

4. Note

- (1) During FY 11/2008, there is no change in scope of consolidation and adoption of the equity method of accounting.
- (2) Changes in accounting policy, procedure and method of presentation for preparing financial statements
Change due to amendment of accounting standard : Noting
Change due to other reasons : Nothing
- (3) Number of shares outstanding at term end (including the number of treasury stocks, below (4))
FY11/2008 ... 23,098,490 shares FY11/2007 ... 23,098,490 shares
- (4) Number of treasury stock at the term end
FY11/2008 ... 748,366 shares FY11/2007 ... 587,623 shares

Reference: Annual results on the parent company alone basis

(1) Parent company performance

Amounts less than one million yen have been omitted.

	Net sales		Operating income		Ordinary income		Net income	
	¥m	%	¥m	%	¥m	%	¥m	%
FY 11/2008	21,398	- 3.4	4,921	-7.1	5,384	- 6.1	3,191	-12.5
FY 11/2007	22,160	- 1.4	5,299	-19.0	5,735	- 14.9	3,648	- 10.8

	Net income per share	EPS after dilution
	¥	¥
FY 11/2008	141.78	141.77
FY 11/2007	162.19	162.01

(2) Parent company financial position

	Total assets	Net assets	Shareholders' equity to total assets	Net assets per share
	¥m	¥m	%	¥
FY 11/2008	41,345	38,724	93.7	1,732.62
FY 11/2007	43,868	38,896	88.7	1,727.88

(3) Forecasts for the year ending November 30, 2009 (December 1, 2008 -November 30, 2009)

	Net sales	Operating income	Ordinary income	Net income	EPS
Full year	¥m 13,592	¥m 585	¥m 999	¥m 581	¥ 25.82
YonY change	- 36.5 %	- 88.1 %	- 81.4 %	- 81.8 %	- 81.8 %

Explanation of the appropriate use of performance forecasts and other related items

Forecasts of consolidated performance shown on Page 1 and parent company's performance shown on Page 2 were prepared based on information available at the time of the forecast. Actual performances may differ from forecasts owing to a wide range of factors.

Business results for FY2008 and Prospect for FY2009

(1) Business results during the FY2008

At the beginning of FY11/2008, the world economy were inactive due to the price hike of the crude oil and raw materials, and the huge fluctuation of the exchange rate. From September, the U.S. financial crisis worsened the consumer confidence, and now, we fear the bad influence to the real economy and the chronic deterioration.

In our mainstay, electronics industry, although some of new mobile products were steady, almost manufacturers - our customers - have been conservative about production.

In this situation, we could raise our reputation in the high-quality cutting tool industry by active sales promotion. But, the sudden demand change and the dull production made a bad impact on our FY11/2008 consolidated sales, 3.3 percent down from a previous year to ¥ 29,366 million. Our FY11/2008 profitability also worsened due to the sudden demand change despite our best endeavors to cutting the costs. Operating income down 6.3 percent to ¥ 7,413 million, ordinary income down 6.8 percent to ¥ 7,755 million with the foreign exchange losses and net income down 14.2 percent to ¥ 4,849 million with the evaluation losses from securities investment.

millions of yen () indicate change ratio from the previous same period.

	Q1 December 2007 - March 2008	Interim December 2007 - May 2008	9 months December 2007 - August 2008	Annual Dec. 2007 - Nov. 2008
Sales	7,779 (+18.1%)	14,825 (+4.2%)	22,516 (- 1.3%)	29,366 (- 3.3%)
Operating income	2,136 (+28.4%)	3,747 (+7.2%)	5,534 (- 2.8%)	7,413 (- 6.3%)
Ordinary income	2,133 (+15.6%)	3,737 (- 0.6%)	6,037 (- 1.4%)	7,755 (- 6.8%)
Net income	1,315 (- 1.9%)	2,429 (- 4.2%)	4,015 (- 4.9%)	4,849 (-14.2%)

(2) Prospect for FY 2009 ending November 30, 2009

There are huge uncertainties over the world economy, and the production in electronics industry will be very severe.

