost	(1) Stocks	1,329,548	1,828,580	- 499,032
	(2) Bonds	—	—	—
	(3) Other	—	—	—
	Subtotal	1,329,548	1,828,580	- 499,032
Total		2,534,842	2,551,847	- 17,004

Note : Unlisted stock (accounted value: ¥496,381 thousand) is excluded from (3) other above because no market price exists, and current value estimation is unreliable.

2. Securities with impairment loss (April 1<sup>st</sup>, 2010 – March 31<sup>st</sup>, 2011)

Impairment loss on FY2011 results ¥363,267 thousand's loss on valuation of investment securities. The acquisition prices above and book value contain these impairment losses.

3. Securities sold within FY2011(April 1<sup>st</sup>, 2010 – March 31<sup>st</sup>, 2011)

Type	Sale price (1,000s yen)	Proceeds from sales (1,000s yen)	Loss on sales (1,000s yen)
(1) Stocks	390,028	75,229	—
(2) Bonds	—	—	—
(3) Other	—	—	—
Subtotal	390,028	75,229	—

(Derivative transactions)

FY2010 (April 1<sup>st</sup>, 2009 – March 31<sup>st</sup>, 2010)

1. Derivative Transactions without hedge accounting

Not applicable.

2. Derivative Transactions with hedge accounting

Interest rate hedges

Principal value and/or contract price of derivative transactions with hedge accounting per each type as of March 31<sup>st</sup>, 2010 are as follows.

Hedge accounting method	Type of derivative transaction	Hedged	Contract value(1,000s yen)		Current value
				Over 1 year	
Special transaction of interest rate swap	Interest rate swap Fixed for floating	Long term debt	10,044,000	7,008,000	*Note

Note: Special transaction is processed with long-term debt which is hedged, therefore the current value is included in the long-term debt (include current portion).

FY2011 (April 1<sup>st</sup>, 2010 – March 31<sup>st</sup>, 2011)

1. Derivative Transactions without hedge accounting

Not applicable.

2. Derivative Transactions with hedge accounting

Interest rate hedges

Principal value and/or contract price of derivative transactions with hedge accounting per each type as of March 31<sup>st</sup>, 2011 are as follows.

Hedge accounting method	Type of derivative transaction	Hedged	Contract value(1,000s yen)		Current value
				Over 1 year	
Special transaction of interest rate swap	Interest rate swap Fixed for floating	Long term debt	7,008,000	4,308,000	*Note

Note: Special transaction is processed with long-term debt which is hedged, therefore the current value is included in the long-term debt (include current portion).

## (Retirement benefits)

FY 2010 (April 1 <sup>st</sup> , 2009 - March 31 <sup>st</sup> , 2010)	FY 2011 (April 1 <sup>st</sup> , 2010 - March 31 <sup>st</sup> , 2011)																																																						
<p>1. Description of retirement benefit plans The Company has established a Multi employer welfare pension fund plan, qualified retirement pension plan, and lump-sum payment plan as defined-benefit plan. Our domestic consolidated subsidiaries utilize lump-sum payment plans and in some case a qualified retirement pension plan. The multiple owner system which accounts for the contribution amounts as net periodic pension and severance costs is as shown below.</p> <p>(1) Reserve status of the overall system (As of March 31<sup>st</sup>, 2009)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td></td> <td style="text-align: right;">(1,000s yen)</td> </tr> <tr> <td>[1] Plan assets</td> <td style="text-align: right;">140,125,538</td> </tr> <tr> <td>[2] Pension and severance obligation calculated for pension financing</td> <td style="text-align: right;">227,859,191</td> </tr> <tr> <td>[3] Difference</td> <td style="text-align: right;">- 87,733,652</td> </tr> </table> <p>(2) Percentage of the Company's employees in the overall system (As of March 31<sup>st</sup>, 2010) 1.968%</p> <p>(3) Additional explanation Breakdown of the difference in (1) [3] above</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td></td> <td style="text-align: right;">(1,000s yen)</td> </tr> <tr> <td>A. 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B. Asset valuation adjustment	-																																																						
C. Balance of unamortized prior service costs	11,498,659																																																						
Difference (A - (B+C))	- 11,498,659																																																						
<p>2. Actuarial present value of projected benefit obligations (1,000s yen)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td>(1) Actuarial present value of projected benefit obligations</td> <td style="text-align: right;">5,309,699</td> </tr> <tr> <td>(2) Plan assets (including the employees' retirement benefits trust account)</td> <td style="text-align: right;">4,195,764</td> </tr> <tr> <td>(3) Accrued pension and severance costs</td> <td style="text-align: right;">2,363,257</td> </tr> <tr> <td>(4) Unrecognized net actuarial Difference [(1) - (2) - (3)]</td> <td style="text-align: right;">- 1,249,322</td> </tr> </table> <p>Note: Consolidated subsidiaries use a simplified method when calculating accrued pension and severance costs.</p>	(1) Actuarial present value of projected benefit obligations	5,309,699	(2) Plan assets (including the employees' retirement benefits trust account)	4,195,764	(3) Accrued pension and severance costs	2,363,257	(4) Unrecognized net actuarial Difference [(1) - (2) - (3)]	- 1,249,322	<p>2. Actuarial present value of projected benefit obligations (1,000s yen)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td>(1) Actuarial present value of projected benefit obligations</td> <td style="text-align: right;">5,314,286</td> </tr> <tr> <td>(2) Plan assets (including the employees' retirement benefits trust account)</td> <td style="text-align: right;">4,105,905</td> </tr> <tr> <td>(3) Accrued pension and severance costs</td> <td style="text-align: right;">2,403,779</td> </tr> <tr> <td>(4) Unrecognized net actuarial Difference [(1) - (2) - (3)]</td> <td style="text-align: right;">- 1,195,398</td> </tr> </table> <p>Note: Consolidated subsidiaries use a simplified method when calculating accrued pension and severance costs.</p>	(1) Actuarial present value of projected benefit obligations	5,314,286	(2) Plan assets (including the employees' retirement benefits trust account)	4,105,905	(3) Accrued pension and severance costs	2,403,779	(4) Unrecognized net actuarial Difference [(1) - (2) - (3)]	- 1,195,398																																						
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(3) Accrued pension and severance costs	2,403,779																																																						
(4) Unrecognized net actuarial Difference [(1) - (2) - (3)]	- 1,195,398																																																						

