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## **YUHO REPORT** **Annual**

Fiscal Year Ended **December 31, 2008**

Traded **JASDAQ**

Stock Code **7963**

# YUHOREPORT

## **Koken Ltd.**

Fiscal Year Ended	<b>December 31, 2008</b>
Traded	<b>JASDAQ</b>
Stock Code	<b>7963</b>

This report is based on the Company's Japanese-language annual filing with the Financial Services Agency and supplemented with materials that facilitate comparison with the Company's peers. The materials from the annual filing with the Financial Services Agency have been edited and reorganized in a format more familiar to the international investment community. All information contained in this report has been obtained from sources believed to be reliable, but the accuracy of the data and the translation and the completeness and timeliness of the information are not warranted by the Company, Pacific Associates, or PRONEXUS. None of the above parties shall be responsible for any error or omission or for results obtained from the use of this information.

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## Company Profile

### Financial highlights

Years ended December 31; Thousands of yen	2004	2005	2006	2007	2008	Change 2008/2004
Net sales	6,621,020	7,123,035	7,785,851	7,644,859	7,845,556	118%
Ordinary profit	386,081	737,929	694,232	665,875	594,546	154%
Net income	201,498	389,454	348,430	337,950	332,058	165%
Common stock	674,265	674,265	674,265	674,265	674,265	100%
Shares outstanding	5,104,003	5,104,003	5,104,003	5,104,003	5,104,003	100%
Net assets	6,687,635	7,173,742	7,329,569	7,478,239	7,618,476	114%
Total assets	14,080,952	14,720,104	15,155,100	15,198,789	16,357,462	116%
Net assets per share (Yen)	1,340.06	1,431.14	1,451.79	1,477.79	1,449.63	108%
Dividends per share (Yen)	15.00	25.00	25.00	25.00	25.00	167%
Net income per share (Yen)	36.35	70.03	69.39	66.92	65.71	181%
Net income per share, fully diluted (Yen)	36.26	69.57	68.91	66.75	65.62	181%
Dividend payout ratio (%)	37.0	32.0	36.2	37.4	38.0	
Net cash provided by operating activities	344,418	405,532	473,220	945,337	762,274	
Net cash used in investing activities	(220,600)	(557,080)	(1,255,581)	(325,742)	(1,900,182)	
Net cash used in financing activities	(86,181)	(215,522)	404,106	(116,993)	847,578	
Cash and cash equivalents at end of term	2,150,706	1,783,636	1,405,382	1,907,983	1,617,654	
Employees	197	201	206	209	218	111%

Figures are rounded to the nearest thousand yen for fiscal years up to and including the year ended December 31, 2005, but rounded down thereafter.

### Peer comparisons

Percent	2004	2005	2006	2007	2008
Net income / net sales (%)	3.0	5.5	4.5	4.4	4.2
Peers	0.6	2.5	2.0	0.3	(0.5)
Ordinary profit / net sales (%)	5.8	10.4	8.9	8.7	7.6
Peers	3.7	5.5	5.8	3.7	2.2
Net income / equity (%)	3.0	5.4	4.8	4.5	4.4
Peers	(0.9)	6.6	5.7	0.4	(0.4)
Net income / assets (%)	1.4	2.6	2.3	2.2	2.0
Peers	0.4	2.7	2.5	0.9	(0.5)
Ordinary profit / assets (%)	2.7	5.0	4.6	4.4	3.6
Peers	3.5	5.7	6.5	4.1	2.5
Equity / assets (%)	47.5	48.7	48.4	49.1	46.4
Peers	47.0	47.1	49.1	49.3	48.4

Peers include 32 companies in the other products sector on the Nasdaq Securities Exchange. One company whose future appears doubtful is excluded from the calculation.

*Common size statements*

<b>Years ended December 31; Percent</b>			
	<b>2006</b>	<b>2007</b>	<b>2008</b>
<b>Balance sheet</b>			
<b>Assets</b>	100.0	100.0	100.0
Current assets	43.7	46.7	40.9
Tangible fixed assets	47.1	44.4	51.3
Intangible fixed assets	0.1	0.2	0.1
Investments and other assets	9.0	8.7	7.7
Total fixed assets	56.2	53.3	59.1
Total deferred assets	0.1	-	-
<b>Liabilities</b>	100.0	100.0	100.0
Current liabilities	20.6	20.4	20.8
Long-term liabilities	31.0	30.4	32.6
Total liabilities	51.6	50.8	53.4
Net assets			
Common stock	4.4	4.4	4.1
Capital surplus	3.5	3.4	3.2
Retained earnings	39.4	40.6	39.1
Treasury stock	(0.3)	(0.3)	(0.2)
Total shareholders' equity	47.0	48.2	46.2
Valuation/translation gains (losses)	1.3	0.8	0.2
Share subscription rights	-	0.0	0.2
Total net assets	48.4	49.2	46.6
<b>Statement of income</b>			
<b>Net sales</b>	100.0	100.0	100.0
Cost of goods sold	53.7	54.5	55.1
Gross profit on sales	46.3	45.5	44.9
Selling, general and administrative expenses	35.6	35.5	35.8
Operating income	10.7	10.0	9.1
Nonoperating income	0.4	0.3	0.4
Nonoperating expenses	2.2	1.6	1.9
Ordinary profit	8.9	8.7	7.6
Extraordinary income	0.0	-	0.1
Extraordinary losses	0.7	0.9	0.4
Net income before taxes and special reserves for the term	8.2	7.8	7.3
Corporate, inhabitant and enterprise taxes	3.7	3.4	3.1
Net income	4.5	4.4	4.2

## Business Overview

### *Description of business*

The corporate group consists of KOKEN LTD. (the Company) and one subsidiary. The Company manufactures and sells products that contribute to occupational health and safety, primarily providing particulate respirators, gas masks, and instruments and equipment for improving workplace environments, such as push-pull local ventilation systems, highly acidic electrolyzed water generators and magnetic rust/scale removers.

The Company rents its corporate headquarters from Sakai Tatemono Ltd., a company with which it has a close relationship.

## History

Year	Month	Event
1943	May	Koshinkai Kenkyujo established.
1952	February	Koshinkai Kenkyujo converted to joint stock company.
1963	December	Company's production and sales divisions spun off as independent operations; KOKEN LTD. established and Hannou plant constructed in Hannou, Saitama Prefecture.
1967	April	Hannou Laboratories established in Hannou, Saitama Prefecture.
1968	December	Hoya plant established in Hoya, Tokyo.
1976	October	Ashio plant established in Ashio, Tochigi Prefecture.
1977	January	Logistics center constructed in Ninomiya, Kanagawa Prefecture.
1981	January	Koken Bosai System established to sell occupational safety and health-protection equipment and to design and construct fire-prevention equipment and workplace environment improvement equipment.
1984	December	Hoya plant relocated to Tokorozawa, Saitama Prefecture and reestablished as Tokorozawa plant.
1985	June	Koshinkai Kenkyujo and Ninomiya Seisakusho acquired.
1986	December	Company's shares registered with Japan Securities Dealers Association as OTC-traded stock issue.
1987	July	Koken Bosai System acquired and Sayama Techno-Yard established in Sayama, Saitama Prefecture, with one portion of Hannou Techno-Yard relocated to Sayama Techno-Yard. (Names of plants and factories all changed to Techno-Yard.)
1988	July	Second phase of Sayama Techno-Yard construction completed, concluding relocation of Hannou Techno-Yard.
1989	August	New head office building constructed.
1992	March	New research wing completed for Tokorozawa Laboratories.
1997	December	Nakai Techno-Yard and Nakai Logistics Center established in Nakai-machi, Kanagawa Prefecture. (Ninomiya Techno-Yard and Ninomiya Logistics Center integrated into newly established facilities of Nakai Techno-Yard and Nakai Logistics Center.)
1999	January	ISO 9001 certification obtained for entire company (registered on inspection).
	June	Gunma Techno-Yard constructed in Kasagake-cho, Gunma Prefecture.
2002	January	ISO 14001 certification obtained by Gunma Techno-Yard (registered on inspection).
2003	June	ISO 14001 certification obtained by Nakai Techno-Yard and Nakai Logistics Center (registered on inspection).
2004	December	Registration for OTC trading with Japan Securities Dealers Association canceled; and shares listed on the JASDAQ Securities Exchange.
2005	May	ISO 14001 certification obtained by Tokorozawa Techno-Yard (registered on inspection).

## *Risk factors*

The Company recognizes the following risks or potential risk factors as existing as of December 31, 2008:

### Research and Development

- As an R&D-driven, comprehensive environmental product manufacturing company, the Company invests management resources to bring highly innovative products to the market. Not all R&D will necessarily lead to the development of new products, however, or to growth in earnings. In addition, the Company's performance could be affected by circumstances which leave the Company no choice but to discontinue its R&D activities.
- The Company's product development is based on highly innovative technology, and it has consequently implemented the necessary procedures to protect its intellectual properties and large number of patents. There is, however, only so much laws can do to protect proprietary technology, and the possibility exists that the Company will not be able to prevent a third party from using its intellectual properties to manufacture and sell products similar to the Company's. This could have an impact on the Company's results.

### Legal and Regulatory

- The Company's businesses are governed by a number of legal restrictions, as set forth in statutes such as the Industrial Safety and Health Law, the Pharmaceutical Affairs Law, and the Product Liability Act; and it continues to strengthen its compliance capabilities and internal control to ensure its ability to meet the requirements of these laws.
- Despite its best efforts, however, the Company may fail to meet one or more of these regulations, with a resulting recall of its products or other limitations on its businesses. In addition, the enactment of new laws or revision of existing ones could impact the Company's financial performance by requiring it to incur expenses for capital investment or other needs.

### Quality Assurance and Quality Management

- Besides being designed for use in harsh environments, the Company's products must be extremely durable and trustworthy to fulfill their role in protecting human safety and health. To assure the highest levels of quality control, the Company has established quality management systems based on ISO9001 standards and has adopted the following measures:

- a) It maintains an independent quality verification office, which reports directly to the president; and
- b) It assigns personnel from this office to each techno-yard (plant) to monitor production and inspection procedures.
- The Ministry of Health, Labour and Welfare conducts tests on protective breathing equipment. In the unlikely event that such tests should reveal defects in the Company's products despite its stringent quality control, the costs incurred in recalling and repairing non-compliant equipment could have a negative impact on the Company's financial performance.

#### Natural Disasters, etc.

- The Company maintains production and technical facilities at four sites in the Kanto region (in Saitama, Gunma and Kanagawa prefectures).
- Cessation of production activities or other interruptions of operations due to natural disasters such as earthquakes or to accidents or other incidents could have a negative impact on the Company's financial performance. Seismic risk assessments have been conducted, at all the Company's production facilities, and each is developing a business continuity plan in response.

#### Environmental Issues

- Following the discovery at two locations of pollution from trichloroethylene in soil and water tests carried out voluntarily by the Company at its research laboratories and techno-yards, the pollution was publicly disclosed and measures were implemented to restore the two sites in question to pollution-free conditions. Steady progress is being made in restoring these sites, but it is difficult to estimate the time required to complete the process. In the event that the purification process requires an extended period of time, there is a possibility that the related expenses could exert an impact on the Company's results.

## *Research and development*

The Company is committed to research and development in its business domain, “Cleanliness, Health and Safety.” It pursues development of original, creative technologies as well as versatile applications employing them.

With its accumulated knowledge and experience, the Company has acquired a stable market position, especially in the fields of “occupational health and safety implements” and “working environment improvement.” Never satisfied with its current position, however, it continues to strive to achieve further technological innovation. The Company has established a matrix R&D structure that includes project teams for basic research on near-future technologies and applications.

A total of 71 staff are responsible for research and development, and related expenditures during the year under review totaled 465 million yen.

The Company pursued the following activities during the year under review:

- **Model BL-700H: Breath-Response Powered-Air Purifying Respirator (PAPR)**  
 An electric fan installed on this latest breath-synchronized blower mask maintains sufficiently high air pressure on the surface of the mask to prevent dust or other particulates from entering, while at the same time carefully controlling the volume of blown air to facilitate breath synchronization. The result is an ideal balance of safety and comfort.  
  
