

Message from the President

As corporate earnings rapidly deteriorated amid the global economic recession that started in the autumn of 2008, the Group consolidated financial results for the fiscal year ended March 31, 2009 proved to be worse than previously expected.

The Lighting Sector saw decreased sales and operating income as compared to the previous fiscal year. There was a decrease in public work-related orders following the recovery in fiscal 2007, and private-sector demand for HID products slumped because of inventory adjustment and postponement and cancellation of capital expenditure projects in the market. Deepening recession in the real estate and construction markets also negatively affected our performance.

The Applied Optics Sector also saw decreased sales and operating income. A decrease in the sales of image projector light source products, most of which are for overseas markets, had a major downward impact. Our performance was also affected by postponement and cancellation of customers' capital expenditure projects that would have involved our UV sterilization systems.

The business environment is expected to remain severe in the fiscal year ending March 2010, with uncertainty over the global economy. The Group will swiftly proceed with review of our existing business line and reinforcement of the management foundation, and work on further streamlining.

As part of the efforts to improve profitability, we have implemented bold fixed cost reduction measures such as cutting remuneration, salaries and bonuses of officers and employees, reviewing the use of dispatched workers, and relocating personnel.

The management has decided to withdraw the numerical targets set under our "Run-up 2011" five-year management plan, as they are too difficult to achieve under the current economic environment. Instead, as our immediate task, we will concentrate our efforts on implementing the structural reforms called for in the management plan.

In the Lighting Sector, along with increasing our supply of HID products, we will aim at expanding our share in the rapidly expanding LED lighting market by focusing on outdoor applications.

In the Applied Optics Sector, demand for our lighting environment simulation systems is expected to grow, as they meet the needs of the strongly growing solar battery market. We will endeavor to boost the sales of lighting environment simulation systems as well as water treatment systems and EB irradiation systems.

As a company that cherishes our corporate identity encompassing "Lighting for Life, Engineering for the Environment," we are committed to the united efforts of all employees to improve the performance of the Group companies, while always caring about the environment, safety and reassurance. We would be grateful for your continued support.

Takao Kumasaka
President