FY 2010 (April 1 <sup>st</sup> , 2009 - March 31 <sup>st</sup> , 2010)	FY 2011 (April 1 <sup>st</sup> , 2010 - March 31 <sup>st</sup> , 2011)
3. Components of net periodic pension and severance costs	3. Components of net periodic pension and severance costs
(1,000s yen)	(1,000s yen)
(1) Service cost	(1) Service cost
333,530	272,639
(2) Interest cost	(2) Interest cost
86,753	88,742
(3) Expected return on plan assets	(3) Expected return on plan assets
12,343	14,965
(4) Expense for actuarial difference	(4) Expense for actuarial difference
275,333	21,640
(5) Net periodic pension and severance cost	(5) Net periodic pension and severance cost
[(1) + (2) - (3) + (4)]	[(1) + (2) - (3) + (4)]
683,273	368,056
Notes:	Notes:
1. The net periodic pension and severance cost at consolidated subsidiaries which utilize a simplified method is calculated as (1) Service cost.	1. The net periodic pension and severance cost at consolidated subsidiaries which utilize a simplified method is calculated as (1) Service cost.
2. In addition to the above net periodic pension and severance costs, the required contribution to the pension fund system is ¥149,801 thousand.	2. In addition to the above net periodic pension and severance costs, the required contribution to the pension fund system is ¥223,124 thousand.
4. Major assumptions at the beginning of the year	4. Major assumptions at the beginning of the year
(1) Discount rate	(1) Discount rate
2.0%	2.0%
(2) Expected rate of return on plan assets	(2) Expected rate of return on plan assets
2.5%	2.5%
(3) Allocation method of pension and severance costs	(3) Allocation method of pension and severance costs
Straight-line method	Straight-line method
(4) Term of amortization of unrecognized net actuarial loss	(4) Term of amortization of unrecognized net actuarial loss
10 years	10 years

(Stock options and others)

FY2010 (April 1<sup>st</sup>, 2009 to March 31<sup>st</sup>, 2010)

1. Account and amount charged as expenses in FY2010

Breakdown	Account name: "Stock-based compensation expense"			
	Cost of sales (1,000s yen)	Selling expense (1,000s yen)	General and administrative expenses (1,000s yen)	Total (1,000s yen)
The 6th share subscription rights	7,251	2,405	3,680	13,337
The 7th share subscription rights	4,258	1,157	1,946	7,362
Total	11,510	3,563	5,626	20,700

2 Gains and accounts from the expiration of exercising rights in FY2010

Account: Reversal of Share Subscription Rights (Extraordinary Gains)

Amount: ¥187,139 thousand

3. Description, scale, and movement of stock options

The Company

(1) Description of stock options

The 2nd share subscription rights

Categories and numbers of persons to whom rights are granted (persons)	Directors of the Company: 10 Auditors of the Company: 4 Employees of the Company: 44 Directors of subsidiaries: 6 Employees of subsidiaries: 4
Number and class of shares to be provided (shares)	Common stock: 100,000
Date of issue	July 30 <sup>th</sup> , 2003
Conditions of settlement of rights	Once granted, the grantee shall have the stock acquisition rights, excluding the case in which the grantee should decrease prior to the exercise period for the stock acquisition rights.
Period grantees provide service in return for stock options	No provision
Exercise period	July 1 <sup>st</sup> , 2005 – June 30 <sup>th</sup> , 2010

### The 3rd share subscription rights

Categories and numbers of persons to whom rights are granted (persons)	Directors of the Company: 10 Auditors of the Company: 4 Employees of the Company: 53 Directors of subsidiaries: 5 Employees of subsidiaries: 10
Number and class of shares to be provided (shares)	Common stock: 200,000
Date of issue	September 22 <sup>nd</sup> , 2004
Conditions of settlement of rights	Persons who have received allotment of stock acquisition rights must hold the position of director, corporate auditor, or employee of the Company, its subsidiary, or an affiliate at the time of exercise. However, this limitation shall not apply in the case of directors and corporate auditors who have retired due to the expiration of their terms of office or upon reaching retirement age, or employees who have forfeited their position on account of company expediency or due to other similar reasons.
Period grantees provide service in return for stock options	September 22 <sup>nd</sup> , 2004 – June 30 <sup>th</sup> , 2006
Exercise period	July 1 <sup>st</sup> , 2006 – June 30 <sup>th</sup> , 2011

### The 4th share subscription rights

Categories and numbers of persons to whom rights are granted (persons)	Directors of the Company: 11 Auditors of the Company: 4 Employees of the Company: 273 Directors of subsidiaries: 16 Employees of subsidiaries: 3
Number and class of shares to be provided (shares)	Common stock: 83,100
Date of issue	July 21 <sup>st</sup> , 2005
Conditions of settlement of rights	Persons who have received allotment of stock acquisition rights must hold the position of director, corporate auditor, or employee of the Company, its subsidiary, or an affiliate at the time of exercise. However, this limitation shall not apply in the case of directors and corporate auditors who have retired due to the expiration of their terms of office or upon reaching retirement age, or employees who have forfeited their position on account of company expediency or due to other similar reasons.
Period grantees provide service in return for stock options	July 21 <sup>st</sup> , 2005 – June 30 <sup>th</sup> , 2007
Exercise period	July 1 <sup>st</sup> , 2007 – June 30 <sup>th</sup> , 2012



#### The 5th share subscription rights

Categories and numbers of persons to whom rights are granted (persons)	Directors of the Company: 9 Auditors of the Company: 5 Employees of the Company: 277 Directors of subsidiaries: 11 Employees of subsidiaries: 6
Number and class of shares to be provided (shares)	Common stock: 80,500
Date of issue	July 25 <sup>th</sup> , 2006
Conditions of settlement of rights	Persons who have received allotment of stock acquisition rights must hold the position of director, corporate auditor, or employee of the Company, its subsidiary, or an affiliate at the time of exercise. However, this limitation shall not apply in the case of directors and corporate auditors who have retired due to the expiration of their terms of office or upon reaching retirement age, or employees who have forfeited their position on account of company expediency or due to other similar reasons.
Period grantees provide service in return for stock options	July 25 <sup>th</sup> , 2006 – July 25 <sup>th</sup> , 2008
Exercise period	July 26 <sup>th</sup> , 2008 – June 30 <sup>th</sup> , 2013