 In conventional fan-operated blower masks, the filter can become clogged or the battery charge depleted over time, leading to potentially hazardous gaps between the mask and face. The BL-700H mask overcomes these safety issues with a warning light that alerts the operator to any fall off in pressure. This light has also been installed on the Company’s latest models in the BL-100 series of industrial masks, which are used widely in welding and tunneling operations.
- **Koken Laminar Model MU-01: Automated ventilation system for formaldehyde measures**  
  
 This compact push-pull ventilation system is designed to remove hazardous formaldehyde gas. Formaldehyde is widely used in medical institutions for preserving tissue removed during surgery prior to pathological analysis. The MU-01 is compact enough to be installed on a sink, thereby providing protection for any workers involved in washing preserved organs. In addition to the MU-01, the Company’s range of compact ventilation systems includes the “Laminar Table HD-01” model, which has already been installed in many facilities.

## *Analysis of financial condition and results of operations*

### (1) Financial analysis

Total assets stood at 16,357 million yen as of December 31, 2008, an increase of 1,158 million yen from the previous year-end.

Current assets: 6,694 million yen (a decrease of 405 million yen)

This mainly reflected increases in accounts receivable—trade (of 113 million yen). These more than offset the declines in cash and deposits (of 433 million yen) and marketable securities (of 110 million yen).

Fixed assets: 9,662 million yen (an increase of 1,564 million yen)

This result primarily reflected increases in fixed assets (of 1,627 million yen) and in deferred tax assets (of 66 million yen) and a decrease in investment securities (of 159 million yen).

Current liabilities: 3,408 million yen (an increase of 309 million yen)

This primarily reflected an increase in the current portion of long-term debt (of 275 million yen) and in accounts payable—trade (of 17 million yen).

Long-term liabilities: 5,330 million yen (an increase of 709 million yen)

This primarily reflected an increase in long-term debt (of 691 million yen).

Net assets: 7,618 million yen (an increase of 140 million yen)

This mainly reflected an increase of 205 million yen in retained earnings due to higher net income in fiscal 2008 and other factors. This was offset by a decline of 91 million yen in unrealized gains on other securities.

The equity ratio declined to 46.4% from 49.1%.

### (2) Results of operations

Sales:	7,845 million yen	(up 2.6%)
Operating income:	710 million yen	(down 7.2%)
Ordinary profit:	594 million yen	(down 10.7%)
Net income:	332 million yen	(down 1.7%)

**Sales:**

Higher sales mainly reflected the introduction of new breath-response PAPRs with more advanced functionality amid the ongoing expansion of the Company's product range.

**Cost of goods sold:**

Reflecting the increase in sales, the cost of goods sold increased by 153 million yen compared with the previous year to 4,320 million yen. The gross profit margin worsened by 0.6 percentage points, declining from 45.5% to 44.9%. This was the result of a sharp increase in raw material costs along with an increase in the manufacturing cost ratio.

**Selling, general and administrative expenses:**

Higher personnel and other expenses offset savings from cost-reduction efforts. Selling, general and administrative expenses increased by 102 million yen compared with the previous year to 2,813 million yen.

**Operating income:**

The operating profit margin fell by 0.9 percentage points to 9.1% from 10.0% in the previous year.

**Nonoperating income and expenses:**

Nonoperating income increased by 10 million yen to 33 million yen. This mainly reflected a refund from the cancellation of 8 million yen in insurance premiums.

Nonoperating expenses increased by 26 million yen to 150 million yen, primarily because of a 15 million yen increase in interest expenses.

**Extraordinary income and losses:**

Extraordinary income increased by 8 million yen to 8 million yen. This mainly reflected an 8 million yen reversal of the allowance for doubtful accounts.

Extraordinary losses were 32 million yen. This mainly reflected a 23 million yen loss on the disposal of fixed assets, expenses for disposal of fixed assets totaling 2 million yen and a loss on the valuation of investments in securities of 5 million yen.

## *Corporate governance*

### (1) Basic philosophy concerning corporate governance

The Company aims to increase its enterprise value and shareholder and investor value. Toward these ends, it is endeavoring to strengthen its corporate governance to ensure the transparency and health of its management. It is also taking steps to build a management organization that achieves increased efficiency through clarified lines of responsibility and that responds rapidly to changes in the operating environment.

The Company also believes that disclosure is an important issue for management. Accordingly, its aim is to continue to disclose information in a timely, prompt, fair and transparent manner hereafter. Toward this end, it is endeavoring to increase opportunities for disclosure, to improve its methods of conveying information, and to add greater value to the information disclosed.

### (2) Overview of corporate governance structures

- **Board of Directors:** The primary decision-making body of the Company, the Board of Directors meets once a month, as a rule, as provided for under the bylaws of the Board of Directors. In addition to deciding important matters concerning the execution of operations, the Board also oversees those operations. The Board is also prepared to meet on an as-needed basis to deal with issues that require prompt action.
- **Senior Management Meetings:** Senior Management Meetings, whose members consist of the directors, division managers and heads of the respective departments, are convened once a month. Decisions of the Board of Directors are conveyed to the senior management at these meetings, which also provide occasions for divisional managers and heads of sales offices to present sales reports and for senior management to be updated on operations in the various departments. Problem areas and policy responses are also discussed.
- **Board of Corporate Auditors:** The Company has adopted a system of corporate auditors. It elects four auditors (two of whom are outside auditors), who participate in Board of Directors meetings and, in so doing, monitor the performance of the directors and the Board of Directors.

### (3) Development status of internal control system

- The Company operates its business through four divisions: the Management Division, the Marketing Division, the Technology Division and the Manufacturing Division. Each division is headed by a general manager, and

responsibilities are allocated in a manner that enables each division to act as a check on the others.

- To enhance efficiency and promote appropriate, rational management, the Company has established a number of internal regulations, which are reviewed regularly by the department heads to assure their compatibility with realities on the ground. The department heads perform the important role of ensuring that operations in their departments are carried out strictly in accordance with the applicable laws and ordinances.
- The Company continually upgrades its systems to ensure full compliance with laws, regulations and internal rules through various checking procedures. The Company has instituted compliance-related educational and training courses for directors and employees. In addition, the Company has set up the Koken Compliance Help Line as an internal reporting system designed to control and correct any compliance violations at the earliest possible time.
- As a responsible corporate citizen, the Company maintains no relations with antisocial forces or other organizations that threaten the social order, and it remains resolutely opposed to such forces.

(4) Risk management system development status

- The Management Division, Marketing Division, Technology Division and Manufacturing Division all have their own systems to manage intra-divisional risks. At the same time, this arrangement is bolstered by a system of mutual checks and balances. Operational audits are conducted to assess the execution status of business processes according to internal auditing regulations. In particular, quality assurance audits are conducted to perform quality checks on product-related processes. The results of internal audits are reported to the president, and systems are in place to facilitate the institution of improvement measures where necessary.
- The Management Division assumes overall responsibility for managing risk at the corporate level. While promoting the adoption of any required regulations, this division also continues to construct risk management systems with the aim of mitigating projected risks and developing contingency measures against any foreseeable emergency situations.

## (5) Directors' compensation

- Directors' compensation

Compensation paid to directors: 164,167,000 yen

Compensation paid to corporate auditors: 30,584,000 yen

*Notes:*

*1. Total compensation amounts for directors include figures for five directors who retired at the 45<sup>th</sup> Annual General Meeting of Shareholders held on March 27, 2008.*

*2. Compensation amounts for directors do not include any remuneration with respect to employment in non-executive positions.*

*3. Compensation amounts also include the following: Bonuses awarded by resolution of the 46<sup>th</sup> Annual General Meeting of Shareholders in the amount of 29,100,000 yen (23,500,000 yen to directors and 5,600,000 yen to corporate auditors)*

*Reserve provision for directors' and corporate auditors' retirement allowances:*

*29,700,000 yen (28,400,000 yen to directors and 1,300,000 yen to corporate auditors)*

*Compensation in form of stock options: 7,161,000 yen (5,797,000 yen to directors and 1,364,000 yen to corporate auditors)*

## (6) Auditors' compensation

Fees paid to contracted financial auditors were as outlined below.

- Fees paid for auditing services in accordance with Article 2-1 of the Certified Public Accountants Law (Law No. 103, 1948): 16,000,000 yen
- Fees paid for non-auditing services (services other than those in accordance with Article 2-1 of the Certified Public Accountants Law), including provision of advice on internal control systems for financial reporting: 7,000,000 yen

## (7) Limited liability agreements

In accordance with the provisions of Article 427-1 of the Companies Act, the Company has concluded agreements limiting the liability of outside auditors with respect to legal compensation claims under Article 423-1 of the same law to the minimum amounts specified in the legislation.

## (8) Number of directors

The Company's articles of incorporation stipulate 15 as the maximum number of directors.

(9) Election of directors

The Company's articles of incorporation stipulate that approval of resolutions to elect directors requires a majority of the votes cast at meetings attended by shareholders representing at least one-third of the total voting rights. Cumulative voting cannot be employed to elect directors.

(10) Determination of interim dividends

The Company's articles of incorporation stipulate that an interim dividend may be paid from retained earnings in accordance with Article 454-5 of the Companies Act without shareholder approval by resolution of the Board of Directors. This rule provides the Board with the requisite authority to return profits to shareholders in a proactive and dynamic manner.

(11) Acquisitions of treasury stock

The Company's articles of incorporation contain a provision that allows the Company to acquire shares of treasury stock in open market transactions by resolution of the Board of Directors. This enables the Company to undertake share buybacks as a dynamic response to changing business conditions.

(12) Special resolutions of the General Meeting of Shareholders

The Company's articles of incorporation stipulate that the approval of special resolutions under Article 309-2 of the Companies Act requires a two-thirds majority of the votes cast at meetings attended by shareholders representing at least one-third of the total voting rights. The quorum rule for approval of special resolutions is less strict than these normally applicable to general meetings of shareholders in Japan.

(13) Status of internal audits and auditing by corporate auditors

- Internal audits are the responsibility of the general manager of the Management Division, who directs an individual appointed by the president to audit the company's operations. The results of this individual's audits are reported to the president, and any necessary measures to resolve problems are adopted and follow-up audits carried out.
- Quality management audits, another facet of the Company's internal audit structure (equivalent to internal audits based on ISO9001 and JIS Q9001), are the responsibility of the head of the Quality Management Office, who also reports the audit results to the president. If an audit uncovers any failure to conform with quality standards, the heads of the inspection departments

concerned are requested to correct the problems, and the results of their follow-up measures are checked.

- In line with the initiation of production and sales activities for medical devices whose manufacturing and sale require approval under the Pharmaceutical Affairs Law (notably fully automated systems for washing and sterilizing endoscopes), the Company has constructed quality and safety management systems based on Japanese ministerial ordinances concerning the relevant standards applicable to medical equipment, such as QMS (Quality Management System; manufacturing and quality control), GQP (Good Quality Practice; production-related quality control); and GVP (Good Vigilance Practice; post-marketing safety control). Under this structure, the Company has appointed one person who undertakes management oversight of all quality and safety issues related to the manufacture and sale of medical equipment. Two managers responsible for QC/QA issues and for safety management report to this person. The system involves close cooperation between these managers and the relevant departments. The Company continues to work to strengthen its quality and safety management systems to ensure the production and sale of medical equipment of the highest quality and safety.
- Based on Japanese occupational health and safety legislation, the Company has formulated internal OH&S regulations to ensure the health and safety of employees and to foster the creation of a safe and comfortable working environment. These regulations apply to management of the work, operating environment and health of all employees. Based on these rules and assisted by a dedicated team of staff, the head of the Safety & Environment Management Office conducts regular and ad hoc OH&S audits of the production, technical and research facilities. The results of these audits are reported to the president. If such audits identify any areas of non-compliance, the head of the Safety & Environment Management Office can demand that the general managers of the audited production, technical and research facilities implement any required corrective measures. Further checks are then carried out to confirm the effectiveness of such measures.
- As stated above, the Company has four corporate auditors, including two outside auditors. Besides attending meetings of the Board of Directors to audit the execution of directorial duties and Board operations, the corporate auditors also undertake internal audits based on auditing plans formulated by the Board of Corporate Auditors.

