ANNUAL REPORT 2010
Fiscal Year Ended March 31, 2010

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URL http://www.stanley.co.jp/

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Company Profile

Stanley Electric Co., Ltd., was founded in 1920 by Takaharu Kitano. In those days, there were no more than 8,000 cars in Japan—all imported models. Under the circumstances, it certainly took courage, vision, and a challenging spirit to start a company devoted to the manufacturing of automotive light bulbs.

The Company was named after the intrepid 19th-century explorer Sir Henry Morton Stanley, who was renowned for the vision and courage he had so abundantly demonstrated during his exploits on the continent of Africa.

Stanley Electric has carried on that spirit of challenge, constantly responding to the demand of the times. Through our dedication in the pursuit of light, we have grown in influence, ability, and knowledge.

We have, in fact, maintained a position as leader in the automotive-equipment industry, developing cutting-edge products in automotive lighting equipment, accessories, and electronic components through the application of innovative technologies. Accordingly, we have contributed to the safety and satisfaction of a modern automotive lifestyle.

Regarding electronic components, Stanley Electric has been successful in the research and development of value-added products, such as semiconductors, parts for information and communication devices, automotive electronics products, and, of course, lighting devices. By offering a large variety of products for use in a wide range of industries, we, as a company, have become a part of the success our customers enjoy.

Based on the Stanley Management and employees of the Stanley Group around the globe, we successfully completed the first three-year management plan in March 2004 and the second three-year management plan in March 2007, achieving steady results. With the three-year management plan, the Group Vision is translated into specific measures for action. In April 2007, we embarked on the third three-year management plan.

In the third three-year management plan, we have “visualized” strategies from the perspectives of financing, provision of value to customers, operational processes, human resources, and corporate culture in deciding measures to be implemented. By steadily implementing these measures, Stanley Electric is making itself sufficiently strong and flexible to withstand the changing environment, and to continue to grow powerfully.

As we continue our pursuit of the value of light, we will challenge the industry to "outshine light." Through our exploration of light and its limitless possibilities, we will master the philosophy of manufacturing and open new avenues to the future.

Financial Highlights

Stanley Electric Co., Ltd. and its Subsidiaries
For the years ended March 31, 2010 and 2009

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
<th>Thousands of U.S. Dollars, except for per share data</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Results of operations:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net sales</td>
<td>¥238,888</td>
<td>¥283,302</td>
<td>$2,567,595</td>
</tr>
<tr>
<td></td>
<td>$3,044,995</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross profit</td>
<td>¥3,683</td>
<td>¥2,767</td>
<td>$76,998</td>
</tr>
<tr>
<td></td>
<td>$615,519</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating income</td>
<td>¥2,536</td>
<td>¥2,592</td>
<td>$214,573</td>
</tr>
<tr>
<td></td>
<td>$251,424</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income</td>
<td>17,128</td>
<td>12,128</td>
<td>$184,094</td>
</tr>
<tr>
<td></td>
<td>$130,359</td>
<td></td>
<td></td>
</tr>
<tr>
<td>As a percentage of net sales</td>
<td>7.2%</td>
<td>4.3%</td>
<td>7.2%</td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>¥20,447</td>
<td>¥26,709</td>
<td>$219,773</td>
</tr>
<tr>
<td></td>
<td>$287,077</td>
<td></td>
<td></td>
</tr>
</tbody>
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Per share data:

<table>
<thead>
<tr>
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<tr>
<td>Net income per Share</td>
<td>¥98.2</td>
<td>¥68.5</td>
<td>$1.06</td>
</tr>
<tr>
<td>Cash dividends</td>
<td>25.0</td>
<td>30.0</td>
<td>0.27</td>
</tr>
</tbody>
</table>
| Year-end financial position:

Total assets: ¥197,302 million, 1,210,622 thousand, 1,964,874 thousand

(Note 2) Total equity attributable to shareholders of the parent.

Results of operations:

Net sales: ¥238,888 million, $2,567,595 thousand

Gross profit: ¥3,683 million, $76,998 thousand

Operating income: ¥2,536 million, $214,573 thousand

Net income: 17,128 million, $184,094 thousand

As a percentage of net sales: 7.2%, 4.3%

Capital expenditures: ¥20,447 million, $219,773 thousand

Per share data:

Net income per share: ¥98.2, ¥68.5

Cash dividends: 25.0, 30.0

Total assets: ¥3,044,995 thousand

(Note 2) Total equity attributable to shareholders of the parent. (Note 1) Net income is translated into U.S. dollars, solely for convenience, at the prevailing exchange rate on March 31, 2010, of ¥93.04=U.S.$1.00.

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<td>$287,077</td>
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Per share data:

Net income per Share | $1.06 | $0.74

Cash dividends | 0.27 | 0.32

Total assets: $3,044,995 thousand

(Note 2) Total equity attributable to shareholders of the parent. (Note 1) Net income is translated into U.S. dollars, solely for convenience, at the prevailing exchange rate on March 31, 2010, of ¥93.04=U.S.$1.00.

Results of operations:

Net sales: $2,567,595 thousand

Gross profit: $76,998 thousand

Operating income: $214,573 thousand

Net income: $184,094 thousand

As a percentage of net sales: 7.2%

Capital expenditures: $219,773 thousand

Per share data:

Net income per share: $1.06

Cash dividends: $0.74

Total assets: $3,044,995 thousand

(Note 2) Total equity attributable to shareholders of the parent. (Note 1) Net income is translated into U.S. dollars, solely for convenience, at the prevailing exchange rate on March 31, 2010, of ¥93.04=U.S.$1.00.

Results of operations:

Net sales: $2,567,595 thousand

Gross profit: $76,998 thousand

Operating income: $214,573 thousand

Net income: $184,094 thousand

As a percentage of net sales: 7.2%

Capital expenditures: $219,773 thousand

Per share data:

Net income per share: $1.06

Cash dividends: $0.74

Total assets: $3,044,995 thousand

(Note 2) Total equity attributable to shareholders of the parent. (Note 1) Net income is translated into U.S. dollars, solely for convenience, at the prevailing exchange rate on March 31, 2010, of ¥93.04=U.S.$1.00.
orders, and steadily pushed for cost reductions including, “innovation-in-production” activities aimed at enhancing productivity. These efforts have been firmly put in place and have produced good results. The automobile and electronics markets, within which the Company operates, are still on the road to recovery. Sales decreased from the previous fiscal year while operating income increased due to an improvement in productivity through “innovation-in-production” activities. The Group’s net income increased due to extraordinary income generated from the extinguishment of project benefit obligations related to the proxy portions of the employees’ pension fund (of the past). This was in spite of losses on the disposal of equipment caused by the withdrawal from the CCFI business. During the consolidated business year (April-March), net sales totaled ¥238,888 million, down 15.7% from the previous fiscal year. Operating income amounted to ¥24,336 million, up 40.9%. Net income stood at ¥17,128 million, up 41.2%.

Consolidated financial standing
Gross assets at the end of the consolidated business year under review stood at ¥382,035 million, representing an increase of ¥28,913 million from a year earlier. Of the total assets, current assets increased by ¥28,525 million. Investment and other assets rose by ¥9,620 million while tangible fixed assets fell by ¥8,808 million. The major factors for the increase in current assets included the increase in cash and deposits and in securities due to corporate bond issuance, the rise in notes and accounts receivable due to sales growth in the fourth quarter of the consolidated business year in review; and the increase in short-term deferred tax assets due to registering of accrued lump contribution to the defined contribution corporate pension. In investment and other assets, investment securities increased following the rise in stock prices, while long-term deferred tax assets decreased due to the decrease in provision for retirement benefits. On the other hand, as for tangible fixed assets, buildings and structures increased due to the completion of the new building No.1 of the Katoio Factory, while machinery, equipment and vehicles decreased due to the withdrawal from the CCFI business. Net assets stood at ¥211,272 million, an increase of ¥17,860 million from the previous fiscal year-end. Of the net assets, shareholders’ equity increased by ¥11,434 million while valuation and translation adjustments increased by ¥3,057 million. The main factor for the increase in shareholders’ equity was the decrease in retained earnings due to treasury stock retirements and dividend payments, which resulted in a decrease (or an increase in terms of net assets) of treasury stocks, despite a rise due to the posting of current year net income. As for valuation and translation adjustments, the increase was brought about by the rise in net valuation difference on available-for-sale securities resulting from the rise in stock prices.

Projected consolidated earnings for the current year and expected payments of dividends
The world economy shifted from the global financial crisis of 2008 to an expansionary phase, mainly in Asia and China. This has led to business improvement in the current year. However, the situation is still unpredictable due to the possible impact of any backlash caused by the termination of global economic incentives, political unrest in Thailand and the volatility of crude oil prices. In the automotive equipment industry to which the Group belongs, the swift shift of production to China and other emerging-country markets is a pressing task, along with efforts to enhance quality and cut costs. In the electronic equipment industry, the Group has been facing increasing pressures from new entrants, especially from overseas. As a result, competition is intensifying over the development of new products and technologies. In order to expand orders and survive the competition, a more dynamic and expeditious response has become absolutely necessary for the Group.

As a result, net sales for the current consolidated business year are projected to total ¥260 billion, up 8.8% from the preceding year. Operating income is forecast to amount to ¥32.5 billion, up 33.5%. Net income is projected to reach ¥20 billion, up 16.8%.

The Group seeks to reinforce its financial strength and business infrastructure while maintaining stable dividends and returning a reasonable level of profit to our shareholders. The Group intends to use its retained earnings for investments targeted at enhancing enterprise value, such as developing new products and businesses as well as building a more efficient management structure. The Group aims, therefore, to further strengthen its business structure and competitiveness. Maintaining stable dividend payments and returning part of its profit to shareholders in an adequate manner is Stanley Electric’s basic dividend policy. As of January 29, 2010, the Company released a plan to pay a year-end dividend of ¥13 per share for the consolidated business year ended in March as part of its efforts to boost the dividend payout ratio to 20% on a consolidated basis. Combined with an interim dividend of ¥12 per share, the Company’s annual dividend will amount to ¥25.

The Company plans to pay an annual dividend of ¥26 per share for the next fiscal year, an increase of ¥1 from the dividend paid for the year ended in March, despite the severity in the business climate that is expected to continue due to the negative impact of the termination of global economic incentives, political unrest in Thailand and the rise in raw material prices. The interim and year-end dividends are expected to be ¥13 per share respectively.

During the year under review, Stanley Electric implemented the acquisition of the Hataio Factory for ¥1,499 million. The acquisition was designed to allow the Company to return part of its profit to shareholders and implement a flexible capital policy in response to changes in the business climate. The Company also retired ¥11,689 million (6 million shares) worth of treasury stocks on December 7, 2009. We hope that our shareholders will provide continued patronage and loyal support to the Company.

June 2010

Takanori Kitano
President

Consolidated Business Forecasts for the fiscal year ending in March 2011 (From April 1, 2010 to March 31, 2011)

<table>
<thead>
<tr>
<th></th>
<th>Sales</th>
<th>Operating income</th>
<th>Current term net income</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Consolidated Total for the Second Quarter</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Full Fiscal Year</td>
<td>123,000</td>
<td>13.0%</td>
<td>14,300</td>
</tr>
<tr>
<td></td>
<td>260,000</td>
<td>8.8%</td>
<td>32,500</td>
</tr>
</tbody>
</table>

* Numerical percentages show the year-on-year increase (decrease) for the full-fiscal year and the increase (decrease) from the same quarter in the previous fiscal year.

* The foreign exchange rate is estimated to be ¥100 per US dollar.

* Notes that Stanley Electric made these projections based on currently available information and they do not take into account risks in foreign exchange, etc. and other uncertainties. Actual business performances may differ dramatically from these projections as a result of various important factors.
Although global auto production dropped year on year, except in China, it has been on a continued recovery trend thanks to the economic incentives implemented in various countries. Under these circumstances, sales in the automotive equipment business decreased year on year but operating income increased due to improvements in productivity through the Company’s “innovation-in-production” activities.

