Consolidated Financial Statement 2010

Financial Statements for the Years Ended March 31, 2010 and 2009

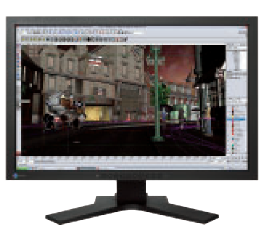
EIZO NANAO CORPORATION

Financial Highlights

Eizo Nanao Corporation and Subsidiaries

	Millions of Yen			Thousands of U.S. Dollars
	2008	2009	**2010**	**2010**
Years ended March 31:				
Net sales	¥ 89,308	¥ 74,522	**¥ 77,525**	**$ 833,602**
Operating income	8,475	4,302	**9,026**	**97,053**
Net income	4,433	682	**4,928**	**52,989**
As of March 31:				
Total assets	74,540	65,621	**75,369**	**810,419**
Total equity	55,487	50,689	**56,485**	**607,366**
Per share data		Yen		U.S. Dollars
Basic net income	¥ 195.03	¥ 30.47	**¥ 220.79**	**$ 2.37**
Cash dividends applicable to the year	80.00	70.00	**50.00**	**0.54**

Note : U.S. dollar amounts are provided solely for convenience at the rate of ¥93 to US$1, the approximate exchange rate at March 31, 2010.



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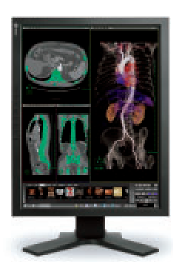

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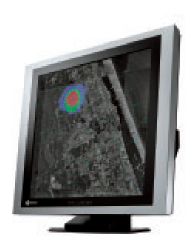

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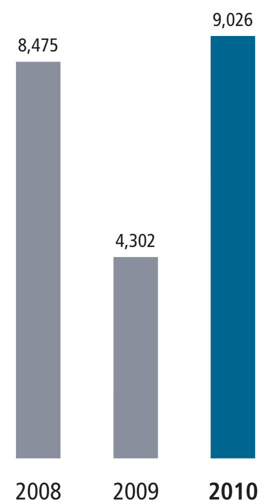
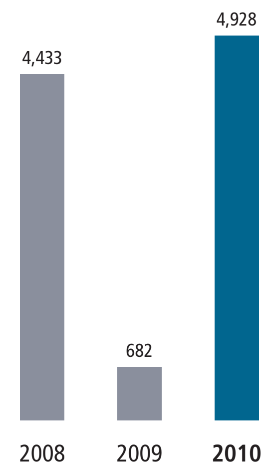
Net Sales
Millions of Yen

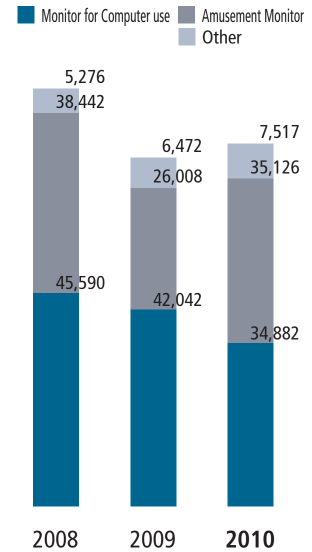
Operating Income
Millions of Yen



Net Income
Millions of Yen

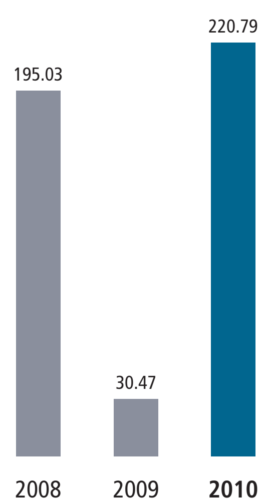


Net Sales by Products
Millions of Yen

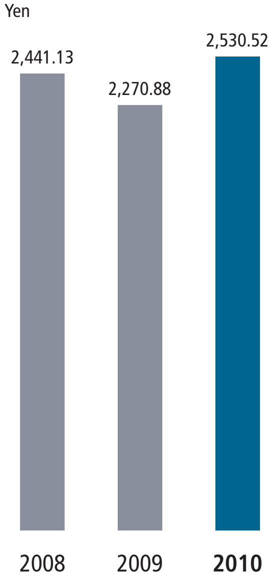


Total Equity
Millions of Yen

Basic Net Income per Share
Yen



Total Equity per Share
Yen



Consolidated Balance Sheets

Eizo Nanao Corporation and Subsidiaries

March 31, 2010 and 2009	Millions of Yen 2010	Millions of Yen 2009	Thousands of U.S. Dollars (Note 1) 2010
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents (Note 13)	¥ 18,760	¥ 9,888	$ 201,720
Short-term investments (Notes 4 and 13)	2,320	1,998	24,946
Notes and accounts receivables (Note 13):			
Trade notes	300	482	3,226
Trade accounts	15,066	10,264	162,000
Other	31	191	333
Allowance for doubtful receivables	(124)	(212)	(1,333)
Inventories (Note 5)	11,451	16,316	123,129
Deferred tax assets (Note 9)	2,338	2,257	25,140
Prepaid expenses and other current assets	701	593	7,537
Total current assets	50,843	41,777	546,698
PROPERTY, PLANT AND EQUIPMENT:			
Land	3,084	3,131	33,161
Buildings and structures	11,785	11,794	126,720
Machinery and equipment	3,810	3,872	40,968
Furniture and fixtures	4,219	4,172	45,366
Construction in progress		2	
Total	22,898	22,971	246,215
Accumulated depreciation	(13,092)	(12,073)	(140,774)
Net property, plant and equipment	9,806	10,898	105,441
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 4 and 13)	11,810	8,783	126,989
Goodwill (Note 6)	1,468	1,727	15,785
Deferred tax assets (Note 9)	366	1,079	3,935
Other assets	1,076	1,787	11,571
Allowance for doubtful receivables		(430)	
Total investments and other assets	14,720	12,946	158,280
TOTAL	¥ 75,369	¥ 65,621	$ 810,419