(14) Statement regarding the relationships between the Company and its outside directors and corporate auditors (personal, share ownership-based, commercial or other)

- The Company does not have an outside director.
- None of the above relationships apply with respect to the corporate auditors.

(15) Names of certified public accountants participating in audit operations and composition of assistant teams

The Company receives financial auditing services under a contract signed with A&A Partners. Details of the personnel involved in the financial audits conducted under this contract are provided below.

Engagement partner: Yoshimi Nakai, CPA

Engagement partner: Kenji Oka, CPA

Number of assistants involved in audits:

CPAs: 4

Assistant accountant: 1

Other staff: 5

*Note:*

*No team member has more than seven years of continuous experience with the financial audits of the Company.*

In addition, to strengthen its external management controls, the Company has entered into an advisory agreement with Sakura Kyodo Law Offices to provide specialized legal advice.

(16) Steps taken within the past year to improve corporate governance

- The Board of Directors convened 18 times in the year ended December 2008 to make important management decisions and oversee their execution.
- In a major organizational change, the manufacturing operations within the Technology Division were spun off into the Manufacturing Division.
- As part of efforts to maintain and improve the value of the KOKEN brand and realize its business philosophy, the Company formulated compliance regulations as the basis for compliance-oriented management.
- As concerns disclosure, the Company released explanatory information about its financial results for the year ended December 2007 and its financial results for the interim period of the year ended December 2008.

*Directors*

Name	Title	Joined company	Previous employment	Date of birth	Term	Shares owned (Thousand shares)
Masakazu Sakai	Representative Director, Chairman	Aug-67	Renown Shoji	22-Aug-41	2 years from the General Meeting of Shareholders (GMS) held on March 27, 2008	815
Hiroyuki Sakai	Representative Director, President	Apr-67		23-May-43	2 years from GMS held on March 27, 2008	1,261
Yosuke Yamasato	Representative Director, Executive Vice President	Sep-02	Ground Self-Defense Force	22-Jun-45	2 years from GMS held on March 27, 2008	6
Tadashi Shimosaka	Managing Director	Oct-88	Dayton Progress Corp.	3-Jan-43	2 years from GMS held on March 27, 2008	2
Tadashi Miyata	Managing Director	Nov-89	Toray Industries	14-Sep-39	2 years from GMS held on March 27, 2008	5
Mitsuji Muramatsu	Managing Director	Feb-06	Mizuho Bank	21-Feb-56	2 years from GMS held on March 27, 2008	1
Toshio Akiyama	Managing Director	Apr-73		2-Apr-49	2 years from GMS held on March 27, 2008	7
Kiminobu Nakamura	Standing Corporate Auditor	Jul-67	Koa Fire & Marine Insurance	15-Jan-38	4 years from GMS held on March 29, 2007	3
Etsuo Koyama	Standing Corporate Auditor	Jul-81	Nikkei Aluminium (now Nippon Light Metal)	21-Sep-42	4 years from GMS held on March 26, 2009	3
Hitoshi Emi	Corporate Auditor	Apr-03	Kanazawa University	12-Nov-37	4 years from GMS held on March 29, 2007	3
Hiroyuki Kawai	Corporate Auditor	Mar-07	Attorney at law	18-Apr-44	4 years from GMS held on March 29, 2007	-
						2,107

*Current assignments and previous positions in the Company have been omitted.*

## Employees

	Total or average
Number	218 [124]
Average age	37.7
Average years of service	12.9
Average annual salary (yen)	6,568,850

*The number of employees refers to persons working on a regular basis; temporary employees are shown separately in parentheses.*

*The average annual salary includes bonuses.*

## Union

The Company has no labor union.

## Stock option plans

The Company has adopted a stock option system, the principal features of which are as follows:

- 1) Share subscription rights based on Article 280-20 and Article 280-21 of the old Commercial Code

(Resolution passed on March 30, 2004)

Date of resolution	March 30, 2004
Categories and numbers of persons to be granted rights	9 directors, 4 corporate auditors and 46 employees
Type of shares subject to rights	Common stock
Number of shares	34,000
Amount paid in at time of exercise of rights	899 yen (Note)
Period for exercise of rights	March 31, 2006 - March 30, 2009
Item concerning the assignment of rights	Approval of Board of Directors required.

*If the Company issues common stock or disposes of treasury stock at less than the market price (excluding instances in which it does so on the basis of exercise of stock options), moreover, the exercise price shall be adjusted in accordance with the following formula, with all fractional yen resulting from such adjustment rounded up to the next yen.*

$$\begin{aligned} \text{Adjusted pay-in amount} &= \text{Pre-adjusted pay-in amount} \times \frac{\frac{\text{Number of shares previously outstanding}}{\text{Number of new shares issued}} \times \text{Pay-in amount per share}}{\frac{\text{Market price per share}}{\text{Number of shares previously outstanding} + \text{Number of new shares issued}}} \end{aligned}$$

*The amount paid per stock option shall be the amount paid per share as determined below (hereinafter, "exercise price"), multiplied by the number of shares granted.*

$$\begin{aligned} \text{Adjusted pay-in amount} &= \text{Pre-adjusted pay-in amount} \times \frac{1}{\text{Ratio of split or of reduction in number of shares outstanding}} \end{aligned}$$

## 2) Share subscription rights based on Articles 236, 238 and 239 of the Companies Act (Resolution passed on March 29, 2007)

Date of resolution	March 29, 2007
Categories and numbers of persons to be granted rights	10 directors, 4 corporate auditors and 49 employees
Type of shares subject to rights	Common stock
Number of shares	113,000 shares (Note)
Amount paid in at time of exercise of rights	1,363 yen
Period for exercise of rights	April 3, 2009 - March 31, 2012
Item concerning the assignment of rights	Approval of Board of Directors required.
Item concerning the assignment of rights associated with organizational rearrangements	(Note)

1. *The number of shares subject to rights shall be adjusted in accordance with the following formula in the event of a stock split or reverse stock split by the Company. The adjustment shall be made to the number of shares subject to rights corresponding to stock options that are unexercised at said time. Any fractional shares arising from such adjustment shall be rounded down.*

*Adjusted number of shares = Pre-adjusted number of shares × Ratio of split or of reduction in number of shares outstanding*

*Moreover, if any adjustment of the number of shares subject to rights should be necessitated by the Company acquiring and merging with another firm or else establishing a new company, or by the Company undertaking any related exchange of shares, the Company shall be permitted to undertake any such adjustment as is deemed necessary.*

2. *All obligations pertaining to stock options shall be inherited by the wholly owning parent company in the event of any exchange or transfer of shares that results in the Company becoming a wholly owned subsidiary. Rules applying to the nature of the inherited stock options are specified below.*
- 1) *Type of wholly owning parent company shares subject to rights*  
*Shares in the wholly owning parent company of identical class*
  - 2) *Number of wholly owning parent company shares subject to rights*  
*Adjusted in accordance with the share exchange or transfer ratio, with any fractional shares arising from such adjustment to be rounded down*
  - 3) *Amount to be paid to exercise rights*  
*Adjusted in accordance with the share exchange or transfer ratio, with any fractional yen resulting from such adjustment to be rounded up to the nearest yen*
  - 4) *Exercise period and other conditions pertaining to exercise of rights or acquisition-related status*  
*To be determined by resolution of the Board of Directors of the Company pursuant to the share exchange or transfer*
  - 5) *Board approval of stock option transfers*  
*Transfers of stock options shall require the approval of the Board of Directors of the wholly owning parent company.*

## Cash Flows

*Nonconsolidated statement of cash flows*

Years ended December 31; Thousands of yen	2006	2007	2008
<b>Net cash provided by operating activities</b>			
Net income before taxes and other adjustments	640,933	596,369	570,924
Depreciation	536,940	544,106	502,448
Impairment losses	29,555	-	-
Losses on disposal of fixed assets	21,182	44,796	23,393
Increase (decrease) in allowance for doubtful accounts	-	12,000	(54,000)
Gains on sale of investment securities	(454)	-	-
Gains from liquidation of subsidiaries	(1,613)	-	-
Losses on valuation of investment securities	-	-	5,876
Increase (decrease) in retirement benefits	(82,666)	(64,625)	22,578
Increase (decrease) in directors' and corporate auditors' retirement allowances	12,400	23,400	(1,800)
Increase (decrease) in reserve for bonuses	31,000	(25,000)	(4,000)
Increase (decrease) in reserve for directors' and corporate auditors' bonuses	38,000	(6,000)	(5,000)
Interest and dividend income	(4,382)	(7,146)	(8,644)
Interest expenses	50,650	57,774	72,894
Interest expenses on bonds	25,260	25,252	23,190
Decrease (increase) in notes and accounts receivable	(191,712)	52,963	(126,448)
Decrease (increase) in inventory	(110,932)	23,086	(707)
Increase (decrease) in notes and accounts payable	(78,767)	18,270	17,684
Increase (decrease) in consumption tax payable	6,831	47,055	(31,911)
Directors' and corporate auditors' bonuses	(41,000)	-	-
Others	(63,674)	18,904	45,883
	817,548	1,361,207	1,052,362
Interest and dividend income	4,366	7,081	8,748
Interest expenses	(69,368)	(91,702)	(96,583)
Income tax and others	(279,326)	(331,249)	(202,253)
	473,220	945,337	762,274

K O K E N

Years ended December 31; Thousands of yen	2006	2007	2008
<b>Net cash used in investing activities</b>			
Increase in time deposits	(360,022)	(415,084)	(47,000)
Proceeds from decrease in time deposits	360,024	360,014	300,069
Proceeds from sale of investment securities	15,561	-	-
Payments for acquisition of tangible fixed assets	(1,372,178)	(288,068)	(2,237,784)
Proceeds from sale of tangible fixed assets	108,424	29,795	90,270
Payments for acquisition of intangible fixed assets	(9,840)	(4,324)	(5,979)
Payments for loans and advances	-	(6,000)	-
Proceeds from collection of loans and advances	1,476	1,398	1,200
Others	973	(3,473)	(958)
	(1,255,581)	(325,742)	(1,900,182)
<b>Net cash used in financing activities</b>			
Proceeds from increase in short-term borrowings	1,260,000	110,000	1,100,000
Payments of short-term borrowings	(1,078,000)	(110,000)	(1,100,000)
Proceeds from increase in long-term debt	1,100,000	1,200,000	2,300,000
Payments of long-term debt	(806,364)	(892,992)	(1,332,532)
Payments for redemption of bonds	-	(300,000)	-
Proceeds from sale of treasury stock	53,704	1,798	6,413
Payments for purchase of treasury stock	(608)	-	-
Dividends	(124,625)	(125,799)	(126,302)
	404,106	(116,993)	847,578
Effect of exchange rate fluctuations on cash and cash equivalents	-	-	-
Increase (decrease) in cash and cash equivalents	(378,254)	502,601	(290,329)
Cash and cash equivalents at beginning of term	1,783,636	1,405,382	1,907,983
Cash and cash equivalents at end of term	1,405,382	1,907,983	1,617,654

### Relationship between balance of cash and cash equivalents as of term-end and balance sheet items

Years ended December 31; Thousands of yen	2006	2007	2008
Cash and deposit accounts	1,603,382	2,051,053	1,617,654
Time deposits, etc., of 3 months or longer	(198,000)	(253,069)	-
Marketable securities with less than 3 months to maturity at time of acquisition (NCDs)	-	110,000	-
Cash and cash equivalents at end of term	1,405,382	1,907,983	1,617,654

### *Capital expenditures*

Capital expenditures during the term totaled 2,237 million yen. Investments targeted the development of highly competitive new products in response to market needs and the establishment of efficient mass-production capabilities.

The bulk of the funds were used to purchase land and buildings in the towns of Ranzan-machi and Kawajima-machi in Hiki District, Saitama Prefecture.

There were no sales or removals of equipment during the year that exerted a material impact on operations.

### *Dividend policy*

The Company has consistently viewed rewarding shareholders as an important issue for management. In accordance with this view, it has adhered to a basic policy of maintaining and increasing its dividend payout.

The Company's articles of incorporation contain the following provision: "An interim dividend may be declared in accordance with the provisions of Article 454-5 of the Companies Act." The level of the final dividend shall be subject to the approval of the General Meeting of Shareholders, while the Board of Directors shall determine the interim dividend.