Stanley Electric has been focusing on eco-friendly LED headlamps and rear combination lamps and intends to actively promote the products in order to gain larger orders for hybrid and electric vehicles.

As a result, sales in the automotive equipment business were ¥178,840 million in the consolidated business year under review, down 14.2% from the preceding year. Operating income for the year amounted to ¥21,178 million, up 15.5%.

Stanley Electric is developing vision chips for cameras with range measurement features. Vision chips feature range measurement based on the time it takes LED light to reflect on an object and return. In addition to providing images, they will enable the measurement of the distance to an object as well as the direction and speed of movement of the object. The system is expected to be used for automobile perimeter monitoring and security equipment.
Electronic Equipment Business

The global electronics market benefited from an improvement in consumer spending due to global economic incentives. This led to the continuation of the recovery trend in digital still cameras (DSC), flat panel display (FPD) TVs and laptop computers.

Under these market conditions, the Group’s electronic equipment business continued its efforts to attempt to win larger orders by launching new products that meet market needs exactly. Sales in the business generally declined from the preceding year, but operating income showed only a small decrease, thanks to improvement in productivity due to the Company’s “innovation-in-production” activities.

Stanley Electric has also launched new eco-friendly “LED lighting” products. The Company intends to aggressively enhance product lineups with a focus on customer needs. As a result, sales in the Group’s electronic equipment business totaled ¥59,618 million in the year under review, down 20.0% from the previous fiscal year. Operating income was ¥4,693 million, down 4.7%.

Other Business

Total sales in other businesses were ¥429 million (up 46.3% year-on-year).

Introduction of Our Business

Stanley Electric, thanks to its cutting-edge research and development, has created an extensive lineup of lighting devices and applications for use in mobile devices and office equipment and industry and urban infrastructures, contributing to the creation of a better way of life. The Company’s value-added products include Light Emitting Diodes, LCD elements, and Subminiature lamps.
Review of Regional Operations

Japan

The automotive and electronics markets in Japan contracted from the previous fiscal year due to the effects of the global economic slowdown since autumn 2008. However, the markets are on a continued recovery trend thanks to the positive effects of economic incentives implemented by the government.

Since the markets are yet to see full recovery, the Group’s sales in Japan dropped from the previous fiscal year. However, operating income remained mostly unchanged due to improvements in productivity through the Company’s “innovation-in-production” activities.

As a result, the Group’s net sales in Japan came to ¥122,160 million in the consolidated business year under review, down 23.0% year on year. Operating income totaled ¥32,317 million in the consolidated year under review, down 0.1% from the previous fiscal year. Operating income reached ¥5,473 million, up 26.6%.

The Americas

Bouncing back from the large drops in U.S. automobile sales that have occurred since autumn 2008, some companies have been on a recovery track due to positive effects brought about by economic incentives. However, a full-scale recovery is expected to take some time since earning gaps can still be seen between companies. The Stanley Electric Group was not an exception, with sales and operating income in the Americas dropping from the previous fiscal year.

Consequently, the Group’s net sales in the Americas stood at ¥32,768 million, down 17.0%. Operating income was ¥623 million, down 45.2%. Although both net sales and operating income decreased year on year, they have been on a continued upward trend since the global economic crisis that arose in the autumn of 2008.

Asia-Pacific

The recovery trend in the economy of the region has become apparent. Thanks to economic incentives implemented in various countries, personal consumption saw further recovery and exports have shown signs of picking up.

The Group’s sales of components used for motorcycles, electronic devices and applied electronic products were mostly unchanged from the previous fiscal year. Operating income increased due to the contribution from improvements in productivity generated under the Company’s “innovation-in-production” activities.

As a result, the Group’s net sales in the Asia-Pacific region totaled ¥32,317 million in the consolidated year under review, down 0.1% from the previous fiscal year. Operating income reached ¥5,473 million, up 26.6%.

China

The Chinese economy saw a continued expansion trend. The Group’s sales in China increased mainly due to the recovery in orders for automotive equipment. Operating income also increased due to improvements in productivity through “innovation-in-production” activities.

As a result, the Group’s sales in China amounted to ¥42,443 million in the consolidated year under review, up 10.6%. Operating income totaled ¥8,842 million, up 22.1%.

Other Regions

While the economy in Europe, which is a part of the “Other Regions” category, was on a gradual recovery trend driven mainly by exports, internal demand measured by consumer spending and capital expenditure was weak. Sales and operating income of the Group’s automotive equipment, electronic devices and applied electronic products in Europe generally dropped from the previous fiscal year.

Consequently, sales in the “Other Regions” category totaled ¥9,399 million, down 36.5% from the preceding year. Operating loss came to ¥82 million yen, down 106.7%.

Although sales of this category saw a year-on-year decrease, they have been continuing on an improving trend since the global economic crisis of autumn 2008.

Regional changes in sales

<table>
<thead>
<tr>
<th>Region</th>
<th>2006 (Millions of ¥)</th>
<th>2007 (Millions of ¥)</th>
<th>2008 (Millions of ¥)</th>
<th>2009 (Millions of ¥)</th>
<th>2010 (Millions of ¥)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>158,597</td>
<td>122,160</td>
<td>112,369</td>
<td>115,195</td>
<td>115,195</td>
</tr>
<tr>
<td>The Americas</td>
<td>38,370</td>
<td>42,443</td>
<td>38,370</td>
<td>42,443</td>
<td>42,443</td>
</tr>
<tr>
<td>China</td>
<td>36,265</td>
<td>39,491</td>
<td>39,491</td>
<td>39,491</td>
<td>39,491</td>
</tr>
<tr>
<td>Other Regions</td>
<td>57,284</td>
<td>38,370</td>
<td>38,370</td>
<td>38,370</td>
<td>38,370</td>
</tr>
</tbody>
</table>

Regional sales component ratio

- Japan: 43.5%
- The Americas: 15.7%
- Asia-Pacific: 13.5%
- China: 17.8%
- Other Regions: 5.1%

In October 2009, Stanley Electric established a new company, Stanley Electric do Brasil Ltda. in the Federative Republic of Brazil. Through the establishment of a company in Brazil, a country experiencing rapid growth in the electronics and automobile markets in recent years, Stanley Electric will commence manufacturing and sales of electronic and automotive equipment. In order to quickly establish advanced and efficient management control and production methods, the new company will aggressively adopt “innovation-in-production” activities, which have brought positive results within the Group from the beginning. The expansion into South America will further enhance the Group’s international competitiveness in the global business arena.

Stanley Electric established
Stanley Electric do Brasil Ltda.
in Brazil

In December 2009, Guangzhou Stanley Electric conducted a groundbreaking ceremony of its plant no. 3. Scheduled for completion in October 2010, this plant aims to enhance production of automotive lighting equipment for the Chinese automobile market which is seeing continued growth.
Stanley’s International Presence

Stanley—in exploration of light and mastery of manufacturing, contributes to the creation of brighter future for the world. From the perspective of global operations, the Stanley Group divides the world into five area—Japan, America, Europe, the Asian Pacific and China—thereby implementing a thorough operational matrix.

Stanley Electric (U.K.) Co., Ltd.
Stanley Electric GmbH
STANLEY - IDESS S.A.S.
Chongqing Hua-yu Stanley Lighting Co., Ltd.
Lumax Industries Ltd.
Stanley Electric Engineering India Pvt. Ltd.
Guangzhou Stanley Electric Co., Ltd.
Asian Stanley International Co., Ltd.
Stanley Electric Holding Asia-Pacific Pte. Ltd.

Sunhong Stanley Electric Co., Ltd.
Tianjin Stanley Electric Co., Ltd.
Sunhong Stanley LED Lighting Technology Co., Ltd.
Stanley Electric Korea Co., Ltd.

Stanley Electric Co., LTD.
Stanley Electric U.S. Co., Inc.
Stanley Electric Sales of America, Inc.

Stanley Electric Holding of America, Inc.
11 Stanley Co., Inc.

Stanley Electric Holding America, Inc.

Stanley Electric Holding of America, Inc.

1 Sunhong Stanley Electric Co., Ltd.
2 Stanley Electric Co., LTD.
3 Tianjin Stanley Electric Co., Ltd.
4 Sunhong Stanley LED Lighting Technology Co., Ltd.
5 Stanley Electric Korea Co., Ltd.
6 Stanley Electric GmbH
7 STANLEY - IDESS S.A.S.
8 Sunhong Stanley Electric Co., Ltd.
9 Stanley Electric (U.K.) Co., Ltd.
10 Stanley Electric Holding Europe Co., Ltd.
11 Stanley Electric Holding Europe Co., Ltd.
12 Taiwan Stanley Electric Co., Ltd.
13 Stanley Electric Holding of America, Inc.
14 Lumax Industries Ltd.
15 Asian Stanley International Co., Ltd.
16 Thai Stanley Electric Public Co., Ltd.
17 PT. Indonesia Stanley Electric.
18 PT. Indonesia Stanley Electric.
19 Stanley Electric (Asia Pacific) Ltd.
20 Stanley Electric Holding Asia-Pacific Pte. Ltd.
21 Hella-Stanley Holding Pty Ltd
22 Stanley Electric Korea Co., Ltd.
23 Sunhong Stanley Electric Co., Ltd.
24 Stanley Electric LED Lighting Technology Co., Ltd.
25 Shenzhen Stanley Electric Co., Ltd.
26 Tianjin Stanley Electric Co., Ltd.
27 Guanzhou Stanley Electric Co., Ltd.
28 Guangzhou, People’s Republic of China
29 Shanghai Stanley Electric Co., Ltd.
30 Shanghai, People’s Republic of China

1 Stanley Electric Co., LTD.
Tokyo, Japan
Manufacture and sales of automotive equipment, Semiconductors, and electronic equipment

2 Stanley Electric U.S. Co., Inc.
Ohio, U.S.A.
Manufacture and sales of automotive lighting equipment

3 11 Stanley Co., Inc.
Michigan, U.S.A.
Manufacture and sales of automotive lighting equipment, semiconductors, and electronic equipment

4 Stanley Electric Sales of America, Inc.
California, U.S.A.
Sales and procurement of semiconductors, subminiature lamps, and electronic components

5 Stanley Electric Holding of America, Inc.
Michigan, U.S.A.
Administration of three locations in the Americas

6 Stanley Electric do Brasil Ltda.
Gyongyos, Hungary
Manufacture and sales of automotive lighting equipment and electronic components

8 Stanley Electric GmbH
Nanterre, France
Sales and procurement of semiconductors, electronic equipment, and automotive lighting equipment

9 Stanley Electric (U.K.) Co., Ltd.
Berkshire, U.K.
Sales and procurement of semiconductors, electronic equipment, and automotive lighting equipment

10 STANLEY - IDESS S.A.S.
Nantes, France
Sales and procurement of semiconductors, electronic equipment, and automotive lighting equipment

11 Stanley Electric Holding Europe Co., Ltd.
Berkshire, U.K.
Administration of four locations in the Europe

12 Taiwan Stanley Electric Co., Ltd.
Taiwan, Taiwan
R&D, manufacturer and sales of cold cathode fluorescent lamps (CCFLs), CCFL applications and backlight units for LCDs

13 Stanley Electric Engineering India Pvt. Ltd.
Haryana, India
Design and development of automotive lighting equipment, and manufacture and sales of dies and molds

14 Lumax Industries Ltd.
New Delhi, India
Manufacture and sales of automotive lighting equipment

15 Asian Stanley International Co., Ltd.
Pathumthani, Thailand
Manufacture and sales of semiconductors, subminiature lamps, and photoelectric devices

16 Thai Stanley Electric Public Co., Ltd.
Pathumthani, Thailand
Manufacture and sales of automotive lighting equipment, automotive light bulbs, and dies and molds

17 PT. Indonesia Stanley Electric.
Banten, Indonesia
Manufacture and sales of automotive lighting equipment, dies and molds, electronic equipment

18 Vietnam Stanley Electric Co., Ltd.
Hanoi, Vietnam
Manufacture and sales of automotive light bulbs, automotive lighting equipment, and electronic equipment

19 Stanley Electric (Asia Pacific) Ltd.
Hong Kong, People’s Republic of China
Sales of semiconductor and subminiature lamps, and procurement of electronic component

20 Stanley Electric Holding Asia-Pacific Pte. Ltd.
Singapore
Administration of seven locations in the Asia Pacific

21 Hella-Stanley Holding Pty Ltd
Victoria, Australia
Investment in automotive lighting business of Stanley / Hella

22 Stanley Electric Korea Co., Ltd.
Seoul, Korea
Sales and procurement of electronic equipment

23 Sunhong Stanley Electric Co., Ltd.
Shenzhen, People’s Republic of China
Manufacture and sales of semiconductors and electronic equipment

24 Stanley Electric LED Lighting Technology Co., Ltd.
Shenzhen, People’s Republic of China
Manufacture and sales of semiconductor lighting equipment

25 Shenzhen Stanley Electric Co., Ltd.
Shenzhen, People’s Republic of China
Manufacture and sales of electronic equipment

26 Tianjin Stanley Electric Co., Ltd.
Tianjin, People’s Republic of China
Manufacture and sales of automotive lighting equipment, semiconductors, subminiature lamps

27 Guanzhou Stanley Electric Co., Ltd.
Guangzhou, People’s Republic of China
Manufacture and sales of automotive lighting equipment

28 Guangzhou, People’s Republic of China
Manufacture and sales of automotive lighting equipment

29 Shanghai Stanley Electric Co., Ltd.
Shanghai, People’s Republic of China
Sales and procurement of semiconductors, subminiature lamps, and photoelectric devices

30 Shanghai, People’s Republic of China

Stanley Electric do Brasil Ltda.
(completed in November, 2010)

Hella-Stanley Holding Pty Ltd
Stanley’s Environmental Philosophy

We at the Stanley Group are working to preserve the environment through a compassionate and understanding view of people and the natural world.