#### The 6th share subscription rights

Categories and numbers of persons to whom rights are granted (persons)	Directors of the Company: 9 Employees of the Company: 319 Directors of subsidiaries: 8 Employees of subsidiaries: 18
Number and class of shares to be provided (shares)	Common stock: 81,100
Date of issue	July 19 <sup>th</sup> , 2007
Conditions of settlement of rights	Persons who have received allotment of stock acquisition rights must hold the position of director, corporate auditor, or employee of the Company, its subsidiary, or an affiliate at the time of exercise. However, this limitation shall not apply in the case of directors and corporate auditors who have retired due to the expiration of their terms of office or upon reaching retirement age, or employees who have forfeited their position on account of company expediency or due to other similar reasons.
Period grantees provide service in return for stock options	July 19 <sup>th</sup> , 2007 – July 19 <sup>th</sup> , 2009
Exercise period	July 20 <sup>th</sup> , 2009 – June 30 <sup>th</sup> , 2014

### The 7th share subscription rights

Categories and numbers of persons to whom rights are granted (persons)	Directors of the Company: 7 Employees of the Company: 301 Directors of subsidiaries: 8 Employees of subsidiaries: 15
Number and class of shares to be provided (shares)	Common stock: 75,500
Date of issue	September 25 <sup>th</sup> , 2008
Conditions of settlement of rights	Persons who have received allotment of stock acquisition rights must hold the position of director, corporate auditor, or employee of the Company, its subsidiary, or an affiliate at the time of exercise. However, this limitation shall not apply in the case of directors and corporate auditors who have retired due to the expiration of their terms of office or upon reaching retirement age, or employees who have forfeited their position on account of company expediency or due to other similar reasons.
Period grantees provide service in return for stock options	September 25 <sup>th</sup> , 2008 – September 25 <sup>th</sup> , 2010
Exercise period	September 26 <sup>th</sup> , 2010 – June 30 <sup>th</sup> , 2015

### Share subscription rights issued June 2005 (stock-based compensation type)

Categories and numbers of persons to whom rights are granted (persons)	Directors of the Company: 7 Employees of the Company (executive officers): 11
Number and class of shares to be provided (shares)	Common stock: 47,000
Date of issue	June 29 <sup>th</sup> , 2005
Conditions of settlement of rights	In principle, directors and executive officers of the Company may exercise their stock acquisition rights after losing their positions.
Period grantees provide service in return for stock options	Because it is difficult to reasonably predict the date of right allotment, the length of service shall not be considered.
Exercise period	June 30 <sup>th</sup> , 2005 – June 30 <sup>th</sup> , 2025

### Share subscription rights issued July 2006 (stock-based compensation type)

Categories and numbers of persons to whom rights are granted (persons)	Directors of the Company: 6 Employees of the Company (executive officers): 12
Number and class of shares to be provided (shares)	Common stock: 29,600
Date of issue	July 14 <sup>th</sup> , 2006
Conditions of settlement of rights	In principle, directors and executive officers of the Company may exercise their stock acquisition rights after losing their positions.
Period grantees provide service in return for stock options	Because it is difficult to reasonably predict the date of right allotment, the length of service shall not be considered.
Exercise period	July 15 <sup>th</sup> , 2006 – July 14 <sup>th</sup> , 2026

Share subscription rights issued July 2007 (stock-based compensation type)

Categories and numbers of persons to whom rights are granted (persons)	Directors of the Company: 6 Employees of the Company (executive officers): 12
Number and class of shares to be provided (shares)	Common stock: 32,000
Date of issue	July 19 <sup>th</sup> , 2007
Conditions of settlement of rights	In principle, directors and executive officers of the Company may exercise their stock acquisition rights after losing their positions.
Period grantees provide service in return for stock options	Because it is difficult to reasonably predict the date of right allotment, the length of service shall not be considered.
Exercise period	July 20 <sup>th</sup> , 2007 – July 19 <sup>th</sup> , 2027

## (2) Scale and movement of stock options

## [1] Numbers of stock options

	The 1st share subscription rights	The 2nd share subscription rights	The 3rd share subscription rights	The 4th share subscription rights	The 5th share subscription rights	The 6th share subscription rights
Non-exercisable stock options						
Stock options outstanding at end of FY2009 (shares)	—	—	—	—	—	77,400
Stock options granted (shares)	—	—	—	—	—	—
Forfeitures (shares)	—	—	—	—	—	1,300
Conversion to exercisable stock options (shares)	—	—	—	—	—	76,100
Stock options outstanding (shares)	—	—	—	—	—	—
Exercisable stock options						
Stock options outstanding at end of FY2009 (shares)	14,500	37,000	129,600	74,800	73,900	—
Conversion from non-exercisable stock options (shares)	—	—	—	—	—	76,100
Stock options exercised (shares)	—	—	—	—	—	—
Forfeitures (shares)	14,500	—	4,000	2,600	69,000	71,200
Stock options outstanding (shares)	—	37,000	125,600	72,200	4,900	4,900

	The 7th share subscription rights	Share subscription rights issued June 2005 (stock-based compensation type)	Share subscription rights issued July 2006 (stock-based compensation type)	Share subscription rights issued July 2007 (stock-based compensation type)
Non-exercisable stock options				
Stock options outstanding at end of FY2009 (shares)	75,400	29,200	22,800	25,800
Stock options granted (shares)	—	—	—	—
Forfeitures (shares)	3,200	—	—	—
Conversion to exercisable stock options (shares)	—	11,200	10,300	11,000
Stock options outstanding (shares)	72,200	18,000	12,500	14,800
Exercisable stock options				
Stock options outstanding at end of FY2009 (shares)	—	—	—	—
Conversion from non-exercisable stock options (shares)	—	11,200	10,300	11,000
Stock options exercised (shares)	—	11,200	10,300	11,000
Forfeitures (shares)	—	—	—	—
Stock options outstanding (shares)	—	—	—	—