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2010	2009	**2010**
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Accounts payable (Note 13):			
Trade accounts	**¥ 7,195**	¥ 7,370	**$ 77,366**
Other	**1,151**	906	**12,376**
Income taxes payable	**2,239**	395	**24,075**
Accrued expenses	**2,894**	2,647	**31,118**
Other current liabilities	**581**	535	**6,247**
Total current liabilities	**14,060**	11,853	**151,182**
LONG-TERM LIABILITIES:			
Liability for retirement benefits (Note 7)	**2,374**	2,060	**25,527**
Deferred tax liabilities (Note 9)	**1,347**	10	**14,484**
Other long-term liabilities	**1,103**	1,009	**11,860**
Total long-term liabilities	**4,824**	3,079	**51,871**
COMMITMENTS AND CONTINGENT LIABILITIES			
(Notes 12 and 14)			
EQUITY (Notes 8 and 15):			
Common stock—authorized, 65,000,000 shares;			
issued, 22,731,160 shares in 2010 and 2009	**4,426**	4,426	**47,591**
Capital surplus	**4,314**	4,314	**46,387**
Retained earnings	**46,185**	42,484	**496,613**
Unrealized gain on available-for-sale securities	**3,862**	1,807	**41,527**
Deferred gain on derivatives under hedge accounting	**1**		**11**
Foreign currency translation adjustments	**(1,304)**	(1,343)	**(14,021)**
Treasury stock—at cost, 409,934 shares in 2010 and			
409,884 shares in 2009	**(999)**	(999)	**(10,742)**
Total equity	**56,485**	50,689	**607,366**
TOTAL	**¥ 75,369**	¥ 65,621	**$ 810,419**

Consolidated Statements of Income

Eizo Nanao Corporation and Subsidiaries

Years Ended March 31, 2010 and 2009	Millions of Yen 2010	Millions of Yen 2009	Thousands of U.S. Dollars (Note 1) 2010
NET SALES	**¥ 77,525**	¥ 74,522	**$ 833,602**
COST OF SALES (Note 10)	**55,753**	55,005	**599,495**
Gross profit	**21,772**	19,517	**234,107**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 10)	**12,746**	15,215	**137,054**
Operating income	**9,026**	4,302	**97,053**
OTHER INCOME (EXPENSES):			
Interest and dividend income	**226**	273	**2,430**
Loss on disposal of property, plant and equipment—net	**(284)**	(31)	**(3,054)**
Loss on impairment of goodwill (Note 6)		(1,696)	
Loss on impairment of land	**(47)**		**(505)**
Foreign exchange loss—net	**(113)**	(313)	**(1,215)**
Loss on valuation of investment securities	**(266)**	(815)	**(2,860)**
Other—net	**70**	8	**753**
Other expenses—net	**(414)**	(2,574)	**(4,451)**
INCOME BEFORE INCOME TAXES	**8,612**	1,728	**92,602**
INCOME TAXES (Note 9):			
Current	**3,104**	1,975	**33,376**
Deferred	**580**	(929)	**6,237**
Total income taxes	**3,684**	1,046	**39,613**
NET INCOME	**¥ 4,928**	¥ 682	**$ 52,989**

Years Ended March 31, 2010 and 2009	Yen 2010	Yen 2009	U.S. Dollars 2010
PER SHARE OF COMMON STOCK (Note 2.s):			
Basic net income	**¥ 220.79**	¥ 30.47	**$ 2.37**
Cash dividends applicable to the year	**50.00**	70.00	**0.54**

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

Eizo Nanao Corporation and Subsidiaries

	Thousands	Millions of Yen							
Years Ended March 31, 2010 and 2009	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain on Available-for-Sale Securities	Deferred Gain on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Treasury Stock	Total Equity
BALANCE, APRIL 1, 2008	22,730	¥ 4,426	¥ 4,314	¥43,604	¥ 3,362		¥ (217)	¥ (2)	¥55,487
Net income				682					682
Cash dividends, ¥80 per share				(1,802)					(1,802)
Net decrease in unrealized gain on available-for-sale securities					(1,555)				(1,555)
Net change in foreign currency translation adjustments							(1,126)		(1,126)
Purchases of treasury stock	(409)							(997)	(997)
BALANCE, MARCH 31, 2009	22,321	4,426	4,314	42,484	1,807		(1,343)	(999)	50,689
Net income				4,928					4,928
Cash dividends, ¥55 per share				(1,227)					(1,227)
Net increase in unrealized gain on available-for-sale securities					2,055				2,055
Net change in deferred gain on derivatives under hedge accounting						¥ 1			1
Net change in foreign currency translation adjustments							39		39
Purchases of treasury stock									
BALANCE, MARCH 31, 2010	22,321	¥ 4,426	¥ 4,314	¥46,185	¥ 3,862	¥ 1	¥ (1,304)	¥ (999)	¥56,485

	Thousands of U.S. Dollars (Note 1)							
Years Ended March 31, 2010 and 2009	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain on Available-for-Sale Securities	Deferred Gain on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Treasury Stock	Total Equity
BALANCE, MARCH 31, 2009	$47,591	$46,387	$456,817	$19,430		$ (14,440)	$ (10,741)	$545,044
Net income			52,989					52,989
Cash dividends, $0.59 per share			(13,193)					(13,193)
Net increase in unrealized gain on available-for-sale securities				22,097				22,097
Net change in deferred gain on derivatives under hedge accounting					$ 11			11
Net change in foreign currency translation adjustments						419		419
Purchases of treasury stock							(1)	(1)
BALANCE, MARCH 31, 2010	$47,591	$46,387	$496,613	$41,527	$ 11	$ (14,021)	$ (10,742)	$607,366

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Eizo Nanao Corporation and Subsidiaries

Years Ended March 31, 2010 and 2009	Millions of Yen 2010	Millions of Yen 2009	Thousands of U.S. Dollars (Note 1) 2010
OPERATING ACTIVITIES:			
Income before income taxes	¥ 8,612	¥ 1,728	$ 92,602
Adjustments for:			
Income taxes—paid	(1,262)	(3,832)	(13,570)
Depreciation and amortization	1,712	2,124	18,408
Amortization of goodwill	203	804	2,183
(Reversal) provision of doubtful receivables	(100)	148	(1,075)
Loss on disposal of property, plant and equipment	284	31	3,054
Loss on impairment of goodwill (Note 6)		1,696	
Loss on impairment of land	47		505
Loss on valuation of investment securities	266	815	2,860
Changes in assets and liabilities:			
(Increase) decrease in notes and accounts receivable	(4,483)	1,163	(48,204)
Decrease (increase) in inventories	4,805	(784)	51,667
Increase (decrease) in accounts payable	111	(353)	1,193
Increase (decrease) in accrued expenses	387	(487)	4,161
Increase in liability for retirement benefits	325	100	3,495
Other—net	139	496	1,495
Total adjustments	2,434	1,921	26,172
Net cash provided by operating activities	11,046	3,649	118,774
INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	(418)	(1,270)	(4,495)
Proceeds from sales of short-term investments and investment securities	11,073	6,615	119,065
Purchases of short-term investments and investment securities	(11,217)	(7,938)	(120,613)
Payment for acquisition of business (Note 11)	(90)	(715)	(968)
Increase in other assets	(299)	(512)	(3,215)
Net cash used in investing activities	(951)	(3,820)	(10,226)
FINANCING ACTIVITIES:			
Dividends paid	(1,228)	(1,801)	(13,204)
Purchases of treasury stock		(997)	
Net cash used in financing activities	(1,228)	(2,798)	(13,204)
FOREIGN CURRENCY TRANSLATION ADJUSTMENT ON CASH AND CASH EQUIVALENTS	5	(251)	43
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS—(Forward)	¥ 8,872	¥ (3,220)	$ 95,387
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	9,888	13,108	106,323
CASH AND CASH EQUIVALENTS, END OF YEAR	¥18,760	¥ 9,888	$ 201,710