Basic Philosophy on the Environment

The Stanley Group is fully committed to the effective use of resources and the maintenance and improvement of our environment in every aspect of corporate activity. We know this is the only way to ensure that succeeding generations inherit a healthy and beautiful planet free from the ravages of unceasing consumption.

Environmental Policy

We at Stanley shall engage in all areas of corporate activity through the lens of environmental preservation. That view has engendered within us a wholehearted approach to the conservation of natural resources. Thus, in the spirit of Stanley’s “Basic Philosophy on the Environment and Environmental Policy,” we have pledged “not to produce, use or dispose of substances that negatively impact the environment.”

ISO 14001 Accreditation

Stanley’s head office, all domestic facilities and the Stanley group’s ninety-nine domestic and overseas subsidiaries and affiliates have obtained ISO 14001 certification, the international standard for environmental management. “The certification of domestic facilities was unified in 2007.

A Human/Organizational Approach to Environmental Conservation

Stanley is actively promoting a range of programs designed to educate employees on the environment and provide information regarding environmental issues. These programs go forward under the auspices of the Environmental Conservation Activity Committee, as established in 1998. The Committee works to build environmental awareness among individual employees, encouraging them to adopt “green” practices in their daily lives and activities.

Our Approach to Environmental Conservation in Product Development

We are also striving to save energy and resources, reduce waste, and eliminate the generation/use of greenhouse gases and toxic chemical substances from all processes during the product cycle - from design and development to production, distribution, collection, and, ultimately, disposal.

Financial Review

Stanley Electric Co., Ltd. and its Subsidiaries

Operating Results

During the fiscal year ended March 31, 2010, consolidated net sales decreased by 15.7% to ¥238,888 million ($2,567,595 thousand). Cost of sales (CONS) decreased by 18.3% to ¥185,205 million ($1,990,597 thousand). Gross profit on sales decreased by 6.3% to ¥53,683 million ($576,998 thousand). Selling, general and administrative expenses decreased by 15.4% to ¥29,346 million ($325,573 thousand). As a result, operating income increased by 4.9% to ¥24,346 million ($260,417 thousand). Income before income taxes and minority interests amounted to ¥32,555 million ($349,910 thousand). After deducting income taxes of ¥12,373 million ($132,970 thousand) and minority interests of ¥3,096 million ($32,864 thousand), Stanley Electric Co., Ltd. (the “Company”) and its subsidiaries posted a net income of ¥17,128 million ($184,094 thousand). Cash dividends declared for the fiscal year ended March 31, 2010 were $25.0 per share, a decrease of $5.0 compared to the previous fiscal year.

Financial Position and Cash Flows

The Company and its subsidiaries’ financial position remained stable during the fiscal year ended March 31, 2010. The shareholders’ equity ratio declined by 1.6%, from 66.9% to 65.3%.

Five-Year Summary

Stanley Electric Co., Ltd. and its Subsidiaries For the years ended March 31

<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td></td>
<td>Results of operations:</td>
<td></td>
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<tr>
<td>Net sales</td>
<td>¥238,888</td>
<td>¥238,302</td>
<td>¥334,469</td>
<td>¥338,680</td>
<td>¥311,785</td>
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<td>Gross profit</td>
<td>¥53,683</td>
<td>¥57,267</td>
<td>¥82,635</td>
<td>¥76,800</td>
<td>¥60,028</td>
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<td>Operating income</td>
<td>¥24,346</td>
<td>¥23,392</td>
<td>¥46,565</td>
<td>¥40,649</td>
<td>¥32,039</td>
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<td>Net income</td>
<td>¥17,128</td>
<td>¥12,128</td>
<td>¥29,732</td>
<td>¥26,283</td>
<td>¥20,619</td>
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<td>As a percentage of net sales</td>
<td>7.2%</td>
<td>4.3%</td>
<td>8.4%</td>
<td>7.8%</td>
<td>6.6%</td>
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<tr>
<td>Cash dividends</td>
<td>¥26,447</td>
<td>¥26,709</td>
<td>¥30,606</td>
<td>¥35,990</td>
<td>¥35,995</td>
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<td>Per share data:</td>
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<tr>
<td>Net income</td>
<td>¥198.2</td>
<td>¥168.5</td>
<td>¥162.9</td>
<td>¥162.1</td>
<td>¥110.2</td>
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<td>Cash dividends</td>
<td>25.0</td>
<td>30.0</td>
<td>30.0</td>
<td>25.0</td>
<td>20.0</td>
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<td>Year-end financial position:</td>
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<tr>
<td>Total assets</td>
<td>¥302,035</td>
<td>¥273,102</td>
<td>¥325,798</td>
<td>¥340,816</td>
<td>¥384,238</td>
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<td>Long-term debt, including lease obligations, less current portion</td>
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<td>113</td>
<td>-</td>
<td>10,000</td>
<td>10,004</td>
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<td>Total equity attributable to shareholders of the parent (Note 2)</td>
<td>197,302</td>
<td>182,812</td>
<td>192,385</td>
<td>195,601</td>
<td>173,977</td>
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<table>
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</thead>
<tbody>
<tr>
<td></td>
<td>Results of operations:</td>
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</tr>
<tr>
<td>Net sales</td>
<td>$2,567,595</td>
<td>$3,044,955</td>
<td>$3,640,164</td>
<td>$3,515,086</td>
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<tr>
<td>Gross profit</td>
<td>$1,964,874</td>
<td>$2,067,777</td>
<td>$2,102,337</td>
<td>$1,869,926</td>
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<tr>
<td>Operating income</td>
<td>$534,469</td>
<td>$576,998</td>
<td>$625,545</td>
<td>$679,682</td>
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<td>Net income</td>
<td>$238,888</td>
<td>$251,424</td>
<td>$328,961</td>
<td>$386,832</td>
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<tr>
<td>As a percentage of net sales</td>
<td>7.2%</td>
<td>8.4%</td>
<td>7.8%</td>
<td>6.6%</td>
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<td>Capital expenditures</td>
<td>$219,773</td>
<td>$287,077</td>
<td>$238,664</td>
<td>$321,980</td>
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<td></td>
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<tr>
<td>Per share data:</td>
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<tr>
<td>Net income</td>
<td>$0.27</td>
<td>$0.32</td>
<td>$0.32</td>
<td>$0.27</td>
<td>$0.21</td>
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<tr>
<td>Cash dividends</td>
<td>$0.06</td>
<td>$0.07</td>
<td>$0.15</td>
<td>$0.33</td>
<td>$0.18</td>
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<tr>
<td>Year-end financial position:</td>
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<td></td>
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<td></td>
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<tr>
<td>Total assets</td>
<td>$3,246,293</td>
<td>$3,295,323</td>
<td>$3,501,702</td>
<td>$3,663,114</td>
<td>$3,269,972</td>
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<td>Long-term debt, including lease obligations, less current portion</td>
<td>108,770</td>
<td>1,222</td>
<td>-</td>
<td>107,481</td>
<td>107,524</td>
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<tr>
<td>Total equity attributable to shareholders of the parent (Note 2)</td>
<td>2,120,662</td>
<td>1,964,874</td>
<td>2,067,777</td>
<td>2,102,337</td>
<td>1,869,926</td>
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</tr>
</tbody>
</table>

Notes:
1) All amounts are stated in U.S. dollars, except for per share data on a prevailing exchange rate as of March 31, 2010 of ¥91.94=US$1.00
2) Total equity attributable to shareholders of the parent = Total net assets - Minority interests (as recorded on the consolidated balance sheets)
### Consolidated Balance Sheets

Stanley Electric Co., Ltd. and its Subsidiaries  
As of March 31, 2010 and 2009

#### ASSETS

<table>
<thead>
<tr>
<th></th>
<th>Millions of ¥n</th>
<th>Thousands of U.S. Dollars (Note 3)</th>
<th>2010</th>
<th>2009</th>
<th>2010</th>
<th>2009</th>
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<tbody>
<tr>
<td><strong>Current assets:</strong></td>
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<tr>
<td>Cash and cash equivalents</td>
<td>¥66,839</td>
<td>$662,777</td>
<td>¥718,400</td>
<td>$501,154</td>
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<td>Time deposits</td>
<td>4,336</td>
<td>46,612</td>
<td>6,511</td>
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<td><strong>Notes and accounts receivable:</strong></td>
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<tr>
<td>Trade</td>
<td>48,548</td>
<td>43,480</td>
<td>521,799</td>
<td>467,330</td>
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<td>Affiliates</td>
<td>494</td>
<td>520</td>
<td>5,319</td>
<td>5,595</td>
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<tr>
<td>Less, allowance for doubtful accounts</td>
<td>(86)</td>
<td>(111)</td>
<td>(928)</td>
<td>(1,193)</td>
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<tr>
<td><strong>Other assets:</strong></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred tax assets (Note 8)</td>
<td>(211,217)</td>
<td>(1,742)</td>
<td>(1,128)</td>
<td>(1,370)</td>
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<td></td>
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<tr>
<td>Construction in progress</td>
<td>14,017</td>
<td>14,535</td>
<td>150,659</td>
<td>156,223</td>
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<tr>
<td>Investments in affiliates (Note 5)</td>
<td>4,786</td>
<td>2,266</td>
<td>51,442</td>
<td>24,363</td>
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<tr>
<td>Other</td>
<td>7,650</td>
<td>10,137</td>
<td>82,199</td>
<td>108,933</td>
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<tr>
<td>Total current assets</td>
<td>146,584</td>
<td>118,059</td>
<td>1,575,502</td>
<td>1,268,916</td>
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</table>

#### Investments and advances:

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<tr>
<th></th>
<th>Millions of ¥n</th>
<th>Thousands of U.S. Dollars (Note 3)</th>
<th>2010</th>
<th>2009</th>
<th>2010</th>
<th>2009</th>
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<tr>
<td>Investment securities (Note 5)</td>
<td>33,368</td>
<td>23,824</td>
<td>358,645</td>
<td>256,063</td>
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<tr>
<td>Investments in affiliates (Note 5)</td>
<td>8,037</td>
<td>7,463</td>
<td>86,383</td>
<td>80,217</td>
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<td>Other</td>
<td>5,920</td>
<td>3,107</td>
<td>63,627</td>
<td>33,393</td>
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<tr>
<td><strong>Total</strong></td>
<td>47,325</td>
<td>34,394</td>
<td>508,655</td>
<td>369,673</td>
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</table>