In accordance with the above policy and based on an overall consideration of the fiscal 2008 results, future business trends and financial condition of the Company, dividends for the year ended December 31, 2008 were set at 25 yen per share. The dividend payout ratio for the year was 38.0%, and the ratio of dividends to net assets was 1.7%.

With the aim of sustaining future growth, the Company plans to appropriate retained earnings to strengthen the business base by investing in research and development of new technologies and products and by applying funds to capital investment projects.

Dividends paid out of retained earnings for the year ended December 31, 2008 were as follows:

Date of decision	Dividend payout (Millions of yen)	Dividend per share (Yen)
March 26, 2009 Resolution by General Meeting of Shareholders	126	25

## Operations

*Nonconsolidated statement of income*

Years ended December 31; Thousands of yen	2006	2007	2008
<b>Sales</b>			
Net sales	7,724,698	7,610,006	7,812,325
Construction	61,152	34,852	33,230
	7,785,851	7,644,859	7,845,556
<b>Cost of goods sold</b>			
Finished goods and merchandise inventory, beginning of term	731,906	909,726	799,781
Production costs for the term	4,342,876	4,023,944	4,306,192
Purchase of merchandise for the term	18,073	63,118	58,615
Construction costs	37,661	22,210	20,687
	5,130,517	5,019,000	5,185,277
Transfers to other accounts	42,895	51,854	55,782
Finished goods and merchandise inventory, end of term	909,726	799,781	808,774
	4,177,895	4,167,364	4,320,721
Gross profit on sales	3,607,956	3,477,494	3,524,835
<b>Selling, general and administrative expenses</b>			
Packing and shipping expenses	111,701	116,087	122,207
Advertising expenses	140,404	136,559	137,779
Directors' and corporate auditors' salaries	120,396	128,245	128,790
Employees' salaries	688,958	713,712	729,036
Bonuses	123,940	95,635	113,975
Reserve provision for bonuses	139,206	126,644	120,117
Reserve provision for directors' and corporate auditors' bonuses	38,000	32,000	27,000
Reserve provision for directors' and corporate auditors' retirement allowances	22,100	23,400	29,700
Retirement benefit expenses	-	11,605	68,352
Employee benefit expenses	127,652	128,464	135,259
Travel and transportation expenses	110,033	120,705	108,679
Other office expenses	92,323	89,469	86,355
Rental expenses	197,660	207,994	205,566
Research expenses	489,366	461,039	465,409
Taxes and public dues	35,772	33,179	34,051
Depreciation expenses	59,883	72,513	70,966
Provision for doubtful accounts	4,867	600	-
Others	272,501	213,547	230,669
	2,774,769	2,711,404	2,813,917
Operating income	833,186	766,090	710,918

K O K E N

Years ended December 31; Thousands of yen	2006	2007	2008
<b>Nonoperating income</b>			
Interest income	533	3,281	3,755
Dividend income	3,849	3,864	4,889
Commissions received	10,998	8,135	8,316
Rental income	3,425	2,721	2,721
Refund on cancellation of insurance premiums	-	-	8,828
Land-related compensation	2,804	-	-
Others	6,356	4,930	5,205
	27,967	22,933	33,716
<b>Nonoperating expenses</b>			
Interest expenses	50,650	57,774	72,894
Interest expenses on bonds	25,260	25,252	23,190
Losses on sale of promissory notes	1,155	-	-
Issuing expenses for bonds	12,716	11,533	-
Arrangement fees	40,000	-	-
Others	37,139	28,588	54,004
	166,922	123,149	150,088
Ordinary profit	694,232	665,875	594,546
<b>Extraordinary income</b>			
Reversal of allowance for doubtful accounts	-	-	8,900
Gains on sale of investment securities	454	-	-
Gains from liquidation of subsidiaries	1,613	-	-
	2,067	-	8,900
<b>Extraordinary losses</b>			
Losses on disposal of fixed assets	21,182	44,796	23,393
Expenses for disposal of fixed assets	2,670	12,640	2,948
Losses on valuation of investments in securities	-	-	5,876
Product recall expenses	1,959	669	303
Provision for doubtful accounts	-	11,400	-
Impairment losses	29,555	-	-
	55,366	69,505	32,521
Net income before taxes and special reserves for the term	640,933	596,369	570,924
Corporate, inhabitant and enterprise taxes	284,000	261,000	247,000
Deferred taxes	8,503	(2,580)	(8,133)
	292,503	258,419	238,866
Net income	348,430	337,950	332,058

## Nonconsolidated statement of changes in net assets

### December 2008 term

Thousands of yen; December 31, 2008	Shareholders' equity										
	Capital surplus			Retained earnings						Treasury stock	Total shareholders' equity
	Common stock	Additional paid-in capital	Other capital surplus	Legal income reserves	Other retained earnings			Retained earnings carried forward			
					Special reserve	Reserve for special depreciation					
Balance as of Dec. 31, 2007	674,265	527,936	664	168,566	5,386,000	32,209	598,494	(47,961)	7,340,175		
Changes during the term											
Provision for special reserves					200,000		(200,000)		-		
Reversal of reserve for asset reduction entries						(1,618)	1,618		-		
Dividends from retained earnings							(126,265)		(126,265)		
Net income							332,058		332,058		
Disposal of treasury stock			92					6,320	6,413		
Other changes in non-shareholders' equity items during the term (net)											
Total changes during the term	-	-	92	-	200,000	(1,618)	7,410	6,320	212,205		
Balance as of Dec. 31, 2008	674,265	527,936	756	168,566	5,586,000	30,591	605,905	(41,640)	7,552,381		

Thousands of yen; December 31, 2008	Valuation/translation gains (losses)		Share subscription rights	Net assets
	Unrealized gains (losses) on other securities			
Balance as of Dec. 31, 2007	123,614		14,449	7,478,239
Changes during the term				
Provision for special reserves				-
Reversal of reserve for asset reduction entries				-
Dividends from retained earnings				(126,265)
Net income				332,058
Disposal of treasury stock				6,413
Other changes in non-shareholders' equity items during the term (net)	(91,235)		19,266	(71,969)
Total changes during the term	(91,235)		19,266	140,236
Balance as of Dec. 31, 2008	32,378		33,716	7,618,476

**December 2007 term**

Thousands of yen; December 31, 2007	Shareholders' equity										
	Capital surplus			Retained earnings						Treasury stock	Total shareholders' equity
	Common stock	Additional paid-in capital	Other capital surplus	Legal income reserves	Other retained earnings			Retained earnings carried forward			
					Special reserve	Reserve for special depreciation					
Balance as of Dec. 31, 2006	674,265	527,936	639	168,566	5,186,000	33,928	585,041	(49,734)	7,126,643		
Changes during the term											
Provision for special reserves					200,000		(200,000)		-		
Reversal of reserve for asset reduction entries						(1,718)	1,718		-		
Dividends from retained earnings							(126,215)		(126,215)		
Net income							337,950		337,950		
Disposal of treasury stock			24					1,773	1,798		
Other changes in non-shareholders' equity items during the term (net)											
Total changes during the term	-	-	24	-	200,000	(1,718)	13,452	1,773	213,532		
Balance as of Dec. 31, 2007	674,265	527,936	664	168,566	5,386,000	32,209	598,494	(47,961)	7,340,175		

Thousands of yen; December 31, 2007	Valuation/translation gains (losses)		Share subscription rights	Net assets
	Unrealized gains (losses) on other securities			
Balance as of Dec. 31, 2006	202,925	-	-	7,329,569
Changes during the term				
Provision for special reserves				-
Reversal of reserve for asset reduction entries				-
Dividends from retained earnings				(126,215)
Net income				337,950
Disposal of treasury stock				1,798
Other changes in non-shareholders' equity items during the term (net)	(79,311)	14,449		(64,861)
Total changes during the term	(79,311)	14,449		148,670
Balance as of Dec. 31, 2007	123,614	14,449		7,478,239

*Cost of goods sold*

<b>Years ended December 31; Thousands of yen</b>	<b>2006</b>	<b>%</b>	<b>2007</b>	<b>%</b>	<b>2008</b>	<b>%</b>
Raw materials costs	2,367,040	54.2	2,273,326	55.9	2,374,447	55.4
Labor costs	558,970	12.8	499,812	12.3	609,169	14.2
Other expenses	1,439,926	33.0	1,293,754	31.8	1,300,327	30.4
Total manufacturing overhead	4,365,937	100.0	4,066,893	100.0	4,283,944	100.0
Work-in-process inventory, beginning of term	255,519		278,580		321,528	
	4,621,456		4,345,473		4,605,473	
Work-in-process inventory, end of term	278,580		321,528		299,280	
Production costs for the term	4,342,876		4,023,944		4,306,192	
<b>Major items in other expenses above</b>						
Subcontracted processing expenses	342,411		310,198		281,822	
Depreciation expenses	457,962		454,491		406,160	
<b>Cost of completed construction</b>						
Raw materials costs	15,209	40.3	7,870	35.4	1,683	8.1
Labor costs	2,892	7.8	1,966	8.9	1,904	9.2
Subcontracted processing expenses	17,634	46.8	10,495	47.3	15,638	75.6
Other expenses	1,924	5.1	1,878	8.4	1,463	7.1
	37,661	100.0	22,210	100.0	20,687	100.0

## *Results of operations*

### **Year ended December 31, 2008**

Business conditions deteriorated sharply later in the year as the subprime mortgage loan problem originating in the United States triggered a global financial crisis, impacting the real economy. Japanese corporate profits slumped as the economy slid into recession.

Demand for industrial masks used in health and safety applications grew in the first half of the year, but orders from the public sector fell in the second half amid rising budgetary pressures. Demand from the Company's corporate clients began to decline as firms sought to reduce costs. Sales of breath-synchronized blower masks held up well, however, supported by the introduction of new models with original functionality. Overall, sales in the mask segment rose 2.5% compared with the previous year to 7,289 million yen.

In the environmental equipment segment, the introduction in March 2008 of stricter occupational health and safety (OH&S) controls related to certain chemicals boosted demand for push-pull ventilation systems used in medical facilities (due to the extensive use of formaldehyde). The Company launched new products and focused sales efforts on this sector. Total segment sales increased by 3.8% compared with the previous year to 556 million yen.

Total sales rose 2.6% compared with the previous year to 7,845 million yen.

Operating income fell by 7.2% to 710 million yen. This reflected sharply higher raw materials costs and increased retirement benefit expenses, which in turn contributed to a situation in which the cost of goods sold and SG&A expenses grew faster than sales. Net income slipped by 1.7% to 332 million yen.

### **Year ended December 31, 2007**

The Japanese economy expanded steadily in the year ended December 2007, with robust corporate profits supporting private-sector capital investment and an improved employment situation. Uncertainty about future economic prospects mounted late in the year due to the U.S. subprime loan crisis and another surge in the prices of oil and other raw materials.

Sales of industrial masks for health and safety applications, particularly of breath-synchronized blower masks, continued to grow. Sales of masks used in asbestos hazard prevention were 650 million yen lower than in fiscal 2006. Overall, mask segment sales fell by 3.3% compared with the previous year.

In the environmental equipment segment, demand was strong for ventilation and air-purification systems for use in medical facilities. In its first year on the market, the fully automated “Kagami Naishi” endoscope cleaning system made a solid contribution to sales. Total segment sales were 22.4% above the previous-year level.

Total sales fell by 1.8% compared with the previous year to 7,644 million yen.

Operating income declined by 8.1% to 766 million yen, ordinary profit by 4.1% to 665 million yen and net income by 3.0% to 337 million yen.

### *Issues requiring action*

General interest in occupational health and safety (OH&S) issues has risen sharply among Japanese companies due to a growing awareness that good corporate citizens must institute a “culture of safety.” Ignoring safety issues is no longer a realistic option. The Japanese government is actively introducing a stricter legal and regulatory framework governing OH&S issues.

The Company is responding to the demands of industry and government to raise safety levels by supplying equipment to meet these needs. Development of products and distribution channels is an important ongoing challenge.

