Annual Report 2009

TOKYO KEIKI INC.

Description of Business

The TOKYO KEIKI Group is engaged in the manufacture and sale of marine instruments, hydraulic equipment, aerospace and defense equipment, instruments and systems for industrial use.

Financial Highlights

Years ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
Net sales	¥45,546	¥51,321	$464,755
Operating income	1,524	3,848	15,551
Income before income taxes and minority interests	1,259	3,569	12,847
Net income	404	2,357	4,122
Total assets	49,672	48,903	506,857
Equity	19,737	20,440	201,398

	Yen		U.S. dollars
Per share of common stock:	2009	2008	2009
Net income (Note 2)	¥4.89	¥27.64	$0.05
Cash dividends	5.00	5.00	0.05

Notes: 1. Yen amounts are translated, for convenience only, at the rate of ¥98=U.S. $1.
2. The computations of net income per share of common stock are based on the weighted average number of shares outstanding during each year.

Sales by Operating Segment

Year ended March 31, 2009

	Millions of yen	% to total	% change (2009/2008)
Marine Systems	¥12,634	27.8%	9.1%
Hydraulic and Pneumatic	11,890	26.1	(18.3)
Fluid Measurement	2,367	5.2	7.8
Defense and Communications	14,227	31.2	(23.9)
Others	4,428	9.7	2.9
Total	¥45,546	100.0%	(11.3)%

To Our Shareholders

Review of Business Operations

The Japanese economy struggled in the first half of the consolidated fiscal year with a burgeoning subprime mortgage crisis and spiraling rise in crude oil and raw material prices with conditions in the second half deteriorating further amidst the mid-September failures of major US investment banks which resulted in a credit crunch triggered by the ensuing global financial crisis. These factors dealt a severe blow to the country's real economy and precipitated a sharp downturn.

The situation was moreover exacerbated by the steep appreciation of the yen, large scale erosion in corporate earnings centering on export-oriented consumer electronics and automobile manufacturers, a sudden and dramatic decline in production and capital investments, as well as rapidly worsening employment conditions.

Against this grim backdrop, the TOKYO KEIKI Group embraced business policies that advocated greater efficiencies of existing businesses and higher added value to further boost earnings, establishment of a solid earnings base with a growth-oriented restructuring of operations, development of our human resources and strengthening of our organizational capabilities. Specific efforts in line with these policies included new product development, improving the efficiencies of various operational processes, promoting total cost down through competitive cost-enhancing activities such as the push for greater commonality of parts used in products and revised purchasing practices, furthering globalization and increasing value added in the products and services provided to overseas markets in addition to efforts related to ameliorating our fixed cost structure and a reorganization of business intended at minimizing the effects of the worsening economic climate.

As the result, overall orders for the Group in the consolidated fiscal year declined 19.6% compared to the previous period to ¥41,993 million due to decreasing orders for marine equipment, hydraulic & pneumatic equipment, and defense & communications equipment. Sales of marine equipment and fluid measurement equipment increased over the previous period, but sales of hydraulic & pneumatic equipment and defense & communications equipment finished below last year's levels. Overall Group sales were ¥45,546 million, a decline of 11.3% compared to the previous year.

Regarding profit and loss, with the 11.3% decline in sales from last year, operating income fell ¥2,324 million to ¥1,524 million. Net income for the year was ¥417 million which was a decrease of ¥1,940 million yen.

Business operations by segments were as follows.

Marine Systems Business

In the commercial vessel market, orders increased over the last year despite a dramatic downturn in the marine shipping market caused by deteriorating business conditions. Sales to shipyards, buoyed by ship construction which continued strong, surpassed the previous year. The coastal vessel market, which had been on a recovery course, registered a steep drop as the result of the worsening economy and orders and sales both declined from the last period. Favorable conditions continued to prevail in the market for government vessels and orders and sales remained at the past year's levels.

In the overseas market, a sharp falloff in orders for new ship construction in Korea and China, construction cancellations, worsening cash flow situation at emerging shipyards, and a dramatic slump in pleasure boat sales resulted in a significant decline in orders from the previous period, although sales - sustained by ongoing brisk ship construction activity at major and strong, medium-sized shipyards - surpassed last year's total. Sales of components and parts for marine equipment service and repair were affected by a hold-off in buying in the second half amid escalating concerns of excessive tonnage resulting from nosediving demand for maritime shipping and the sharp rise in yen currency, but sales efforts which focused on annual maintenance contracts enabled us to post gains in both orders and sales over last year.

Product market launches during this period included a new, IMO-compatible, BR-3200 Series radar, EC-8000 Series electronic chart display system, and ROTI-310 rate of turn indicator for the commercial vessel market and the BR-2550 Series radar for the coastal vessel market.

Overall sales in this segment were ¥12,634 million which represented an increase of ¥1,057 million (9.1%) over the previous year and operating income was ¥1,187 million, a decrease of ¥98 million (7.6%) compared to the last period.

Hydraulic and Pneumatic Business

The plastics processing machinery, machine tool and industrial machinery markets were affected by a steep drop in demand associated with automobile-related investments, and this resulted in a large decrease in orders and sales from the previous period. In the overseas market, the impact of the strong yen as well as falling demand eroded price competitiveness of products causing large declines in orders and sales compared to last year.

In the hydraulic systems segment, business remained strong for bulk carrier hatch cover hydraulic systems and hydraulic test equipment which led to orders and sales gains over the previous year.

Under these circumstances, we pushed forward with development of a new, compact energy-saving power unit with integrated tilt angle control pump, commenced quantity production of a new controller and monitor for hydraulic excavators, and market-released products incorporating inertial sensors for the machine tool market.

As the result of these efforts, overall sales in this segment were ¥11,890 million, a decrease of ¥2,670 million (18.3%) from the previous year, with an operating income of ¥369 million which represented a decline of ¥1,444 million (79.6%) compared to the last period.

Fluid Measurement Equipment Business

In the public sector market, although orders for new water supply and sewerage systems were few, progress continued on the introduction of sophisticated treatment facilities aimed at improving water quality and facilities expansion designed to cope with earthquake disasters, and together with plans relating to replacement of aging water management systems in the agricultural water market and aggressive sales efforts targeted at small and medium-sized cities, the results were orders and sales which both exceeded the levels of the previous year.