#### Property, plant and equipment:

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<tr>
<th></th>
<th>Millions of ¥n</th>
<th>Thousands of U.S. Dollars (Note 3)</th>
<th>2010</th>
<th>2009</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>15,237</td>
<td>11,278</td>
<td>142,280</td>
<td>121,217</td>
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<tr>
<td>Buildings and structures</td>
<td>77,751</td>
<td>74,056</td>
<td>835,681</td>
<td>795,960</td>
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<td></td>
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<tr>
<td>Machinery, equipment and vehicles</td>
<td>90,846</td>
<td>98,160</td>
<td>976,427</td>
<td>1,055,035</td>
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<td>Tools, furniture and fixtures</td>
<td>123,895</td>
<td>118,757</td>
<td>1,331,641</td>
<td>1,276,410</td>
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<tr>
<td>Lease assets (Note 10)</td>
<td>229</td>
<td>175</td>
<td>2,466</td>
<td>1,884</td>
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<tr>
<td>Construction in progress</td>
<td>9,893</td>
<td>14,691</td>
<td>106,301</td>
<td>157,897</td>
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<tr>
<td><strong>Less, accumulated depreciation:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>(211,217)</td>
<td>(203,675)</td>
<td>(2,270,174)</td>
<td>(2,189,116)</td>
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<tr>
<td>104,634</td>
<td>113,442</td>
<td>1,124,622</td>
<td>1,255,502</td>
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<tr>
<td><strong>Other assets:</strong></td>
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<tr>
<td>Deferred tax assets (Note 8)</td>
<td>858</td>
<td>4,169</td>
<td>9,225</td>
<td>14,891</td>
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<td>Other</td>
<td>2,634</td>
<td>3,038</td>
<td>28,289</td>
<td>32,636</td>
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<tr>
<td><strong>Total assets</strong></td>
<td>¥302,035</td>
<td>¥273,102</td>
<td>¥3,246,293</td>
<td>¥2,935,323</td>
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#### LIABILITIES AND NET ASSETS

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<th>Thousands of U.S. Dollars (Note 3)</th>
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<th>2009</th>
<th>2010</th>
<th>2009</th>
</tr>
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<tbody>
<tr>
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<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Short-term loans, including current portion of lease obligations (Notes 6 and 10)</td>
<td>¥6,568</td>
<td>¥19,714</td>
<td>¥70,596</td>
<td>¥104,410</td>
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<td><strong>Notes and accounts payable:</strong></td>
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<tr>
<td>Trade</td>
<td>33,444</td>
<td>26,687</td>
<td>359,464</td>
<td>286,835</td>
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<td>Affiliates</td>
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<td>6,346</td>
<td>3,574</td>
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<td>Other</td>
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<td>4,629</td>
<td>119,711</td>
<td>49,754</td>
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<td><strong>Total liabilities:</strong></td>
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<tr>
<td>Deferred tax liabilities (Note 8)</td>
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<td>9</td>
<td>147</td>
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<td>Other</td>
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<td>3,024</td>
<td>33,952</td>
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<td><strong>Total current liabilities:</strong></td>
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<td>64,612</td>
<td>52,789</td>
<td>694,462</td>
<td>567,383</td>
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<tr>
<td><strong>Long-term debt, including lease obligations, less current portion (Notes 6 and 10):</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10,119</td>
<td>113</td>
<td>108,770</td>
<td>1,222</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Deferred tax liabilities (Note 8):</strong></td>
<td></td>
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<td></td>
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<td>8,365</td>
<td>437</td>
<td>89,914</td>
<td>4,703</td>
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<td><strong>Provision for retirement benefits (Note 9):</strong></td>
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<td>4,653</td>
<td>22,291</td>
<td>50,015</td>
<td>239,594</td>
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<tr>
<td><strong>Other:</strong></td>
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<td></td>
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</tr>
<tr>
<td>3,015</td>
<td>2,780</td>
<td>32,359</td>
<td>29,859</td>
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<td></td>
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<tr>
<td><strong>Total liabilities:</strong></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>90,762</td>
<td>78,410</td>
<td>797,520</td>
<td>842,759</td>
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<td></td>
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</table>

#### Commitments and contingent liabilities (Note 12)

- **Net assets**
  - **Shareholders’ equity:**
    - **Capital stock:**
      - Authorized: 750,000,000 shares in 2010 and 2009  
        - Issued 182,240,000 shares in 2010 and 188,240,256 shares in 2009
      - 30,514 | 30,514 | 327,977 | 327,977 |
    - Capital surplus | 29,825 | 29,825 | 320,561 | 320,561 |
    - Retained earnings (Note 11) | 153,036 | 151,784 | 1,644,843 | 1,631,388 |
    - Treasury stock: 8,190,235 shares in 2010 and 13,394,106 shares in 2009
      - 15,955 | 26,137 | 171,491 | 280,928 |
    - **Total shareholders’ equity:** | 197,420 | 185,986 | 2,121,890 | 1,998,998 |

#### Valuation and translation adjustments

- **Valuation difference on available-for-sale securities:** | 13,721 | 8,829 | 147,479 | 94,892 |
- **Foreign currency translation adjustment:** | (13,838) | (12,083) | (148,747) | (129,016) |
- **Total valuation and translation adjustments:** | (417) | (317) | (1,268) | (34,124) |
- **Minority interests:** | 13,970 | 11,880 | 150,151 | 127,690 |
- **Total net assets:** | 211,273 | 194,612 | 2,270,773 | 2,092,564 |
- **Total liabilities and net assets:** | ¥302,035 | ¥273,102 | ¥3,246,293 | ¥2,935,323 |

The accompanying notes are an integral part of these balance sheets.
Consolidated Statements of Income
Stanley Electric Co., Ltd. and its Subsidiaries
For the years ended March 31, 2010 and 2009

The accompanying notes are an integral part of these statements.

<table>
<thead>
<tr>
<th>Millions of Yen</th>
<th>Thousands of U.S. Dollars (Note 3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>2009</td>
</tr>
<tr>
<td>Net sales</td>
<td>¥238,888</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>¥228,302</td>
</tr>
<tr>
<td>Gross profit</td>
<td>¥14,586</td>
</tr>
<tr>
<td>Selling, general and administrative expenses (Notes 13 and 14)</td>
<td>¥29,347</td>
</tr>
<tr>
<td>Operating income</td>
<td>¥24,336</td>
</tr>
</tbody>
</table>

Non-operating income (expenses):
- Interest and dividends income: ¥833
- Equity in earnings of affiliates: ¥768
- Royalty income: ¥806
- Interest expenses: (¥358)
- Gain on sales of noncurrent assets: ¥232
- Gain on sales of subsidiaries and affiliates’ stocks: ¥22
- Gain on transfer of benefit obligation relating to employees’ pension fund: ¥14,539
- Impairment loss: (¥78)
- Loss on retirement of noncurrent assets: (¥1,864)
- Loss on valuation of investment securities: (¥78)
- Loss on liquidation of business: (¥3,925)
- Loss on abolishment of retirement benefit plan: (¥2,238)
- Other, net: (¥340)
- Income before income taxes and minority interests: ¥32,555
- Income taxes (Note 8):
  - Current: ¥6,764
  - Deferred: ¥5,607
- Income before minority interests: ¥20,184
- Minority interests in income: (¥3,056)
- Net income: ¥17,128

For the years ended March 31, 2010 and 2009

<table>
<thead>
<tr>
<th>Shareholders’ equity</th>
<th>Millions of Yen</th>
<th>Valuations and translations adjustments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of shares of capital stock (thousand)</td>
<td>Capital stock</td>
<td>Capital surplus</td>
</tr>
<tr>
<td>2010</td>
<td>2009</td>
<td>2010</td>
</tr>
<tr>
<td>¥12,440</td>
<td>¥10,514</td>
<td>¥9,285</td>
</tr>
<tr>
<td>Number of shares of capital stock (thousand)</td>
<td>Capital stock</td>
<td>Capital surplus</td>
</tr>
<tr>
<td>2010</td>
<td>2009</td>
<td>2010</td>
</tr>
<tr>
<td>¥12,440</td>
<td>¥10,514</td>
<td>¥9,285</td>
</tr>
</tbody>
</table>

Consolidated Statements of Changes in Net Assets
Stanley Electric Co., Ltd. and its Subsidiaries
For the years ended March 31, 2010 and 2009

<table>
<thead>
<tr>
<th>Shareholders’ equity</th>
<th>Millions of Yen</th>
<th>Valuations and translations adjustments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of shares of capital stock (thousand)</td>
<td>Capital stock</td>
<td>Capital surplus</td>
</tr>
<tr>
<td>2010</td>
<td>2009</td>
<td>2010</td>
</tr>
<tr>
<td>¥12,440</td>
<td>¥10,514</td>
<td>¥9,285</td>
</tr>
</tbody>
</table>

Balance sheet as at March 31, 2008

- Cash dividends in respect of the year: ¥98.2
- Net income: ¥3,966
- Dividends from surplus: (¥44,999)
- Net income for the year: (¥15,128)
- Net loss on liquidation of business: (¥78)
- Impairment loss: (¥2,238)
- Gain on transfer of benefit obligation relating to employees’ pension fund: ¥14,539
- Loss on retirement of noncurrent assets: (¥1,864)
- Loss on valuation of investment securities: (¥78)
- Loss on liquidation of business: (¥3,925)
- Loss on abolishment of retirement benefit plan: (¥2,238)
- Other, net: (¥340)
- Income before income taxes and minority interests: ¥32,555
- Income taxes (Note 8):
  - Current: ¥6,764
  - Deferred: ¥5,607
- Income before minority interests: ¥20,184
- Minority interests in income: (¥3,056)
- Net income: ¥17,128

Balance sheet as at March 31, 2010

- Cash dividends in respect of the year: ¥109.4
- Net income: ¥283,302
- Dividends from surplus: (¥44,999)
- Net income for the year: ¥194,094
- Net loss on liquidation of business: (¥78)
- Impairment loss: (¥2,238)
- Gain on transfer of benefit obligation relating to employees’ pension fund: ¥14,539
- Loss on retirement of noncurrent assets: (¥1,864)
- Loss on valuation of investment securities: (¥78)
- Loss on liquidation of business: (¥3,925)
- Loss on abolishment of retirement benefit plan: (¥2,238)
- Other, net: (¥340)
- Income before income taxes and minority interests: ¥41,840
- Income taxes (Note 8):
  - Current: ¥8,665
  - Deferred: ¥8,263
- Income before minority interests: ¥33,177
- Minority interests in income: (¥3,056)
- Net income: ¥29,121

The accompanying notes are an integral part of these statements.
## Consolidated Statements of Cash Flows