[2] Price information

	The 2nd share subscription rights	The 3rd share subscription rights	The 4th share subscription rights	The 5th share subscription rights	The 6th share subscription rights	The 7th share subscription rights
Paid-in value (yen)	3,361	3,309	4,728	5,813	4,603	1,525
Average market price of the stock at the time of exercise (yen)	—	—	—	—	—	—
Fair value at the date of grant (yen)	—	—	—	1,380	1,291	209

	Share subscription rights issued June 2005 (stock-based compensation type)	Share subscription rights issued July 2006 (stock-based compensation type)	Share subscription rights issued July 2007 (stock-based compensation type)
Paid-in value (yen)	1	1	1
Average market price of the stock at the time of exercise (yen)	840	840	840
Fair value at the date of grant (yen)	—	4,944	4,046

4. Valuation of fair value of stock options granted during FY2010

Not applicable.

5. Estimation of the number of stock options vested

Because it is fundamentally difficult to reasonably estimate the future number of forfeitures, we have adopted a method which utilizes only historical data for the number of forfeitures.

FY2011 (April 1<sup>st</sup>, 2010 to March 31<sup>st</sup>, 2011)

2. Account and amount charged as expenses in FY2011

Breakdown	Account name: "Stock-based compensation expense"			
	Cost of sales (1,000s yen)	Selling expense (1,000s yen)	General and administrative expenses (1,000s yen)	Total (1,000s yen)
The 7th share subscription rights	2,043	575	951	3,569
Total	2,043	575	951	3,569

2 Gains and accounts from the expiration of exercising rights in FY2011

Account: Reversal of Share Subscription Rights (Extraordinary Gains)

Amount: ¥62 thousand

3. Description, scale, and movement of stock options

The Company

(1) Description of stock options

The 3rd share subscription rights

Categories and numbers of persons to whom rights are granted (persons)	Directors of the Company: 10 Auditors of the Company: 4 Employees of the Company: 53 Directors of subsidiaries: 5 Employees of subsidiaries: 10
Number and class of shares to be provided (shares)	Common stock: 200,000
Date of issue	September 22 <sup>nd</sup> , 2004
Conditions of settlement of rights	Persons who have received allotment of stock acquisition rights must hold the position of director, corporate auditor, or employee of the Company, its subsidiary, or an affiliate at the time of exercise. However, this limitation shall not apply in the case of directors and corporate auditors who have retired due to the expiration of their terms of office or upon reaching retirement age, or employees who have forfeited their position on account of company expediency or due to other similar reasons.
Period grantees provide service in return for stock options	September 22 <sup>nd</sup> , 2004 – June 30 <sup>th</sup> , 2006
Exercise period	July 1 <sup>st</sup> , 2006 – June 30 <sup>th</sup> , 2011

#### The 4th share subscription rights

Categories and numbers of persons to whom rights are granted (persons)	Directors of the Company: 11 Auditors of the Company: 4 Employees of the Company: 273 Directors of subsidiaries: 16 Employees of subsidiaries: 3
Number and class of shares to be provided (shares)	Common stock: 83,100
Date of issue	July 21 <sup>st</sup> , 2005
Conditions of settlement of rights	Persons who have received allotment of stock acquisition rights must hold the position of director, corporate auditor, or employee of the Company, its subsidiary, or an affiliate at the time of exercise. However, this limitation shall not apply in the case of directors and corporate auditors who have retired due to the expiration of their terms of office or upon reaching retirement age, or employees who have forfeited their position on account of company expediency or due to other similar reasons.
Period grantees provide service in return for stock options	July 21 <sup>st</sup> , 2005 – June 30 <sup>th</sup> , 2007
Exercise period	July 1 <sup>st</sup> , 2007 – June 30 <sup>th</sup> , 2012

#### The 5th share subscription rights

Categories and numbers of persons to whom rights are granted (persons)	Directors of the Company: 9 Auditors of the Company: 5 Employees of the Company: 277 Directors of subsidiaries: 11 Employees of subsidiaries: 6
Number and class of shares to be provided (shares)	Common stock: 80,500
Date of issue	July 25 <sup>th</sup> , 2006
Conditions of settlement of rights	Persons who have received allotment of stock acquisition rights must hold the position of director, corporate auditor, or employee of the Company, its subsidiary, or an affiliate at the time of exercise. However, this limitation shall not apply in the case of directors and corporate auditors who have retired due to the expiration of their terms of office or upon reaching retirement age, or employees who have forfeited their position on account of company expediency or due to other similar reasons.
Period grantees provide service in return for stock options	July 25 <sup>th</sup> , 2006 – July 25 <sup>th</sup> , 2008
Exercise period	July 26 <sup>th</sup> , 2008 – June 30 <sup>th</sup> , 2013

#### The 6th share subscription rights

Categories and numbers of persons to whom rights are granted (persons)	Directors of the Company: 9 Employees of the Company: 319 Directors of subsidiaries: 8 Employees of subsidiaries: 18
Number and class of shares to be provided (shares)	Common stock: 81,100
Date of issue	July 19 <sup>th</sup> , 2007
Conditions of settlement of rights	Persons who have received allotment of stock acquisition rights must hold the position of director, corporate auditor, or employee of the Company, its subsidiary, or an affiliate at the time of exercise. However, this limitation shall not apply in the case of directors and corporate auditors who have retired due to the expiration of their terms of office or upon reaching retirement age, or employees who have forfeited their position on account of company expediency or due to other similar reasons.
Period grantees provide service in return for stock options	July 19 <sup>th</sup> , 2007 – July 19 <sup>th</sup> , 2009
Exercise period	July 20 <sup>th</sup> , 2009 – June 30 <sup>th</sup> , 2014