Despite tight budget restrictions in the private sector market, brisk business related to ship laser docking system replacements for old equipment helped to boost orders and sales above last year. In the overseas market, favorable growth in business for ultrasonic flowmeters centering on the Korean market was adversely impacted by a rising yen and falling won currency situation, which precipitated some decline in orders and sales from the previous period.

Product market launches during the year included a new, compact radar level sensor of one-piece design which incorporates a flat antenna that is ideal for use in tight spaces such as pipes and sewage drain culverts and a multi-function, portable ultrasonic flowmeter with calorie meter feature which is ideal for energy management.

As the result, overall sales in this segment were ¥2,367 million which was an increase of ¥171 million (7.8%) over the previous year with operating income of ¥328 million, an increase of ¥122 million (59.5%) compared to the last period.

Defense and Communications Equipment Business

In the defense market, total defense-related expenditures decreased 0.8% in the consolidated fiscal year compared to the previous year, and the outlook for any improvement in the medium to long term business environment is not encouraging. Although there were last buys of ESM sets for the F-2 program and increased quantities of HLR-108C countermeasure sets for the SH-60K patrol helicopter during the previous year, large orders this year were few and as such, orders declined significantly from the last period. Although the maintenance business remained at average year levels, there was a large drop in sales due to greatly reduced quantities of HLR-108C countermeasure sets for the SH-60K helicopter.

In the maritime transport equipment market, we posted gains in orders over last year aided by orders for AIS navigation support systems and voice generator equipment. Sales declined relative to the previous year due to decreases in spares business for radars.

In the communications equipment market, there was a substantial decline in orders from last year due to ongoing restraints in capital investments by domestic PHS telecommunications carriers and startup delays related to domestic and overseas next generation WiMAX and iBurst telecommunications infrastructure upgrades. In addition to factors associated with the decrease in orders, sales were negatively affected by a dearth of large-scale project sales comparable to the mobile satellite transmission antenna positioning control systems sold last year.

Product activities included the development and market introduction of amp modules for new and advanced PHS ground stations, frequency converters, HPA modules for high frequency induction heating and gyro-stabilized camera systems.

As the result, overall sales were ¥14,227 million which represented a decline of ¥4,458 million (23.9%) from the previous period with an operating loss of ¥639 million (compared to an operating income of ¥452 million last year).

Other Businesses

In our printing inspection equipment and systems segment, with the cycle of facility installations designed to cope with environmental restrictions in the printing industry running its course, orders fell below that of the last year but sales surpassed the previous period aided by inspection equipment for materials.

Although affected by a faltering economy, orders for fire control equipment exceeded the previous year as the market emerged from the confusion created by revisions to the Building Standard Law and as the result of efforts to expand business for parts and repair work. Sales fell below the last year reflecting a decline in orders in the second half of the previous year which was attributed to the Building Standard Law revisions.

In the road and tunnel equipment segment, declines in tunnel construction projects and delays in implementation of road-related budgets resulted in orders and sales which lagged below the past year levels.

In the railway equipment segment, business relating to equipment sales and track maintenance contract services remained good resulting in orders and sales which greatly exceeded last year.

Overall results of these segments were sales of ¥4,428 million, an increase of ¥126 million (2.9%) over last year and operating income of ¥278 million, an increase of ¥186 million (199.8%) compared to the previous year.

Status of Cash Flow

Cash and cash equivalents (“funds”) on a consolidated basis for fiscal year were ¥10,832 million which was an increase of ¥5,943 million compared to the previous fiscal period. Cash flow from the various sources and factors involved are as follows.

Cash Flow from Operating Activities

Funds from sales activities were ¥2,651 million. This was mainly due to income before income taxes of ¥1,272 million, depreciation of ¥1,149 million, decrease in accounts receivables of ¥3,740 million, decrease in notes and accounts payable of ¥1,942 million, and corporate taxes paid of ¥1,121 million.

Cash Flow from Investing Activities

Funds used in investment activities were ¥815 million. This primarily reflected expenditures of ¥774 million for the acquisition of fixed assets.

Cash Flow from Financing Activities

Funds acquired as the result of financing activities were ¥4,120 million. This was chiefly due to a net increase in short-term loans of ¥5,181 million, proceeds from long-term loans of ¥3,350 million, repayments of long-term loans of ¥3,979, and payments of cash dividends of ¥426 million.

The Tasks of the Company

Despite efforts to stimulate the economy with large scale monetary and fiscal policies implemented at home and abroad, the outlook for a recovery of the Japanese economy in the short term is doubtful due to the continuing downturn in the global economy, slump in exports, decline in capital investments, deterioration in corporate performance, stagnation in real income, and crumbling job market.

Cognizant of this situation, the specific tasks that we, as a Group, must address include reducing variable and fixed costs by improving operational efficiencies and lowering our breakeven point, establishing a solid corporate foundation by maximizing earnings, creating competitive advantage on a sustained basis through the effective application of management resources which reflect a selection and focus approach, as well as transforming our corporate structure so it is better adaptable to changes in the external environment.

In conquering these tasks, we will reduce material costs through intensive cost down efforts and strengthen earnings by streamlining our operations and reducing overhead expenses. We will strive to introduce high value added products by bolstering our product planning capability and research & development structure in driving continuous development of new products and technologies which anticipate the changes in market and customer needs. Specifically, we will accelerate development of strategic products such as the ecologically conscious, next generation marine autopilot and energy-saving hydraulic unit in order to speed sales release. The Group will also implement a multidisciplinary approach oriented at expanding peripheral areas of business and cultivation of new overseas markets as well as focus on strengthening production technology capabilities and upgrading manufacturing systems that will provide productivity enhancements and improve cost competitiveness and enable us to respond with greater flexibility to changes in the business environment. In addition, we will further refine corporate governance, a critical component in earning the trust of our stakeholders; improve and administer, as appropriate, our internal control system; ensure the reliability of financial reporting as well as implement measures and policies necessary to foster development of the people resources that enhance our corporate value. As a strict policy, we also absolutely reject any involvement with asocial forces that may endanger the safety, order and well-being of society.