**Stanley Electric Co., Ltd. and its Subsidiaries**

For the years ended March 31, 2010 and 2009

<table>
<thead>
<tr>
<th>Net cash provided by (used in) operating activities</th>
<th>Millions of Yen</th>
<th>Thousand of U.S. Dollars (Note 3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>2009</td>
<td>2010</td>
</tr>
<tr>
<td>Income before income taxes and minority interests</td>
<td>¥32,555</td>
<td>¥32,075</td>
</tr>
<tr>
<td>Adjustments to reconcile income before income taxes and minority interest to net cash provided by operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>20,403</td>
<td>25,218</td>
</tr>
<tr>
<td>impairment loss</td>
<td>178</td>
<td>1,919</td>
</tr>
<tr>
<td>Increase (decrease) in allowance for doubtful accounts</td>
<td>2</td>
<td>103</td>
</tr>
<tr>
<td>Increase (decrease) in provision for bonuses</td>
<td>(118)</td>
<td>(986)</td>
</tr>
<tr>
<td>Increase (decrease) in provision for retirement benefits</td>
<td>(17,640)</td>
<td>(71) (189,600)</td>
</tr>
<tr>
<td>Interest and dividends income</td>
<td>(833)</td>
<td>(1,608) (8,956)</td>
</tr>
<tr>
<td>Interest expenses</td>
<td>358</td>
<td>337</td>
</tr>
<tr>
<td>Equity in (earnings) of associates</td>
<td>(768)</td>
<td>(333) (8,285)</td>
</tr>
<tr>
<td>Loss (gain) on sales and retirement of noncurrent assets</td>
<td>1,631</td>
<td>(346) 17,540 (3,724)</td>
</tr>
<tr>
<td>Loss (gain) on sales of stock of subsidiaries and affiliates</td>
<td>(22)</td>
<td>— 245</td>
</tr>
<tr>
<td>Loss (gain) on valuation of investment securities</td>
<td>78</td>
<td>3,291 846 35,734</td>
</tr>
<tr>
<td>Loss on liquidation of investment securities</td>
<td>122</td>
<td></td>
</tr>
<tr>
<td>Loss on liquidation of business</td>
<td>3,925</td>
<td></td>
</tr>
<tr>
<td>Subtotal</td>
<td>45,636</td>
<td>57,939</td>
</tr>
<tr>
<td>Calculation of operating activities</td>
<td>22,952</td>
<td>26,870</td>
</tr>
<tr>
<td>Proceeds from sales and redemption of short-term and long term investment securities</td>
<td>188</td>
<td>2,500 2,030 26,870</td>
</tr>
<tr>
<td>Other, net</td>
<td>(276)</td>
<td>(681) 2,974 7,333</td>
</tr>
<tr>
<td>Net cash provided by (used in) operating activities</td>
<td>47,326</td>
<td>50,166</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net cash provided by (used in) investing activities</th>
<th>Millions of Yen</th>
<th>Thousand of U.S. Dollars (Note 3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payments into time deposits</td>
<td>(6,361)</td>
<td>(620) (68,370) (6,672)</td>
</tr>
<tr>
<td>Proceeds from withdrawal of time deposits</td>
<td>572</td>
<td>6,154</td>
</tr>
<tr>
<td>Purchase of property, plant and equipment</td>
<td>(19,752)</td>
<td>(26,980) (212,303) (289,986)</td>
</tr>
<tr>
<td>Proceeds from sales of property, plant and equipment</td>
<td>829</td>
<td>8,919 25,749</td>
</tr>
<tr>
<td>Purchase of intangible assets</td>
<td>(918)</td>
<td>(742) 9,871 (7,986)</td>
</tr>
<tr>
<td>Purchase of investment securities</td>
<td>(1,576)</td>
<td>(2,518) (14,795) (27,069)</td>
</tr>
<tr>
<td>Proceeds from sales and redemption of short-term and long term investment securities</td>
<td>188</td>
<td>2,500 2,030 26,870</td>
</tr>
<tr>
<td>Other, net</td>
<td>(276)</td>
<td>(681) 2,974 7,333</td>
</tr>
<tr>
<td>Net cash provided by (used in) investing activities</td>
<td>(27,094)</td>
<td>(25,234) (291,210) (271,224)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net cash provided by (used in) financing activities</th>
<th>Millions of Yen</th>
<th>Thousand of U.S. Dollars (Note 3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase (decrease) in short-term loans payable</td>
<td>(2,902)</td>
<td>(7,736) (31,192) 18,668</td>
</tr>
<tr>
<td>Proceeds from issuance of bonds</td>
<td>10,000</td>
<td>107,481</td>
</tr>
<tr>
<td>Redemption of bonds</td>
<td>(10,000)</td>
<td>(107,481)</td>
</tr>
<tr>
<td>Purchase of treasury stock</td>
<td>(1,508)</td>
<td>(7,489) (16,208) (80,498)</td>
</tr>
<tr>
<td>Cash dividends paid</td>
<td>(4,186)</td>
<td>(5,873) (44,999) (63,131)</td>
</tr>
<tr>
<td>Cash dividends paid to minority shareholders</td>
<td>(749)</td>
<td>(1,538) (9,052) (14,911)</td>
</tr>
<tr>
<td>Other, net</td>
<td>(57)</td>
<td>(12) (600) 133</td>
</tr>
<tr>
<td>Net cash provided by (used in) financing activities</td>
<td>598</td>
<td>6,430 246,700</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Effect of exchange rate change on cash and cash equivalents</th>
<th>Millions of Yen</th>
<th>Thousand of U.S. Dollars (Note 3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase (decrease) in cash and cash equivalents</td>
<td>(618)</td>
<td>(2,348) (6,637) (25,225)</td>
</tr>
<tr>
<td>Cash and cash equivalents at beginning of year</td>
<td>20,212</td>
<td>(4,899) 217,246 (52,650)</td>
</tr>
<tr>
<td>Cash and cash equivalents at end of year</td>
<td>46,627</td>
<td>51,525 501,154 553,004</td>
</tr>
</tbody>
</table>

### Notes to Consolidated Financial Statements

#### 1. Basis of Presentation of Consolidated Financial Statements:

The accompanying consolidated financial statements have been prepared based on the accounts maintained by Stanley Electric Co., Ltd. (the “Company”) and all of its domestic subsidiaries in accordance with the provisions set forth in the Japanese Corporation Law, the Financial Instruments and Exchange Law and the related accounting regulations, and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards. The accompanying consolidated financial statements also include the accounts of all of its overseas subsidiaries. The financial statements of the Company’s overseas consolidated subsidiaries for consolidation purposes have been prepared in conformity with International Financial Reporting Standards or accounting principles generally accepted in the United States of America.

Certain items presented in the consolidated financial statements filed with the Kanto Finance Bureau of the Ministry of Finance in Japan have been reclassified and translated into English for the convenience of readers outside Japan. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not considered necessary for fair presentation, is not presented in the accompanying consolidated financial statements.

#### 2. Summary of Significant Accounting Policies:

(a) Principles of Consolidation

The consolidated financial statements include the accounts of the Company and all of its subsidiaries. At March 31, 2010 and 2009, the Company had 54 and 33 subsidiaries, respectively. All significant inter-company balances, transactions and unrealized profits have been eliminated. The assets and liabilities of subsidiaries acquired in a business combination are recorded based on their full fair values at the time of consummation. The excess of the cost over the fair value of the underlying net assets of investments in subsidiaries (“goodwill”) is being amortized by the straight-line method over a five-year period.

Investments in affiliates are accounted for by the equity method. Investments in certain affiliates are stated at cost because the effect of application of the equity method would be immaterial.

(b) Cash and Cash Equivalents

Cash and cash equivalents in the consolidated financial statements comprise cash on hand, bank deposits able to be withdrawn on demand and short-term investments with an original maturity of three months or less and for which there is a minor risk of material fluctuations in value.

(c) Financial Instruments

1. Derivatives

Derivatives designated as hedging instruments by the Company are forward exchange contracts. The related hedged items are accounts receivable denominated in foreign currencies.

The Company has a policy of utilizing the above hedging instruments in order to reduce the Company's exposure to the risk of foreign currency fluctuations. Accordingly, the Company’s purchases of hedging instruments are limited to, at maximum, the amounts of hedged items, and losses resulting from forward exchange contracts are principally deferred as an asset or a liability. Contract amounts for US$ basis and Euro basis are ¥1,844 million ($19,823 thousand) and ¥463 million ($4,979 thousand), respectively, and fair values for them are ¥1,888 million ($20,296 thousand) and ¥453 million ($4,873 thousand), respectively. The method used to calculate the fair value is based on forward exchange rate.

2. Securities

Securities except for investments in affiliates are classified depending on management’s intent as either ‘Hold-to-maturity securities’ or ‘Available-for-sale securities’. Hold-to-maturity securities which are expected to be held to maturity are carried at amortized cost. Available-for-sale securities, for which fair values are available, are stated at fair value with any unrealized gains or losses reported as a separate component of net assets at a net-of-tax amount. Available-for-sale securities, for which fair values are unavailable, are stated at cost. Cost of securities sold is determined by the moving-average method.

(d) Allowance for Doubtful Accounts

The allowance for doubtful accounts has been provided based upon estimated uncollectible amounts for individually identified doubtful accounts and historical loss experience for other accounts.

(e) Inventories

Inventories are mainly stated at cost by the periodic average method (As for the value stated in the balance sheets, the method of book value devaluation based on decline in profitability is used).

(f) Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation. In fiscal year 2008, the straight-line method was used for the following property, plant and equipment:

- All buildings (excluding attached structures) of the Company and its domestic subsidiaries
- Molds and tools of the Company and its domestic subsidiaries
- Yamagata plant
- Property, plant and equipment of overseas subsidiaries

### Property, plant, and equipment

- **Property, plant, and equipment**
  - **Property, plant, and equipment in Japan**
  - **Property, plant, and equipment in overseas subsidiaries**

### Inventories

- **Inventories**
  - **Inventories in Japan**
  - **Inventories in overseas subsidiaries**

### Financial Instruments

- **Financial Instruments**
  - **Available-for-sale securities**
  - **Held-to-maturity securities**

### Derivatives

- **Derivatives**
  - **Hedging instruments**
  - **Forward exchange contracts**

### Basis of Presentation

- **Consolidated Financial Statements**
  - **Japanese Corporation Law**
  - **Financial Instruments and Exchange Law**
  - **International Financial Reporting Standards**

### Summary of Significant Accounting Policies

- **Principles of Consolidation**
- **Cash and Cash Equivalents**
- **Financial Instruments**
- **Derivatives**
- **Inventories**
- **Property, Plant and Equipment**

---

The accompanying notes are an integral part of these statements.
The depreciation of other property, plant and equipment of the Company and its domestic subsidiaries was computed using the declining-balance method at rates based on the estimated useful lives of the assets. In fiscal year 2009, the straight-line method is used for all property, plant and equipment.

The range of useful lives is as follows:
- Buildings and structures: 30 to 50 years
- Machinery, equipment and vehicles: 4 to 15 years

(The change to the method of computing the depreciation of property, plant and equipment)

Prior to April 1, 2009, the declining-balance method was used to compute the depreciation of all property, plant and equipment other than buildings (excluding attached structures), molds and tools included in tools, furniture and fixtures, and the Yamagata plant. Effective April 1, 2009, however, the Company and its domestic subsidiaries changed to the straight-line method.

The Company has undertaken gradual restructuring and made a plant and equipment investment at the Hatano Factory, which is the location of the automobile headlamp plant in Japan, with the aim of making the Company a model plant where the quality headlamp can be pursued to its ultimate. The Company is implementing this restructuring in order to meet its customers' demand for quality, for example through improvements to the quality of the headlamps, by incorporating the know-how the Company cultivated in its "innovation-in-production" activities into the design stage of the buildings, developing the plant as a plant that pursues maximum investment efficiency, pushing production efficiency to the maximum, and taking exhaustive actions to control waste and dust in order to create a cleaner manufacturing environment.

Furthermore, based on the same policy as for the Hatano Factory, the Company has been making a series of plant and equipment investments in other production plants including the Hamamatsu Factory, the Okazaki Factory and the new Hiroshima plant, etc.

The culmination of these efforts, the second phase of construction of the new No. 1 Plant at Hatano Factory, was completed during the year under review, and the new plant also commenced operations. The Company took this opportunity to review the method of computing depreciation and realized that the Company had been using particularly on plant and equipment investment in the production plants. As a result of this review, the Company judged that allocating the depreciation costs equally over the period that the property, plant and equipment can be used is appropriate for the purpose of matching costs and revenues, because the performance of the plant and equipment has improved, the risk of technological or economic obsolescence is small, and the costs of maintaining the plant and equipment, such as repairs, etc., are averaging out at about the same as the cost savings. Therefore, the Company changed the method of computing depreciation from the declining-balance method to the straight-line method.

The Company took the opportunity of the above change to change the method of computing depreciation to the straight-line method for the consolidated financial statements of the Company and its domestic subsidiaries. Accordingly, the Company, and all in the consolidated subsidiaries adopted the straight-line method for computing the depreciation of property, plant and equipment effective April 1, 2009.

The effect of this change was to increase operating income by ¥3,045 million ($32,737 thousand) and income before income taxes and minority interests by ¥3,189 million ($34,283 thousand) for the year ended March 31, 2010, compared to the results that would have been obtained under the former method.