We will be more closer to our users and pay more attention to the global market. We have a top share in the PCB drill market and our high quality goods will be useful for the next attractive electronics industry. Although it will be difficult to expand the high margin goods easily, we will cut the costs further and input the higher quality products in the market timely, quickly and globally. We also endeavor to expand the sales except PCB drills, such as carbide Endmills, Measurement systems and Rolling dies.

As of January 2009, our consolidated prospects for FY11/2009 are below:

	FY11/2008 actual (a)	FY11/2009 budget as of January, 2009 (b)	change (b/a)
Sales	¥m 29,366	¥m 19,212	- 34.6%
Operating income	7,413	1,241	- 83.2%
Ordinary income	7,755	1,290	- 83.4%
Net income	4,849	731	- 84.9%

(3) Cash flows

In FY11/2008, cash and cash equivalent decreased ¥ 1,651 million, or 23.0 percent from a previous year to ¥ 5,542 million. Trends in cash flows indicators are as follows:

	FY11/2006		FY11/2007		FY11/2008	
	Interim	Annual	Interim	Annual	Interim	Annual
Equity ratio (%)	86.1	87.3	88.6	89.7	90.3	93.3
Equity ratio based on market prices (%)	280.9	231.3	193.4	153.8	148.0	86.1
Interest coverage ratio	473.5	548.2	196.8	411.3	729.9	578.4

Calculation method : Equity ratio : shareholders' equity / total assets

Equity ratio based on market prices : total market value of common stock / total assets

Interest coverage ratio : net cash provided by operating activities / interest payments

Notes 1. All indicators are calculated based on consolidated financial figures.

2. Total market value of common stock is calculated by multiplying the final closing price of the Company's stock on the balance sheet date by the number of outstanding shares on the balance sheet date (less the number of treasury stocks).

3. Figures for net cash provided by operating activities are those from the consolidated cash flow statement.

Interest-bearing debt includes all balance sheet debt for which interest payments are being made. Figures for interest payments are those from the consolidated cash flow statement.

(4) Basic Dividend Policy

Our basic dividend policy is to take a long-term view and to pay stable dividends in accordance with the closely monitoring earnings trends and the future development of the business. We plan to pay year end dividends of ¥25 per share with the interim dividends of ¥25. So, FY11/2008 annual dividends will rise ¥2 from a previous year to ¥50 per share. Internal reserves will be reinvested from a long-term perspective to continue expanding and reinforcing the foundations of the business.

(5) Risk Factors

Business of UNION TOOL group (“UTG”) is subject to many risks. The principal risks affecting the UTG’s business are described briefly below:

a) Influence of conditions of manufacturing industry

Main business of UTG is to manufacture and sell the industrial consumables. Most of its customers belong to the manufacturing industry and use our products for their processing works. UTG’s business is highly dependent on the global manufacturing industry. The sluggish manufacturing activities could be a bearish impact on the UTG’s financial results.

b) Dependence on the cutting tool sales , especially PCB drills

The consolidated sales of cutting tools, especially PCB drills accounts for nearly all of UTG sales. This business model will continue for some time. The sluggish demand for PCB drills could be a bearish impact on the financial results. The alternative PCBs’ hole-making technology also make a severe impact. The printed circuit boards require the higher-density, more holes and more multi-layers, and there is no progress recently in the alternative hole-making technology. UTG is sure of its high position in this area and its high-technology to help its customers. At the same time, UTG continues to endeavor the sales up of Carbide endmills and so on except PCB drills.

c) Dependence on Asian business

A large part of UTG sales is dependent on Asian business. Under the customers’ production base shift from U.S. and Europe to Asia, it is unavoidable. Now UTG has been strengthening its Asian production capacity and so on in order to meet the active demand. The political, economic and social confusion in Asia or the delay of its Asian strengthening plans could exert an influence on the UTG’s business and financial situation.