#### The 7th share subscription rights

Categories and numbers of persons to whom rights are granted (persons)	Directors of the Company: 7 Employees of the Company: 301 Directors of subsidiaries: 8 Employees of subsidiaries: 15
Number and class of shares to be provided (shares)	Common stock: 75,500
Date of issue	September 25 <sup>th</sup> , 2008
Conditions of settlement of rights	Persons who have received allotment of stock acquisition rights must hold the position of director, corporate auditor, or employee of the Company, its subsidiary, or an affiliate at the time of exercise. However, this limitation shall not apply in the case of directors and corporate auditors who have retired due to the expiration of their terms of office or upon reaching retirement age, or employees who have forfeited their position on account of company expediency or due to other similar reasons.
Period grantees provide service in return for stock options	September 25 <sup>th</sup> , 2008 – September 25 <sup>th</sup> , 2010
Exercise period	September 26 <sup>th</sup> , 2010 – June 30 <sup>th</sup> , 2015

#### Share subscription rights issued June 2005 (stock-based compensation type)

Categories and numbers of persons to whom rights are granted (persons)	Directors of the Company: 7 Employees of the Company (executive officers): 11
Number and class of shares to be provided (shares)	Common stock: 47,000
Date of issue	June 29 <sup>th</sup> , 2005
Conditions of settlement of rights	In principle, directors and executive officers of the Company may exercise their stock acquisition rights after losing their positions.
Period grantees provide service in return for stock options	Because it is difficult to reasonably predict the date of right allotment, the length of service shall not be considered.
Exercise period	June 30 <sup>th</sup> , 2005 – June 30 <sup>th</sup> , 2025



Share subscription rights issued July 2006 (stock-based compensation type)

Categories and numbers of persons to whom rights are granted (persons)	Directors of the Company: 6 Employees of the Company (executive officers): 12
Number and class of shares to be provided (shares)	Common stock: 29,600
Date of issue	July 14 <sup>th</sup> , 2006
Conditions of settlement of rights	In principle, directors and executive officers of the Company may exercise their stock acquisition rights after losing their positions.
Period grantees provide service in return for stock options	Because it is difficult to reasonably predict the date of right allotment, the length of service shall not be considered.
Exercise period	July 15 <sup>th</sup> , 2006 – July 14 <sup>th</sup> , 2026

Share subscription rights issued July 2007 (stock-based compensation type)

Categories and numbers of persons to whom rights are granted (persons)	Directors of the Company: 6 Employees of the Company (executive officers): 12
Number and class of shares to be provided (shares)	Common stock: 32,000
Date of issue	July 19 <sup>th</sup> , 2007
Conditions of settlement of rights	In principle, directors and executive officers of the Company may exercise their stock acquisition rights after losing their positions.
Period grantees provide service in return for stock options	Because it is difficult to reasonably predict the date of right allotment, the length of service shall not be considered.
Exercise period	July 20 <sup>th</sup> , 2007 – July 19 <sup>th</sup> , 2027

## (2) Scale and movement of stock options

## [1] Numbers of stock options

	The 2nd share subscription rights	The 3rd share subscription rights	The 4th share subscription rights	The 5th share subscription rights	The 6th share subscription rights	The 7th share subscription rights
Non-exercisable stock options						
Stock options outstanding at end of FY2010 (shares)	—	—	—	—	—	72,200
Stock options granted (shares)	—	—	—	—	—	—
Forfeitures (shares)	—	—	—	—	—	500
Conversion to exercisable stock options (shares)	—	—	—	—	—	71,700
Stock options outstanding (shares)	—	—	—	—	—	—
Exercisable stock options						
Stock options outstanding at end of FY2010 (shares)	37,000	125,600	72,200	4,900	4,900	—
Conversion from non-exercisable stock options (shares)	—	—	—	—	—	71,700
Stock options exercised (shares)	—	—	—	—	—	—
Forfeitures (shares)	37,000	1,000	500	—	—	300
Stock options outstanding (shares)	—	124,600	71,700	4,900	4,900	71,400

	Share subscription rights issued June 2005 (stock-based compensation type)	Share subscription rights issued July 2006 (stock-based compensation type)	Share subscription rights issued July 2007 (stock-based compensation type)
Non-exercisable stock options			
Stock options outstanding at end of FY2010 (shares)	18,000	12,500	14,800
Stock options granted (shares)	—	—	—
Forfeitures (shares)	—	—	—
Conversion to exercisable stock options (shares)	3,400	2,400	2,600
Stock options outstanding (shares)	14,600	10,100	12,200
Exercisable stock options			
Stock options outstanding at end of FY2010 (shares)	—	—	—
Conversion from non-exercisable stock options (shares)	3,400	2,400	2,600
Stock options exercised (shares)	3,400	2,400	2,600
Forfeitures (shares)	—	—	—
Stock options outstanding (shares)	—	—	—

[2] Price information

	The 3rd share subscription rights	The 4th share subscription rights	The 5th share subscription rights	The 6th share subscription rights	The 7th share subscription rights
Paid-in value (yen)	3,309	4,728	5,813	4,603	1,525
Average market price of the stock at the time of exercise (yen)	—	—	—	—	—
Fair value at the date of grant (yen)	—	—	1,380	1,291	209

	Share subscription rights issued June 2005 (stock-based compensation type)	Share subscription rights issued July 2006 (stock-based compensation type)	Share subscription rights issued July 2007 (stock-based compensation type)
Paid-in value (yen)	1	1	1
Average market price of the stock at the time of exercise (yen)	1,328	1,328	1,328
Fair value at the date of grant (yen)	—	4,944	4,046

4. Valuation of fair value of stock options granted during FY2011

Not applicable.

5. Estimation of the number of stock options vested

Because it is fundamentally difficult to reasonably estimate the future number of forfeitures, we have adopted a method which utilizes only historical data for the number of forfeitures.

## (Tax effect accounting)

FY 2010 (April 1 <sup>st</sup> , 2009 - March 31 <sup>st</sup> , 2010)	FY 2011 (April 1 <sup>st</sup> , 2010 - March 31 <sup>st</sup> , 2011)																																																																								
1. Significant components of deferred tax assets and liabilities	2. Significant components of deferred tax assets and liabilities																																																																								
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(Business combinations)

FY 2010 (April 1<sup>st</sup>, 2009 - March 31<sup>st</sup>, 2010)  
Not applicable.

FY 2011 (April 1<sup>st</sup>, 2010 - March 31<sup>st</sup>, 2011)  
Not applicable.