(g) Intangible Assets
Software development costs for those purposes that are intended for internal use are capitalized and amortized. Amortization of such software is computed using the straight-line method over a five-year period.

(h) Leases
Finance leases of the Company and its domestic subsidiaries in which the ownership of the leased properties does not transfer to the lessee and that started after April 1, 2008 are accounted for in a manner similar to the accounting for ordinary purchase transactions and the leased properties are capitalized as lease assets. Depreciation of lease assets concerning finance lease transactions in which the ownership of the leased properties does not transfer to the lessee is calculated using the straight-line method over the lease terms without residual value. Finance lease transactions in which the ownership of the leased properties does not transfer to the lessees and that started before April 1, 2008 are accounted for in a manner similar to the accounting for ordinary rental transactions.

(i) Research and Development Costs
Research and development costs are entirely charged to income as incurred.

(j) Bond Issue Costs
Bond issue costs are charged to income as incurred.

(k) Provision for Bonuses
Provision for bonuses are provided based on the estimated future bonus payments attributable to employees' services rendered during the year.

(l) Provision for retirement benefits
Provision for retirement benefits represent the estimated present value of projected benefit obligations in excess of the fair value of plan assets, unrecognized prior service credit (costs) and unrecognized actuarial differences. Prior service costs are amortized on a straight-line basis over a period within the average remaining service period of 7 to 15 years. Unrecognized actuarial differences are amortized on a straight-line basis over a period within the average remaining service period of 7 to 15 years beginning in the year that follows a year in which they arose.

Provision for retirement benefits in the accompanying consolidated Balance Sheets include unfunded severance benefits for directors, executive officers, employees in certain subsidiaries amounting to ¥12,200 million ($127,732 thousand) at March 31, 2010 and 2009, respectively. The amount is accrued based on the internal guideline as at an amount of required credit put had the covered directors and statutory auditors voluntarily been terminated. The actual payment of these severance benefits is subject to advance approval at a shareholders' meeting.

In accordance with the Defined Benefit Pension Plan Law, the Company and its domestic subsidiaries applied for transfer of the respective portion of pension obligations to the government and obtained approval by the Ministry of Health, Labor and Welfare on March 1, 2010. Based upon this approval, the Company recognized a pension benefit obligation relating in the amount of ¥14,539 million ($156,272 thousand) for the year ended March 31, 2010. At the same time, the Company and its domestic subsidiaries implemented a defined contribution pension plan in March 2010 by which the former employees' pension plan was terminated. Based upon this transfer, the Company recognized a loss on abolition of retirement benefit plan in the amount of ¥2,238 million ($24,051 thousand) for the year ended March 31, 2010.

(m) Income Taxes
Income taxes are provided based on pre-tax income reported for financial reporting purpose. Deferred income taxes are determined using the asset and liability method, whereby deferred tax assets, net of valuation allowance, and liabilities are recognized for the expected future tax consequences of temporary differences between the tax bases of assets and liabilities and their reported amounts in the financial statements.

(n) Accounting for Consumption Taxes
In Japan, consumption taxes are imposed at a flat rate of 5 percent on all domestic consumption of goods and services with certain exceptions. Consumption taxes imposed on the domestic sales of the Company and its domestic subsidiaries are withheld at the time of sale and are paid to the national government and the local public body subsequently. The consumption tax withheld upon sale and the consumption tax paid on the purchases of goods and services are not included in the related amounts in the accompanying consolidated statements of income.

(o) Foreign Currency Translation
All monetary assets and liabilities denominated in foreign currencies, whether long-term or short-term, are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. Resulting gains and losses are included in income or loss for the period and recognized and liabilities accounting on the balance sheet of the foreign subsidiaries are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. Profit and loss accounts for the year are translated into Japanese yen using the average exchange rate during the year. The resulting differences in yen amounts arising from the use of different rates are presented as a separate component of net assets under "foreign currency translation adjustments".

(p) Net Income and Dividends per Share
Net income per share of common stock is calculated by dividing net income available to common shareholders by the weighted-average number of shares of common stock outstanding during each year. The number of common shares used in the net income per share computations was 174,337 thousand and 176,945 thousand in the years ended March 31, 2010 and 2009, respectively. Diluted net income per share information is not presented in the consolidated financial statements because the Company does not have any dilutive common shares. Cash dividends per share shown for each year in the accompanying consolidated statements of income represent dividends declared for each respective year.

3. United States Dollar Amounts:

The Company and its domestic subsidiaries maintain their accounting records in Japanese yen. The dollar amounts included in the consolidated financial statements and notes thereto represent the mathematical conversion of yen amounts to dollars at a rate of ¥93.04= US$1 (revised on March 31, 2008) and ¥90.38=US$1 (revised on March 31, 2007). The inclusion of such dollar amounts is solely for the convenience of readers outside Japan and is not intended to imply that yen amounts have been or could be readily converted, realized or settled in U.S. dollars at this or any other rate.

4. Inventories:

Inventories at March 31, 2010 and 2009 consisted of the following:

5. Financial Instruments:

<Additional Information>

Effective from the fiscal year ended March 31, 2010, the Company adopted the revised Accounting Standard, "Accounting Standard No.21, Accounting Standard for Financial Instruments (including Derivative Financial Instruments) (Revised: March 15, 2008)" and the "Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No.19 revised on March 10, 2008). Information on financial instruments for the year ended March 31, 2010 required pursuant to the revised accounting standards is as follows.

Millions of Yen Thousands of U.S. Dollars

<table>
<thead>
<tr>
<th>Year</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finished goods</td>
<td>18,023</td>
<td>18,284</td>
</tr>
<tr>
<td>Work in process</td>
<td>2,095</td>
<td>1,491</td>
</tr>
<tr>
<td>Raw materials and supplies:</td>
<td>3,939</td>
<td>4,758</td>
</tr>
</tbody>
</table>

In accordance with the defined fair value of financial instruments of the government and obtained approval by the Ministry of Health, Labor and Welfare on March 1, 2010. Based upon this approval, the Company recognized a pension benefit obligation relating in the amount of ¥14,539 million ($156,272 thousand) for the year ended March 31, 2010. At the same time, the Company and its domestic subsidiaries implemented a defined contribution pension plan in March 2010 by which the former employees' pension plan was terminated. Based upon this transfer, the Company recognized a loss on abolition of retirement benefit plan in the amount of ¥2,238 million ($24,051 thousand) for the year ended March 31, 2010.
<Financial Instruments>

1. Qualitative information on financial instruments

(1) Policies for using financial instruments

The Company and its consolidated subsidiaries place importance on "safety", the first priority, "liquidity", the second priority, and "profitability", the third priority, to manage financial instruments. The ways of raising capital are mainly based on bond issue and bank loans. Derivatives are utilized for mitigating risks which will hereinafter be described, and not for speculation purposes.

(2) Details of financial instruments used, the exposures to risk and policies and processes for managing the risk

Cash and cash equivalents and time deposits are exposed to credit-related losses of correspondent financial institutions. In order to mitigate this risk, the Company and its consolidated subsidiaries conduct a transaction with only high credit-rating financial institutions as a result of attaching importance to safety, which is stated in "Policy of Dealing with Financial Institutions".

Notes and accounts receivable-trade, which are operating receivables, are exposed to credit-related losses of customers. In order to mitigate this risk, the Company and its consolidated subsidiaries conduct a transaction with only high credit-rating financial institutions as a result of attaching importance to safety, which is stated in "Policy of Dealing with Financial Institutions".

Operating receivables in foreign currency are exposed to currency rate fluctuation risks. In order to mitigate this risk, the Company and its consolidated subsidiaries establish a system in which business administration staff of each department conduct due date controls and management of balance by collection of debts during a specified period under the terms and conditions. The Company and its consolidated subsidiaries sell the products in Japan, the Americas, and other regions, and operating receivables in foreign currency are exposed to currency rate fluctuations. In order to mitigate this risk, the Company and its consolidated subsidiaries offset the risk with forward exchange contracts, and execute and manage them in departments in charge of Accounting and Overseas. In addition, forward exchange contracts are conducted based on company regulations decided in management conferences etc. which are a decision-making setting of each company.

Investment securities are mainly composed of the stock of companies with on-the-job relationship, and they are exposed to market fluctuation risks. The Company and its consolidated subsidiaries keep track of fair value every month for risk mitigation.

As for notes and accounts payable-trade, which are operating payables, most of the due for payments are set within a year. Short-term loans are mainly for raising operating capital, and bonds are for raising operating capital and equipment fund. Operating receivables, payables, debts, and bonds are exposed to the risk of liquidity. The Company and its consolidated subsidiaries manage the risk by preparing statements of cash receipts and disbursement.

2. Fair value of financial instruments

(1) The carrying amount recorded on the consolidated balance sheets, fair value and unrealized gains (losses) as of March 31, 2010 were as follows. The financial instruments for which fair value is extremely difficult to identify are not included in the following chart (Note 2).

<table>
<thead>
<tr>
<th>Financial Instruments</th>
<th>Fair Value</th>
<th>Unrealized Gains (Losses)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Notes and accounts payable-trade (1)</td>
<td>¥8,063,711</td>
<td>—</td>
</tr>
<tr>
<td>Accounts receivable-trade (1)</td>
<td>¥36,297,210</td>
<td>—</td>
</tr>
<tr>
<td>Allowance for doubtful accounts (2)</td>
<td>¥—</td>
<td>—</td>
</tr>
<tr>
<td>Total</td>
<td>¥44,354,921</td>
<td>—</td>
</tr>
</tbody>
</table>

(2) The method used to calculate fair value of financial instruments, securities, and derivatives is as follows:

Assets

(1) Cash and cash equivalents, (2) Time deposits, and (3) Notes and accounts receivable-trade

The carrying amount is used to determine fair value because fair value is almost equivalent to the carrying amount. However, fair value of debt securities and MFIF is based on the price presented by correspondent financial institutions.

(4) Short-term investment securities and investment securities

Fair value of short-term investment securities and investment securities is determined by the stock exchange price. Please refer to "<Securities>" for the notes of each security.

Liabilities

(1) Notes and accounts payable-trade, and (2) Short-term loans payable

The carrying amount is used to determine fair value because fair value is almost equivalent to the carrying amount.

(3) Bonds payable

Fair value of bonds issued by the Company is based on the price presented by correspondent financial institutions.

(4) Lease obligations

The carrying amount is used to determine fair value because fair value is almost equivalent to the carrying amount.

Derivatives

Details of derivatives are stated in the "2. Summary of Significant Accounting Policies; (c) Financial Instruments".

(1) Notes (2) Financial instruments for which fair value is extremely difficult to identify were as follows:

| Unlisted shares | ¥3,395 | $36,494 |

This is not included in the "(4) Short-term investment securities and investment securities" because the market price does not exist and fair value is extremely difficult to identify.