The basic policies which govern the company are described below.

Regarding the fiscal 2007 mid-term business plan established in March of 2007, we have undertaken improvement of corporate value by enhancing the competitive superiority of each business segment through the restructuring of our operating base which is predicated upon structural reform of our business and the development and strengthening of our human resources. Our management philosophy emphasizes the creation of products based on leading edge measurement, recognition, and control technologies and our contribution to society in supplying such products to our customers. Our employees are committed to diligently assimilating and applying our seven Code of Conduct guidelines, described below, which, in addition to customer satisfaction, address preservation of our environment and the observance of laws and regulations.

Code of Conduct

1. We shall strive relentlessly with imagination and creativity in developing the best products and technology.

2. We shall strive to create new products and businesses which anticipate the needs of the market.

3. We shall earn the trust of our customers by providing safe and secure products and services.

4. We shall hone individual skills and emphasize self-improvement in striving to become leaders in our respective fields.

5. We shall observe all applicable laws and regulations and as members of society, shall conduct ourselves in manner consistent with common sense and in accordance with the highest standards of integrity.

6. We shall strive to protect our beautiful natural environment and take good care of our precious resources.

7. With shared responsibility for corporate policy, each of us shall focus on achieving our goals with enthusiasm and sense of mission.

We are aware that a high morale of employees and their ability to carry out required tasks are essential factors which will determine whether we are able to successfully implement related measures and achieve improvement in corporate value. We recognize that enhancement in Group corporate value will demand that management and employees share the objectives and together insure that our management philosophy and code of conduct are tangibly reflected in our business, and as consequence, in the sustenance and enhancement of the profits of our shareholders.

In this context, there may be a case where an acquisition proposal arises from a party with a different awareness. Whether to accept or reject such proposal would be determined by the stockholders and it is necessary to ensure, in anticipation of such an occurrence, that there will be ample opportunity to study the proposal and enough time for the board of directors to gather the necessary information and consider and prepare possible alternative proposals to stockholders and enable negotiations with the party proposing the acquisition. We convened a board of directors meeting on 10 May, 2007 where we established a “large-scale acquisition rule” (defense against takeover) which outlines a clear and definite procedure which would be implemented before an actual takeover attempt by a party with the aim to deter any acquisition which would not only negatively impact corporate value but cause a drop in stockholder profits. This rule was presented and adopted during our 76th stockholder’s meeting held on June 28, 2007.

Research and Development Activities

The basic posture of the Group’s R&D effort is the development of original products based on original technology. With its comparatively long range view, the company’s MRD Center is tasked with fundamental and applications research as well as product developments which involve relatively long timeframes while individual divisions and affiliated subsidiaries carry out shorter term product development. The core technologies of the company include microwave, gyroscope, ultrasound, measurement, control, hydraulics, and signal and image processing.

Overall Group R&D expenditures totaled ¥2,477 million. The principal segments, objectives, and key accomplishments of our research and development efforts and associated R&D expenses are outlined as follows.

Marine Systems

The major focus of R&D efforts in this segment involved next generation navigational equipment and marine communications equipment designed to cope with innovations in information technology and activities related to revised International Maritime Organization (IMO) international standards. Specifically, research and development was carried out on gyrocompasses, autopilots, radars, and electronic chart display information systems. Accomplishments include the market release of the new BR-3200 Series IMO-compatible radar, EC-8000 Series electronic chart display information system, ROTI-310 rate of turn indicator, and BR-2550 Series radar for the coastal vessel market.

R&D expenditures related to these activities were ¥669 million.

Hydraulic and Pneumatic Equipment

R&D efforts in this segment were concentrated on hydraulic and pneumatic equipment and systems and related electronic controls. Specific product activities involved various types of pumps and control valves, hydraulic power units, hydraulic control systems, and electronic control equipment. Key concepts driving these efforts are energy savings and reliability improvement and accomplishments include new types of controllers and monitors for hydraulic excavators as well as products incorporating inertial sensors for the machine tool market.

R&D expenditures for these activities were ¥347 million.

Fluid Measurement Equipment

Research and development efforts were directed at fluid control measurement equipment and systems for next generation ultrasonic flow meters and microwave level gauges. Major achievements include market introduction of a new, compact radar level sensor of one-piece construction with an integrated flat antenna which is designed for use in restricted spaces and a multi-function, portable ultrasonic flowmeter with calorie meter feature.

Related R&D expenditures for these activities were ¥186 million.

Defense and Communications Equipment

Research and development efforts focused on modernizing defense equipment including electronic warfare equipment and equipment for naval vessels as well as on technical innovations related to microwave components utilized in telecommunications systems. Specific defense-related research and development was carried out on upgrading radar warning receivers and enhancing performance of high frequency parts. Telecommunications-related business research and development focused on amplifier modules for wireless communication base stations, switches, RF-ID based premise entry/exit control systems, and antenna positioning control systems for mobile satellite communications. Achievements include sales release of amplifier modules for advanced PHS ground stations, frequency converters, high power amplifier modules for high frequency induction heaters, and gyro stabilized camera systems.

R&D expenditures were ¥874 million.

Other Equipment

Other major business segments of the Group include printing inspection equipment and systems, fire extinguishing systems, road and tunnel equipment, and railway track maintenance equipment.

Development efforts related to printing inspection equipment and systems emphasized expanded printing pattern inspection functions. People-friendly and environment-friendly extinguishing systems are the focus of research and development of our fire extinguishing systems business segment. R&D efforts in our road and tunnel equipment segment, the focus of our TOKYO KEIKI CONSTRUCTION SYSTEMS subsidiary, is centered on the automation of construction machinery. Railway track maintenance equipment is the primary business of our TOKYO KEIKI RAIL TECHNO subsidiary and research and development is devoted to promoting manpower-savings and precision of railway track maintenance measurement equipment and systems.

R&D expenses for these activities were ¥401 million.

We have also begun sample evaluation unit shipments of the improved, higher accuracy, multi-output, micro-inertial sensor (MESAG) system - a development of our R&D Center.

