IWATSU ELECTRIC CO., LTD.

2009 ANNUAL REPORT For the year ended March31, 2009

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Overview of Fiscal 2008

The economy of Japan during the term under review experienced a slowdown in the first half due to sharply rising prices of petroleum and raw materials and substantial declines in exports. The latter half of the term felt the global recession triggered by the disarray in major financial institutions in the United States, the yen's sharp appreciation, and the stock market decline that put pressure on corporate profits. Affected by these circumstances, the real economy encountered declines in capital and consumer spending and, as a result, deteriorated employment conditions to a great extent.

Under these circumstances, IWATSU Group addressed the need to secure profit from various prospective opportunities, such as the launch of new Information Communications products for both domestic and overseas markets, development of new business that would have future demand, and expansion of our core line of business. Furthermore, in October 2008, we consolidated our domestic sales arm and sales subsidies in the Information Communications Division and Reprographic Systems Division for the purpose of fortifying the sales force and enhancing efficiency.

Nevertheless, consolidated net sales during the term under review amounted to 31,409 million yen, a year-on-year decline of 7.2% due mainly to sharp decline of sales in the Information Communications Division and Test Instrument Division. This was caused by severe global recession characterized by the restraint in production and cuts in capital investment in the manufacturing sector, despite the fact that we saw a sales increase in the Reprographic Systems Division on a year-to-year basis attributed to the addition of a consolidated subsidiary and recovery of sales in consumable goods.

In terms of profit, although the company sought to reduce costs and other expenses mainly by expanding procurements from overseas, consolidated operating profit/ loss resulted in a loss of 1,798 million yen, worse from the previous term (a loss of 607 million yen) due in particular to decline in sales and increase in development investment. Also, the net profit/ loss experienced a significant decline, a loss of 2,419 million yen (vs a profit of 1,009 million yen in the previous term).

The stagnant situation will likely continue to persist in Japan's economy hereafter in terms of consumer spending and capital investment, and under these severe circumstances, dramatic recovery of our line of business is expected to be difficult to realize.

In order to improve company quality to be sustainable under such a severe condition, IWATSU Group has been implementing several cost containment measures, such as reconsideration of our salary and bonus treatments, reduction of fixed costs including early retirement recruitment, enhancement of material procurement ability, reduction of manufacturing cost from product design standpoint, incorporation of previously-outsourced

operations into the company, and reduction of miscellaneous expenditures.

On the other hand, the company sees network business as a promising field and has been focusing on its early launch. Subsequent to establishment of ITNW (IT NetWork) Solution Department in March 2009, which plans and promotes our network solution strategy, we established within the Group a specialized training institute relating to IT network aiming for the development of human resources and realigned these skilled personnel for our undertakings in this area. Moreover, the company intends to expand its endeavors in the existent field by developing new products and implementing alliances with other vendors.

With these measures in place, we will make an even greater effort to realize business recovery, but we foresee performance for the term ending in March 2010 in the range of 31,100 million yen in consolidated sales, a loss of 700 million yen in operating profit and a loss of 1,200 million yen in consolidated net profit for the term. We will strive to overcome this and your continued support will be highly appreciated.

IWATSU ELECTRIC CO., LTD. CONSOLIDATED STATEMENTS OF OPERATIONS Years ended March 31, 2009 and 2008

		Millior	ns of	yen		U.S.		
				2009		2008		
Net sales	¥	31,409	¥	33,835	\$	319,750	\$	344,447
Costs and expenses:								
Cost of sales		19,761		21,317		201,171		217,011
Selling, general and administrative expenses		13,446		13,125		136,883		133,615
		33,207		34,442		338,054		350,626
Operating loss		(1,798)		(607)		(18,304)		(6,179)
Other income (expenses):								
Interest and dividend income		54		74		550		753
Interest expense		(35)		(44)		(356)		(448)
Gain on sale of investment securities, net		176		173		1,792		1,761
Loss on disposal of inventories		-		(111)		-		(1,130)
Exchange gains (losses)		(64)		(205)		(652)		(2,087)
Equity in earnings (losses) of affiliates		18		33		183		336
Gain on sale of property, plant and equipment		4		4,244		41		43,205
Loss on sale and disposal of property, plant and equipment		(46)		(246)		(468)		(2,504)
Non-recurring depreciation on noncurrent assets		-		(1,470)		-		(14,965)
Loss on valuation of inventories		-		(706)		-		(7,187)
Impairment loss		(152)		-		(1,547)		-
Other - net		(37)		(26)		(378)		(265)
		(82)		1,716		(835)		17,469
Income (loss) before income taxes and minority interests Income taxes:		(1,880)		1,109		(19,139)		11,290
Current		182		134		1,853		1,364
Deferred		362		(34)		3,685		(346)
		544		100		5,538		1,018
Income (loss) before minority interests		(2,424)		1,009		(24,677)		10,272
Minority interests		5		-		51		-
Net income (loss)	¥	(2,419)	¥	1,009	\$	(24,626)	\$	10,272
Net income (loss) per share:		Υ	en_			U.S. d	lolla	rs
Basic Diluted	¥	(24.05)	¥	10.02	\$	(0.24)	\$	0.10

IWATSU ELECTRIC CO., LTD.