### *Mask segment*

- The Company is focused on building on its dominant market position in Japan by enhancing the value provided by its breath-synchronized blower masks and by developing masks for new applications such as tunnel construction, welding and asbestos-related operations. The Company plans to begin marketing its core products in markets outside Japan.
- Public awareness of the need for disaster readiness continues to increase in Japan. New threats from terrorism or a potential global influenza pandemic have heightened the perceived need for preparation. The Company is responding by developing products that not only meet industrial, fire-fighting and rescue requirements but that also serve civilian purposes, including masks for preventing transmission of infectious diseases in medical facilities or for use in evacuation operations during fires and other emergency situations.
- Respiratory protective equipment such as gas masks and particulate respirators must be used properly to obtain their protective benefits. Checking that the mask fits the face snugly is particularly critical. The Company is continuing to develop technology to make its products easier to use properly in conjunction with a range of activities aimed at communicating correct usage techniques to customers.

***Environmental equipment segment***

- Medical facilities in Japan are upgrading their ventilation systems and providing workers with safety equipment to satisfy stricter OH&S regulations governing issues such as the prevention of infectious outbreaks and controls applied to chemicals such as formaldehyde. The Company has established a reputation as a supplier of innovative risk-reduction technology for medical applications, including fully automated endoscope cleaning systems and air-purification systems for use in autopsy rooms. Going forward, the Company aims to develop products and systems for the medical facilities market while working to educate customers about infections and other OH&S-related risks. The objective of these activities is to cultivate the medical sector as a second core market for the Company's products.

***New business development***

- In the environmental equipment segment, the Company has developed a compact table-top push-pull ventilation system for installation in rooms in medical facilities. This product, which features unique technology, is driving growth of a new market for equipment to protect health workers from formaldehyde gas. It exemplifies the Company's R&D philosophy of staying ahead of the competition.
- In November 2008, the Company released two new technologies involving nano-fiber filters and open-airflow clean benches. These advances will form the basis for next-generation products, enabling the Company to enter the market for clean room equipment. Efforts continue to expand the earnings base through the development of products targeting new market segments.

***Environmental issues***

- Environmental issues are a serious concern for many Japanese enterprises. Many Koken products can make a significant contribution to companies' efforts to restrict CO<sub>2</sub> emissions. Examples include its push-pull ventilation equipment, breath-response PAPRs and water-conditioning and treatment systems.
- The Company seeks to design eco-friendly products employing materials with low environmental impact wherever possible. Development of products that use recycled "Micron Filter" components is ongoing. In addition, the Company is promoting the development of a commercial recycling system for filters and chemical cartridges used in particulate respirators and gas masks whose introduction it pioneered. Through such initiatives, the Company aims to lower

the environmental impact of its products and business activities, partly by contributing to the efforts of customers to reduce cut waste generation.

### *Reinforcement of production capabilities*

- As part of its efforts to stimulate demand and to develop new markets, the Company plans to reinforce its production capabilities in the Manufacturing Division and related technical operations.

### *Production and sales*

#### Production

Thousands of yen	2008	
	Amount	Year-on-year comparison (%)
Particulate respirators	4,112,359	109.7
Gas masks	1,930,102	97.0
Other products related to dust-protection masks and gas masks	1,396,538	117.8
	7,438,999	107.4
Environmental-improvement construction and facilities	504,817	114.7
	504,817	114.7
	7,943,816	107.9

#### Sales

Thousands of yen	2008	
	Amount	Year-on-year comparison (%)
Particulate respirators	4,045,304	102.9
Gas masks	1,911,979	96.8
Other products related to dust-protection masks and gas masks	1,331,729	110.8
	7,289,013	102.5
Environmental-improvement construction and facilities	556,543	103.8
	556,543	103.8
	7,845,556	102.6

#### Principal customers

Thousands of yen	2007		2008	
	Amount	% of net sales	Amount	% of net sales
Midori Anzen Yohin	1,318,236	17.2%	1,406,216	17.9%

## Leases

Under generally accepted accounting principles in Japan, finance leases that do not involve transfer of ownership are accounted for in the same manner as operating leases when “as if capitalized” information is disclosed. The Company’s principal finance lease contracts are as follows:

Item	Number	Term (Months)	Current payments (Thousands of yen)	Future payments
Vehicles	60	12-60	28,023	43,597
OA equipment	1	12-72	45,739	113,947
Metal molds	179	12-36	76,644	108,716

Pro forma information on leased property is as follows:

Thousands of yen	2007	2008
<b>Machinery and equipment</b>		
Acquisition cost	100,872	83,592
Accumulated depreciation	73,008	65,016
Net leased property	27,864	18,576
<b>Vehicles and delivery equipment</b>		
Acquisition cost	18,803	8,917
Accumulated depreciation	12,121	4,081
Net leased property	6,681	4,836
<b>Tools, furniture and fixtures</b>		
Acquisition cost	495,390	504,158
Accumulated depreciation	350,266	339,635
Net leased property	145,123	164,523
<b>Total</b>		
Acquisition cost	615,065	596,667
Accumulated depreciation	435,396	408,732
Net leased property	179,668	187,935
<b>Future minimum lease payments, including interest portion</b>		
Due within one year	93,848	90,341
Due after one year	85,820	97,593
	179,668	187,935
<b>Lease payments and pro forma depreciation expenses</b>		
Lease payments	113,681	110,809
Pro forma depreciation expenses (assuming straight-line method)	113,681	110,809

## Capital Structure

*Nonconsolidated balance sheet: assets*

December 31; Thousands of yen	2006	2007	2008
<b>Current assets</b>			
Cash and deposits	1,603,382	2,051,053	1,617,654
Notes receivable - trade	1,322,528	1,329,393	1,342,678
Accounts receivable - trade	1,944,714	1,884,885	1,998,049
Marketable securities	-	110,000	-
Merchandise and finished goods	909,726	799,781	808,774
Raw materials and supplies	360,500	403,796	417,674
Work in process	278,786	322,350	300,186
Prepaid expenses	70,552	67,170	65,583
Deferred tax assets	133,482	129,877	134,264
Others	8,112	6,474	13,925
Allowance for doubtful accounts	(4,000)	(4,000)	(4,000)
	6,627,786	7,100,783	6,694,791
<b>Fixed assets</b>			
<b>Tangible fixed assets</b>			
Buildings	3,181,812	3,218,575	3,352,066
Accumulated depreciation	1,618,397	1,734,759	1,846,484
	1,563,415	1,483,816	1,505,581
Structures	178,828	179,078	179,078
Accumulated depreciation	158,264	160,712	163,843
	20,563	18,366	15,235
Machinery and equipment	3,520,391	3,491,050	3,539,898
Accumulated depreciation	1,891,922	2,059,966	2,285,392
	1,628,468	1,431,084	1,254,506
Vehicles and delivery equipment	1,500	1,500	1,500
Accumulated depreciation	1,425	1,425	1,440
	75	75	60
Tools, furniture and fixtures	2,305,680	2,335,678	2,330,804
Accumulated depreciation	1,978,370	2,071,953	2,121,784
	327,309	263,725	209,019
Land	3,471,505	3,471,505	5,337,522
Construction in progress	115,280	88,884	63,430
	7,126,617	6,757,455	8,385,356

## K O K E N

December 31; Thousands of yen	2006	2007	2008
<b>Intangible fixed assets</b>			
Patents	8,342	11,401	11,228
Telephone subscription rights	9,423	9,423	9,423
Leaseholds	1,057	1,057	1,057
Software	1,724	1,004	900
Others	831	702	573
	21,378	23,589	23,183
<b>Investments and other assets</b>			
Investments in securities	526,741	393,018	233,312
Long-term loans to employees	4,148	8,750	7,550
Long-term prepaid expenses	9,873	6,179	1,235
Deferred tax assets	111,410	172,009	238,348
Leasing and guarantee deposits	122,067	121,518	74,489
Retirement benefit insurance premiums	636,543	670,486	700,196
Allowance for doubtful accounts	(43,000)	(55,000)	(1,000)
	1,367,783	1,316,962	1,254,131
Total fixed assets	8,515,780	8,098,006	9,662,671
<b>Deferred assets</b>			
Issuing expenses on bonds	11,533	-	-
	11,533	-	-
<b>Total assets</b>	<b>15,155,100</b>	<b>15,198,789</b>	<b>16,357,462</b>

*Nonconsolidated balance sheet: liabilities and net assets*

December 31; Thousands of yen	2006	2007	2008
<b>Current liabilities</b>			
Accounts payable - trade	139,054	157,324	175,009
Short-term borrowings	1,100,000	1,100,000	1,100,000
Current portion of long-term debt	779,692	1,123,532	1,399,500
Bonds redeemable within 1 year	300,000	-	-
Accounts payable - other	160,979	121,447	123,498
Accrued expenses	129,482	132,425	139,858
Income taxes payable	161,768	90,679	134,383
Consumption taxes payable	23,284	70,340	38,428
Deposits received	63,244	68,502	72,021
Reserve for bonuses	228,000	203,000	199,000
Reserve for directors' and corporate auditors' bonuses	38,000	32,000	27,000
Others	105	365	3
	3,123,612	3,099,616	3,408,702
<b>Long-term liabilities</b>			
Corporate bonds	2,200,000	2,200,000	2,200,000
Long-term debt	1,875,632	1,838,800	2,530,300
Employees' retirement benefits	242,479	177,854	200,432
Reserve for directors' and corporate auditors' retirement allowances	373,500	396,900	395,100
Others	10,306	7,379	4,451
	4,701,918	4,620,933	5,330,283
<b>Total liabilities</b>	7,825,531	7,720,550	8,738,986
<b>Net assets</b>			
<b>Shareholders' equity</b>			
Common stock	674,265	674,265	674,265
Capital surplus			
Additional paid-in capital	527,936	527,936	527,936
Other capital reserves	639	664	756
	528,576	528,600	528,693
Retained earnings			
Legal income reserves	168,566	168,566	168,566
Other legal income reserves			
Special reserves	5,186,000	5,386,000	5,586,000
Reserve for reduction of asset costs due to contributions or subsidies	33,928	32,209	30,591
Retained earnings carried forward	585,041	598,494	605,905
	5,973,536	6,185,270	6,391,063

December 31; Thousands of yen	2006	2007	2008
Treasury stock	(49,734)	(47,961)	(41,640)
	7,126,643	7,340,175	7,552,381
<b>Valuation/translation gains (losses)</b>			
Unrealized gains (losses) on other securities	202,925	123,614	32,378
	202,925	123,614	32,378
<b>Share subscription rights</b>	-	14,449	33,716
Total net assets	7,329,569	7,478,239	7,618,476
<b>Total liabilities and net assets</b>	<b>15,155,100</b>	<b>15,198,789</b>	<b>16,357,462</b>

### *Trade credits*

#### Notes receivable

Thousands of yen	2008
Shimatsu	121,396
Simon	87,507
Tanizawa Seisakusho	66,507
Riken Optech	57,782
Ohtsuka Brush Manufacturing	57,007
Others	952,477
	1,342,678

#### Accounts receivable — trade

Thousands of yen	2008
Midori Anzen Yohin	759,293
Ministry of Defense	520,824
AS ONE Corporation	32,169
Simon	30,286
Koike Sanso Kogyo	30,242
Others	625,233
	1,998,049

#### Turnover of accounts receivable

Thousands of yen	2008
Beginning balance	1,884,885
Increase	8,221,680
Collected	8,108,516
Ending balance	1,998,049
Turnover	80.2%
Average days for collection	86.4

## Accounts payable — trade

Thousands of yen	2008
Wamoto	9,052
Takeshita Kogyo	8,978
Tsukuba Chemical	8,820
Mitsui Bussan Plastics Trade	7,865
Sanwa Sangyo	7,785
Others	132,507
	175,009

*Marketable and investment securities*

Thousands of yen	2008	
<b>Stocks</b>		
<b>Investment securities</b>	<b>Number of shares</b>	<b>Book value</b>
Other securities		
Resona Holdings, Inc. (8308)	768.35	104,912
Mizuho Financial Group, Inc. 11th series preferred stock (class 11)	50.00	50,000
Mizuho Financial Group, Inc. (8411)	163.75	38,725
Hitachi (6501)	60,500.00	23,655
Citigroup Inc. (8710)	7,826.00	5,384
Ace Securities	10,000.00	2,550
Mitsubishi UFJ Financial Group, Inc. (8306)	4,240.00	2,153
Mizuho Investors Securities (8607)	26,349.00	1,923
Nippon Kanryu Industry (1771)	15,000.00	1,785
Nomura Holdings, Inc. (8604)	1,750.00	1,186
Sumitomo Mitsui Financial Group (8316)	1.00	340
Others (2 stocks)	21.00	696
	126,669.10	233,312

## Market value of securities

### Other quoted securities

Thousands of yen	2007			2008		
	Cost of acquisition	Book value	Unrealized gain (loss)	Cost of acquisition	Book value	Unrealized gain (loss)
Securities valued on the consolidated balance sheet at amounts greater than the purchase cost						
Shares	127,802	337,333	209,530	80,370	143,977	63,606
	127,802	337,333	209,530	80,370	143,977	63,606
Securities valued on the consolidated balance sheet at amounts not greater than the purchase cost						
Shares	3,045	1,935	(1,110)	45,103	36,088	(9,014)
	3,045	1,935	(1,110)	45,103	36,088	(9,014)
	130,847	339,268	208,420	125,474	180,065	54,591

December 2008 term: During the year ended December 2008, the Company wrote down the value of other quoted securities by 5,373 thousand yen to the level of historic cost.