d) Unit price down trend

Severe competition has been unfolding in the PCB manufacturing industry, and recently, products made in China, low price is in the market. Although UTG’s customers want to use the high-quality products even if the unit price would be higher than the market conventional one, price down pressure is always severe. UTG continue to endeavor to keep its high performance by technological differentiation method. However, if UTG’s activities do not sufficiently respond to the changes in the business environment, there is a possibility that the UTG’s financial situation will be affected.

e) Price hike of raw materials, especially tungsten carbide

Main raw material of UTG’s products is one of the rare metal, tungsten carbide. Recently, price of raw metals is rising. There is some suppliers of tungsten carbide, UTG endeavor to stably purchase the raw materials. But in the event of the huge and drastic hike of raw materials, there is a possibility that the UTG’s financial situation will be affected.

f) Concentration of production in Japan, Niigata Nagaoka-city

The UTG manufactures approximately 70% of PCB drills and almost of its in-house production equipment in Niigata prefecture, Nagaoka city. UTG well uses the Nagaoka factory as the world leading base of new technology. But in the event of the geographical troubles in Nagaoka city, there is a possibility that the UTG’s financial situation will be affected.

g) Foreign currency exchange rate fluctuations

The UTG is engaged in developing overseas business. Its overseas subsidiaries submit their financial reports in local currency, which are translated into Japanese yen at the exchange rate when the consolidated financial reports are compiled. Consequently, the UTG’s financial performance may be influenced by exchange fluctuations.

UNION TOOL group and important affiliates

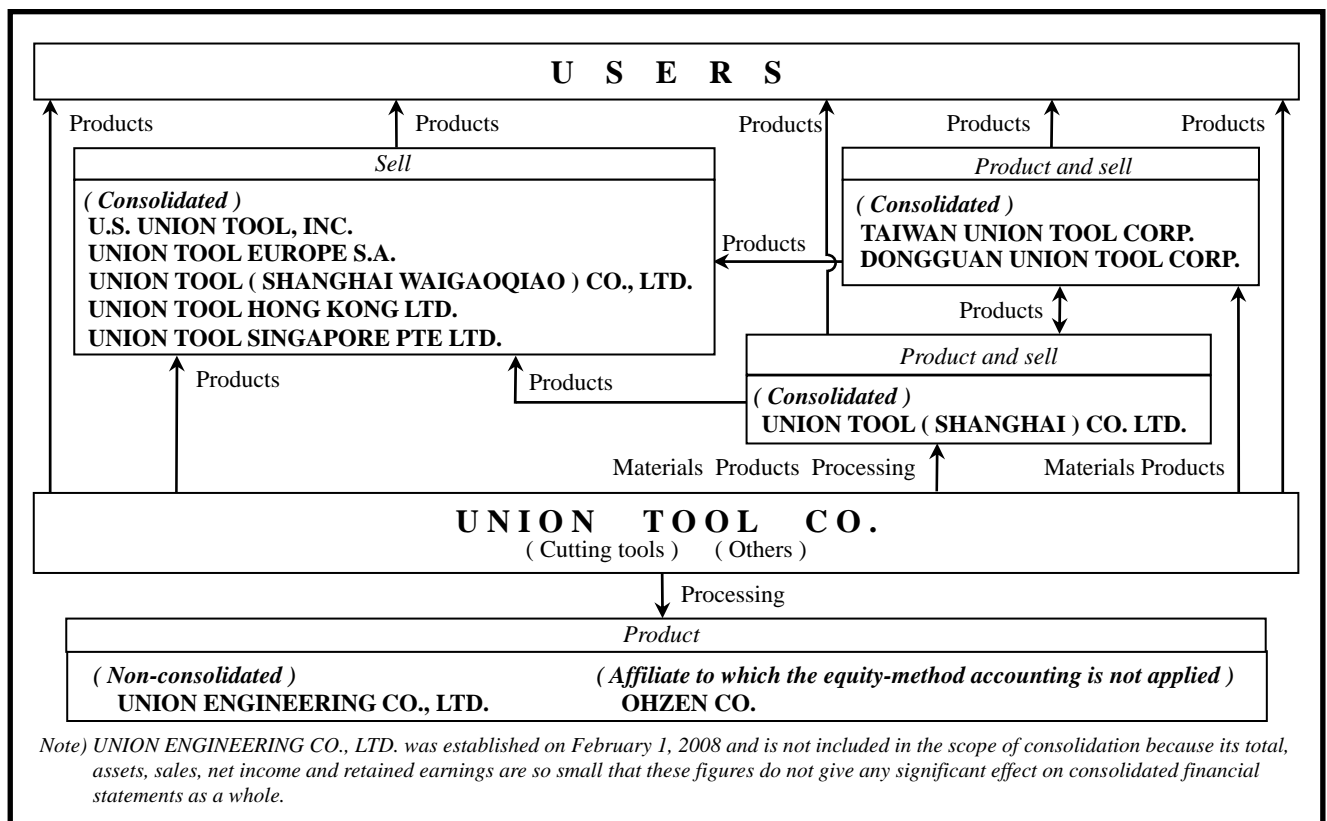
UNION TOOL group and important affiliate product and sell cutting tools (mainly carbide drills for printed circuit boards) and other products.