I would like to sincerely thank the shareholders, customers, business partners, and other associates who have supported and cooperated with us during fiscal 2008. I look forward to your continued support and advice in the future.

Kenichi Waki
President

Consolidated Balance Sheets

TOKYO KEIKI INC. (Formerly TOKIMEC INC.) and Subsidiaries

March 31, 2009 and 2008

ASSETS	Millions of yen 2009	Millions of yen 2008	Thousands of U.S. dollars (Note 1) 2009
Current assets:			
Cash and cash equivalents	¥10,832	¥4,889	$110,531
Receivables–			
Trade notes	3,880	4,739	39,592
Trade accounts	9,967	12,600	101,704
Associated companies	312	476	3,184
Other	469	277	4,786
Allowance for doubtful accounts	(58)	(20)	(592)
Inventories (Note 4)	11,227	11,289	114,561
Deferred tax assets (Note 9)	643	850	6,561
Prepaid expenses and other current assets	324	336	3,306
Total current assets	37,596	35,435	383,633
Property, plant and equipment:			
Land	1,926	1,926	19,653
Buildings and structures	12,857	12,808	131,194
Machinery and equipment	14,406	14,500	147,000
Furniture and fixtures	10,333	10,370	105,439
Construction in progress	97	71	990
Total	39,620	39,675	404,286
Accumulated depreciation	(32,630)	(32,223)	(332,959)
Net property, plant and equipment	6,990	7,452	71,327
Investments and other assets:			
Investment securities (Note 3)	1,306	2,405	13,327
Investments in and advances to associated companies	348	534	3,551
Software	13	23	133
Goodwill (Note 5)	102	65	1,041
Deposits	1,031	1,028	10,520
Deferred tax assets (Note 9)	2,120	1,778	21,633
Other assets	385	273	3,929
Allowance for doubtful accounts	(219)	(91)	(2,235)
Total investments and other assets	5,085	6,016	51,888
Total	¥49,672	¥48,903	$506,857

LIABILITIES AND EQUITY	Millions of yen 2009	Millions of yen 2008	Thousands of U.S. dollars (Note 1) 2009
Current liabilities:			
Short-term bank loans (Note 6)	¥10,874	¥5,693	$110,959
Current portion of long-term debt (Note 6)	1,363	3,979	13,908
Payables–			
Trade notes	994	1,133	10,143
Trade accounts	4,430	6,121	45,204
Associated companies		1	
Other	340	496	3,469
Income taxes payable	166	493	1,694
Accrued bonuses	874	1,129	8,918
Accrued expenses	1,150	1,347	11,735
Other current liabilities	385	543	3,929
Total current liabilities	20,576	20,934	209,959
Long-term liabilities:			
Long-term debt (Note 6)	4,079	2,092	41,622
Liability for retirement benefits (Note 7)	5,265	5,422	53,724
Deposits received	13	13	133
Deferred tax liabilities (Note 9)	1	2	10
Other liabilities	2		20
Total long-term liabilities	9,359	7,529	95,500
Commitments and contingent liabilities (Notes 12,13 and 14)			
Equity (Notes 8 and 16):			
Common stock, Authorized, 250,000,000 shares Issued, 85,382,196 shares in 2009 and 2008	7,218	7,218	73,653
Capital surplus	14	14	143
Retained earnings	12,368	12,377	126,204
Unrealized gain on available-for-sale securities	93	665	949
Foreign currency translation adjustments	(122)	39	(1,245)
Treasury stock –at cost 142,337 shares in 2009 and 124,979 shares in 2008	(26)	(23)	(265)
Total	19,543	20,289	199,418
Minority interests	194	151	1,980
Total equity	19,737	20,440	201,398
Total	¥49,672	¥48,903	$506,857

See notes to consolidated financial statements.

Consolidated Statements of Income

TOKYO KEIKI INC. (Formerly TOKIMEC INC.) and Subsidiaries

Years ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
Net sales (Note 10)	¥45,546	¥51,321	$464,755
Cost of sales (Notes 10 and 11)	34,427	38,186	351,296
Gross profit	11,119	13,135	113,459
Selling, general and administrative expenses (Note 11)	9,596	9,287	97,918
Operating income	1,524	3,848	15,551
Other income (expenses):			
Interest and dividend income	91	90	929
Equity in earnings of associated companies	(59)	30	(602)
Loss on devaluation of investment securities	(148)	(53)	(1,510)
Gains from sales of investment securities			
Interest expense	(178)	(195)	(1,816)
Loss on sales and disposals of property, plant and equipment	(27)	(29)	(276)
Loss on disposals of inventories		(216)	
Other-net	69	93	704
Other expenses–net	(252)	(279)	(2,571)
Income before income taxes and minority interests	1,272	3,569	12,980
Income taxes (Note 9):			
Current	558	1,166	5,694
Deferred	252	42	2,571
Total	810	1,208	8,265
Minority interests in net income of consolidated subsidiaries	45	4	459
Net income	¥417	¥2,357	$4,255

	Yen		U.S. dollars
Per share of common stock (Notes 2 and 15):	2009	2008	2009
Net income	¥4.89	¥27.64	$0,05
Cash dividends	5.00	5.00	0.05

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

TOKYO KEIKI INC. (Formerly TOKIMEC INC.) and Subsidiaries

Years ended March 31, 2009 and 2008

		Millions of yen								
	Outstanding Number of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain on Available-for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
Balance at April 1, 2007	85,274,661	¥7,218	¥14	¥10,455	¥1,177	¥68	¥(18)	¥18,914	¥150	¥19,063
Net income				2,357				2,357		2,357
Repurchase in treasury stock	17,444						(5)	(5)		(5)
Cash dividends, ¥5 per share				(426)				(426)		(426)
Decrease due to increase of associated company who is accounted for by the equity method				(9)				(9)		(9)
Net change in the year					(513)	(29)		(542)	2	(540)
Balance at March 31, 2008	85,257,217	7,218	14	12,377	665	39	(23)	20,289	151	20,440
Net income				417				417		417
Repurchase of treasury stock	17,358						(3)	(3)		(3)
Cash dividends, ¥5 per share				(426)				(426)		(426)
Net change in the year					(572)	(161)		(733)	42	(691)
Balance at March 31, 2009	85,239,859	¥7,218	¥14	¥12,368	¥93	¥(122)	¥(26)	¥19,544	¥194	¥19,737