Note 3 The redemption schedule for monetary claims and securities with maturity dates subsequent to March 31, 2010 is summarized as follows:

<table>
<thead>
<tr>
<th>Due in one year or less</th>
<th>Due after one year through five years</th>
<th>Over five years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>¥16,541</td>
<td>¥—</td>
</tr>
<tr>
<td>Time deposits</td>
<td>¥4,337</td>
<td>¥—</td>
</tr>
<tr>
<td>Notes and accounts receivable-trade</td>
<td>¥49,024</td>
<td>18</td>
</tr>
<tr>
<td>Other</td>
<td>¥2,063</td>
<td>22</td>
</tr>
<tr>
<td>Total</td>
<td>¥169,902</td>
<td>¥2,081</td>
</tr>
</tbody>
</table>

(4) The repayment schedule for bonds payable and lease obligations subsequent to March 31, 2010 is summarized as follows:

<table>
<thead>
<tr>
<th>Due in one year or less</th>
<th>Due after one year through five years</th>
<th>Over five years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonds payable</td>
<td>¥—</td>
<td>¥10,000</td>
</tr>
<tr>
<td>Lease obligations</td>
<td>¥52</td>
<td>¥118</td>
</tr>
<tr>
<td>Total</td>
<td>¥52</td>
<td>¥118</td>
</tr>
</tbody>
</table>

<Securities>

(1) The fair value recorded on the consolidated balance sheets, acquisition cost, and unrealized gains (losses) of available-for-sale securities for which fair values are available as of March 31, 2010 and 2009 were as follows:

<table>
<thead>
<tr>
<th>Available-for-sale securities</th>
<th>Fair Value</th>
<th>Acquisition cost</th>
<th>Unrealized gains (losses)</th>
<th>Fair Value</th>
<th>Acquisition cost</th>
<th>Unrealized gains (losses)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity securities</td>
<td>¥29,954</td>
<td>¥6,880</td>
<td>¥23,074</td>
<td>¥321,954</td>
<td>¥73,953</td>
<td>¥248,001</td>
</tr>
<tr>
<td>Available-for-sale securities</td>
<td>¥238</td>
<td>¥283</td>
<td>¥(45)</td>
<td>¥52,549</td>
<td>¥3,043</td>
<td>¥(494)</td>
</tr>
<tr>
<td>Total</td>
<td>¥30,192</td>
<td>¥7,163</td>
<td>¥23,029</td>
<td>¥324,503</td>
<td>¥76,996</td>
<td>¥247,507</td>
</tr>
</tbody>
</table>
The aggregate annual maturities of bonds subsequent to March 31, 2010 are summarized as follows:

<table>
<thead>
<tr>
<th>Years ending March 31</th>
<th>Millions of Yen</th>
<th>Thousands of U.S. Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>¥10,000</td>
<td>$107,481</td>
</tr>
<tr>
<td>2015</td>
<td>¥10,000</td>
<td>$107,481</td>
</tr>
</tbody>
</table>

The aggregate annual maturities of lease obligations subsequent to March 31, 2010 are summarized as follows:

<table>
<thead>
<tr>
<th>Years ending March 31</th>
<th>Millions of Yen</th>
<th>Thousands of U.S. Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>¥53</td>
<td>$566</td>
</tr>
<tr>
<td>2012</td>
<td>49</td>
<td>536</td>
</tr>
<tr>
<td>2013</td>
<td>37</td>
<td>407</td>
</tr>
<tr>
<td>2014</td>
<td>21</td>
<td>235</td>
</tr>
<tr>
<td>2015 and thereafter</td>
<td>12</td>
<td>111</td>
</tr>
<tr>
<td></td>
<td>¥172</td>
<td>$1,885</td>
</tr>
</tbody>
</table>

7. Commitment Lines

In order to facilitate efficient working-capital management, the Company maintains committed lines of credit with 10 financial institutions. The unused balance of credit lines under these commitments was as follows:

<table>
<thead>
<tr>
<th></th>
<th>Millions of Yen</th>
<th>Thousands of U.S. Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>¥10,000</td>
<td>$107,481</td>
</tr>
<tr>
<td>2015</td>
<td>¥10,000</td>
<td>$107,481</td>
</tr>
</tbody>
</table>

Credit lines unused

<table>
<thead>
<tr>
<th></th>
<th>Millions of Yen</th>
<th>Thousands of U.S. Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>¥10,000</td>
<td>$107,481</td>
</tr>
<tr>
<td>2015</td>
<td>¥10,000</td>
<td>$107,481</td>
</tr>
</tbody>
</table>

8. Income Taxes:

The statutory tax rate used for calculating deferred tax assets and liabilities in the years ended March 31, 2010 and 2009 was approximately 40.4%.

At March 31, 2010 and 2009, significant components of deferred tax assets and liabilities were as follows:

<table>
<thead>
<tr>
<th>Years ending March 31</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accrued defined benefit transferred</td>
<td>¥1,780</td>
<td>¥51,442</td>
</tr>
<tr>
<td>Provision for bonuses</td>
<td>1,271</td>
<td>1,320</td>
</tr>
<tr>
<td>Loss on liquidation of business</td>
<td>476</td>
<td>5,119</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>305</td>
<td>203</td>
</tr>
<tr>
<td>Tax loss carry forwards</td>
<td>202</td>
<td>449</td>
</tr>
<tr>
<td>Accrued reinsurance</td>
<td>68</td>
<td>118</td>
</tr>
<tr>
<td>Other</td>
<td>654</td>
<td>509</td>
</tr>
<tr>
<td>Less valuation allowance</td>
<td>5,766</td>
<td>6,186</td>
</tr>
<tr>
<td>Total deferred tax assets</td>
<td>5,095</td>
<td>5,254</td>
</tr>
<tr>
<td>Deferred tax liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unbundled earnings of subsidiaries and affiliates</td>
<td>(279)</td>
<td>(2,907)</td>
</tr>
<tr>
<td>Other</td>
<td>(30)</td>
<td>(46)</td>
</tr>
<tr>
<td>Total deferred tax liabilities</td>
<td>(309)</td>
<td>(342)</td>
</tr>
<tr>
<td>Net deferred tax assets</td>
<td>¥4,786</td>
<td>¥51,442</td>
</tr>
</tbody>
</table>

2. Non-current assets

Deferred tax assets:

- Tax loss carry forwards: ¥1,473 $15,842
- Loss on liquidation of business: 487 5,241
- Provision for retirement benefits: 303 3,260 95,081
- Unrealized intercompany profit on plant, property and equipment: 281 3,302 3,571
- Loss on retirement of noncurrent assets: — 559 6,017
- Other: 141 1,885 20,248

Less valuation allowance: 2,685 11,679 28,868 125,517

Total deferred tax assets: 858 11,157 9,255 119,920

Deferred tax liabilities:

- Valuation difference on available-for-sale securities: — (9,900) (6,381)
- Reserve for advanced depreciation of noncurrent assets: — (999) (10,728)
- Total deferred tax liabilities: (6,988) (75,109)

Net deferred tax assets: ¥4,786 ¥51,442 $24,363

3. Current liabilities

Deferred tax liabilities:

- Allowance for doubtful accounts: ¥3 ¥3 ¥21 ¥59
- Other: 12 6 126 68

Total deferred tax liabilities: ¥13 ¥9 ¥147 ¥107

4. Non-current liabilities

Deferred tax liabilities:

- Valuation difference on available-for-sale securities: ¥9,308 ¥100,050
- Reserve for advanced depreciation of noncurrent assets: 995 10,700
- Depreciation: 703 765 8,282
- Other: 111 103 1,183 1,112

Total deferred tax liabilities: 11,177 119,494 9,340

Deferred tax assets:

- Provision for retirement benefits: (1,506) (16,191)
- Loss on retirement of noncurrent assets: (551) (7,383)
- Other: (895) (431) (9,606) (4,637)

Total deferred tax assets: (2,952) (29,580) (4,637)

Net deferred tax liabilities: ¥88,914 ¥44,905

A reconciliation of the statutory tax rate to the effective income tax rate for the years ended March 31, 2010 and 2009 is as follows:

<table>
<thead>
<tr>
<th>Years ending March 31</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statutory income tax rate</td>
<td>40.4%</td>
<td>40.4%</td>
</tr>
<tr>
<td>Increase (decrease) in taxes resulting from:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lower statutory tax rates: (7.9%) (10.9%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Entertainment and other non-deductible expenses: 0.9% 1.7%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends income not taxable: (3.5%) (3.0%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pet. capital levy of local resident income taxes 0.2% 0.3%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tax credits for research and development: (1.0%) (1.4%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other tax credits: (1.5%) (9.6%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends income from foreign subsidiaries: 1.7% 13.0%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase in valuation allowance: 5.8% 8.0%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other: 1.6% 2.2%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Effective income tax rate: 38.0% 33.0%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
9. Provision for Retirement Benefits:

The Company and its domestic subsidiaries had operated employees’ pension fund plans, qualified plans, and the severance lump-sum payment plan. On March 1, 2010, the Company and its domestic subsidiaries implemented a defined contribution pension plan to which the former employees’ pension fund plan was terminated. The obligation for terminated employees’ pension fund plan was transferred to defined benefit pension fund which was established on the same day along with qualified plans and the severance lump-sum payment plan. Certain overseas consolidated subsidiaries operate defined benefits pension plan as well as defined contribution pension plans.

The Company and its domestic subsidiaries obtained approval by the Ministry of Health, Labor and Welfare for exemption from the future obligation on April 1, 2008, and for transfer of the substitutional portion of the past pension obligation to the government on March 1, 2010.

The balance of provision for retirement benefits as of March 31, 2010 and 2009 is analyzed as follows:

<table>
<thead>
<tr>
<th>Projected benefit obligations</th>
<th>Million of ¥</th>
<th>Million of U.S. Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>167,187</td>
<td>$1,000,659</td>
</tr>
<tr>
<td>2009</td>
<td>172,138</td>
<td>$1,081,678</td>
</tr>
<tr>
<td>2008</td>
<td>172,567</td>
<td>$1,087,115</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Plan assets</th>
<th>Million of ¥</th>
<th>Million of U.S. Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>49,282</td>
<td>$529,684</td>
</tr>
<tr>
<td>2009</td>
<td>46,252</td>
<td>$497,115</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Unfunded status</th>
<th>Million of ¥</th>
<th>Million of U.S. Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>17,905</td>
<td>$192,454</td>
</tr>
<tr>
<td>2009</td>
<td>54,387</td>
<td>$584,563</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Unrecognized actuarial loss</th>
<th>Million of ¥</th>
<th>Million of U.S. Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>(13,495)</td>
<td>(145,052)</td>
</tr>
<tr>
<td>2009</td>
<td>(57,190)</td>
<td>(399,727)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Unrecognized prior service credit (cost)</th>
<th>Million of ¥</th>
<th>Million of U.S. Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>(1)</td>
<td>(11)</td>
</tr>
<tr>
<td>2009</td>
<td></td>
<td>53,236</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total</th>
<th>Million of ¥</th>
<th>Million of U.S. Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>4,409</td>
<td>$47,391</td>
</tr>
<tr>
<td>2009</td>
<td>22,150</td>
<td>$238,072</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Prepaid pension expenses</th>
<th>Million of ¥</th>
<th>Million of U.S. Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>(122)</td>
<td>(1,315)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Provision for employees’ retirement benefits</th>
<th>Million of ¥</th>
<th>Million of U.S. Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>4,531</td>
<td>$48,706</td>
</tr>
<tr>
<td>2009</td>
<td>22,150</td>
<td>$238,072</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Provision for directors’ retirement benefits</th>
<th>Million of ¥</th>
<th>Million of U.S. Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>122</td>
<td>1,309</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total provision for retirement benefits</th>
<th>Million of ¥</th>
<th>Million of U.S. Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>14,453</td>
<td>$150,015</td>
</tr>
<tr>
<td>2009</td>
<td>222,251</td>
<td>$239,594</td>
</tr>
</tbody>
</table>

(Note) “Other” consists of mainly contributions to defined contribution pension plan.

The effects of the transition from a portion of employees’ pension fund plan to defined contribution pension plan for the year ended March 31, 2010 were as follows:

<table>
<thead>
<tr>
<th>Gain on transfer of benefit obligation relating to employees’ pension fund</th>
<th>Million of ¥</th>
<th>Million of U.S. Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Machinery, equipment and vehicles</td>
<td>1182</td>
<td>$12,555</td>
</tr>
<tr>
<td>Tools, furniture and fixtures</td>
<td>628</td>
<td>6,759</td>
</tr>
<tr>
<td>Other</td>
<td>122</td>
<td>1,312</td>
</tr>
</tbody>
</table>

Accumulated depreciation:

<table>
<thead>
<tr>
<th>Machinery, equipment and vehicles</th>
<th>Million of ¥</th>
<th>Million of U.S. Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>108</td>
<td>156</td>
<td>1,166</td>
</tr>
<tr>
<td>Tools, furniture and fixtures</td>
<td>474</td>
<td>7,103</td>
</tr>
<tr>
<td>Other</td>
<td>68</td>
<td>737</td>
</tr>
</tbody>
</table>

Net book value:

<table>
<thead>
<tr>
<th>Machinery, equipment and vehicles</th>
<th>Million of ¥</th>
<th>Million of U.S. Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>74</td>
<td>99</td>
<td>801</td>
</tr>
<tr>
<td>Tools, furniture and fixtures</td>
<td>154</td>
<td>1,656</td>
</tr>
<tr>
<td>Other</td>
<td>54</td>
<td>575</td>
</tr>
</tbody>
</table>

Components of net periodic pension expenses relating to the retirement benefits for the years ended March 31, 2010 and 2009 were as follows:

<table>
<thead>
<tr>
<th>Million of ¥</th>
<th>Million of U.S. Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Decrease in projected benefit obligations</td>
<td>$(2,220)</td>
</tr>
<tr>
<td>Unrecognized actuarial loss</td>
<td>4,957</td>
</tr>
</tbody>
</table>

The assets to be transferred to defined contribution pension plan amount to ¥12,378 million ($133,049 thousand).