Cutting tools : carbide drills for printed circuit boards (PCB drills)

Product and sell	UNION TOOL CO. (Japan) TAIWAN UNION TOOL CORP. (Taiwan) UNION TOOL (SHANGHAI) CO. LTD. (China) DONGGUAN UNION TOOL CORP. (China)
Sell	U.S. UNION TOOL, INC. (U.S.A. California) UNION TOOL EUROPE S.A. (Switzerland) UNION TOOL HONG KONG LTD. (Hong Kong) UNION TOOL SINGAPORE PTE LTD. (Singapore) UNION TOOL (SHANGHAI WAIGAOQIAO) CO.,LTD. (China)
Processing on commission	UNION ENGINEERING CO., LTD. (Japan) OHZEN CO. (Japan)

Other products : Linear Motion bearings, digital measurement systems

Product and sell	UNION TOOL CO. (Japan)
Sell	TAIWAN UNION TOOL CORP. (Taiwan) U.S. UNION TOOL, INC. (U.S.A. California) UNION TOOL EUROPE S.A. (Switzerland) UNION TOOL HONG KONG LTD. (Hong Kong) UNION TOOL SINGAPORE PTE LTD. (Singapore) UNION TOOL (SHANGHAI WAIGAOQIAO) CO.,LTD. (China)
Processing on commission	OHZEN CO. (Japan)



Management Policy

(1) Basic Management Policy

The basic management policy of the group is to contribute to society through providing the high-quality products. We have focused on developing industrial cutting tools, especially PCB drills (Cutting tools for the Printed Circuit Boards), and now achieve a corporate brand that our customers find indispensable to the high-quality, high-technology and high-value-added electronics manufacturing field. We make a fresh resolve to improve our responsiveness to technological innovations and rapidly changing markets and to meet customer needs through the provision and development of high-quality products and services. In addition, by using our management resources effectively, such as in-house manufacturing equipment, a long experience in this area and well-skilled workers, so we continue to endeavor to strengthen our position in the global marketplace.

(2) Medium-to-Long Term Management Strategies and Issues to be faced

Main business of UTG is to manufacture and sell the industrial consumables. Most of its customers belong to the manufacturing industry and use our products for their processing works. UTG's business is highly dependent on the global manufacturing industry. The recent sluggish manufacturing activities could be a bearish impact on the UTG's financial results.