In recognizing provisions for permanent declines in value, the Company applied the following standards: provisions were recognized for all securities whose market values had declined by more than 50 percent of the purchase cost as of the end of the term; for securities whose market values had declined by between 30 and 50 percent, the Company wrote down the amounts deemed necessary in light of the materiality of such amounts, the possibility of recovery of value, etc.

### Major investment securities for which market prices are not available

December 31; Thousands of yen	2007	2008
Other securities		
Unlisted stocks	53,750	53,246
NCDs	110,000	-

December 2008 term: During the year ended December 2008, the Company wrote down the value of other investment securities for which market prices are not available by 503 thousand yen to the level of their historic cost.

Unlisted securities with carrying values at the fiscal year-end of less than half their historic cost are written off entirely.

### Scheduled redemptions of bonds with maturity dates and bonds being held to maturity (among holdings in the "other securities" account)

Thousands of yen	Up to 1 year	Longer than 1 and up to 5 years	Longer than 5 and up to 10 years	Longer than 10 years
<b>2007</b>				
Bonds				
JGB, local government bonds, etc.	-	-	-	-
Corporate bonds	-	-	-	-
Others	-	-	-	-
Others				
NCDs	110,000	-	-	-
	110,000	-	-	-

## Fixed assets

### Facilities

The Company maintains plants (techno-yards) in four locations in Japan. It also operates 14 domestic sales offices as well as the Nakai Logistics Center and the Ninomiya Training Center. It conducts research at its Hannou Laboratories.

The Company's principal facilities are as follows:

Thousands of yen	Buildings and structures	Machinery, vehicles and delivery equipment	Land		Tools, furniture and fixtures	Total book value	Number of employees
			Book value	Square meters			
Company administration							
Head office	244,254	3,483	1,636,000	283.91	18,808	1,902,546	95
Manufacture of dust and gas masks							
Sayama Techno-Yard	515,176	792,623	792,433	12,826.12	43,308	2,143,541	21
Gunma Techno-Yard	341,304	190,803	405,140	9,256.83	49,947	987,196	13
Tokorozawa Techno-Yard	69,037	5,692	177,214	1,904.09	14,450	266,395	9
Manufacture and distribution of dust and gas masks							
Nakai Techno-Yard, Nakai Logistics Center	136,758	237,636	325,449	1,434.94	14,879	714,723	13
Research activities							
Hannou Laboratories	41,615	24,314	4,451	3,224.35	38,638	109,020	10
Others							
Offices, plants and land	112,094	-	1,866,017	34,562.20	-	1,978,111	-

### Fixed assets and depreciation

Thousands of yen	Beginning of term	Increase	Decrease	End of term	Depreciation		End of term, net
					Accumulated	Current	
<b>Tangible fixed assets</b>							
Buildings	3,218,575	141,512	8,021	3,352,066	1,846,484	118,740	1,505,581
Structures	179,078	-	-	179,078	163,843	3,130	15,235
Machinery and equipment	3,491,050	100,354	51,506	3,539,898	2,285,392	268,236	1,254,506
Vehicles and delivery equipment	1,500	-	-	1,500	1,440	15	60
Tools and fixtures	2,335,678	146,277	151,151	2,330,804	2,121,784	105,941	209,019
Land	3,471,505	1,866,017	-	5,337,522	-	-	5,337,522
Construction in progress	88,884	2,336,322	2,361,775	63,430	-	-	63,430
	12,786,272	4,590,484	2,572,455	14,804,300	6,418,944	496,063	8,385,356
<b>Intangible fixed assets</b>							
Patents	-	-	-	18,619	7,390	5,741	11,228
Telephone subscription rights	-	-	-	9,423	-	-	9,423
Leaseholds	-	-	-	1,057	-	-	1,057
Software	-	-	-	12,673	11,772	514	900
Usage rights for equipment and facilities	-	-	-	12,320	11,746	128	573
	-	-	-	54,092	30,909	6,384	23,183
Long-term prepaid expenses	35,125	388	-	35,513	34,277	6,929	1,235

## Debt

### Bonds

Thousands of yen	Date issued	Beginning of term	End of term	Interest rate	Maturity
Third unsecured corporate bond issue	2005/3/10	700,000	700,000	1.02%	2010/3/10
Fourth unsecured corporate bond issue	2005/3/15	100,000	100,000	0.89%	2010/3/15
Fifth unsecured corporate bond issue	2005/3/25	800,000	800,000	1.19%	2010/3/25
Sixth unsecured corporate bond issue	2005/3/30	600,000	600,000	0.94%	2010/3/30
	-	2,200,000	2,200,000	-	-

Amounts scheduled to be redeemed over the 5-year period subsequent to the date of closing of accounts are as follows:

Thousands of yen	Up to 1 year	Longer than 1 and up to 2 years	Longer than 2 and up to 3 years	Longer than 3 and up to 4 years	Longer than 4 and up to 5 years
	-	2,200,000	-	-	-

### Borrowings

Thousands of yen	Previous period	Outstanding	Average rate	Maturity
Short-term borrowings	1,100,000	1,100,000	1.63%	-
Current portion of long-term debt	1,123,532	1,399,500	1.52%	-
Current portion of leasing-related liabilities	-	-	-	-
Long-term debt (except current portion of long-term debt)	1,838,800	2,530,300	1.60%	2010 to 2012
Leasing-related liabilities (except current portion of leasing-related liabilities)	-	-	-	-
Other interest-bearing liabilities	-	-	-	-
	4,062,332	5,029,800	-	-

1. Average rates for borrowing shown in the table above are weighted averages of rates paid on loans outstanding as of term-end.

2. Amounts of long-term debt and other debt (excluding debt due in less than one year) scheduled to be repaid over the 5-year period subsequent to the balance sheet date are as follows:

Thousands of yen	Longer than 1 and up to 2 years	Longer than 2 and up to 3 years	Longer than 3 and up to 4 years	Longer than 4 and up to 5 years
Long-term debt	936,300	756,000	571,000	267,000

## Assets provided as collateral

Thousands of yen	2007	2008
<b>Assets provided as collateral</b>		
Buildings	933,732	882,151
Land	2,996,037	2,996,037
	<u>3,929,769</u>	<u>3,878,189</u>
<b>Liabilities for which collateral is provided</b>		
Long-term debt	2,759,132	3,831,000
	<u>2,759,132</u>	<u>3,831,000</u>

*Retirement benefits*

## Outline of retirement benefit system

The Company offers employees defined benefit pension plans in the form of tax-qualified pensions or lump-sum payments at retirement.

## Matters related to retirement benefit liabilities

Thousands of yen	2007	2008
Retirement benefit liabilities	(1,069,383)	(1,116,268)
Pension plan assets	853,082	701,288
Unaccrued pension benefit liabilities	(216,301)	(414,980)
Unrecognized actuarial gains (losses)	38,447	214,548
Net amount shown on the balance sheet	(177,854)	(200,432)
Allowance for retirement benefits	(177,854)	(200,432)

## Matters related to retirement benefit expenses

Thousands of yen	2007	2008
Retirement benefit expenses	18,308	107,791
Current service costs	62,567	65,018
Interest expenses	19,991	21,388
Expected earnings on pension fund assets	16,105	17,062
Expensing of differences based on actuarial calculations	(48,145)	38,447

## Assumptions underlying the calculation of retirement benefit liabilities

	2007	2008
Discount rate	2.0%	2.0%
Expected rate of return	2.0%	2.0%
Method of allocating prospective retirement benefits to each period	Equal payments basis	Equal payments basis
Amortization period for actuarial gains or losses	1 year Recognized in full in the year following the year of accrual	1 year Recognized in full in the year following the year of accrual

*Reserves*

Thousands of yen	Beginning of term	Increase	Decrease	End of term
Allowance for doubtful accounts	59,000	5,000	59,000	5,000
Reserve for bonuses	203,000	199,000	203,000	199,000
Reserve for directors' and corporate auditors' bonuses	32,000	27,000	32,000	27,000
Reserve for directors' and corporate auditors' retirement allowances	396,900	29,700	31,500	395,100

## Related Parties

Transactions with related parties: Directors and major independent shareholders

### Directors and individual shareholders

December 31; Thousands of yen	Address	Capital	Type of business or occupation	% of voting rights held (held by others)	Relationship		Type of transaction	Value of transactions	Accounting classification	Balance at term-end
					Shareholder and director	Business relationship				
<b>2008</b>										
<b>Companies in which a major shareholder or close relative has unshared decision-making authority over more than half the voting rights</b>										
Sakai Tatemono Ltd.	Chiyoda-ku, Tokyo	228,000	Real estate leasing, Insurance agency business	3.29	2	Building leasing	Payment of rental expenses	39,246	Accounts payable - other	1,555
<b>2007</b>										
<b>Companies in which a major shareholder or close relative has unshared decision-making authority over more than half the voting rights</b>										
Sakai Tatemono Ltd.	Chiyoda-ku, Tokyo	228,000	Real estate leasing, Insurance agency business	3.29	2	Building leasing	Payment of rental expenses	39,178	Accounts payable - other	1,508

## Accounting Policies

### Summary of accounting policies – nonconsolidated

<b>Basis of presentation</b>	Japanese GAAP; nonconsolidated
<b>Marketable securities and investments in securities</b>	<p>Bonds held to maturity: cost amortization method (straight-line)</p> <p>Shares in subsidiaries: valued at cost using the moving-average method</p> <p>Other securities:</p> <p style="padding-left: 20px;">Quoted securities: current value method based on average market prices in the month prior to the end of the fiscal year (by which all valuation differences are credited directly to net assets, and the cost of securities sold is calculated in accordance with the moving-average method)</p> <p style="padding-left: 20px;">Unquoted securities: valued at cost using the moving-average method</p>
<b>Inventories</b>	<p>Finished goods, work in process: cost method computed on a periodic-average basis</p> <p>Merchandise, raw materials: cost method using the moving-average method</p> <p>Supplies: cost method using the final-purchase-cost method</p> <p>Expenses on unfinished projects: cost method using the specific-identification method</p>
<b>Depreciation</b>	<p>Tangible fixed assets: declining-balance method</p> <p>Intangible fixed assets: straight-line method</p> <p>Software for internal use is amortized on a straight-line basis (based on the length of in-house useful life)</p> <p>Long-term prepaid expenses: straight-line method</p>
<b>Allowance for doubtful accounts</b>	To provide for potential losses from doubtful accounts, the Company recognizes an amount calculated on the basis of a historical bad debt ratio for general accounts receivable, plus an amount for specific accounts for which collection appears doubtful.
<b>Reserve for bonuses</b>	Accrual 100% of the amount deductible for income tax purposes
<b>Reserve for retirement benefits</b>	To provide for employees' retirement benefits, the Company recognizes an amount based on retirement benefit liabilities and estimated pension assets as of the end of the nonconsolidated fiscal year to December 2008.
<b>Reserve for directors' and corporate auditors' retirement allowances</b>	To provide for retirement payments to directors, the Company recognizes amounts that must be paid at term-end in accordance with the Company rules.
<b>Reserve for directors' and corporate auditors' bonuses</b>	An amount has been reserved for payment of bonuses to directors and corporate auditors of consolidated subsidiaries.