CONSOLIDATED BALANCE SHEETS

March 31, 2009 and 2008

Masket Name Main Total control						Thousands of U.S.						
Current assets: Y 11,489 Y 6,540 \$ 116,960 \$ 66,578 Cash Notes and accounts receivable - trade: Unconsolidated subsidiaries and affiliated companies 174 259 1,771 2,637 Other 7,358 8,274 7,4906 84,231 Short-term investment securities 998 - 10,160 - Investment securities 4,100 4,540 41,739 46,218 Deferred tax assets 312 532 3,76 5,416 Allowance for doubtful accounts (77) (208) (784) (2,118) Total current assets 312 532 3,76 5,416 Allowance for doubtful accounts (77) (208) (784) (2,118) Total current assets 312 532 3,17 5,416 Allowance for doubtful accounts 4,79 20,229 248,315 20,533 Property, plant and equipment, at cost 11,484 11,317 116,999 115,209 Buildings and structures 11,484<								llars				
Cash ¥ 11,489 ¥ 6,540 \$ 116,60 \$ 66,578 Notes and accounts receivable - trade: Unconsolidated subsidiaries and affiliated companies 174 259 1,771 2,637 Other 7,358 8,274 7,4906 84,231 Short-term investment securities 998 - 10,106 - Inventories 4,100 4,540 41,739 46,218 Deferred tax assets 38 292 387 2,973 Other current assets 312 532 3,176 5,416 Allowance for doubtful accounts 777 (208) (784) (2,118 Total current assets 177 (208) (784) (2,118 Total current assets 11,484 11,317 116,909 115,209 Machinery and equipment, at cost 13,341 13,321 132,600 135,610 Lease assets 13 3 5 5 5 5 5 15 16,305 Accumu	<u>ASSETS</u>		2009	2008			2009		2008			
Notes and accounts receivable - trade: Unconsolidated subsidiaries and affiliated companies 174 259 1,771 2,637 Other 7,358 8,274 74,906 84,231 Short-term investment securities 998 - 10,160 - 1 Inventories 4,100 4,504 41,739 46,218 Deferred tax assets 38 292 387 2,973 Other current assets 312 532 3,176 5,416 Allowance for doubtful accounts (77) (208) (784) (2,118) Total current assets 24,392 20,229 248,315 205,935 Property, plant and equipment, at cost Land 992 1,025 10,099 10,435 Buildings and structures 11,484 11,317 116,909 115,209 Machinery and equipment 13,041 13,321 132,760 135,610 Lease assets 13 - 132 Construction in progress 5 5 5 1 Lease assets 13 - 132 Construction in progress 5 5 5 1 Accumulated depreciation (20,643) (20,303) (210,150) (206,688) Accumulated impairment loss (102) - (1,038) - (1,038) Accumulated impairment loss (102) - (1,038) - (1,038) Intangible assets 2,141 1,516 21,796 15,433 Investments and other assets:	Current assets:	·						_	_			
Unconsolidated subsidiaries and affiliated companies 174 259 1,771 2,637 Other 7,358 8,274 74,906 84,231 Short-term investment securities 998 - 10,160 - Inventories 4,100 4,540 41,739 46,218 Deferred tax assets 38 292 387 2,973 Other current assets 312 532 3,176 5,416 Allowance for doubtful accounts (77) (208) (784) (2,118) Total current assets 24,392 20,229 248,315 205,935 Property, plant and equipment, at cost 11,484 11,317 116,999 10,435 Land 992 1,025 10,099 10,435 Buildings and structures 11,484 11,317 116,999 115,209 Machinery and equipment 13,041 13,321 132,760 135,610 Lease assets 13 - 132 1 Construction in progress 5 5 </td <td>Cash</td> <td>¥</td> <td>11,489</td> <td>¥</td> <td>6,540</td> <td>\$</td> <td>116,960</td> <td>\$</td> <td>66,578</td>	Cash	¥	11,489	¥	6,540	\$	116,960	\$	66,578			
Other 7,358 8,274 74,906 84,231 Short-term investment securities 998 - 10,160 - Inventories 4,100 4,540 41,739 46,218 Deferred tax assets 38 292 387 2,973 Other current assets 312 532 3,176 5,416 Allowance for doubtful accounts (77) (208 (784) (2,118) Total current assets 24,392 20,229 248,315 205,935 Property, plant and equipment, at cost 24,392 20,229 248,315 205,935 Property, plant and equipment, at cost 11,484 11,317 116,909 115,209 Machinery and equipment 13,041 13,21 132,760 135,610 Lease assets 13 - 132 132 Construction in progress 5 5 5 15 5 Accumulated depreciation (20,434) (20,303 (210,150) (20,688) Accumulated impairment loss	Notes and accounts receivable - trade:											
Short-term investment securities 998 - 10,160 - Inventories 4,100 4,540 41,739 46,218 Deferred tax assets 38 292 387 2,973 Other current assets 312 532 3,176 5,416 Allowance for doubtful accounts (77) (208) (784) (2,118) Total current assets 24,392 20,229 248,315 205,935 Property, plant and equipment, at cost 32,302 1,025 10,099 10,435 Buildings and structures 11,484 11,317 116,909 115,209 Machinery and equipment 13,041 13,3276 132,760 135,610 Lease assets 13 - 132 15 Construction in progress 5 5 5 5 15 15 Accumulated depreciation (20,643) (20,303) (20,150) (20,688) Accumulated impairment loss (102) - (1,038) - Investments and ot	Unconsolidated subsidiaries and affiliated companies		174		259		1,771		2,637			
Inventories	Other		7,358		8,274		74,906		84,231			