We hold a total superiority to competitors, such as a strong financial position, a product reliability, and huge know-how. We pay more attention to the global economic conditions and continue to make a various change quickly.

a. Increase of our sales

We have established a high-quality brand image in the worldwide PCB drill users. By diffusing this image globally, we want to be more reliable for the global cutting tool users. At the same time, we watch the market more cautiously, and strengthen a cooperation between our group companies. We also continue to strengthen the Carbide Endmill, Measurement systems and Rolling dies.

b. Further cost reduction

We have established an incomparable manufacturing system for gaining the high level profitability, such as an in-house manufacturing equipment. As cutting the costs, we have to establish a production, sales promotion and manufacturing cost management activities more efficiently and flexibly among our group companies. Although there is a severe condition to cut the costs drastically, we continue to endeavor to recover our profitability.

c. Establishment of an internal control system and promotion of CSR activities

We have been making an effort to establish an internal control system and promoting a various program for the global environment and society. We continue to endeavor to strengthen these activities efficiently, inclusively and voluntarily. We want to achieve sustainable growth together with society by earning the trust of all stakeholders as we created and provide value through diverse business activities.

Consolidated Balance Sheets

thousands of yen

accounts	term	FY 11 / 2007 as of 2007/11/30		FY 11 / 2008 as of 2008/11/30		difference
		amount	ratio	amount	ratio	amount
Assets :			%		%	
Current assets :		25,909,063	47.3	25,093,554	47.1	- 815,508
Cash and deposits		6,753,600		5,442,358		- 1,311,242
Notes and accounts receivables - trade		9,870,707		9,199,542		- 671,164
Marketable securities		1,840,518		894,304		- 946,214
Inventories		6,812,269		8,899,427		2,087,157
Other current assets		631,968		657,923		- 25,955
Fixed assets :		28,827,994	52.7	28,151,844	52.9	- 676,149
Property, plant and equipment		19,116,855	34.9	21,654,655	40.7	2,537,800
Buildings and structures		4,472,205		4,714,029		241,824
Machines and vehicles		9,748,648		9,776,834		28,186
Tools and furniture		471,494		405,525		- 65,968
Land		3,432,049		6,380,848		2,948,799
Construction work in progress		992,458		377,416		- 615,041
Intangible fixed assets		138,485	0.3	109,205	0.2	- 29,279
Investments and others		9,572,653	17.5	6,387,983	12.0	- 3,184,669
Investments in securities		9,102,774		5,305,512		- 3,797,262
Others investments		469,878		1,082,471		612,593
Total assets		54,737,057	100.0	53,245,399	100.0	- 1,491,657
Liabilities :						
Current liabilities :		4,416,670	8.0	3,147,830	5.9	- 1,268,839
Notes and accounts payable - trade		1,039,263		937,297		- 101,966
Account payable - other		1,234,571		399,962		- 834,608
Accrued expenses		693,024		524,655		- 168,368
Accrued income taxes		1,143,864		903,572		- 240,291
Others		305,945		382,342		76,397
Fixed liabilities :		1,231,666	2.3	422,393	0.8	- 809,273
Deferred tax liabilities		814,632		306		- 814,326
Long-term account payable- other		321,108		321,108		-
Others		95,925		100,978		5,052
Total liabilities		5,648,337	10.3	3,570,223	6.7	- 2,078,113
Net assets :						
Shareholders' equity		46,829,836	85.6	50,274,493	94.4	3,444,657
Common stock		2,998,505	5.5	2,998,505	5.6	-
Additional paid-in capital		3,048,701	5.6	3,038,118	5.7	- 10,582
Retained earnings		42,968,467	78.5	46,691,387	87.7	3,722,919
Treasury stocks		- 2,185,837	- 4.0	- 2,453,517	- 4.6	- 267,679
Valuation differences or adjustments:		2,258,883	4.1	- 599,317	- 1.1	- 899,394
Other valuation differences of securities		1,926,520	3.5	- 32,286	- 0.1	- 1,958,807
Adjustment on foreign currency statement translation		332,363	0.6	- 567,031	- 1.0	- 899,394
Total net assets		49,088,719	89.7	49,675,175	93.3	586,455
Total liabilities and net assets		54,737,057	100.0	53,245,399	100.0	- 1,491,657

Note : Negative figures indicate decrease.