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**Significant hedge accounting methods**

Method of accounting for hedges:

Hedging is limited to interest-rate swaps, which are undertaken only in exceptional circumstances.

Hedging instruments and risks hedged:

Hedging instruments: interest rate swaps

Risks hedged: loans payable

Hedging policy:

Interest-rate swaps linked to borrowings may be used to hedge risks due to interest rate fluctuations. The target of such hedging transactions varies according to the individual contract.

Method of evaluating the effectiveness of hedging:

The effectiveness of hedging is not evaluated, since interest-rate swaps are used only in exceptional circumstances and, when utilized, these swaps are virtually standardized with respect to the notional principal, contract term and conditions related to receipt or payment of interest (including rates of interest and related dates).

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**Opinion of independent auditors**

Auditors: A&A Partners

Opinion: unqualified

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## Share-related Information

## Shares in issue

<b>Class of shares</b>	Common
<b>Number of shares authorized</b>	20,000,000
<b>Issued</b>	
As of December 31, 2008	5,104,003
As of March 26, 2009	5,104,003
<b>Stock exchange listings</b>	Jasdaq Securities Exchange
<b>Comments</b>	Trading unit 100-share min.

## Changes in common stock and number of shares outstanding

	Shares outstanding		Common stock		Additional paid-in capital		Remarks
	Increase or decrease	Balance	Increase or decrease	Balance	Increase or decrease	Balance	
	(Shares)		(Thousands of yen)		(Thousands of yen)		
December 31, 1999	4,611	5,104,003	2,254	674,265	2,246	527,936	Conversion of convertible bonds

## Shareholders by type of investor

Type of investor	Number of shareholders	Units owned (100 shares)	% owned
National and local government agencies	-	-	-
Financial institutions	9	7,084	13.88
Securities companies	12	125	0.24
Business and other corporations	21	2,024	3.97
Non-residents - institutions and corporations	2	4,888	9.58
Non-residents - individuals	-	-	-
Individuals and others	739	36,900	72.33
	783	51,021	100.0
Shares less than one unit	-	1,903	-

## Largest shareholders

Name	Thousands of shares owned	% of shares outstanding
Hiroyuki Sakai	1,261	24.71
Masakazu Sakai	815	15.97
Deutsche Bank AG London PB Non Treaty Clients 613	487	9.56
Resona Bank	244	4.79
Mizuho Bank	227	4.47
Miho Kuboi	226	4.43
Haruna Sakai	226	4.43
Sakai Tatemono Ltd.	166	3.26
Japan Trustee Services Bank, Ltd. (Trust Account)	74	1.47
Mitsubishi UFJ Trust & Banking	72	1.41
	3,801	74.48

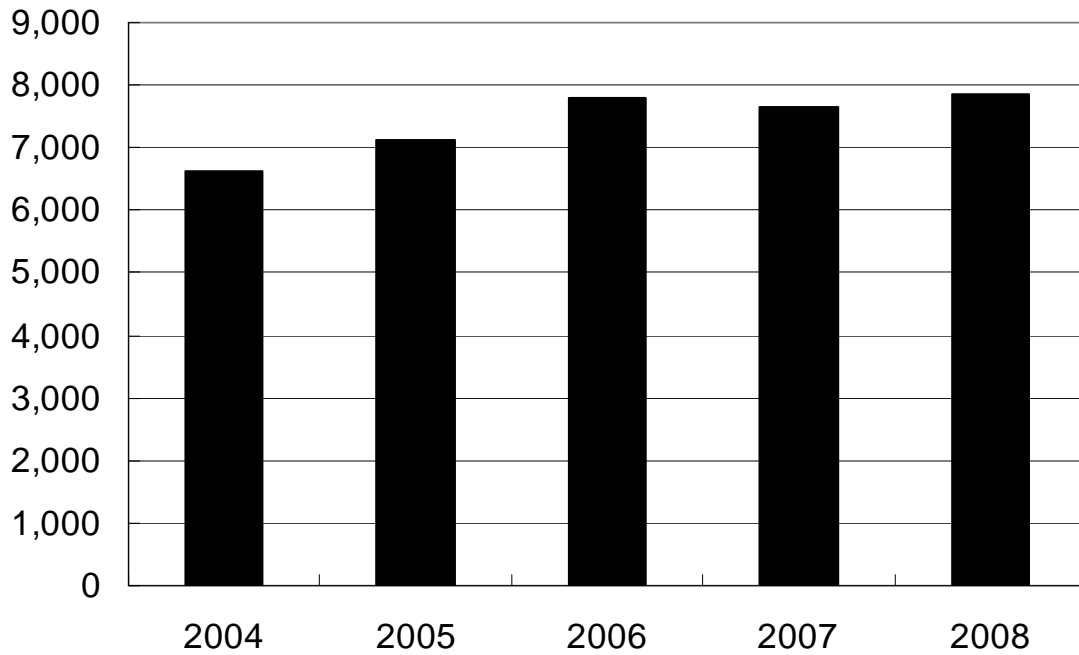
## Share information

<b>Business year</b>	January 1 to December 31
<b>Ex-rights date</b>	December 31
<b>Date of record for dividends</b>	June 30 and December 31
<b>Annual General Meeting of Shareholders</b>	March
<b>Trading unit</b>	100 shares
<b>Transfer agent</b>	Mitsubishi UFJ Trust & Banking, 1-4-5, Marunouchi, Chiyoda-ku, Tokyo
<b>Publication of record</b>	The Company's method of public notice shall be by electronic means. In the event of an accident or other unavoidable circumstance, notices shall be published in <i>the Nihon Keizai Shimbun</i> . The address of the Company's website is as follows: (URL <a href="http://www.koken-ltd.co.jp/">http://www.koken-ltd.co.jp/</a> )