	Thousands of U.S. dollars (Note1)								
	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain on Available-for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
Balance at March 31, 2008	$73,653	$143	$126,296	$6,786	$398	$(235)	$207,031	$1,541	$208,571
Net income			4,255				4,255		4,255
Repurchase in treasury stock						(31)	(31)		(31)
Cash dividends, ¥5 per share			(4,347)				(4,347)		(4,347)
Net change in the year				(5,837)	(1,643)		(7,480)	429	(7,051)
Balance at March 31, 2009	$73,653	$143	$126,204	$949	$(1,245)	$(265)	$199,429	$1,980	$201,398

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

TOKYO KEIKI INC. (Formerly TOKIMEC INC.) and Subsidiaries

Years ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
Operating activities:			
Income before income taxes and minority interests	¥1,272	¥3,569	$12,980
Adjustments for:			
Income taxes - paid	(1,121)	(2,266)	(11,439)
Depreciation	1,149	1,089	11,724
(Decrease) increase in accrued bonuses	(257)	124	(2.622)
Increase (decrease) in allowance for doubtful accounts	166	(45)	1,694
Decrease in liability for retirement benefits	(158)	(332)	(1,612)
Loss on devaluation of investment securities	148	53	1,510
Loss on sales and disposals of property, plant and equipment	27	29	276
Changes in assets and liabilities:			
Decrease (increase) in receivables	3,740	(1,600)	38,163
Decrease in inventories	52	650	531
(Decrease) increase in payables	(1,942)	614	(19,816)
Increase in other assets	(37)	(269)	(378)
(Decrease) increase in other liabilities	(515)	206	(5,255)
Other-net	126	36	1,286
Total adjustments	1,379	(1,711)	14,071
Net cash provided by operating activities	2,651	1,857	27,051
Investing activities:			
Purchases of investment securities	(9)	(9)	(92)
Proceeds from liquidation of unconsolidated subsidiary		7	
Purchases of property, plant and equipment	(774)	(934)	(7,898)
Proceeds from sales of property, plant and equipment	6	14	61
Payment for purchase of consolidated subsidiaries net of cash acquired	(85)		(867)
Other-net	47	(137)	480
Net cash used in investing activities	(815)	(1,059)	(8,316)
Financing activities:			
Increase (decrease) in short-term bank loans-net	5,181	(266)	52,867
Proceeds from long-term debt	3,350	970	34,184
Repayments of long-term debt	(3,979)	(1,534)	(40,602)
Other-net	(433)	(432)	(4,418)
Net cash provided by (used in) financing activities	4,120	(1,262)	42,041
Foreign currency translation adjustments on cash and cash equivalents	(12)	(3)	(122)
Net increase (decrease) in cash and cash equivalents	5,943	(466)	60,643
Cash and cash equivalents, beginning of year	4,889	5,356	49,888
Cash and cash equivalents, end of year	¥10,832	¥4,889	$110,531

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

TOKYO KEIKI INC. (Formerly TOKIMEC INC.) and Subsidiaries

Years ended March 31, 2009 and 2008

1. Basis of Presenting Consolidated Financial Statements

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

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

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates.The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥98 to $1, the approximate rate of exchange at March 31, 2009. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

Figures less than one million yen or one thousand U.S.dollars are rounded up or down to the nearest million yen or thousand U.S.dollars. The figures are not adjusted to agree in total.

2. Summary of Significant Accounting Policies

Consolidation

The consolidated financial statements as of March 31, 2009 include the accounts of the Company and its ten significant subsidiaries (together, the "Group").

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in three associated companies are accounted for by the equity method.

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

The excess of the cost of the Group's investments in consolidated subsidiaries and associated companies accounted for by the equity method over its equity in the fair value of the net assets at the respective dates of acquisition, is amortized on a straight-line basis over five years, except for immaterial excess which is changed to income.

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

Cash Equivalents

Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits and certificate of deposits, all of which mature or become due within three months from the date of acquisition.

Allowance for Doubtful Accounts

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

Marketable and Investment Securities

Marketable and investment securities are classified as available-for-sale securities.

Marketable available-for-sale securities are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

Non-marketable available-for-sale securities are stated at cost determined by the average method. For other than temporary declines in fair value, non-marketable available-for-sale securities are reduced to net realizable value by a charge to income.

Inventories

Prior to April 1 2008, inventories were stated at cost substantially determined by the job identification cost method for finished goods and work in process, and by the first-in, first-out method for raw materials and supplies. In July 2006, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Statement No. 9, "Accounting Standard for Measurement of Inventories". This standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net selling value,
which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses.

The replacement cost may be used in place of the net selling value, if appropriate.

The Company and domestic subsidiaries applied this new accounting standard for measurement of inventories effective April 1, 2008.

The effect of adoption of this accounting standard was immaterial.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation is computed on the declining-balance method while the straight-line method is applied to buildings acquired after April 1, 1998. The range of useful lives is from 8 to 65 years for buildings and structures, from 4 to 11 years for machinery and equipment, and from 2 to 15 years for furniture and fixtures.

Long-lived assets

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

Goodwill

Goodwill on the purchase of specific business is amortized on a straight-line basis over five years.

Software

Purchased software costs are deferred and amortized on a straight-line basis over their useful lives (five years).

Accrued Bonuses

An accrual is provided for bonuses to be paid to employees.

Retirement and Pension Plans

The Company has a non-contributory funded pension plan covering substantially all of its employees.

Effective April 1, 2000, the Group adopted a new accounting standard for employees' retirement benefits and accounted for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date.

The transitional obligation of ¥ 7,627 million ($ 77,827 thousand), determined as of the April 1, 2000, is being amortized over ten years.

Retirement benefits to directors and corporate auditors are provided at the amount which would be required if all directors and corporate auditors retired at the balance sheet date.

Research and Development Costs

Research and development costs are charged to income as incurred.