Consolidated Statements of Income

thousands of yen

accounts	term	FY 11/ 2007 2006/12/1 - 2007/11/30		FY 11 / 2008 2007/12/1 - 2008/11/30		difference amount
		amount	ratio	amount	ratio	
Net sales		30,353,802	100.0	29,366,136	100.0	- 987,665
Cost of sales		17,810,060	58.7	17,585,895	59.9	- 224,164
Gross income		12,543,741	41.3	11,780,240	40.1	- 763,501
Selling, general and administrative expenses		4,629,256	15.2	4,367,108	14.9	- 262,148
Operating income		7,914,485	26.1	7,413,132	25.2	- 501,352
Non-operating income		457,499	1.5	634,446	2.2	176,947
Interest and dividends income		291,206		439,073		147,867
Profit of foreign currency transaction		42,001		-		- 42,001
Others		124,290		195,372		71,082
Non-operating expenses		51,234	0.2	292,270	1.0	241,035
Interest expenses		18,514		8,652		- 9,862
Losses of foreign currency transaction		-		225,466		225,466
Others		32,720		58,150		25,430
Ordinary income		8,320,750	27.4	7,755,308	26.4	- 565,441
Extraordinary income		238,971	0.8	139,500	0.5	- 99,471
Extraordinary losses		59,754	0.2	478,326	1.6	418,572
Net income before income taxes		8,499,967	28.0	7,416,482	25.3	- 1,083,484
Income taxes and enterprise taxes - current		2,753,392	9.1	2,294,644	7.8	- 458,748
Income taxes and enterprise taxes - deferred		95,523	0.3	272,540	0.9	177,017
Net income		5,651,051	18.6	4,849,297	16.5	- 801,754

Consolidated Statements of Changes in Net assets

FY11/2008 (from December 1, 2007 to November 30, 2008)

thousands of yen

	Shareholders' equity				Total
	Common stocks	Additional paid-in capital	Retained earnings	Treasury stocks	
Balance at November 30, 2007	2,998,505	3,048,701	42,968,467	-2,185,837	46,829,836
Changes:					
Dividend payments	-	-	-1,126,377	-	-1,126,377
Net income	-	-	4,849,297	-	4,849,297
Payments from purchase of treasury stocks	-	-	-	-398,155	-398,155
Proceeds from sales of treasury stocks	-	- 10,582	-	130,475	119,892
Net changes except shareholders' equity	-	-	-	-	-
Net changes	-	- 10,582	3,722,919	- 267,679	3,444,657
Balance at November 30, 2008	2,998,505	3,038,118	46,691,387	-2,453,517	50,274,493

thousands of yen

	Valuation differences or adjustments		Total net assets
	Other valuation differences of securities	Adjustments on foreign currency statement translation	
Balance at November 30, 2007	1,926,520	332,363	49,088,719
Changes:			
Dividend payments	-	-	-1,126,377
Net income	-	-	4,849,297
Payments from purchase of treasury stocks	-	-	- 398,155
Proceeds from sales of treasury stocks	-	-	119,892
Net changes except shareholders' equity	-1,958,807	- 899,394	- 2,858,201
Net changes	- 1,958,807	- 899,394	586,455
Balance at November 30, 2008	- 32,286	- 567,031	49,675,175