(Asset retirement obligations)

FY 2011 end (March 31<sup>st</sup>, 2011)  
Not applicable.

(Investment and Rental Properties)

FY 2010 (April 1<sup>st</sup>, 2009 - March 31<sup>st</sup>, 2010)  
Not applicable.

FY 2011 (April 1<sup>st</sup>, 2010 - March 31<sup>st</sup>, 2011)  
Not applicable.

(Segment information)  
[Business segments]

FY 2010 (April 1<sup>st</sup>, 2009 - March 31<sup>st</sup>, 2010)

	SPE business (1,000s yen)	Metrology business (1,000s yen)	Total (1,000s yen)	Corporate and elimination (1,000s yen)	Consolidation (1,000s yen)
I. Sales and operating income					
(1) Sales to third parties	20,462,654	10,273,134	30,735,788	—	30,735,788
(2) Intersegment sales or transfers	—	—	—	(—)	—
Total	20,462,654	10,273,134	30,735,788	(—)	30,735,788
Operating expenses	22,929,746	9,373,075	32,302,822	(—)	32,302,822
Operating income	- 2,467,092	900,058	- 1,567,033	—	- 1,567,033
II. Assets, depreciation, and capital expenditure					
Assets	46,898,983	21,727,736	68,626,720	858,720	69,485,440
Depreciation	1,811,554	609,499	2,421,054	—	2,421,054
Impairment Loss	114,482	22,646	137,129		137,129
Capital expenditure	131,927	15,866	147,793	—	147,793

Notes: 1. The Company's business segments are determined with consideration for product types and properties, as well as similarities in the selling markets and other factors.

2. Primary products of each business segment

- |                        |                                                                                                                                                                                                                                                           |
|------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (1) SPE business       | Wafer probing machines, wafer dicing machines, polish grinders, wafer manufacturing machines, CMPs                                                                                                                                                        |
| (2) Metrology business | 3D coordinate measuring machines, roundness and cylindrical profile measuring instruments, surface texture and contour measuring instruments, machine control gauges, electric micrometers, various automated measuring, sorting, and assembling machines |

3. The primary components of company capital which are included in the "Corporation and elimination" column include long-term investment funds (other investment securities). The amount is ¥858,720 thousand.

[Geographical segments]

FY 2010 (April 1<sup>st</sup>, 2009 - March 31<sup>st</sup>, 2010)

	Japan (1,000s yen)	USA (1,000s yen)	Germany (1,000s yen)	Korea (1,000s yen)	Total (1,000s yen)	Corporate and elimination (1,000s yen)	Consolidation (1,000s yen)
I. Sales and operating income							
Sales							
(1) Sales to third parties	27,574,323	1,734,214	1,094,277	332,973	30,735,788	—	30,735,788
(2) Intersegment sales or transfers	2,027,994	—	18,810	210,947	2,257,751	(2,257,751)	—
Total	29,602,317	1,734,214	1,113,087	543,920	32,993,540	(2,257,751)	30,735,788
Operating expenses	31,094,939	1,861,692	1,063,207	540,734	34,560,573	(2,257,751)	32,302,822
Operating income	- 1,492,621	- 127,477	49,879	3,185	- 1,567,033	—	- 1,567,033
II. Assets	66,421,723	1,729,535	1,327,962	252,412	69,731,633	(246,192)	69,485,440

Notes: 1. Method of determining country segments

Country segments are determined based on the regional independence of the business activities.

2. The primary components of company capital which are included in the "Corporation and elimination" column include long-term investment funds (other investment securities). The amount is ¥858,720 thousand.

[Overseas sales]

FY 2010 (April 1<sup>st</sup>, 2009 - March 31<sup>st</sup>, 2010)

	East Asia	South East Asia	North America	Europe	Other regions	Total
I. Overseas sales (1,000s yen)	11,658,029	3,423,473	1,431,203	996,785	243,336	17,752,827
II. Consolidated sales (1,000s yen)	—	—	—	—	—	30,735,788
III. Percentage of overseas sales in consolidated sales (%)	37.9	11.1	4.7	3.2	0.8	57.7

Notes: 1. Overseas sales are the sales of the Company and its consolidated subsidiaries in countries and regions outside Japan.

2. Method of classifying countries and regions, and primary countries and regions in each category

(1) Countries and regions are determined according to geographical proximity.

(2) Primary countries and regions in each category

East Asia:	Korea, Taiwan, China
South East Asia:	Thailand, Singapore, Malaysia, Philippines
North America:	USA, Canada
Europe:	Germany, Italy, France
Other regions:	India, Mexico

(Segment Information)

1. Overview of reportable segments

(1) Method of defining reportable segments

The reportable segments of the Company and consolidated subsidiaries are the business segments for which separate financial information can be obtained and are at the level where the Company's board of directors conducts periodic reviews leading to the allocation of resources and evaluation of business performance.

The Company consists of internal companies known as the Semiconductor Company and the Metrology Company, and each company's products and services are managed under comprehensive strategies inside and outside of Japan.

Therefore, the Company defines "SPE" and "Metrology Equipment" as reportable segments based on the intercompany system and their outputs.

The "SPE" consists of manufacturing and sales of process and inspection equipment to be applied to Semiconductor Manufacturing Processes and the "Metrology Equipment" consists of manufacturing and sales of precision measurement equipment such as 3D coordinate measuring machines, surface texture and contour measuring instruments.

(2) Primary products of each reportable segments

SPE segment == Wafer probing machines, wafer dicing machines, polish grinders,  
wafer manufacturing machines, CMPs

Metrology segment == 3D coordinate measuring machines, roundness and cylindrical profile measuring  
instruments, surface texture and contour measuring instruments, machine  
control gauges, electric micrometers, various automated measuring, sorting,  
and assembling machines

2. Method of calculation of sales, profit/loss, assets/liabilities and/or others in reportable segments

The method of calculating segment results is mostly the same as applied to the consolidated financial statements. Therefore, segment profit is based on consolidated operating income. Corporate assets are not allotted to each segment.