10. Leases:

(1) Finance leases (capitalized):

Effective April 1, 2008, the Company and its domestic subsidiaries have adopted Accounting Standard for Lease Transactions, and finance transactions other than those that are expected to transfer ownership of the assets to the lessee are accounted for as lease assets and lease obligations.

The lease assets acquired after April 1, 2008, include mainly information technology device and vehicles as of March 31, 2010 and 2009. The depreciation is calculated using the straight-line method over the lease term of the lease assets assuming no residual value.

(2) Finance leases (non-capitalized):

The certain finance lease transactions other than those that are expected to transfer ownership of the assets to the lessee, of which lease assets were acquired prior to April 1, 2008, continue to be accounted for in a manner similar to the accounting for ordinary rental transactions. Pro-forma information relating to the assumed capitalization of those finance leases as of and for the years ended March 31, 2010 and 2009 is as follows:

<table>
<thead>
<tr>
<th>Acquisition costs (Note)</th>
<th>Million of ¥</th>
<th>Million of U.S. Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Machinery, equipment and vehicles</td>
<td>1182</td>
<td>$12,555</td>
</tr>
<tr>
<td>Tools, furniture and fixtures</td>
<td>628</td>
<td>6,759</td>
</tr>
<tr>
<td>Other</td>
<td>122</td>
<td>1,312</td>
</tr>
</tbody>
</table>

Accumulated depreciation:

<table>
<thead>
<tr>
<th>Machinery, equipment and vehicles</th>
<th>Million of ¥</th>
<th>Million of U.S. Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>108</td>
<td>156</td>
<td>1,166</td>
</tr>
<tr>
<td>Tools, furniture and fixtures</td>
<td>474</td>
<td>7,103</td>
</tr>
<tr>
<td>Other</td>
<td>68</td>
<td>737</td>
</tr>
</tbody>
</table>

Net book value:

<table>
<thead>
<tr>
<th>Machinery, equipment and vehicles</th>
<th>Million of ¥</th>
<th>Million of U.S. Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>74</td>
<td>99</td>
<td>801</td>
</tr>
<tr>
<td>Tools, furniture and fixtures</td>
<td>154</td>
<td>1,656</td>
</tr>
<tr>
<td>Other</td>
<td>54</td>
<td>575</td>
</tr>
</tbody>
</table>

11. Appropriation of Retained Earnings:

 Appropriation of retained earnings are not accrued in the financial statements for the period to which they relate, but are recorded in the subsequent accounting period after board of directors’ approval has been obtained. Retained earnings at March 31, 2010 included amounts representing final cash dividends of ¥2,262 million ($24,319 thousand) which were approved at the board meeting held on May 24, 2010.

12. Commitments and Contingent Liabilities:

The Company was contingently liable as guarantor for loans of ¥10 million ($108 thousand) from certain financial institutions in respect of employees’ housing, as of March 31, 2010.

<table>
<thead>
<tr>
<th>Million of ¥</th>
<th>Million of U.S. Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Due within one year</td>
<td>1153</td>
</tr>
<tr>
<td>Due after more than one year</td>
<td>129</td>
</tr>
<tr>
<td>Total</td>
<td>1282</td>
</tr>
</tbody>
</table>

Future lease payments include interest costs since such costs were not significant. This treatment is in accordance with accounting standards for leases generally accepted in Japan.

Both of lease payments and pro-forma depreciation expense for the years ended March 31, 2010 and 2009 amounted to ¥256 million ($2,759 thousand) and ¥328 million ($3,526 thousand), respectively. The pro-forma depreciation is calculated using the straight-line method over the lease term of the lease assets assuming no residual value.

The scheduled maturities of future lease rental payments of finance leases as of March 31, 2010 and 2009 were as follows:

<table>
<thead>
<tr>
<th>Million of ¥</th>
<th>Million of U.S. Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Due within one year</td>
<td>1162</td>
</tr>
<tr>
<td>Due after more than one year</td>
<td>83</td>
</tr>
<tr>
<td>Total</td>
<td>1245</td>
</tr>
</tbody>
</table>

(3) Operating leases:

The schedule of future lease rental payments of operating leases as of March 31, 2010 and 2009 is as follows:

<table>
<thead>
<tr>
<th>Million of ¥</th>
<th>Million of U.S. Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Due within one year</td>
<td>1162</td>
</tr>
<tr>
<td>Due after more than one year</td>
<td>83</td>
</tr>
<tr>
<td>Total</td>
<td>1245</td>
</tr>
</tbody>
</table>
13. Selling, General & Administrative Expenses:

The major components of selling, general & administrative expenses for each of the years ended March 31, 2010 and 2009 included the following:

<table>
<thead>
<tr>
<th>Item</th>
<th>2010</th>
<th>2009</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and bonuses</td>
<td>$10,683</td>
<td>$11,001</td>
<td>$11,482</td>
<td>$11,824</td>
</tr>
<tr>
<td>Net periodic pension expenses</td>
<td>$2,054</td>
<td>$1,574</td>
<td>$2,084</td>
<td>$1,922</td>
</tr>
<tr>
<td>Provision for bonuses</td>
<td>$1,164</td>
<td>$1,131</td>
<td>$1,522</td>
<td>$1,210</td>
</tr>
<tr>
<td>Provision for directors' bonuses</td>
<td>$176</td>
<td>$142</td>
<td>$1,894</td>
<td>$1,537</td>
</tr>
<tr>
<td>Provision of allowance for doubtful accounts</td>
<td>$31</td>
<td>$99</td>
<td>$356</td>
<td>$1,022</td>
</tr>
<tr>
<td>Provision for directors’ retirement benefits</td>
<td>$30</td>
<td>$15</td>
<td>$37</td>
<td>$144</td>
</tr>
</tbody>
</table>

14. Research and Development Costs:

Total research and development costs included in selling, general and administrative expenses for the years ended March 31, 2010 and 2009 were ¥3,586 million ($38,548 thousand) and ¥4,087 million ($43,935 thousand), respectively.

15. Segment Information:

Operating income represents sales less cost of sales and selling, general and administrative expenses.

<table>
<thead>
<tr>
<th>Business segments</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electronic Equipment Business</td>
<td>$12,178</td>
<td>$11,338</td>
</tr>
<tr>
<td>Intersegment sales or transfer</td>
<td>$994</td>
<td>$974</td>
</tr>
<tr>
<td>Total</td>
<td>$13,172</td>
<td>$12,312</td>
</tr>
</tbody>
</table>

The major components of selling, general & administrative expenses for each of the years ended March 31, 2010 and 2009 included:

<table>
<thead>
<tr>
<th>Item</th>
<th>2010</th>
<th>2009</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compensation and benefits</td>
<td>$3,315</td>
<td>$2,474</td>
<td>$3,315</td>
<td>$2,474</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>$14,545</td>
<td>$17,812</td>
<td>$16,068</td>
<td>$19,451</td>
</tr>
<tr>
<td>Electronic Equipment Business</td>
<td>$3,465</td>
<td>$3,166</td>
<td>$3,295</td>
<td>$3,584</td>
</tr>
<tr>
<td>Other Business</td>
<td>$58</td>
<td>$64</td>
<td>$62</td>
<td>$68</td>
</tr>
<tr>
<td>Elimination or Corporate</td>
<td>$18,974</td>
<td>$23,044</td>
<td>$20,397</td>
<td>$24,688</td>
</tr>
<tr>
<td>Intersegment sales or transfer</td>
<td>$2,371</td>
<td>$2,534</td>
<td>$2,371</td>
<td>$2,534</td>
</tr>
<tr>
<td>Total</td>
<td>$21,345</td>
<td>$25,580</td>
<td>$22,951</td>
<td>$27,221</td>
</tr>
</tbody>
</table>

Geographical segments:

<table>
<thead>
<tr>
<th>Sales:</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>$122,160</td>
<td>$118,597</td>
</tr>
<tr>
<td>Intersegment sales or transfer</td>
<td>$4,756</td>
<td>$28,540</td>
</tr>
<tr>
<td>Total</td>
<td>$126,916</td>
<td>$147,137</td>
</tr>
</tbody>
</table>

Capital expenditures:

| Automotive Equipment Business          | $16,378    | $18,813    | $176,037   | $203,209   |
| Electronic Equipment Business          | $1,629     | $3,615     | $17,512    | $38,863    |
| Other Business                        | $78        | $217       | $820       | $2,326     |
| Elimination or Corporate              | $18,085    | $22,665    | $194,279   | $243,388   |
| Total                                  | $20,447    | $20,861    | $179,213   | $220,077   |

Overseas net sales of the Company and its subsidiaries for the years ended March 31, 2010 and 2009 were as follows:

<table>
<thead>
<tr>
<th>Sales net sales</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Automotive Equipment Business</td>
<td>$132,959</td>
<td>$135,709</td>
</tr>
<tr>
<td>Electronic Equipment Business</td>
<td>$32,105</td>
<td>$32,754</td>
</tr>
<tr>
<td>Asia-Pacific</td>
<td>$46,669</td>
<td>$49,124</td>
</tr>
<tr>
<td>Other Regions</td>
<td>$6,952</td>
<td>$10,907</td>
</tr>
<tr>
<td>Total</td>
<td>$185,285</td>
<td>$191,530</td>
</tr>
</tbody>
</table>

Consolidated net sales                     | $2,588,888  | $2,935,323 |

*The Americas* primarily includes the United States of America and Brazil.
*Asia-Pacific* primarily includes the Kingdom of Thailand, Hong Kong, the Socialist Republic of Vietnam, the Republic of India, the Republic of Indonesia, Taiwan, and the Republic of Korea.
*Other Regions* primarily includes the French Republic, the Federal Republic of Germany, and the United Republic of Hungary.
Independent Auditors' Report

To the Shareholders and Board of Directors of Stanley Electric Co., Ltd.:

We have audited the accompanying consolidated balance sheets of Stanley Electric Co., Ltd. and subsidiaries as of March 31, 2010 and 2009, and the related consolidated statements of income, changes in net assets and cash flows for the years then ended, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Stanley Electric Co., Ltd. and subsidiaries as of March 31, 2010 and 2009, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to the following:
As discussed in Note 2(f) to the consolidated financial statements, effective April 1, 2009, the Company and its domestic consolidated subsidiaries changed its method of computing the depreciation of property, plant and equipment.

The U.S. dollar amounts in the accompanying consolidated financial statements are presented solely for convenience. Our audits also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the consolidated financial statements.

KPMG ARSA & Co.
Tokyo, Japan
June 29, 2010

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(As of March 31, 2010)

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avenues to the future. will master the philosophy of manufacturing and open new measures to be implemented. By steadily implementing these provisions of value to customers, operational processes, we embarked on the third three-year management plan. In March 2007, achieving steady results. the globe, we successfully completed the first three-year success our customers enjoy. offering a large variety of products for use in a wide range of electronics products, and, of course, lighting devices. By information and communication devices, automotive value-added products, such as semiconductors, parts for and satisfaction of a modern automotive lifestyle. products in automotive lighting equipment, accessories, and have grown in influence, ability, and knowledge.

Kitano. In those days, there were no more than 8,000 cars it certainly took courage, vision, and a challenging spirit to start a company devoted to the manufacturing of automotive light bulbs.

The Company was named after the intrepid 19th-century During his exploits on the continent of Africa.

Company Profile

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In the third three-year management plan, we have斯坦利电器股份有限公司

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