Deferred tax assets 38 292 387 2,973 Other current assets 312 532 3,176 5,416 Allowance for doubtful accounts (77) (208) (784) (2,118) Total current assets 24,392 20,229 248,315 205,935 Property, plant and equipment, at cost Land 992 1,025 10,099 10,435 Buildings and structures 11,484 11,317 116,909 115,209 Machinery and equipment 13,041 13,321 132,760 135,610 Lease assets 13 - 132 - 13 - 132 - 15 5 5 5 15 15 15 15 15 15 15 15 15 15 15 26,035 25,668 259,951 261,305 26,688 259,951 261,305 26,688 26,995 261,305 48,763 54,617 10 10 10,308 10 10 10	Short-term investment securities		998		-		10,160		-			
Other current assets 312 532 3,176 5,416 Allowance for doubtful accounts (77) (208) (784) (2,118) Total current assets 24,392 20,229 248,315 205,935 Property, plant and equipment, at cost 392 1,025 10,099 10,435 Buildings and structures 11,484 11,317 116,909 115,209 Machinery and equipment 13,041 13,321 132,760 135,610 Lease assets 13 - 132 5 5 5 1 5 Construction in progress 55 55 51 51 5 5 5 1 5 5 5 1 5 5 5 1 5 5 1 5 1 5 1 5 1 5 1 5 1 1 3 2 1 1 3 2 1 1 3 2 1 1 3 2	Inventories		4,100		4,540		41,739		46,218			
Allowance for doubtful accounts	Deferred tax assets		38		292		387		2,973			
Total current assets 24,392 20,229 248,315 205,935 Property, plant and equipment, at cost 1 1 10,025 10,099 10,435 Buildings and structures 11,484 11,317 116,909 115,209 Machinery and equipment 13,041 13,321 132,760 135,610 Lease assets 13 - 132 Construction in progress 5 5 5 1 51 5 5 5 5 5 1 51 5 10,035 46,030 (20,0303) (210,150) (206,688) 4,790 5,365 48,763 54,617 4,793 10,139 12,593 10,438 - - 1,796 15,433 11,593 10,293 11,593 10,139 12,593	Other current assets		312		532		3,176		5,416			
Property, plant and equipment, at cost Land 992 1,025 10,099 10,435 10,009 10,435 10,009 115,209 11,484 11,317 116,909 115,209 115,209 13,041 13,321 132,760 135,610 12,000 13,041 13,321 132,760 135,610 12,000 13,041 13,321 132,760 135,610 12,000 13,041 13,321 132,760 135,610 12,000 13,000	Allowance for doubtful accounts		(77)		(208)		(784)		(2,118)			
Land 992 1,025 10,099 10,435 Buildings and structures 11,484 11,317 116,909 115,209 Machinery and equipment 13,041 13,321 132,760 135,610 Lease assets 13 - 132 15 Construction in progress 5 5 5 51 51 Accumulated depreciation (20,643) (20,303) (210,150) (206,688) Accumulated impairment loss (102) - (1,038) - Accumulated impairment loss (102) - (1,038) - Investments and other assets: 2,141 1,516 21,796 15,433 Investments and other assets: 396 1,237 10,139 12,593 Investments in unconsolidated subsidiaries and affiliated companies 406 307 4,133 3,125 Long-term loans receivable: 1 17 - 173 24 Unconsolidated subsidiaries and affiliated companies - 17 - 173 <	Total current assets		24,392		20,229		248,315		205,935			
Land 992 1,025 10,099 10,435 Buildings and structures 11,484 11,317 116,909 115,209 Machinery and equipment 13,041 13,321 132,760 135,610 Lease assets 13 - 132 15 Construction in progress 5 5 5 51 51 Accumulated depreciation (20,643) (20,303) (210,150) (206,688) Accumulated impairment loss (102) - (1,038) - Accumulated impairment loss (102) - (1,038) - Investment securities 2,141 1,516 21,796 15,433 Investments and other assets: 396 1,237 10,139 12,593 Investments in unconsolidated subsidiaries and affiliated companies 406 307 4,133 3,125 Long-term loans receivable: 10 17 - 173 173 224 Long-term prepaid expenses 41 1 417 10 10	Property, plant and equipment, at cost											
Buildings and structures 11,484 11,317 116,909 115,209 Machinery and equipment 13,041 13,321 132,760 135,610 Lease assets 13 - 132 - Construction in progress 5 5 5 51 51 Accumulated depreciation (20,643) (20,303) (210,150) (20,688) Accumulated impairment loss (102) - (1,038) - Accumulated impairment loss (102) - (1,038) - Accumulated impairment loss 2,141 1,516 21,796 15,433 Investments and other assets: 2,141 1,516 21,796 15,433 Investments securities 996 1,237 10,139 12,593 Investments in unconsolidated subsidiaries and affiliated companies 406 307 4,133 3,125 Long-term loans receivable: 1 17 - 173 Other 17 2 173 224 Long-term prepaid expenses<			992		1,025		10,099		10,435			
Machinery and equipment 13,041 13,321 132,760 135,610 Lease assets 13 - 132 - Construction in progress 5 5 5 51 51 Accumulated depreciation (20,643) (20,303) (210,150) (206,688) Accumulated impairment loss (102) - (1,038) - Accumulated impairment loss 2,141 1,516 21,796 15,433 Investments and other assets: 3 2,141 1,516 21,796 15,433 Investments and other assets: 3 996 1,237 10,139 12,593 Investments in unconsolidated subsidiaries and affiliated companies and affiliated companies 406 307 4,133 3,125 Long-term loans receivable: 3 17 2 173 224 Long-term prepaid expenses 41 1 417 10 Deferred tax assets 52 91 529 926 Other assets 1,198 1,009 12,197 <td>Buildings and structures</td> <td></td> <td>11,484</td> <td></td> <td>11,317</td> <td></td> <td>116,909</td> <td></td> <td>115,209</td>	Buildings and structures		11,484		11,317		116,909		115,209			