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Eizo Nanao Corporation and Subsidiaries

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the 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 2009 consolidated financial statements to conform to the classifications used in 2010.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which EIZO NANAO CORPORATION (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 ¥93 to $1, the approximate rate of exchange at March 31, 2010. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation—The consolidated financial statements as of March 31, 2010 include the accounts of the Company and its 13 (13 in 2009) subsidiaries (together, the "Group").

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

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.

During the year ended March 31, 2010, Eizo Display Technologies (Suzhou) Co., Ltd. has been included in consolidation as a result of its establishment. Its registered capital is $900 million, and according to a payment of half of the registered capital on April 15, 2010, the capital of Eizo Display Technologies (Suzhou) Co., Ltd. amounted to $450 million on that date.

GETS, Inc., which was one of the subsidiaries of the Company, completed liquidation proceedings on March 31, 2009.

b. Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements—In May 2006, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Practical Issues Task Force ("PITF") No.18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements." PITF No.18 prescribes that (1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements, (2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, (3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in equity; (c) expensing capitalized development costs of R&D; (d) cancellation of fair value model accounting for property, plant and equipment and investment properties and incorporation of cost model accounting; (e) recording the prior years' effects of changes in accounting policies in the consolidated statements of income where retrospective adjustments to financial statements have been incorporated; and (f) exclusion of minority interests from net income, if contained. PITF No.18 was effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted.

The Company applied this accounting standard effective April 1, 2007.

c. Business Combination—In October 2003, the Business Accounting Council (the BAC) issued a Statement of Opinion, "Accounting for Business Combinations," and in December 2005, the ASBJ issued ASBJ Statement No.7, "Accounting Standard for Business Divestitures" and ASBJ Guidance No.10, "Guidance for Accounting Standard for Business Combinations and Business Divestitures."

The accounting standard for business combinations allows companies to apply the pooling of interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests. For business combinations that do not meet the uniting-of-interests criteria, the business combination is considered to be an acquisition and the purchase method of accounting is required. This standard also prescribes the accounting for combinations of entities under common control and for joint ventures.

d. 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, certificates of deposit and commercial paper, all of which mature or become due within three months of the date of acquisition.

e. Inventories—Inventories are stated at the lower of cost, determined by the average method for finished products and work in process and by the moving-average method for raw materials, or net selling value.

f. Short-Term Investments and Investment Securities—Short-term investments and investment securities are classified and accounted for depending on management's intent. Available-for-sale securities, which represent securities not classified as either trading securities or held-to-maturity debt securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported as a separate component of equity. The cost of available-for-sale securities sold is determined based on the moving-average method.

Non-marketable available-for-sale securities are stated at cost determined by the moving-average method.

For other than temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

g. Property, Plant and Equipment—Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its domestic subsidiaries is computed substantially by the declining-balance method at rates based on the estimated useful lives of the assets, while the straight-line method is applied to buildings of the Company and its domestic subsidiaries acquired after April 1, 1998 and all property, plant and equipment of foreign subsidiaries. The range of useful lives is principally from 15 to 50 years for buildings and structures, from 7 to 10 years for machinery and equipment, and from 2 to 6 years for furniture and fixtures.

h. Goodwill—Goodwill is amortized over 10 years by the straight-line method, although immaterial goodwill is charged to income at acquisition. Amortization of goodwill is ¥203 million ($2,183 thousand) and ¥804 million for the years ended March 31, 2010 and 2009, respectively.

i. Long-Lived Assets—The Group reviews its long-lived assets for impairment whenever events or changes in circumstances 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.

j. Retirement and Pension Plans—The Company and certain subsidiaries have a defined contribution pension plan, non-contributory funded pension plan and unfunded retirement benefit plans which cover substantially all of their employees.

The Group accounted for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date.

Effective from April 1, 2009, "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)" (ASBJ Statement No.19), has been applied.

In this fiscal year, the application of this policy had no impact on operating income and income before income taxes, because unrecognized actuarial loss will be amortized starting next fiscal year.

The amount to be amortized starting next fiscal year with application of this standard is ¥104 million ($1,118 thousand).

Retirement benefits to directors and corporate auditors are recorded at the amount which would be required if all directors and corporate auditors retired at the balance sheet date. In June 2004, the retirement benefit system was abolished and the amount required to be paid at the time of the abolishment will be paid to directors and corporate auditors upon their retirement.

k. Research and Development Costs—Research and development costs are charged to income as incurred.

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

Under the previous accounting standard, finance leases that were deemed 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 notes 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 accounting standard permits leases which existed at the transition date and did not transfer ownership of the leased property to the lessee to be accounted for as operating lease transactions.

The Company applied the revised accounting standard effective April 1, 2008. In addition, the Company accounted for leases which existed at the transition date and did not transfer ownership of the leased property to the lessee as operating lease transactions.

All other leases are accounted for as operating leases.

m. Bonuses to Directors—Bonuses to directors are accrued at the year end to which such bonuses are attributable.

n. Software Development Contracts—In December 2007, the ASBJ issued ASBJ Statement No.15 "Accounting Standard for Construction Contracts" and ASBJ Guidance No.18 "Guidance on Accounting Standard for Construction Contracts."

Under this new accounting standard, revenue from sales of the customized software and costs of development of the customized software should be recognized by the percentage-of-completion method if the outcome of a development contract can be estimated reliably. When total revenue, total costs and the stage of completion of the contract at the balance sheet date can be reliably measured, the outcome of a development contract can be estimated reliably. If the outcome of a development contract cannot be reliably estimated, the completed-contract method should be applied. When it is probable that the total costs will exceed total revenue, an estimated loss on the contract should be immediately recognized by providing for a loss on development contracts. This standard is effective for fiscal years beginning on or after April 1, 2009.

The Company applied the new accounting standard effective April 1, 2009.