Leases

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

Under the previous accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee were to be capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the lessee's financial statements.

The revised accounting standard requires that all finance lease transactions should be capitalized to recognize lease assets and lease obligations in the balance sheet. In addition, the revised accounting standard permits leases which existed at the transition date and do not transfer ownership of the leased property to the lessee to be accounted for as operating lease transactions.

The Company and domestic subsidiaries applied the revised accounting standard effective April 1, 2008.

In addition, the Company and domestic subsidiaries accounted for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions.

This accounting change has no impact on the financial position or result of operations in 2009.

All other leases are accounted for as operating leases.

Income Taxes

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

The Group files a tax return under the consolidated corporate-tax system, which allows companies to base tax payments on the combined profits or losses of the parent company and its wholly owned domestic subsidiaries.

Appropriations of Retained Earnings

Appropriations of retained earnings are reflected in the financial statements for the following year upon shareholders' approval.

Foreign Currency Transactions

All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statements of income to the extent that they are not hedged by forward exchange contracts.

Foreign Currency Financial Statements

The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at historical rates.

Differences arising from such translation were shown as "Foreign currency translation adjustments" in a separate component of equity.

Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the current exchange rate as of the balance sheet date.

Derivatives and Hedging Activities

The Group uses interest rate swaps as a means of hedgeing exposure to interest rate risks.The Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments are classified and accounted for as follows: (a) all derivatives be recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the income statement and (b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements are recognized and included in interest expense or income.

Per Share Information

Basic net income per share is computed by dividing net income available to common shareholders, by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Fully diluted net income per share at March 31, 2009 and 2008 are not disclosed in the accompanying consolidated financial statements because bonds with warrants or convertible bonds have not been issued.

New Accounting Pronouncements

Business Combinations

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

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

(2) The current accounting standard accounts for the research and development costs to be charged to income as incurred. Under the revised standard, an in-process research and development (IPR&D) acquired by the business combination is capitalized as an intangible asset.
(3) The current accounting standard accounts for a bargain purchase gain (negative goodwill) to be systematically amortized within 20 years. Under the revised standard, the acquirer recognizes a bargain purchase gain in profit or loss on the acquisition date after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed with a review of such procedures used.
This standard is applicable to business combinations undertaken on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or after April 1, 2009.

Unification of Accounting Policies Applied to Foreign Associated Companies for the Equity Method

The current accounting standard requires to unify accounting policies within the consolidation group. However, the current guidance allows to apply the equity method for the financial statements of its foreign associated company which have been prepared in accordance with generally accepted accounting principles in their respective jurisdictions without unification of accounting policies.
On December 26, 2008, the ASBJ issued ASBJ Statement No.16 (Revised 2008), “Revised Accounting Standard for Equity Method of Accounting for Investments”. The new standard requires adjustments to be made to conform the associate’s accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate’s financial statements are used in applying the equity method unless it is impractible to determine adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP unless they are not material: 1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in the equity; 3) expensing capitalized development costs of R&D; 4) cancellation of the fair value model accounting for property, plant, and equipment and investment properties and incorporation of the cost model accounting; 5) recording the prior years' effects of changes in accounting policies in the income statement where retrospective adjustments to the financial statements have been incorporated; and 6) exclusion of minority interests from net income, if contained.
This standard is applicable to equity method of accounting for investments effective on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or after April 1, 2009.

Asset Retirement Obligations

On March 31, 2008, the ASBJ published a new accounting standard for asset retirement obligations, ASBJ Statement No.18 “Accounting Standard for Asset Retirement Obligations” and ASBJ Guidance No. 21 “Guidance on Accounting Standard for Asset Retirement Obligations”. Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset.
The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost. This standard is effective for fiscal years beginning on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or before March 31, 2010.

Construction Contracts

Under the current Japanese GAAP, either the completed-contract method or the percentage-of-completion method is permitted to account for construction contracts. In December 2007, the ASBJ issued a new accounting standard for construction contracts. Under this new accounting standard, the construction revenue and construction costs should be recognized by the percentage-of-completion method, if the outcome of a construction contract can be estimated reliably. When total construction revenue, total construction costs and the stage of completion of the contract at the balance sheet date can be reliably measured, the outcome of a construction contract can be estimated reliably. If the outcome of a construction contract cannot be reliably estimated, the completed-contract method shall be applied. When it is probable that total construction costs will exceed total construction revenue, an estimated loss on the contract should be immediately recognized by providing for loss on construction contracts. This standard is applicable to construction contracts and software development contracts and effective for fiscal years beginning on or after April 1, 2009 with early adoption permitted for fiscal years beginning on or before March 31, 2009 but after December 27, 2007.

3. Marketable and Investment Securities

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

	Millions of yen		Thousands of U.S. dollars
Non-current:	2009	2008	2009
Equity securities	¥1,299	¥2,394	$13,255
Trust fund investments	7	11	71
Total	¥1,306	¥2,405	$13,327

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

	Millions of yen			
March 31, 2009	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥1,098	¥340	¥167	¥1,271
Trust fund investments	13		6	7
March 31, 2008				
Securities classified as:				
Available-for-sale:				
Equity securities	¥1,237	¥1,280	¥150	¥2,366
Trust fund investments	13		2	11

	Thousands of U.S. dollars			
March 31, 2009	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	$11,204	$3,469	$1,704	$12,969
Trust fund investments	133		61	71

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

	Carrying amount		
	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Available-for-sale:			
Equity securities	¥28	¥28	$286

4. Inventories

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

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Finished goods	¥748	¥962	$7,633
Work in process	5,713	5,722	58,296
Raw materials and supplies	4,766	4,605	48,633
Total	¥11,227	¥11,289	$114,561

5. Goodwill

Goodwill at March 31, 2009 and 2008 consisted of the following

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Goodwill on purchase of specific business	¥33	¥65	$337
Consolidation goodwill	69		704
Total	¥102	¥65	$1,041

6. Short-term Bank Loans and Long-term Debt

The annual weighted-average interest rate applicable to the short-term bank loans was 1.13% and 1.28% at March 31, 2009 and 2008, respectively.