Lease assets 13 - 132 5 5 51	· ·		13,041		13,321		132,760		135,610			
Accumulated depreciation					_		132					
Accumulated depreciation 25,535 25,668 259,951 261,305 Accumulated depreciation (20,643) (20,303) (210,150) (206,688) Accumulated impairment loss (102) - (1,038) - (1,038) - (1,038) Accumulated impairment loss (102) - (1,038) - (1,038) - (1,038) Accumulated impairment loss (102) - (1,038) - (1,038) Accumulated impairment loss (102) - (1,038) - (1,038) Accumulated impairment loss (102) - (1,038) - (1,038) Accumulated impairment loss (2,141) (1,516) (21,796) Intangible assets (2,141) (1,516) (21,796) Investments and other assets:	Construction in progress		5		5		51		51			
Accumulated depreciation (20,643) (20,303) (210,150) (206,688) Accumulated impairment loss (102) - (1,038) - 4,790 5,365 48,763 54,617 Intangible assets 2,141 1,516 21,796 15,433 Investments and other assets: Standard Sta	1 0		25,535		25,668		259,951		261,305			
Accumulated impairment loss (102) - (1,038) - 4,790 5,365 48,763 54,617 Intangible assets 2,141 1,516 21,796 15,433 Investments and other assets: Strain logs of the control of the c	Accumulated depreciation											
Thin spide assets 1,198 1,009 12,197 10,273 1	-		, ,		-		,		-			
Investments and other assets: Investment securities 996 1,237 10,139 12,593 Investments in unconsolidated subsidiaries and affiliated companies 406 307 4,133 3,125 Long-term loans receivable:	•				5,365				54,617			
Investment securities 996 1,237 10,139 12,593 Investments in unconsolidated subsidiaries and affiliated companies 406 307 4,133 3,125 Long-term loans receivable: Unconsolidated subsidiaries and affiliated companies - 17 - 173 Other 17 22 173 224 Long-term prepaid expenses 41 1 417 10 Deferred tax assets 52 91 529 926 Other assets 1,198 1,009 12,197 10,273 Allowance for doubtful accounts (341) (282) (3,471) (2,871) Allowance for doubtful accounts 2,369 2,402 24,117 24,453	Intangible assets		2,141		1,516		21,796		15,433			
Investments in unconsolidated subsidiaries and affiliated companies 406 307 4,133 3,125 Long-term loans receivable: Unconsolidated subsidiaries and affiliated companies 7 17 - 173 Other 17 22 173 224 Long-term prepaid expenses 41 1 417 10 Deferred tax assets 52 91 529 926 Other assets 1,198 1,009 12,197 10,273 Allowance for doubtful accounts (341) (282) (3,471) (2,871) 2,369 2,402 24,117 24,453	Investments and other assets:											
affiliated companies 406 307 4,133 3,125 Long-term loans receivable: Unconsolidated subsidiaries and affiliated companies - 17 - 173 Other 17 22 173 224 Long-term prepaid expenses 41 1 417 10 Deferred tax assets 52 91 529 926 Other assets 1,198 1,009 12,197 10,273 Allowance for doubtful accounts (341) (282) (3,471) (2,871) 2,369 2,402 24,117 24,453	Investment securities		996		1,237		10,139		12,593			
Long-term loans receivable: 17 - 173 Unconsolidated subsidiaries and affiliated companies - 17 22 173 224 Long-term prepaid expenses 41 1 417 10 Deferred tax assets 52 91 529 926 Other assets 1,198 1,009 12,197 10,273 Allowance for doubtful accounts (341) (282) (3,471) (2,871) 2,369 2,402 24,117 24,453	Investments in unconsolidated subsidiaries and											
Unconsolidated subsidiaries and affiliated companies - 17 - 173 Other 17 22 173 224 Long-term prepaid expenses 41 1 417 10 Deferred tax assets 52 91 529 926 Other assets 1,198 1,009 12,197 10,273 Allowance for doubtful accounts (341) (282) (3,471) (2,871) 2,369 2,402 24,117 24,453	affiliated companies		406		307		4,133		3,125			
Other 17 22 173 224 Long-term prepaid expenses 41 1 417 10 Deferred tax assets 52 91 529 926 Other assets 1,198 1,009 12,197 10,273 Allowance for doubtful accounts (341) (282) (3,471) (2,871) 2,369 2,402 24,117 24,453	Long-term loans receivable:											
Long-term prepaid expenses 41 1 417 10 Deferred tax assets 52 91 529 926 Other assets 1,198 1,009 12,197 10,273 Allowance for doubtful accounts (341) (282) (3,471) (2,871) 2,369 2,402 24,117 24,453			-		17		-		173			
Deferred tax assets 52 91 529 926 Other assets 1,198 1,009 12,197 10,273 Allowance for doubtful accounts (341) (282) (3,471) (2,871) 2,369 2,402 24,117 24,453	Other		17		22		173		224			
Deferred tax assets 52 91 529 926 Other assets 1,198 1,009 12,197 10,273 Allowance for doubtful accounts (341) (282) (3,471) (2,871) 2,369 2,402 24,117 24,453	Long-term prepaid expenses		41		1		417		10			
Allowance for doubtful accounts (341) (282) (3,471) (2,871) 2,369 2,402 24,117 24,453	·		52		91		529		926			
Allowance for doubtful accounts (341) (282) (3,471) (2,871) 2,369 2,402 24,117 24,453	Other assets		1,198		1,009		12,197		10,273			
2,369 2,402 24,117 24,453	Allowance for doubtful accounts						(3,471)					
		¥		¥		\$		\$				