There was no software development contracts where the percentage-of-completion method was applied. All software development contracts applied the completed-contract method. Therefore, there was no effect on income for the year ended March 31, 2010.

o. 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.

p. 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 income statement to the extent that they are not hedged by forward exchange contracts.

q. Foreign Currency Financial Statements—The balance sheet accounts of the 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 the historical rate.

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

Revenue and expense accounts of foreign subsidiaries are translated into yen at the average exchange rate.

r. Derivatives and Hedging Activities—The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange. Foreign exchange forward contracts and currency option contracts are utilized by the Group to reduce foreign currency exchange risks. The Group does not enter into derivatives for trading or speculative purposes.

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

The foreign currency forward contracts and currency option contracts employed to hedge foreign exchange exposures for export sales and import purchases are measured at fair value and the unrealized gains/losses are recognized in income.

s. 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.

Cash dividends per share shown in the consolidated statements of income are presented on an accrual basis and include interim dividends paid and year-end dividends to be approved after the balance sheet date.

Diluted net income per share of common stock is not disclosed herein because the Company has not issued any securities that are potentially dilutive for the years ended March 31, 2010 and 2009.

t. New Accounting Pronouncements

Business Combinations—In December 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 companies to account for such business combinations by the purchase method and the pooling of interests method of accounting is no longer allowed.

(2) The current accounting standard accounts for research and development costs to be charged to income as incurred. Under the revised standard, in-process research and development (IPR&D) acquired in 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.

Asset Retirement Obligations—In March 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.

Accounting Changes and Error Corrections—In December 2009, ASBJ issued ASBJ Statement No.24 "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No.24 "Guidance on Accounting Standard for Accounting Changes and Error Corrections." Accounting treatments under this standard and guidance are as follows:

(1) Changes in accounting policies
When a new accounting policy is applied with a revision of accounting standards, the new policy is applied retrospectively unless the revised accounting standards include specific transitional provisions. When the revised accounting standards include specific transitional provisions, an entity shall comply with the specific transitional provisions.

(2) Changes in presentation
When the presentation of financial statements is changed, prior period financial statements are reclassified in accordance with the new presentation.

(3) Changes in accounting estimates
A change in an accounting estimate is accounted for in the period of the change if the change affects that period only and is accounted for prospectively if the change affects both the period of the change and future periods.

(4) Corrections of prior period errors
When an error in prior period financial statements is discovered, those statements are restated.

This accounting standard and the guidance are applicable to accounting changes and corrections of prior period errors which are made from the beginning of the fiscal year that begins on or after April 1, 2011.

Segment Information Disclosures—In March 2008, the ASBJ revised ASBJ Statement No.17 "Accounting Standard for Segment Information Disclosures" and issued ASBJ Guidance No.20 "Guidance on Accounting Standard for Segment Information Disclosures."

Under the standard and guidance, an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments. This accounting standard and the guidance are applicable to segment information disclosures for the fiscal years beginning on or after April 1, 2010.

3. BUSINESS COMBINATION

There were no business combinations for the year ended March 31, 2010.

A business combination for the year ended March 31, 2009 was as follows:

a. Description of Business Combination

(1) Name of Company (Transferor): eg-electronic GmbH
(2) Contents of Acquired Business: Developing, manufacturing and selling of monitors for industrial monitors, air traffic control monitors, and graphic boards
(3) Reason and Purpose of Acquisition: This acquisition opens new vertical markets, Industrial Automation and Automotive markets. Taking synergy from the Company and EIZO GmbH, this acquisition strengthens the Group's overall R&D power and the Group's production capability in Germany and further drives market penetration of the Air Traffic Control monitor business.
(4) Date of Business Combination: February 28, 2009
(5) Legal Form of Business Combination: Business transfer
(6) Name of Company (Transferee): EIZO Technologies GmbH

b. Period for Acquired Business Included in the Consolidated Financial Statements

From March 1 to March 31, 2009

c. Description of Acquisition Costs

	Thousands of Euro
Initial payment of purchase price	€ 5,604
Accrued amount of purchase price	984
Total acquisition costs	€ 6,588

d. Goodwill

Name of company (transferee):	EIZO Technologies GmbH
Goodwill:	€3,000 thousand
Nature of goodwill:	Acquired products are expected to generate high profitability.
Method and useful lives of amortization:	The related goodwill is charged to income at acquisition.

e. Assets Received and Liabilities Assumed on the Date of Business Transfer

	Thousands of Euro
Name of company (transferee)	EIZO Technologies GmbH
Current assets	€ 3,086
Non-current assets:	
Goodwill	3,000
Other	645
Total	€ 6,731
Current liabilities	€ 143
Total	€ 143
Total acquisition costs	€ 6,588

4. SHORT-TERM INVESTMENTS AND INVESTMENT SECURITIES

Short-term investments and investment securities as of March 31, 2010 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Short-term investments:			
Debt securities	¥ 1,820	¥ 1,998	$ 19,570
Others	500		5,376
Total	¥ 2,320	¥ 1,998	$ 24,946
Investment securities:			
Marketable equity securities	¥ 11,590	¥ 8,211	$ 124,624
Non-marketable equity securities	16	16	172
Others	204	556	2,193
Total	¥ 11,810	¥ 8,783	$ 126,989

The cost and aggregate fair value of the securities classified as available-for-sale at March 31, 2010 and 2009 were as follows:

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2010				
Securities classified as available-for-sale:				
Equity securities	¥ 5,108	¥ 6,978	¥ 496	¥ 11,590
Debt securities	1,820			1,820
Others	705		1	704
Total	¥ 7,633	¥ 6,978	¥ 497	¥ 14,114
March 31, 2009				
Securities classified as available-for-sale:				
Equity securities	¥ 5,177	¥ 4,189	¥ 1,155	¥ 8,211
Debt securities	1,998			1,998
Others	409		3	406
Total	¥ 7,584	¥ 4,189	¥ 1,158	¥ 10,615

	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2010				
Securities classified as available-for-sale:				
Equity securities	$ 54,925	$ 75,032	$ 5,333	$124,624
Debt securities	19,570			19,570
Others	7,580		11	7,569
Total	$ 82,075	$ 75,032	$ 5,344	$151,763

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2009 were as follows. Similar information for 2010 is disclosed in Note 13.