### 3. Net sales, profit/loss assets/liabilities and/or others in reportable segments

FY 2010 (April 1<sup>st</sup>, 2009 – December 31<sup>st</sup>, 2010)

Data for this period is intentionally omitted because information substantially the same as business segment information complying with “Revised Accounting Standard for Disclosures about Segments of an Enterprise and Related information” (ASBJ Statement No.17, March 27<sup>th</sup> 2009), is being disclosed in this financial statement.

Amortization of goodwill for FY2010 is as follows:

	Reportable Segments(1,000s yen)			Adjustment	Consolidated Total
	SPE	Metrology Equipment	Total		
Amortization of Goodwill	221,530	111,217	332,748	-	332,748

FY 2011 (April 1<sup>st</sup>, 2010 – March 31<sup>st</sup>, 2011)

	Reportable Segments(1,000s yen)			Adjustment *1	Consolidated Total *2
	SPE	Metrology Equipment	Total		
I. Sales					
Sales to third party:					
Sales to third party:	34,627,256	15,048,884	49,676,141	-	49,676,141
Intersegment sales to transfer	-	-	-	-	-
Total	34,627,256	15,048,884	49,676,141	-	49,676,141
Segment Profit	3,828,732	2,850,352	6,679,084	-	6,679,084
Segment Assets	51,409,859	25,017,497	76,427,357	611,317	77,038,674
Others					
- Depreciation and amortization	1,284,470	504,731	1,789,201	-	1,789,201
- Amortization of Goodwill	78,839	253,909	332,748	-	332,748
- Increase in Tangible / Intangible Fixed assets	916,432	190,342	1,106,775	-	1,106,775

Notes

\*1: adjustment for corporate assets which are not allotted to the segments such as long-term investments (other investment securities)

\*2: Segment profit is same amount as operating income stated on the consolidated financial statements.

(Additional information)

Starting from FY2011, the Company Group applies “Revised Accounting Standard for Disclosures about Segments of an Enterprise and Related information” (ASBJ Statement No.17, March 27<sup>th</sup>, 2009), and “Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Statement No.20, March 21<sup>st</sup>, 2008).

(Related Information)

FY 2011 (April 1<sup>st</sup>, 2010 – March 31<sup>st</sup>, 2011)

1. Information per each products and services

Data for this period is intentionally omitted because the same information is disclosed in “segment information”.

2. Information per geographical segment

(1) Sales

Japan	East Asia				South East Asia	Other Area	Total
	Taiwan	Korea	Others	Total			
21,100,823	5,648,285	5,542,422	4,914,856	16,105,564	6,592,149	5,877,604	49,676,141

Note) country segments are determined based on the country where third party of sales accounted places.

(2) Tangible fixed assets

Data for this period is intentionally omitted because over 90% of tangible fixed assets accounted on Consolidated Balance Sheets are located in Japan.

3. Transaction with Significant Customers

There is no third party which exceeds over 10% of total sales accounted on Consolidated Statements of Income.

(Impairment losses on fixed assets per each reportable segment)

FY 2011 (April 1<sup>st</sup>, 2010 – March 31<sup>st</sup>, 2011)

Not applicable.

(Amortization of goodwill per each reportable segment)

FY 2011 (April 1<sup>st</sup>, 2010 – March 31<sup>st</sup>, 2011)

	Reportable Segments			Consolidation and elimination	Total
	SPE	Metrology Equipment	Total		
Amortization of Goodwill for FY2011	78,839	253,909	332,748	-	332,748
Balance as at FY2011 end	359,368	1,137,999	1,497,367	-	1,497,367

(Gain on negative goodwill per each reportable segment)

FY 2011 (April 1<sup>st</sup>, 2010 – March 31<sup>st</sup>, 2011)

Not applicable.

(Related parties' information)

FY 2010 (April 1<sup>st</sup>, 2009 – March 31<sup>st</sup>, 2010)

Not applicable.

FY 2011 (April 1<sup>st</sup>, 2010 – March 31<sup>st</sup>, 2011)

Not applicable.

## (Per share information)

FY 2010 (April 1 <sup>st</sup> , 2009 - March 31 <sup>st</sup> , 2010)		FY 2011 (April 1 <sup>st</sup> , 2010 - March 31 <sup>st</sup> , 2011)	
Net assets per share (yen)	944.06	Net assets per share(yen)	1,086.96
Basic net loss per share (yen)	86.60	Basic net income per share(yen)	148.10
Diluted earnings per share are not stated as these are equivalent to basic net loss per share.		Diluted net income per share	147.95

Note: Basis for calculations

## 1. Net assets per share

Item	FY 2010 (Year ended March 31 <sup>st</sup> , 2010)	FY 2011 (Year ended March 31 <sup>st</sup> , 2011)
Total in the NET ASSETS column of the consolidated balance sheet (1,000s yen)	39,050,431	44,928,992
Net assets available to common shareholders (1,000s yen)	38,904,247	44,801,686
Breakdown of difference		
Share subscription rights (1,000s yen)	146,184	127,306
Shares of common stock issued (1,000s shares)	41,241	41,249
Common stock treasury shares (1,000s shares)	31	32
Number of common stock shares used to calculate net assets per share (1,000s shares)	41,209	41,217

## 2. Basic net income (or net loss) per share and diluted net income in per share

Item	FY 2010 (April 1 <sup>st</sup> , 2009 - March 31 <sup>st</sup> , 2010)	FY 2011 (April 1 <sup>st</sup> , 2010 - March 31 <sup>st</sup> , 2011)
Net income(or loss) in the consolidated statements of income (1,000s yen)	- 3,512,372	6,103,627
Net income (or loss) attributable to common shares (1,000s yen)	- 3,512,372	6,103,627
Amount not attributed to common shareholders (1,000s yen)	—	—
Average number of shares of common stock during the fiscal year (1,000s shares)	40,557	41,214
Details of adjusted net income used to calculate diluted net income (1,000s yen)	—	—
Details of increase in common stock used to calculate diluted net income per share (1,000s shares)	—	Stock Options (stock-based compensation type) (1,000s shares)
Share Subscription rights		Issued June 2005 16 Issued July 2006 11 Issued July 2007 13
Increase in common stock (1,000s shares)	—	40