IWATSU ELECTRIC CO., LTD. CONSOLIDATED BALANCE SHEETS March 31, 2009 and 2008

Thousands of	U.S
dollars	

		Million	s of ve	n	dollars						
LIABILITIES AND STOCKHOLDERS' EQUITY		2009		2008		2009		2008			
Current liabilities:											
Short-term loans payable	¥	140	¥	40	\$	1,425	\$	407			
Long-term debt due within one year		743		1,012		7,564		10,302			
Notes and accounts payable - trade:											
Unconsolidated subsidiaries and affiliated companies		90		26		916		265			
Other		2,367		2,467		24,097		25,115			
Accounts payable - other		1,030		839		10,486		8,541			
Accrued liabilities		1,464		1,602		14,904		16,309			
Suspense receipt		7,032		-		71,587		-			
Income taxes payable		158		121		1,608		1,232			
Other current liabilities		380		496		3,868		5,049			
Total current liabilities		13,404		6,603		136,455		67,220			
Long-term debt due after one year		168		744		1,710		7,574			
Severance and retirement benefits for employees		3,008		2,752		30,622		28,016			
Deferred tax liabilities		61		121		621		1,232			
Other liabilities		914		829		9,305		8,439			
Stockholders' equity:											
Common stock											
Authorized - 300,000,000 shares											
Issued - 100,803,447 shares		6,025		6,025		61,336		61,336			
Capital surplus		6,942		6,942		70,671		70,671			
Retained earnings		3,716		5,963		37,830		60,704			
Net unrealized holding gains on securities		(21)		93		(214)		947			
Foreign currency translation adjustments		(478)		(517)		(4,867)		(5,263)			
		16,184		18,506		164,756		188,395			
Less treasury stock of 269,735 shares		(4E)		(40)		(450)		(406)			
(227,159 shares in 2008), at cost		(47)		(43)		(478)		(438)			
Total stockholders' equity	37	16,137	37	18,463	Ф.	164,278	Φ.	187,957			
	¥	33,692	¥	29,512	\$	342,991	\$	300,438			

IWATSU ELECTRIC CO., LTD. CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

Years ended March 31, 2009 and 2008

							M	illior	ns of yen				
	Number of Shares of	C	ommon	(Capital		Retained		Net unrealized holding gains	_	n currency nslation	7	Treasury
	common stock		stock	5	urplus		earnings		on securities	ad	justmets		stock
Balance at March 31, 2007	100,803,447	¥	6,025	¥	6,942	¥	4,892	¥	458	¥	(297)	¥	(39)
Net income (loss)	-		-		-		1,009		-		-		-
Change of scope of equity method	-		-		-		62		-		-		-
Adjustments from translation of foreign currency financial statements	-		-		-		-		-		(220)		-
Decrease of net unrealized holding gains on securities	-		-		-		-		(365)		-		-
Treasury stock	-		-		-		-		-		-		(4)
Balance at March 31, 2008	100,803,447	¥	6,025	¥	6,942	¥	5,963	¥	93	¥	(517)	¥	(43)
Net income (loss)			_		-		(2,419)		-		-		-
Change of scope of consolidation	-		-		-		(26)		-		-		-
Change of scope of equity method	-		-		-		243		-		-		-
Decrease by merger	-		-		-		(45)		-		-		-
Adjustments from translation of foreign currency financial statements	-		-		-		-		-		39		-
Decrease of net unrealized holding gains on securities	-		-		-		-		(114)		-		-
Treasury stock	-		-		-		-		-		-		(4)
Balance at March 31, 2009	100,803,447	¥	6,025	¥	6,942	¥	3,716	¥	(21)	¥	(478)	¥	(47)