	Carrying Amount
	Millions of Yen
March 31, 2009	
Available-for-sale:	
Equity securities	¥ 16
Others	150
Total	¥ 166

5. INVENTORIES

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

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Finished products	¥ 3,019	¥ 3,403	$ 32,462
Work in process	2,909	2,331	31,280
Raw materials and supplies	5,523	10,582	59,387
Total	¥ 11,451	¥ 16,316	$ 123,129

6. LONG-LIVED ASSETS

The total loss on impairment of long-lived assets at March 31, 2010 amounted to ¥47 million ($505 thousand), which was a write-down of land for rent. This land will be sold after the current lease expires, thus the recoverable amount was measured at its net selling value.

The total loss on impairment of long-lived assets at March 31, 2009 amounted to ¥1,696 million. The contents of impairment were goodwill of ¥1,521 million from EIZO GmbH and goodwill of ¥175 million from Eizo Nanao Technologies Inc.

The recoverable amount of the goodwill of EIZO GmbH was measured at its value in use and the discount rate used in the computation of the present value of future cash flows was 10%.

The recoverable amount of the goodwill of Eizo Nanao Technologies Inc. was measured at its value in use, but the prospect of the future cash flow generated from Eizo Nanao Technologies Inc. business is estimated to be negative. As a result, the whole carrying amount of Eizo Nanao Technologies Inc. goodwill was written down.

7. RETIREMENT AND PENSION PLANS

The Company and its certain 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 from the Company or from certain subsidiaries and annuity payments from a trustee. 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 employees' retirement benefits at March 31, 2010 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Projected benefit obligation	¥ 3,387	¥ 2,936	$ 36,419
Fair value of plan assets	(1,138)	(1,119)	(12,237)
Unrecognized actuarial gain	20	138	216
Net liability	¥ 2,269	¥ 1,955	$ 24,398

The components of net periodic benefit costs for the years ended March 31, 2010 and 2009 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Service cost	¥ 382	¥ 395	$ 4,108
Additional retirement cost	153		1,645
Interest cost	80	82	860
Expected return on plan assets	(27)	(29)	(290)
Recognized actuarial loss (gain)	68	(40)	731
Net periodic benefit costs	¥ 656	¥ 408	$ 7,054

Assumptions used for the years ended March 31, 2010 and 2009 are set forth as follows:

	2010	2009
Discount rate	1.0%–5.3%	2.0%–6.3%
Expected rate of return on plan assets	2.0%–3.5%	0.5%–3.5%
Recognition period of actuarial gain/loss	5 years	5 years

The liability for retirement benefits at March 31, 2010 and 2009 for directors and corporate auditors is ¥106 million ($1,140 thousand), respectively.

8. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. Dividends

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

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

c. Treasury Stock and Treasury Stock Acquisition Rights

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

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

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

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 40.4% for the years ended March 31, 2010 and 2009.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2010 and 2009 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Deferred tax assets:			
Inventories	¥ 1,085	¥ 1,200	$ 11,667
Pension and severance costs	867	741	9,323
Tax loss carryforwards	941	1,178	10,118
Accrued expenses	884	832	9,505
Other	2,563	2,759	27,560
Less valuation allowance	(2,342)	(2,132)	(25,183)
Total	3,998	4,578	42,990
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	(2,619)	(1,225)	(28,161)
Other	(45)	(57)	(484)
Total	(2,664)	(1,282)	(28,645)
Net deferred tax assets	¥ 1,334	¥ 3,296	$ 14,345

Deferred assets and liabilities were included in the consolidated balance sheets as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Current assets—Deferred tax assets	¥ 2,338	¥ 2,257	$ 25,140
Investments and other assets—Deferred tax assets	366	1,079	3,935
Current liabilities—Other current liabilities	(23)	(30)	(246)
Long-term liabilities—Deferred tax liabilities	(1,347)	(10)	(14,484)
Net deferred tax assets	¥ 1,334	¥ 3,296	$ 14,345

Reconciliations between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 31, 2010 and 2009 are as follows:

	2010	2009
Normal effective statutory tax rate	40.4%	40.4%
Tax credit for research expenses	(2.3)	(13.8)
Increase in valuation allowance	2.3	18.7
Other—net	2.4	15.2
Actual effective tax rate	42.8%	60.5%

At March 31, 2010, certain subsidiaries have tax loss carryforwards aggregating approximately ¥3,033 million ($32,613 thousand) which are available to be offset against taxable income of such subsidiaries in future years. These tax loss carryforwards, if not utilized, will expire as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2011		
2012		
2013	¥ 5	$ 54
2014	10	108
2015 and thereafter	3,018	32,451
Total	¥ 3,033	$ 32,613

10. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥4,727 million ($50,823 thousand) and ¥5,306 million for the years ended March 31, 2010 and 2009, respectively.

11. CASH FLOW INFORMATION

There were no business transfers for the year ended March 31, 2010, therefore any increase of assets or liabilities due to business transfer were not recognized in 2010.

Assets and liabilities which were increased by business transfer and the payment for business transfer for the year ended March 31, 2009 were as follows:

	Millions of Yen
Current assets	¥ 394
Non-current assets	82
Goodwill	383
Total	¥ 859
Current liabilities	¥ 19
Total	¥ 19
Initial payment of purchase price	¥ 840
Accrued amount of purchase price	125
Payment for acquisition of business	¥ 715

12. LEASES

The Group leases certain machinery, equipment and other assets. Total lease payments under financing lease arrangements that do not transfer ownership of the leased property to the Company and its domestic subsidiaries were ¥2 million ($22 thousand) and ¥5 million for the years ended March 31, 2010 and 2009, respectively.

Pro forma Information of Leased Property Whose Lease Inception Was before March 31, 2008

ASBJ Statement No.13, "Accounting Standard for Lease Transactions" requires that all finance lease transactions should be capitalized to recognize lease assets and lease obligations in the balance sheet. However, ASBJ Statement No.13 permits leases without ownership transfer of the leased property to the lessee whose lease inception was before March 31, 2008 to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the financial statements. The Company applied the ASBJ Statement No.13 effective April 1, 2008 and accounted for such leases as operating lease transactions. Pro forma information of leased property whose lease inception was before March 31, 2008 such as acquisition cost, accumulated depreciation, accumulated impairment loss, obligations under finance leases, depreciation expense, interest expense and other information of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis was as follows:

	Millions of Yen			
	2010		2009	
	Machinery and Equipment	Total	Machinery and Equipment	Total
Acquisition cost	¥ 10	¥ 10	¥ 21	¥ 21
Accumulated depreciation	8	8	16	16
Net leased property	¥ 2	¥ 2	¥ 5	¥ 5

	Thousands of U.S. Dollars	
	2010	
	Machinery and Equipment	Total
Acquisition cost	$ 108	$ 108
Accumulated depreciation	86	86
Net leased property	$ 22	$ 22

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Due within one year	¥ 2	¥ 3	$ 22
Due after one year		2	
Total	¥ 2	¥ 5	$ 22

The amount of obligations under finance leases includes the imputed interest expense portion.