Item	FY 2010 (April 1st, 2009 - March 31st, 2010)	FY 2011 (April 1st, 2010 - March 31st, 2011)	
Securities excluded the calculation of diluted net income per share due to lack of dilutive effects	Share subscription rights under the stock option system	Share subscription rights under the stock option system	
	(1,000s shares)	(1,000s shares)	
	The 2nd	The 3rd	
	The 3rd	The 4th	
	The 4th	The 5th	
	The 5th	The 6th	
	The 6th	The 7th	
	The 7th		
	Share subscription rights under the stock option system (stock-based compensation type)		
	Issued June 2005	124	
Issued July 2006	71		
Issued July 2007	4		
	4		
	71		
Details are as listed in Part 4 Corporate Information, "1. Information on the Company's shares, (2) Status of share subscription rights" or in Part 5 "Financial Information - Stock options."	Same as left		

(Significant subsequent events)

FY2010 (April 1<sup>st</sup>, 2009 – May 31<sup>st</sup>, 2010)

#### Assignment of tangible fixed assets

Based on a ratification from the meeting of the Company Board of Directors, held on Feb 12<sup>th</sup>, 2010 the Company has assigned a portion of the Company's tangible fixed assets to a third party on Apr 30<sup>th</sup>, 2010.

- (1) Reason for re-assignment of assets: in order to enhance the efficiency of assets and to strengthen financial health
- (2) Assets to be assigned: The Land and building on 9-7-1 Shimorenjyaku, Mitaka City, Tokyo, Japan
- (3) Book Value: ¥203,726 thousand
- (4) Transfer Value: ¥1,106,275 thousand
- (5) Date of contract : February 12th, 2010
- (6) Date of assignment: April 30th, 2010
- (7) Effect on Business Results: Anticipated to capitalize ¥872,680 thousand in 1st quarter of FY2011 ending March 31<sup>st</sup>, 2011, to extraordinary income

FY2011 (April 1<sup>st</sup>, 2010– May 31<sup>st</sup>, 2011)

#### Transfer of Company employee's retirement benefit plans

A meeting of the Company Board of Directors held on June 7<sup>th</sup>, 2011 ratified the decision to transfer a part of Company's retirement benefit's plan to Defined Contribution plan, and transfer Qualified Retirement Pension plan to Defined Benefit Pension Plan, starting from October 2<sup>nd</sup>, 2011.

An accounting method "Account Processing for Transfers among Retirement"(ASBJ Guidance No.1) will be applied to the transfer of the system.

Impact in FY2012 (ending March 31<sup>st</sup>, 2012) consolidated financial results due to the transfer is under calculation as of the date of publishing this document (Japanese original document).

[5] Consolidated supplemental statement  
Statement of bonds payable

Company	Description	Date of issuance	Balance at end of FY2010 (1,000s yen)	Balance at end of FY2011 (1,000s yen)	Interest rate (%)	Collateral	Call date
The Company	The 1st Callable unsecured subordinated corporate bond	Nov 25 <sup>th</sup> , 2009	—	3,000,000 (—)	9.75%/year	None	Nov 25 <sup>th</sup> , 2013
Total		—	—	3,000,000 (—)	—	—	—

Notes

- “( )” in Balance at end of FY2011 shows the current balance to be called within one year
- Calls that are scheduled within the 5 years following the consolidated settlement date are as follows:

Less than one year (1,000s yen)	1-2 years (1,000s yen)	2-3 years (1,000s yen)	3-4years (1,000s yen)	4-5 years (1,000s yen)
—	—	3,000,000	—	—

Schedule of borrowings

Category	Balance at end of FY2010 (1,000s yen)	Balance at end of FY2011 (1,000s yen)	Average interest rate (%)	Repayment term
Short-term loans payable	1,300,000	1,300,000	0.98	—
Long-term loans payable scheduled to be paid within 1 year	3,888,000	3,484,000	1.94	—
Lease obligation scheduled to be paid within 1 year	323,503	306,561	1.72	—
Long term loans payable (excepting loans scheduled to be paid within 1 year)	8,384,000	4,900,000	1.87	April 1 <sup>st</sup> , 2012 – Oct 1 <sup>st</sup> , 2013
Lease obligation (expecting obligations scheduled to be paid within 1 year)	834,704	495,024	1.80	April 30 <sup>th</sup> , 2012 – Dec 30 <sup>th</sup> , 2013
Other interest-bearing debt	—	—	—	—
Total	14,730,207	10,485,586	—	—

Notes

- The “Average interest rate” represents the weighted-average rate applicable to the year-end balance.
- The amounts of the long term loans payable (except loans scheduled to be paid within 1 year) that are scheduled to be paid within the 5 years following the consolidated settlement date are as follows:

Category	1-2 years (1,000s yen)	2-3 years (1,000s yen)	3-4 years (1,000s yen)	4-5years (1,000s yen)
Long-term loans payable	2,800,000	2,100,000	—	—
Lease obligation	302,259	192,765	—	—
Total	3,102,259	2,292,765	—	—

(Detail of Asset Retirement Obligations)

Not applicable.

(2) Others

[1] Status following the end of the consolidated fiscal year

Not Applicable.

[2] Quarterly business result of the consolidated fiscal year

	1st Quarter (Apr. 1 <sup>st</sup> , 2010- June 30 <sup>th</sup> , 2010)	2nd Quarter (July 1 <sup>st</sup> , 2010- Sep. 30 <sup>th</sup> , 2010)	3rd Quarter (Oct. 1 <sup>st</sup> , 2010 - Dec. 31 <sup>st</sup> , 2010)	4th Quarter (Jan 1 <sup>st</sup> , 2011 - Mar. 31 <sup>st</sup> , 2011)
Quarterly Net Sales (1,000s yen)	8,758,733	14,804,079	11,045,988	15,067,339
Quarterly income (or loss ) before income taxes and minority interests (1,000s yen)	773,546	1,858,284	1,503,085	2,429,608
Quarterly net income (or loss ) (1,000s yen)	734,342	1,653,687	1,345,101	2,370,495
Quarterly net income (or loss) per share (yen)	17.82	40.12	32.64	57.52

[3] Important lawsuits or similar issues

No applicable.