	Thousands of U.S. dollars											
							Net unrealized	Forei	gn currency			
	Common stock		- · · · · ·		F	Retained		holding gains	tra	nslation	Tı	reasury
					Surplus		earnings		on securities		adjustmets	
Balance at March 31, 2007	\$	61,336	\$	70,671	\$	49,801	\$	4,663	\$	(3,024)	\$	(397)
Net income (loss)		-		-		10,272		-		-		-
Change of scope of equity method		-		-		631		-		-		-
Adjustments from translation of foreign currency financial statements		-		-		-		-		(2,239)		-
Increase of net unrealized holding gains on securities		-		-		-		(3,716)		-		-
Treasury stock		-		-		-		-		-		(41)
Balance at March 31, 2008	\$	61,336	\$	70,671	\$	60,704	\$	947	\$	(5,263)	\$	(438)
Net income (loss)	-					(24,626)	-	-				
Change of scope of consolidation		-		-		(265)		-		-		-
Change of scope of equity method		-		-		2,474		-		-		-
Decrease by merger		-		-		(457)		-		-		-
Adjustments from translation of foreign currency financial statements		-		-		-		-		396		-
Decrease of net unrealized holding gains on securities		-		-		-		(1,161)		-		-
Treasury stock		-		-		-		-		-		(40)
Balance at March 31, 2009	\$	61,336	\$	70,671	\$	37,830	\$	(214)	\$	(4,867)	\$	(478)

IWATSU ELECTRIC CO., LTD. CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended March 31, 2009 and 2008

		Million	s of y	/en		dollars				
		2009	_	2008		2009		2008		
Cash flows from operating activities:										
Income (loss) before income taxes and minority interests	¥	(1,880)	¥	1,109	\$	(19,139)	\$	11,290		
Adjustments to reconcile income before income taxes and										
minority interests to net cash provided by operating activities:										
Depreciation		1,808		1,517		18,406		15,443		
Impairment loss		152		-		1,547		-		
Non-recurring depreciation on noncurrent assets		-		1,470		-		14,965		
Increase (Decrease) in allowance for doubtful accounts		83		171		845		1,741		
Increase (Decrease) in severance and retirement benefits		176		(1,366)		1,792		(13,906)		
Interest and dividend income		(54)		(74)		(550)		(753)		
Interest expense		35		44		356		448		
Equity in earnings (losses) of affiliates		(18)		(33)		(183)		(336)		
Gain on sale of investment securities, net		(176)		(173)		(1,792)		(1,761)		
Gain on sale of property, plant and equipment		(4)		(4,244)		(41)		(43,205)		
Loss on sale and disposal of property, plant and equipment		46		246		468		2,504		
Changes in operating assets and liabilities - net:										
Decrease (Increase) in notes and accounts receivable - trade		1,692		2,553		17,225		25,990		
Decrease in inventories		642		1,047		6,536		10,659		
Decrease in notes and accounts payable - trade		(560)		(638)		(5,701)		(6,495)		
Increase in accrued expenses		(193)		(835)		(1,965)		(8,500)		
Other - net		(8)		40		(80)		406		
Subtotal		1,741		834		17,724		8,490		
Interest and dividend received		54		74		550		753		
Interest paid		(35)		(44)		(356)		(448)		
Income taxes paid		(122)		(208)		(1,243)		(2,117)		
Proceeds from compensation for removal		7,030		-		71,567		_		
Net cash provided by operating activities		8,668		656		88,242		6,678		
Cash flaves from investing activities:										
Cash flows from investing activities: Decrease (Increase) in time deposits		33		(27)		336		(275)		
Proceeds from sale of investment securities		95		385		967		3,919		
		(998)		363		(10,160)		3,919		
Payment for purchase of short-term investment securities Payment for purchase of investment securities		(24)		(417)		(244)		(4,245)		
Proceeds from sale of properties		33		4,252		336		43,286		
Payment for purchase of properties , intangible assets and		33		4,232		330		43,200		
		(1,930)		(1 (27)		(10 (40)		(16 E62)		
long-term prepaid expenses Proceeds from liquidation of investment securities		182		(1,627) 1		(19,648)		(16,563) 10		
-		102		1		1,853		10		
Purchase of investments in subsidiaries resulting in change in		(20E)				(2.10E)				
scope of consolidation Other - net		(305)		120		(3,105)		1 222		
		(40)				(407)		1,222		
Net cash used in investing activities		(2,954)		2,687		(30,072)		27,354		
Cash flows from financing activities:										
Decrease in short-term bank loans		100		(10)		1,018		(102)		
Proceeds from long-term debt		200		` -		2,036		-		
Repayments of long-term debt		(1,045)		(764)		(10,638)		(7,778)		
Dividends paid		(0)		(0)		(0)		(0)		
Other - net		(9)		(4)		(92)		(40)		
Net cash used in financing activities		(754)		(778)		(7,676)		(7,920)		
Effect of analysis share and the state of th		(0)		((2)		(02)		((01)		
Effect of exchange rate changes on cash and cash equivalents		(8)		(62)		(82)		(631)		
Net increase in cash and cash equivalents		4,952		2,503		50,412		25,481		
Cash and cash equivalents at beginning of year		6,464		3,961		65,805		40,324		
Increase (decrease) in cash and cash equivalents resulting from		40				400				
change of scope of consolidation		19		-		193		-		
Increase in cash and cash equivalents resulting from merger	37	10	3.7	- 6 4 6 4	•	102	æ	- (E 00F		
Cash and cash equivalents at end of year	Ť	11,445	¥	6,464	\$	116,512	\$	65,805		