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

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Loans from banks and insurance companies due serially to 2013 with weighted-average interest of 1.60% (2009) and 1.54% (2008)	¥5,442	¥6,071	$55,531
Less current portion	(1,363)	(3,979)	(13,908)
Long-term debt, less current portion	¥4,079	¥2,092	$41,622

Annual maturities of long-term debt at March 31, 2009 were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2010	¥1,363	$13,908
2011	1,032	10,531
2012	2,527	25,786
2013	336	3,429
2014	184	1,878
Total	¥5,442	$55,531

7. Retirement and Pension Plans

The Company and its certain consolidated subsidiaries have severance payment plans for employees, directors and corporate auditors.

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

The liability for retirement benefits for directors and corporate auditors at March 31, 2009 and 2008 were ¥250 millions ($2,551 thousand) and ¥295 millions respectively.
The retirement benefits for directors and corporate auditors are paid subject to the approval of the shareholders.

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

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Projected benefit obligation	¥12,359	¥12,405	$126,112
Fair value of plan assets	(4,677)	(4,618)	(47,724)
Unrecognized actuarial loss	(1,914)	(1,152)	(19,531)
Unrecognized transitional obligation	(754)	(1,507)	(7,694)
Net liability	¥5,015	¥5,128	$51,173

The components of net periodic benefit costs for the years ended March 31, 2009 and 2008 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Service cost	¥575	¥541	$5,867
Interest cost	277	259	2,827
Expected return on plan assets	(46)	(38)	(469)
Amortization of transitional obligation	754	754	7,694
Recognized actuarial loss	237	3	2,418
Net periodic benefit costs	¥1,797	¥1,518	$18,337

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

	2009	2008
Discount rate	2.3%	2.3%
Expected rate of return on plan assets	1.0%	1.0%
Recognition period of actuarial gain / loss	10 years	10 years
Amortization period of transitional obligation	10 years	10 years

8. EQUITY

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

(a) Dividends

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

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

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

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

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

(c) Treasury stock and treasury stock acquisition rights

The Corporate Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula.

Under the Corporate Act, stock acquisition rights are presented as a separate component of equity.

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

9. Income Taxes

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 40.5% for the years ended March 31, 2009 and 2008.

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

Deferred tax assets:	Millions of yen 2009	2008	Thousands of U.S. dollars 2009
Allowance for doubtful accounts	¥80	¥38	$816
Accrued bonuses	354	457	3,612
Pension and severance costs	2,119	2,179	21,622
Other	988	875	10,082
Subtotal	3,541	3,550	36,133
Less valuation allowance	(689)	(460)	(7,031)
Total	2,852	3,090	29,102
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	(74)	(462)	(755)
Other	(15)	(1)	(153)
Total	(90)	(464)	(918)
Net deferred tax assets	¥2,762	¥2,626	$28,184

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income for the year ended March 31, 2009 and 2008 is as follows:

	2009	2008
Normal effective statutory tax rate	40.5%	40.5%
Valuation allowance	22.4	1.3
Expenses not deductible for income tax purposes	1.6	0.6
Per capita levy of local taxes	3.0	1.1
Tax credit for R & D expenses	(4.7)	(5.0)
Refunded inhabitants tax		(3.4)
Equity in losses of associated companies	1.9	
Other-net	(1.0)	(1.3)
Actual effective tax rate	63.7%	33.8%

10. Transactions with Associated Companies

Sale and purchase transactions with associated companies for the years ended March 31, 2009 and 2008 were as follows:

	Millions of yen 2009	2008	Thousands of U.S. dollars 2009
Sales	¥565	¥895	$5,765
Purchase	0	1	0

11. Research and Development Costs

Research and development costs charged to income were ¥2,477 million ($25,276 thousand) and ¥2,503 million for the years ended March 31, 2009 and 2008, respectively.

12. Leases

The Group leases certain machinery, computer equipment and other assets. Total rental expense for the years ended March 31, 2009 and 2008 were ¥972 million ($9,918 thousand) and ¥970 million, respectively, including ¥52 million ($531 thousand) and ¥74 million of lease payments under finance leases.

As discussed in Note 2, the Company and domestic subsidiaries accounts for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions.

Pro forma information of such leases existing at the transition date, such as acquisition cost, accumulated depreciation, obligations under finance leases,depreciation expense, interest expense, on a "as if capitalized" basis for the years ended March 31, 2009 and 2008 were as follows.

	Millions of Yen		Thousands of U.S.dollers
	2009	2008	2009
	Furniture and Fixtures	Furniture and Fixtures	Furniture and Fixtures
Acquisition cost	¥156	¥156	$1,592
Accumulated depreciation	90	40	918
Net leased property	¥67	¥116	$684

Obligations under finance leases :

	Millions of Yen		Thousands of U.S.dollers
	2009	2008	2009
Due within one year	¥51	¥49	$520
Due after one year	17	68	173
Total	¥68	¥117	$694

Depreciation expense, interest expense under finance leases:

	Millions of Yen		Thousands of U.S.dollers
	2009	2008	2009
Depreciation expense	¥50	¥70	$510
Interest expense	2	4	20
Total	¥52	¥74	$531

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

The minimum rental commitments under noncancellable operating leases at March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Due within one year	¥504	¥504	$5,143
Due after one year	3,024	3,528	30,857
Total	¥3,528	¥4,032	$36,000

13. Derivatives

The Group enters into interest rate swap agreements as a means of managing their interest rate exposure.

It is the Group's policy to use derivatives only for the purpose of reducing market risks associated with assets and liabilities. The Group does not hold or issue derivatives for trading purposes.

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

The basic policies for the use of derivatives are made in accordance with internal policies which regulate the authorization and credit limit amount.

Fair value information of derivatives is not disclosed because the Group uses only interest rate swaps which qualify for hedge accounting.

14. Commitments and Contingent Liabilities

As of March 31, 2009 the Company has entered into interest rate swaps in the ordinary course of business (Note 13).