Depreciation expense, which is not reflected in the accompanying consolidated statements of income, computed by the straight line method, was ¥2 million ($22 thousand) and ¥5 million for the years ended March 31, 2010 and 2009, respectively.

The minimum rental commitments under noncancelable operating leases at March 31, 2010 and 2009 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Due within one year	¥ 97	¥ 100	$ 1,043
Due after one year	155	184	1,667
Total	¥ 252	¥ 284	$ 2,710

13. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

On March 10, 2008, the ASBJ revised ASBJ Statement No.10 "Accounting Standard for Financial Instruments" and issued ASBJ Guidance No.19 "Guidance on Accounting Standard for Financial Instruments and Related Disclosures." This accounting standard and the guidance are applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010 with early adoption permitted from the beginning of the fiscal years ending before March 31, 2010. The Group applied the revised accounting standard and the new guidance effective March 31, 2010.

(1) Group Policy for Financial Instruments

The Group uses financial instruments based on its capital expenditure plan. Cash surpluses, if any, are invested in low risk financial assets. Derivatives are used, not for speculative purposes, but to manage exposure to financial risks as described in (2) below.

(2) Nature and Extent of Risks Arising from Financial Instruments

Receivables such as trade notes and trade accounts are exposed to customer credit risk. Although receivables in foreign currencies are exposed to the risk of fluctuation in foreign currency exchange rates, the position, net of payables in foreign currencies, is hedged by using forward foreign currency contracts. Marketable and investment securities, mainly debt securities and equity instruments of customers and suppliers of the Group, are exposed to the risk of market price fluctuations.

All payment terms of payables, such as trade accounts, are within one year. Although payables in foreign currencies are exposed to the risk of fluctuation in foreign currency exchange rates, those risks are netted against the balance of receivables denominated in the same foreign currency as noted above.

Derivatives mainly include forward foreign currency contracts which are used to manage exposure to the risk of changes in foreign currency exchange rates of receivables and payables. Please see Note 14 for more detail about derivatives.

(3) Risk Management for Financial Instruments

Credit risk management

Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt according to the contractual terms. The Group manages its credit risk from receivables on the basis of internal guidelines, which include monitoring of payment terms and balances of major customers by each business administration department to identify the default risk of customers at an early stage. With respect to debt securities, the Group manages its exposure to credit risk by limiting its funding to high credit rating bonds in accordance with its internal guidelines. Please see Note 14 for information about derivatives.

The maximum credit risk exposure of financial assets is limited to their carrying amounts as of March 31, 2010.

Market risk management (foreign exchange risk and interest rate risk)

Foreign currency trade receivables and payables are exposed to fluctuations in foreign currency exchange rates. Such foreign exchange risk is hedged occasionally by forward foreign currency contracts.

Marketable and investment securities are managed by monitoring the market values and financial position of issuers on a regular basis.

The basic principles of derivative transactions have been approved by the chief financial officer based on internal guidelines which prescribe the authority and the limit for each transaction by the corporate treasury department. Reconciliation of the transactions and balances with customers is made and the transaction data is reported to the chief financial officer on a monthly basis.

Liquidity risk management

Liquidity risk comprises the risk that the Group cannot meet its contractual obligations in full on maturity dates. The Group manages its liquidity risk by holding adequate volumes of liquid assets along with adequate financial planning by the corporate treasury department.

(4) Concentration of Credit Risk

As of March 31, 2010, 43.9% of total receivables are from specific major customers of the Group.

(5) Fair Values of Financial Instruments

Fair values of financial instruments are based on quoted prices in active markets. If quoted prices are not available, other rational valuation techniques are used instead.

(a) Fair values of financial instruments

	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Gain/Loss
March 31, 2010			
Cash and cash equivalents	¥ 18,760	¥ 18,760	
Notes and accounts receivables	15,397		
Allowance for doubtful receivables	(124)		
	15,273	15,273	
Short-term investments and investment securities	14,113	14,113	
Total	¥ 48,146	¥ 48,146	
Accounts payable	¥ 8,346	¥ 8,346	
Total	¥ 8,346	¥ 8,346	

	Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Unrealized Gain/Loss
March 31, 2010			
Cash and cash equivalents	$ 201,720	$ 201,720	
Notes and accounts receivables	165,559		
Allowance for doubtful receivables	(1,333)		
	164,226	164,226	
Short-term investments and investment securities	151,753	151,753	
Total	$ 517,699	$ 517,699	
Accounts payable	$ 89,742	$ 89,742	
Total	$ 89,742	$ 89,742	

Cash and Cash Equivalents

The carrying values of cash and cash equivalents approximate fair value because of their short maturities.

Short-Term Investments and Investment Securities

The fair values of short-term investments and investment securities are measured at the quoted market price of the stock exchange for equity instruments and at the quoted price obtained from financial institutions for certain debt instruments. Information on the fair value for the short-term investments and investment securities by classification is included in Note 4.

Notes and Accounts Receivables and Accounts Payable

The fair values of receivables and payables are measured at the amount to be received or paid at maturity discounted at the Group's assumed corporate discount rate, except for short-term receivables and payables when the recognition of discount would be immaterial, less any impairment.

Derivatives

The information of the fair value for derivatives is included in Note 14.

(b) Financial instruments whose fair value cannot be reliably determined

	Carrying Amount	
	Millions of Yen	Thousands of U.S. Dollars
March 31, 2010		
Investments in equity instruments that do not have a quoted market price in an active market	¥ 16	$ 172

(6) Maturity Analysis for Financial Assets and Securities with Contractual Maturities

	Millions of Yen			
	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
March 31, 2010				
Cash and cash equivalents	¥ 18,756			
Receivables	15,397			
Investment securities:				
Corporate bonds	320			
Commercial paper	1,500			
Other	517	¥ 43	¥ 18	¥ 69
Total	¥ 36,490	¥ 43	¥ 18	¥ 69

	Thousands of U.S. Dollars			
	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
March 31, 2010				
Cash and cash equivalents	$ 201,677			
Receivables	165,559			
Investment securities:				
Corporate bonds	3,441			
Commercial paper	16,129			
Other	5,559	$ 462	$ 194	$ 742
Total	$ 392,365	$ 462	$ 194	$ 742

Please see Note 12 for obligations under finance leases.

14. DERIVATIVES

The Group enters into derivative contracts, including foreign currency forward contracts and currency options contracts, to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies.