Segment information

The Company's primary businesses are the manufacturing and sales of (1) telecommunications equipment, (2) electric measuring equipment and (3) reprographic equipment.

A summary of net sales, costs and expenses and operating income by business segment for the years ended March 31, 2009 and 2008 was as follows:

					M	illions of y	en								
			Electric					Elimination							
		munications	measuring Reprographic						or	_					
T	equ	equipment e		equipment equipment				Total	CC	orporate	Coı	nsolidated			
For the year ended March 31, 2009:															
Net sales:	37	10.000	3.7	6 F01	37	F 0.47	3.7	21 400	*7		3.7	01 100			
Outside customers	¥	19,372	¥	6,791	¥	5,246	¥	31,409	¥	-	¥	31,409			
Inter-segment		10.070		- -		-		- 21 100				- 21 100			
total		19,372		6,791		5,246		31,409		(0)		31,409			
Costs and expenses	37	21,569	37	6,915	17	4,723	*7	33,207	3.7	(0)	37	33,207			
Operating income (loss)	Ť	(2,197)	¥	(124)	¥	523	¥	(1,798)	¥	0	¥	(1,798)			
14	V	14 (22	v	0.171	v	0.751	3.7	21 445	V	10.047	17	22.602			
Identifiable assets	¥	14,623	¥	3,171	¥	3,651	¥	21,445	¥	12,247	¥	33,692			
Depreciation		(1,433)		(164)		(211)		(1,808)		-		(1,808)			
Impairment loss		(148)		(4)		-		(152)		-		(152)			
Capital expenditures		1,676		104		195		1,975		-		1,975			
For the year ended March 31, 2008:															
Net sales:															
Outside customers	¥	22,172	¥	8,188	¥	3,475	¥	33,835	¥	-	¥	33,835			
Inter-segment		0		-		-		0		(0)		-			
total		22,172		8,188		3,475		33,835		(0)		33,835			
Costs and expenses		23,152		7,991		3,300		34,443		(1)		34,442			
Operating income (loss)	¥	(980)	¥	197	¥	175	¥	(608)	¥	1	¥	(607)			
Identifiable assets	¥	15,982	¥	4,624	¥	2,431	¥	23,037	¥	6,475	¥	29,512			
Depreciation	•	(1,147)	-	(188)	•	(182)	•	(1,517)	-	-	-	(1,517)			
Capital expenditures		1,367		156		104		1,627		_		1,627			
cupital emperiumes		1,007		100		101		1,021				1,021			

Thousands of U.S. dollars Electric Telecommunications measuring Reprographic Elimination or equipment equipment equipment Total corporate Consolidated For the year ended March 31, 2009: Net sales: \$ \$ \$ \$ 319,750 Outside customers 197,212 69,133 53,405 319,750 \$ Inter-segment 197,212 69,133 53,405 319,750 319,750 total 70,395 48,081 Costs and expenses 219,578 338,054 (0)338,054 5,324 (18,304)Operating income (loss) \$ (22,366) (1,262)0 (18,304)Identifiable assets \$ \$ 32,281 \$ \$ \$ \$ 148,865 37,168 218,314 124,677 342,991 Depreciation (14,588)(1,670)(2,148)(18,406)(18,406)(1,506)Impairment loss (1,547)(1,547)(41)1,985 Capital expenditures 17,062 20,106 1,059 20,106 For the year ended March 31, 2008: Net sales: \$ 35,376 \$ Outside customers 225,716 \$ 83,355 344,447 \$ 344,447 Inter-segment 0 0 (0)total 225,716 83,355 35,376 344,447 (0)344,447 Costs and expenses 235,693 81,350 33,594 350,637 350,626 (11)\$ (9,977) 2,005 1,782 (6,190)(6,179)Operating income (loss) 11 Identifiable assets \$ 162,700 \$ 47,073 \$ 24,748 \$ 234,521 \$ 65,917 300,438 Depreciation (11,676)(1,914)(1,853)(15,443)(15,443)Capital expenditures 13,916 1,588 1,059 16,563 16,563

Eliminations of assets include corporate assets that were principally cash, time deposits, investment in securities and certain other assets of the Administration division.