## Performance in Graphs

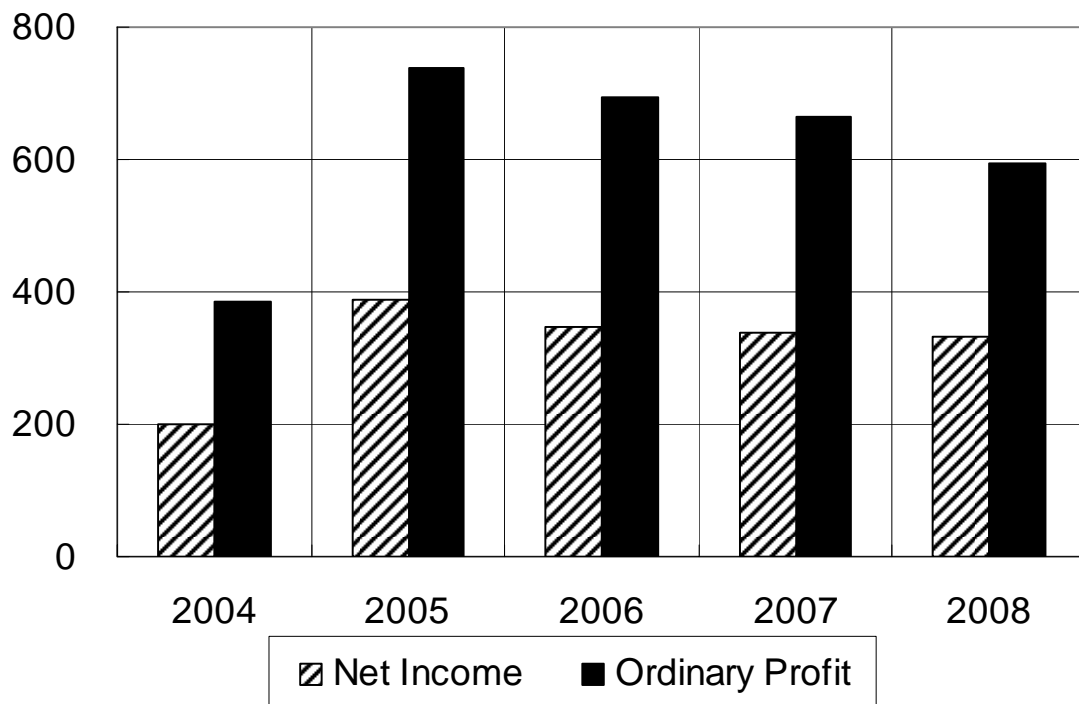
### Net Sales

Millions of Yen

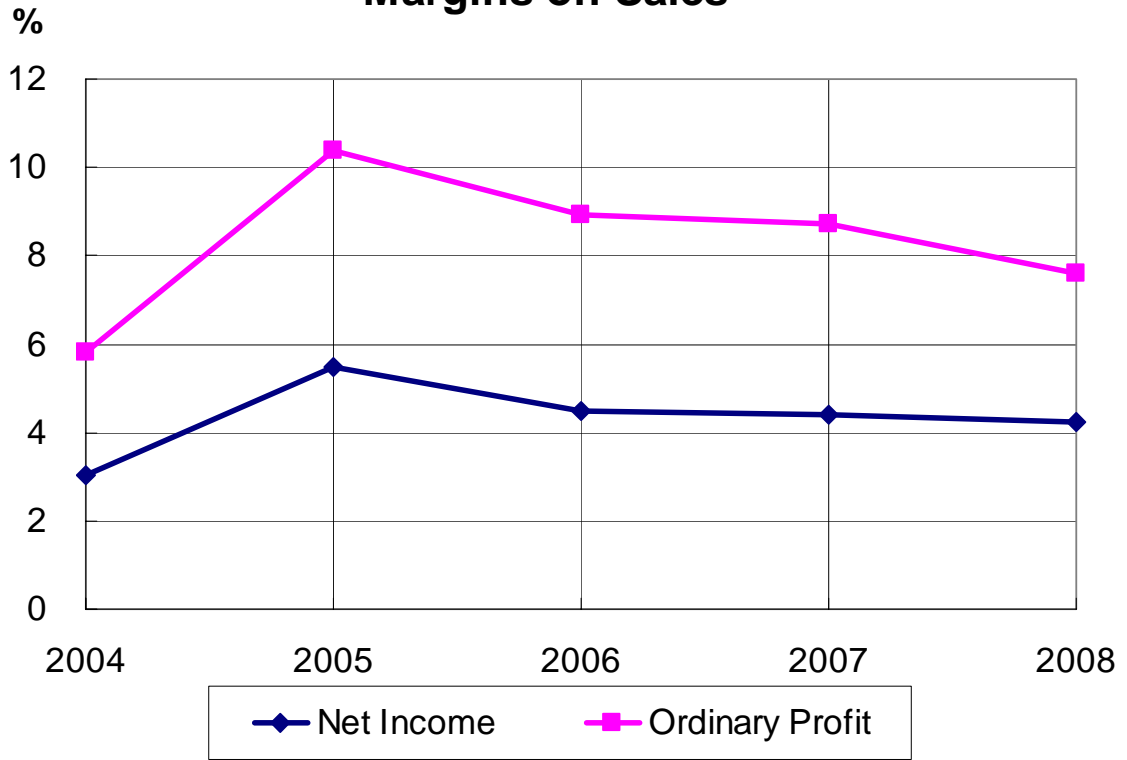


### Net Income and Ordinary Profit

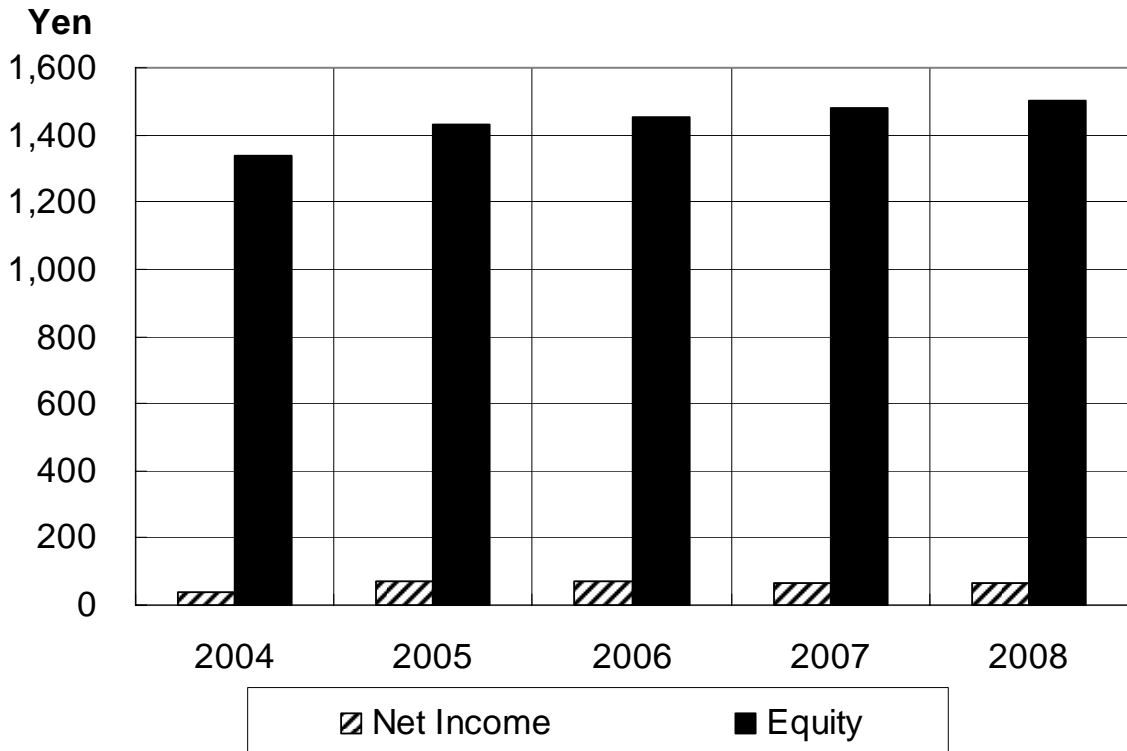
Millions of Yen



### Margins on Sales

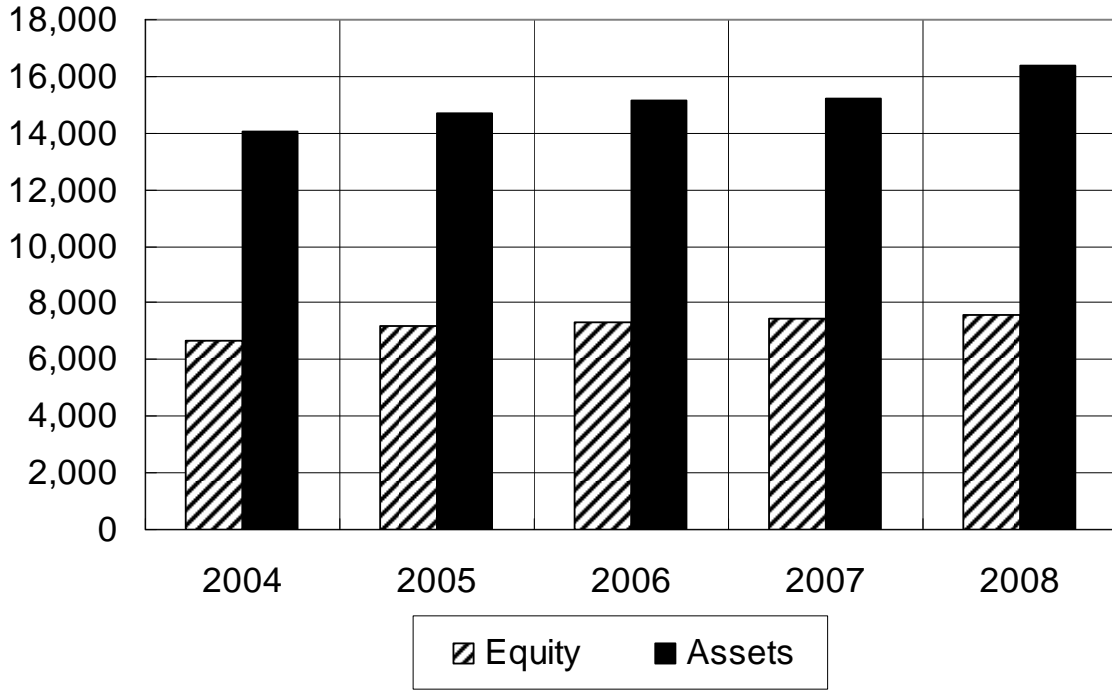


### Per Share

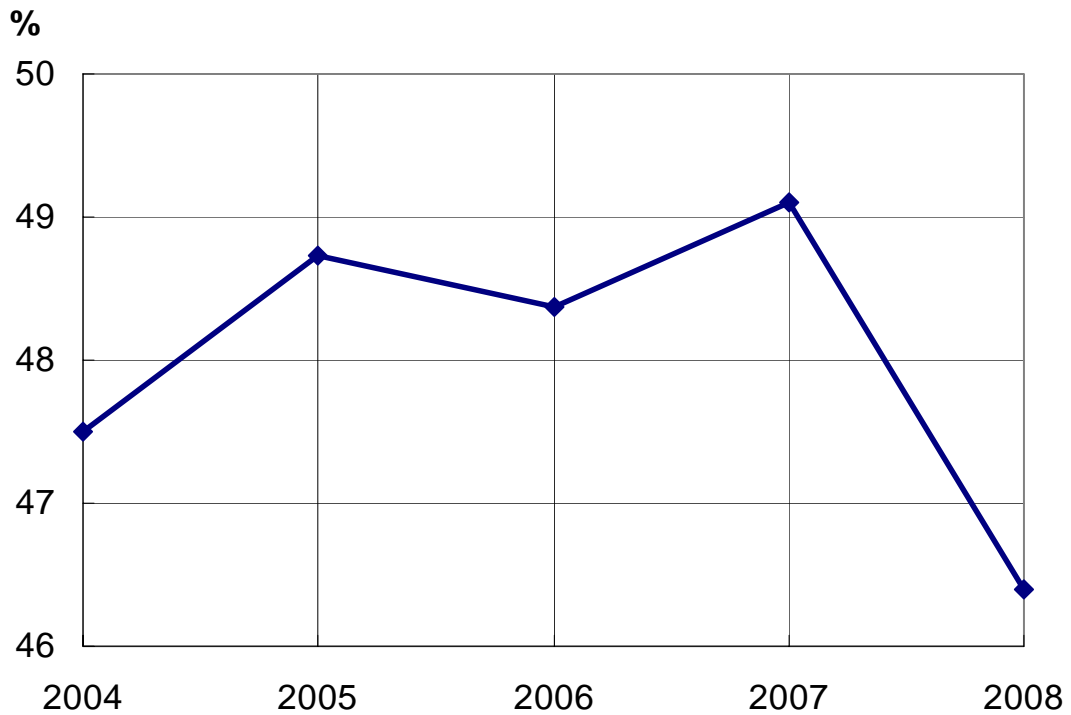


### Equity and Assets

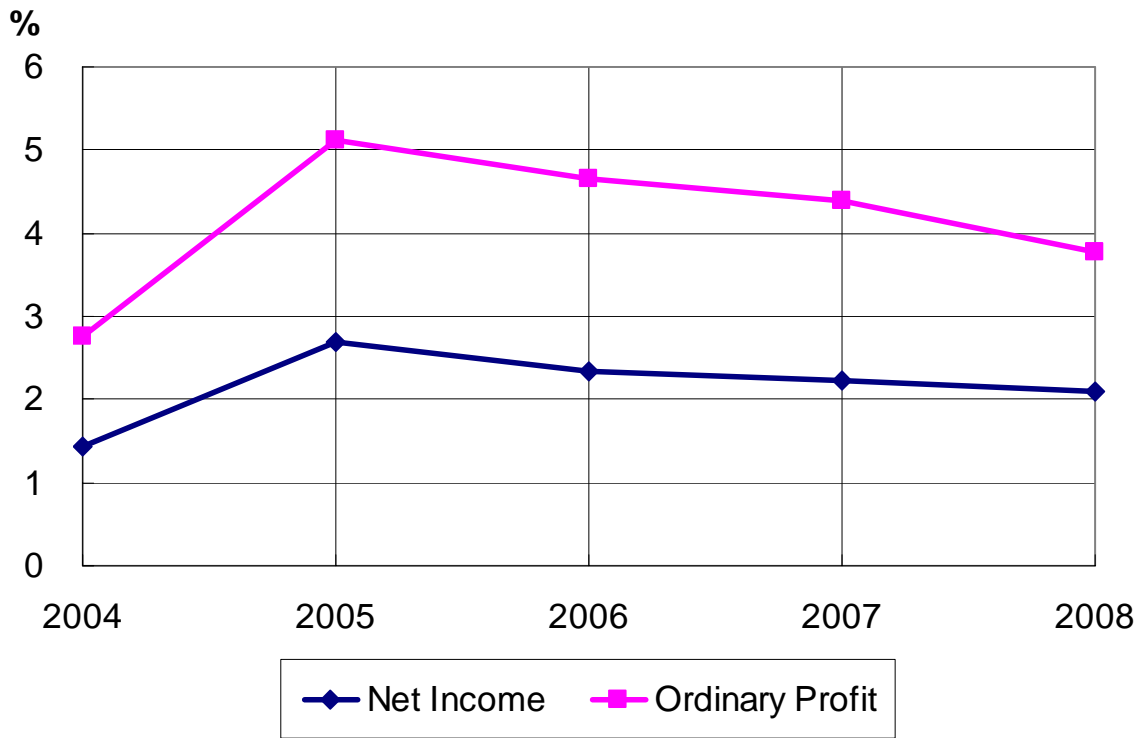
Millions of Yen



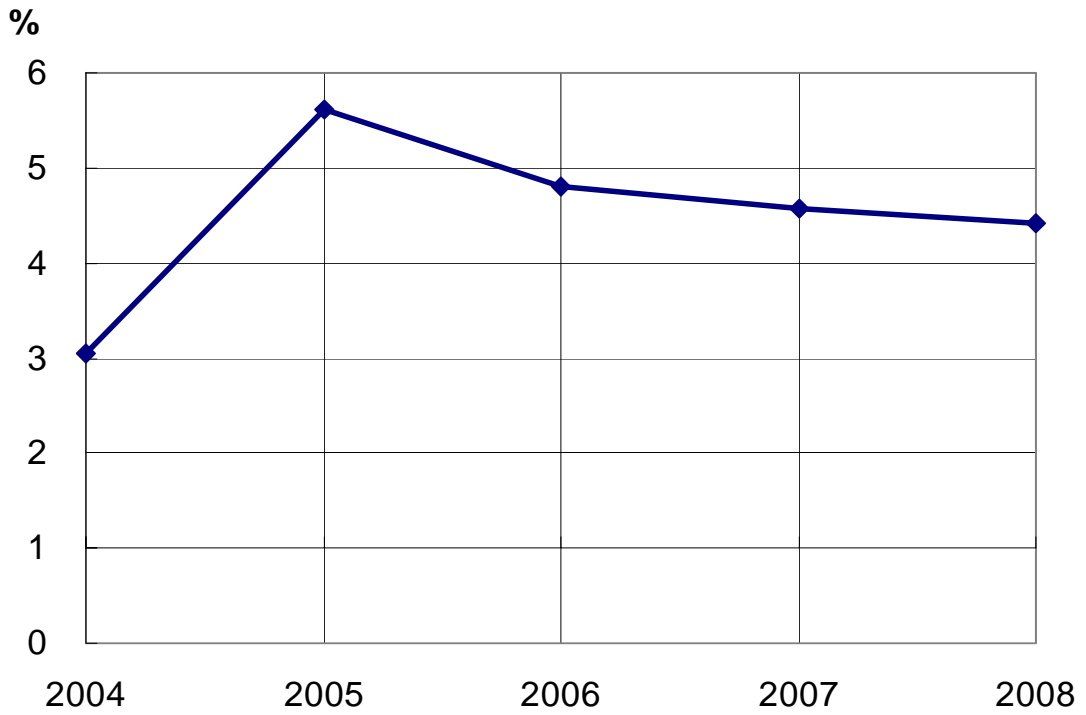
### Equity / Assets



### Return on Assets



### Return on Equity



## Contact

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