15. NET INCOME PER SHARE

Basic net income per share ("EPS") for the years ended March 31, 2009 and 2008 is as follows:

	Millions of Yen	Thousands of shares	Yen	Dollars
For the year ended March 31, 2009:	Net income	Weighted average shares	EPS	
Basic EPS				
Net income available to common shareholders	¥417	85,247	¥4.89	$0.05
For the year ended March 31, 2008:				
Basic EPS				
Net income available to common shareholders	¥2,357	85,264	¥27.64	

16. Subsequent Event

The shareholders' meeting of the Company held on June 26, 2009 approved the following appropriations of retained earnings.

	Millions of yen	Thousands of U.S. dollars
Cash dividends, ¥3 ($0.03) per share	¥256	$2,612

17. Segment Information

Information with respect to operations in different business segments, geographical segments and sales to foreign customers of the Group for the years ended March 31, 2009 and 2008, is as follows:

(1) Operations in Different Business Segments

a. Sales and Operating Income (loss)

	Millions of yen						
	2009						
	Marine Systems	Hydraulic and Pneumatic	Fluid Measurement	Defense and Communications	Others	Eliminations/ Corporate	Consolidated
Sales to customers	¥12,634	¥11,890	¥2,367	¥14,227	¥4,428		¥45,546
Intersegment sales	98	92	1	50	1,852	¥2,093	
Total sales	12,732	11,983	2,368	14,276	6,279	(2,093)	45,546
Operating expenses	11,546	11,613	2,040	14,915	6,001	(2,093)	44,023
Operating income(loss)	¥1,187	¥369	¥328	¥(639)	¥278		¥1,524

b. Assets, Depreciation and Capital Expenditures

	Millions of yen						
	2009						
	Marine Systems	Hydraulic and Pneumatic	Fluid Measurement	Defense and Communications	Others	Eliminations/ Corporate	Consolidated
Assets	¥6,107	¥9,611	¥1,757	¥15,682	¥7,673	¥8,841	¥49,672
Depreciation	102	320	15	621	136		1,194
Capital expenditures	148	248	9	267	127		798

a. Sales and Operating Income

	Millions of yen						
	2008						
	Marine Systems	Hydraulic and Pneumatic	Fluid Measurement	Defense and Communications	Others	Eliminations/ Corporate	Consolidated
Sales to customers	¥11,578	¥14,561	¥2,196	¥18,685	¥4,301		¥51,321
Intersegment sales	80	105	4	71	1,563	¥1,823	
Total sales	11,658	14,666	2,200	18,756	5,864	(1,823)	51,321
Operating expenses	10,374	12,852	1,995	18,304	5,771	(1,823)	47,473
Operating income	¥1,285	¥1,813	¥206	¥452	¥93		¥3,848

b. Assets, Depreciation and Capital Expenditures

	Millions of yen						
	2008						
	Marine Systems	Hydraulic and Pneumatic	Fluid Measurement	Defense and Communications	Others	Eliminations/ Corporate	Consolidated
Assets	¥6,559	¥12,064	¥1,731	¥17,266	¥8,154	¥3,129	¥48,903
Depreciation	69	307	16	668	61		1,121
Capital expenditures	67	301	12	448	121		949

a. Sales and Operating Income (loss)

	Thousands of U.S. dollars						
	2009						
	Marine Systems	Hydraulic and Pneumatic	Fluid Measurement	Defense and Communications	Others	Eliminations/ Corporate	Consolidated
Sales to customers	$128,918	$121,327	$24,153	$145,173	$45,184		$464,755
Intersegment sales	1,000	939	10	510	18,898	$21,357	
Total sales	129,918	122,276	24,163	145,673	64,071	(21,357)	464,755
Operating expenses	117,816	118,500	20,816	152,194	61,235	(21,357)	449,214
Operating income(loss)	$12,112	$3,765	$3,347	$(6,520)	$2,837		$15,551

b. Assets, Depreciation and Capital Expenditures

	Thousands of U.S. dollars						
	2009						
	Marine Systems	Hydraulic and Pneumatic	Fluid Measurement	Defense and Communications	Others	Eliminations/ Corporate	Consolidated
Assets	$62,316	$98,071	$17,929	$160,020	$78,296	$90,214	$506,857
Depreciation	1,041	3,265	153	6,337	1,388		12,184
Capital expenditures	1,510	2,531	92	2,724	1,296		8,143

(2) Geographical Segments

Since domestic sales and total assets held domestically of the Group for the years ended March 31, 2009 and 2008, are more than 90% of the consolidated sales and assets, segment information by geographic area is not presented.

(3) Sales to Foreign Customers

Sales to foreign customers for the years ended March 31, 2009 and 2008 amounted to ¥7,847 million ($80,071 thousand) and ¥7,099 million, respectively.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
TOKYO KEIKI INC.:

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

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

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

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

Deloitte Touche Tohmatsu

June 26, 2009

Directors and Auditors of the Company

President
Kenichi WAKI

Senior Executive Directors
Yoshisuke AKITA

Executive Directors
Noriyuki AKABA

Directors
Hidemitsu YAMADA
Hiroshi EBINUMA
Motoshi MITOBE
Setsuro KIMURA
Tsuyoshi ANDO
Haruki KAWAHIGASHI
Yukitoshi ATSUMI
Teruaki KAWAI

Executive Officer
Kazushige MURABAYASHI
Kazuhiko HATAKEYAMA

Corporate Auditors
Chiaki TAKANASHI
Noboru ISHIBASHI
Yasuhiro HARA
Yasusuke MIYAZAKI

(As of June 26, 2009)

Corporate Data of the Company

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http://www.tokyo-keiki.co.jp

Date of Establishment
May 1, 1896

Common Stock
Authorized–250,000,000 shares
Issued – 85,382,196 shares

Number of Shareholders
8,662

Stock Listing
Tokyo Stock Exchange (Code:7721)

Number of Employees
1,092

Offices
Sapporo, Sendai, Nagano, Kanazawa, Sano, Shizuoka, Nagoya, Osaka, Kobe, Hiroshima, Yamaguchi, Imabari, Kitakyushu, Nagasaki

Plants
Nasu, Yaita, Sano, Tanuma (Tochigi Prefecture)
Hanno (Saitama Prefecture)

(As of March 31, 2009)

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TOKYO KEIKI INC.