The corporate assets as of March 31, 2009 and 2008 were \(\frac{1}{2}\),247 million (U.S.\\$124,677thousand) and \(\frac{1}{2}\),675(U.S.\\$65,917thousand),respectively.

A summary of net sales, costs and expenses, operating income (loss) and identifiable assets by geographic area for the years ended March 31, 2009 and 2008 is as follows:

						Million	s of y	/en				
							<u> </u>	Eli	mination or			
		Japan	Nort	th America		Asia		Total	C	corporate	Co	nsolidated
For the year ended March 31, 2009:												
Net sales:												
Outside customers	¥	29,662	¥	1,725	¥	22	¥	31,409	¥	-	¥	31,409
Inter-segment		587		9		1,161		1,757		(1,757)		-
total		30,249	-	1,734		1,183		33,166		(1,757)		31,409
Costs and expenses		31,869		1,939		1,252		35,060		(1,853)		33,207
Operating income(loss)	¥	(1,620)	¥	(205)	¥	(69)	¥	(1,894)	¥	96	¥	(1,798)
Identifiable assets	¥	20,088	¥	794	¥	933	¥	21,815	¥	11,877	¥	33,692
For the year ended March 31, 2008: Net sales:												
Outside customers	¥	31,150	¥	2,641	¥	44	¥	33,835	¥	_	¥	33,835
	Ť	1,057	Ť	2,641	Ť	2,121	Ť	3,190	1	(3,190)	1	33,033
Inter-segment total		32,207		2,653		2,121		37,025		(3,190)		33,835
		32,758		2,727		2,165		37,619		` ,		34,442
Costs and expenses	¥	(551)	¥	(74)	¥	31	¥		¥	(3,177)	¥	•
Operating income(loss)	1	(551)	1	(74)	<u>+</u>	31	±	(594)	<u>+</u>	(13)	1	(607)
Identifiable assets	¥	23,706	¥	1,070	¥	1,201	¥	25,977	¥	3,535	¥	29,512
						Thousands o	t U.S	6. dollars				
		Japan	Nort	th America		Asia		Total		mination or corporate	Co	nsolidated
For the year ended March 31, 2009: Net sales:)-F			-					r-F		
Outside customers	\$	301,965	\$	17,561	\$	224	\$	319,750	\$	-	\$	319,750
Inter-segment		5,976		92		11,819		17,887		(17,887)		, -
total		307,941		17,653		12,043	_	337,637		(17,887)		319,750
Costs and expenses		324,433		19,740		12,745		356,918		(18,864)		338,054
Operating income(loss)	\$	(16,492)	\$	(2,087)	\$	(702)	\$	(19,281)	\$	977	\$	(18,304)
Identifiable assets	\$	204,500	\$	8,083	\$	9,498	\$	222,081	\$	120,910	\$	342,991
For the year ended March 31, 2008: Net sales:												
Outside customers	\$	317,113	\$	26,886	\$	448	\$	344,447	\$	_	\$	344,447
Inter-segment	Ψ	10,760	Ψ	122	Ψ	21,592	Ψ	32,474	Ψ	(32,474)	Ψ	J-1,11/
total		327,873		27,008		22,040	_	376,921		(32,474)		344,447
Costs and expenses		333,482		27,761		21,725		382,968		(32,474)		350,626
Operating income(loss)	\$	(5,609)	\$	(753)	\$	315	\$	(6,047)	\$	(132)	\$	(6,179)
			:				===					

Eliminations of assets include corporate assets that were principally cash, time deposits, investment in securities and certain other assets of the Administration division.

10,893 \$

241,332 \$

12,226 \$

264,451

300,438

35,987

Identifiable assets

The corporate assets as of March 31, 2009 and 2008 were ¥12,247 million (U.S.\$124,677thousand) and ¥6,475(U.S.\$65,917thousand),respectively.

Overseas net sales by the Company and consolidated subsidiaries for the years ended March 31, 2009 and 2008 were as follows:

				Mill	ions of ye	en		
	North	n America		Asia	Oth	er Areas		Total
For the year ended March 31, 2009:				_		_		_
Overseas net sales	¥	2,169	¥	987	¥	124	¥	3,280
Consolidated net sales		-		-		-		31,409
Ratios of overseas net sales to								
consolidated net sales		6.9%		3.1%		0.4%		10.4%
For the year ended March 31, 2008:								
Overseas net sales	¥	3,148	¥	1,409	¥	270	¥	4,827
Consolidated net sales		-		-		-		33,835
Ratios of overseas net sales to								
consolidated net sales		9.3%		4.1%		0.8%		14.2%
	North	n America		Asia	Oth	er Areas		Total
For the year ended March 31, 2009:				_		_		
Overseas net sales	\$	22,081	\$	10,048	\$	1,262	\$	33,391
Consolidated net sales		-		-		-		319,750
Ratios of overseas net sales to								
consolidated net sales		6.9%		3.1%		0.4%		10.4%
For the year ended March 31, 2008:								
Overseas net sales	\$	32,047	\$	14,344	\$	2,749	\$	49,140
Consolidated net sales		-		-		-		344,447
Ratios of overseas net sales to								
consolidated net sales		9.3%		4.1%		0.8%		14.2%