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

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

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

As noted in Note 13, the Group applied ASBJ Statement No.10 "Accounting Standard for Financial Instruments" and ASBJ Guidance No.19 "Guidance on Accounting Standard for Financial Instruments and Related Disclosures." The accounting standard and the guidance are applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010; therefore, the required information is disclosed only for 2010.

Derivative Transactions to Which Hedge Accounting Is Not Applied at March 31, 2010

None

Derivative Transactions to Which Hedge Accounting Is Applied at March 31, 2010

		Millions of Yen		
	Hedged Item	Contract Amount	Contract Amount Due after 1 Year	Fair Value
March 31, 2010				
Foreign currency forward contracts— Buying U.S.$	**Forecast transactions**	¥ 40		¥ 2

		Thousands of U.S. Dollars		
	Hedged Item	Contract Amount	Contract Amount Due after 1 Year	Fair Value
March 31, 2010				
Foreign currency forward contracts— Buying U.S.$	**Forecast transactions**	$ 430		$ 22

The following is the fair value information for foreign currency forward contracts to which hedge accounting is not applied at March 31, 2009. Foreign currency forward contracts which qualify for hedge accounting are excluded from the information below.

	Millions of Yen		
	Contract Amount	Fair Value	Unrealized Loss
March 31, 2009			
Foreign currency forward contracts— Buying Japanese ¥	¥ 61	¥ (2)	¥ (2)

The fair value of derivative transactions is measured at the quoted price obtained from financial institutions.

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

15. SUBSEQUENT EVENT

The following appropriation of retained earnings at March 31, 2010 was approved at the Board of Directors meeting held on May 24, 2010:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥25 ($0.3) per share	¥ 558	$ 6,000

16. SEGMENT INFORMATION

Information about industry segments, geographical segments and sales to foreign customers of the Group for the years ended March 31, 2010 and 2009 is as follows:

(1) Industry Segments

The Group is primarily engaged in the manufacture, development and sale of visual display systems and related products. Under Japanese accounting regulations, the Group is not required to disclose industry segment information because its main industry segment represented more than 90% of its operations.

(2) Geographical Segments

The geographical segments of the Group for the years ended March 31, 2010 and 2009 are summarized as follows:

	Millions of Yen				
	2010				
	Japan	Europe	North America	Eliminations/ Corporate	Consolidated
Sales to customers	**¥ 66,584**	**¥ 8,145**	**¥ 2,796**		**¥ 77,525**
Interarea transfer	**4,134**	**779**	**33**	**¥ (4,946)**	
Total sales	**70,718**	**8,924**	**2,829**	**(4,946)**	**77,525**
Operating expenses	**58,365**	**9,938**	**2,781**	**(2,585)**	**68,499**
Operating income (loss)	**¥ 12,353**	**¥ (1,014)**	**¥48**	**¥ (2,361)**	**¥ 9,026**
Total assets	**¥ 41,742**	**¥ 6,414**	**¥ 1,057**	**¥ 26,156**	**¥ 75,369**

	Millions of Yen				
	2009				
	Japan	Europe	North America	Eliminations/ Corporate	Consolidated
Sales to customers	¥ 62,398	¥ 8,874	¥ 3,250		¥ 74,522
Interarea transfer	4,319	1,061	20	¥ (5,400)	
Total sales	66,717	9,935	3,270	(5,400)	74,522
Operating expenses	58,564	11,118	3,259	(2,721)	70,220
Operating income (loss)	¥ 8,153	¥ (1,183)	¥ 11	¥ (2,679)	¥ 4,302
Total assets	¥ 41,591	¥ 7,379	¥ 931	¥ 15,720	¥ 65,621

	Thousands of U.S. Dollars				
	2010				
	Japan	Europe	North America	Eliminations/ Corporate	Consolidated
Sales to customers	$ 715,957	$ 87,581	$ 30,064		$ 833,602
Interarea transfer	44,452	8,376	355	$ (53,183)	
Total sales	760,409	95,957	30,419	(53,183)	833,602
Operating expenses	627,581	106,860	29,904	(27,796)	736,549
Operating income (loss)	$ 132,828	$ (10,903)	$ 515	$ (25,387)	$ 97,053
Total assets	$ 448,839	$ 68,968	$ 11,366	$ 281,246	$ 810,419

(3) Sales to Foreign Customers

Sales to foreign customers for the years ended March 31, 2010 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Europe	**¥ 18,000**	¥ 21,083	**$ 193,548**
North America	**2,811**	3,200	**30,226**
Other	**1,928**	1,815	**20,731**
Total	**¥ 22,739**	¥ 26,098	**$ 244,505**

Independent Auditors’ Report

Eizo Nanao Corporation

Deloitte.

Deloitte Touche Tohmatsu LLC
MS Shibaura Building
4-13-23, Shibaura
Minato-ku, Tokyo 108-8530
Japan

Tel:+81 (3) 3457 7321
Fax:+81 (3) 3457 1694
www.deloitte.com/jp

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
EIZO NANAO CORPORATION:

We have audited the accompanying consolidated balance sheets of EIZO NANAO CORPORATION (the "Company") and subsidiaries (together, the "Group") as of March 31, 2010 and 2009, 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 EIZO NANAO CORPORATION 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.

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 LLC

June 24, 2010

Member of
Deloitte Touche Tohmatsu

Corporate Data

(As of March 31, 2010)

Company Name
Eizo Nanao Corporation

Established
March 1968

Capital
¥4,425,745,500

Address
153 Shimokashiwano, Hakusan,
Ishikawa, 924-8566, Japan
Phone: +81-76-275-4121
Fax: +81-76-275-4125

Employees on a Consolidated Basis
1,462

Business Activities
Development, design, manufacturing and sale of display monitors and peripherals, amusement products, and imaging system software.

Board of Directors and Statutory Auditors

(As of October 1, 2010)

Board of Directors

President and CEO
Yoshitaka Jitsumori

Executive Vice President and CFO
Tsutomu Tanabe

Directors
Kazuya Maeda
Masaki Ono
Yuichi Murai
Kazuhide Shimura
Yuichi Terada

Statutory Auditors

Standing Corporate Auditor
Eiichi Ueno

Corporate Auditors
Shuji Taniho
Masakatsu Atarashi
Masafumi Kubo

Managing Officers

Executive Managing Officers
Kazuya Maeda
Masaki Ono

Managing Officers
Yuichi Murai
Kazuhide Shimura
Eiji Tsurumi
Muneharu Yamamoto
Toshimine Hiraki
Shuichi Arima
Hidenori Kojima
Kiichiro Akitsune

Shareholders' Information

(As of March 31, 2010)

Total Number of Shares Authorized
65,000,000

Number of Shares Issued
22,731,160

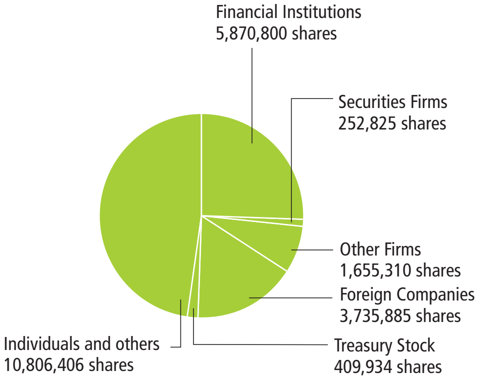
Shares Listed On
The first section of the Tokyo Stock Exchange

Number of Shareholders
12,598

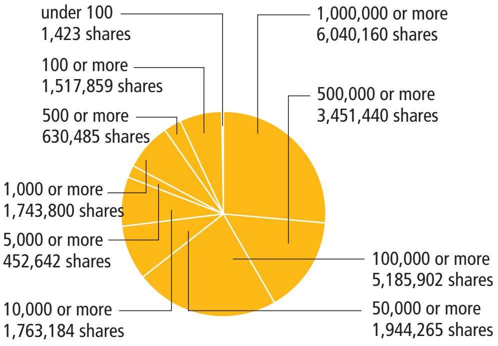
Major Shareholders

	Number of Shares Held (Thousands)	Percentage of Voting Rights (%)
The Master Trust Bank of Japan, Ltd. (Investment Trust Account)	1,550	6.95
Yasutaka Murata	1,135	5.09
Tsuneo Murata	1,135	5.09
Naoki Murata	1,135	5.09
Tetsu Takashima	1,083	4.86
Hiroshi Murata	902	4.04
Japan Trustee Service Bank, Ltd. (Investment Trust Account)	739	3.31
Japan Trustee Service Bank, Ltd. (Investment Trust Account 9)	686	3.08
The Hokkoku Bank, Ltd.	575	2.58
The Hokuriku Bank, Ltd.	547	2.45

Distribution of Shares by Type of Shareholders

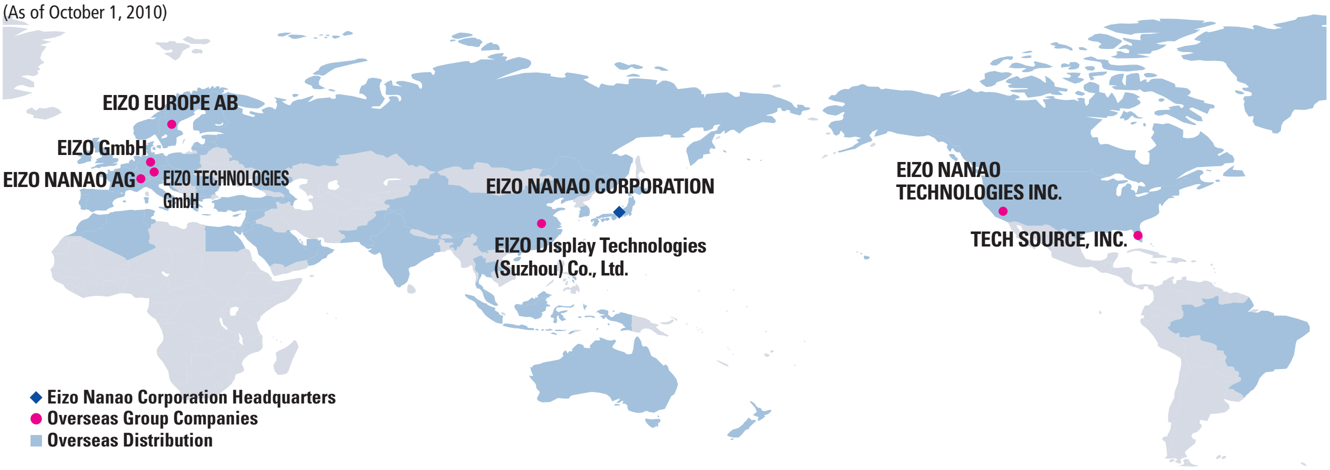


Distribution of Shares by Number of Shares



Group Network

(As of October 1, 2010)



Overseas Network

EIZO GmbH
Siemensallee 84, 76187 Karlsruhe, Germany
Phone: +49-721-20321-0 Fax: +49-721-20321-471

EIZO Technologies GmbH
Bürgermeister-Seidl-Str. 8, 82515 Wolfratshausen, Germany
Phone: +49-8171-3492-11 Fax: +49-8171-3492-16

Tech Source, Inc.
442 Northlake Blvd Altamonte Springs, FL 32701, U.S.A.
Phone: +1-407-262-7100 Fax: +1-407-339-2554

EIZO Display Technologies (Suzhou) Co., Ltd.
5B Zhongxin Science & Technology Industrial Zone 8 Zhanye Road, Suzhou Industrial Park Suzhou 215122 PRC, China
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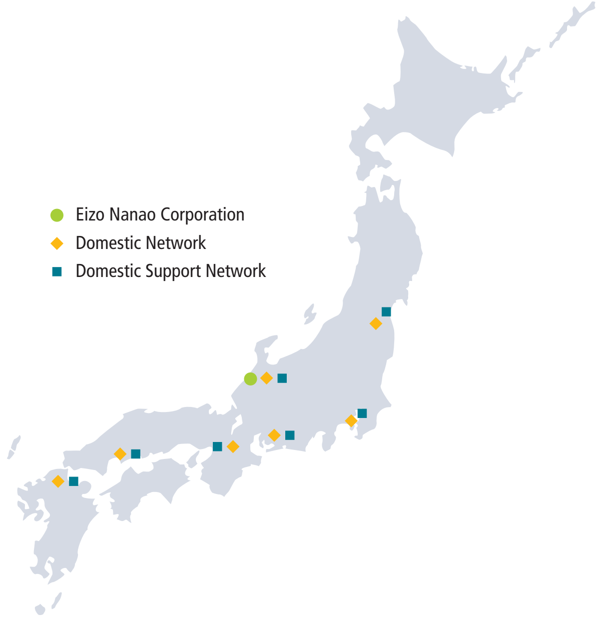
EIZO NANAO AG
Moosacherstrasse 6, Au, CH-8804 Wädenswil, Switzerland
Phone: +41-0-44-782 24 40 Fax: +41-0-44-782 24 50



Domestic Network

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37-9 Re, Jike, Hakui, Ishikawa 925-8566, Japan
Phone: +81 767 22-7121 Fax: +81 767 22-6601

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