Consolidated Statements of Cash flows

thousands of yen

account	term	F Y 2 0 0 7 from 2006/12/1 to 2007/11/30	F Y 2 0 0 8 from 2007/12/1 to 2008/11/30	difference
		amount	amount	amount
1. Cash flows from operating activities				
Net income before income taxes		8,499,967	7,416,482	-1,083,484
Depreciation and amortization		2,353,032	2,653,385	300,353
Increase in allowance for doubtful receivables		- 96,311	- 104,476	- 8,164
Interest and dividends income		- 291,206	- 227,177	64,029
Interest expense		18,514	8,652	- 9,861
Gain on foreign currency transaction		- 84,489	76,203	160,692
Loss on sales and disposal of P, P and E		40,686	86,156	45,469
Increase in receivables – trade		- 627,083	352,214	979,298
Increase in inventories		689,816	-2,253,500	-2,943,316
Decrease in payable – trade		- 136,703	49,978	186,682
Decrease in accrued consumption taxes payable		166,158	-108,825	-274,983
Decrease in allowance for retired directors		126,574	-	-126,574
Increase in other current liabilities		94,734	-738,105	-832,839
Others		98,680	313,815	215,135
Sub – total		10,852,368	7,524,804	-3,327,563
Interest and dividends received		302,836	226,357	- 76,478
Interest paid		- 18,553	-8,652	9,900
Income and other taxes paid		- 3,490,312	-2,737,815	752,497
Expenses from the Chuetsu earthquake paid		- 14,790	-	14,790
Net cash provided by operating activities		7,631,547	5,004,693	-2,626,853
2. Cash flows from investing activities				
Payments from purchase of P, P and E		- 4,352,995	-5,646,511	-1,239,516
Payments from purchase of marketable securities		- 399,353	-3,997,613	-3,598,260
Proceeds from sales and redemption of securities		1,387,074	5,604,564	4,217,490
Payments from purchase of securities		- 1,103,340	-921,087	182,252
Proceeds from sales and redemption of investment in securities		13,786	25,104	11,318
Others		- 152,797	11,781	164,578
Net cash provided by investing activities		- 4,607,624	-4,923,761	-316,137
3. Cash flows from financing activities				
Dividends paid		- 1,101,097	-1,136,289	-35,192
Proceed from sales of treasury stocks		85,808	119,892	34,084
Purchase of treasury stocks		- 5,534	-398,155	-392,620
Net cash provided by financing activities		- 1,020,823	-1,414,551	-393,728
4. Exchange adjustments for cash and cash equivalents		81,879	-318,162	-400,041
5. Increase in cash and cash equivalents		2,084,978	-1,651,782	-3,736,760
6. Cash and cash equivalents at the beginning of the period		5,109,161	7,194,140	2,084,978
8. Cash and cash equivalents at the end of the period		7,194,140	5,542,358	-1,651,782

Note : Negative figures indicate decrease.

Principles for preparing consolidated financial statements

1. The scope of consolidation

Consolidated subsidiaries (8 companies)

TAIWAN UNION TOOL CORP. UNION TOOL EUROPE S.A. U.S. UNION TOOL, INC.
UNION TOOL (SHANGHAI) CO.LTD. UNION TOOL HONG KONG LTD.
UNION TOOL SINGAPORE PTE LTD. UNION TOOL (SHANGHAI WAIGAOQIAO) CO., LTD.
DONGGUAN UNION TOOL CORP.

Non-consolidated subsidiaries

UNION ENGINEERING CO., LTD.

Note) UNION ENGINEERING Co., LTD was established on February 1, 2008 and is not included in the scope of consolidation because its total assets, sales, net income and retained earnings are so small that these figures do not give any significant effect on consolidated financial statements as a whole.

2. Application of the equity method

Affiliated company "OHZEN CO." is not applied to the equity-method because its net income and retained earnings are so small that these figures do not give any significant effect on consolidated financial statements as a whole.

3. Fiscal year of consolidated subsidiaries

"TAIWAN UNION TOOL CORP.", "UNION TOOL EUROPE S.A.", "U.S. UNION TOOL, INC.", "UNION TOOL HONGKONG LTD." and "UNION TOOL SINGAPORE PTE LTD." close their financial books on September 30, so the consolidated financial statements are prepared with their financial statements as of this closing date.

"UNION TOOL (SHANGHAI) CO LTD.", "UNION TOOL (SHANGHAI WAIGAOQIAO) CO., LTD." and "DONGGUAN UNION TOOL CORP." close their financial books on December 31. Their financial statements based on a September 30 provisional settlement of account are used for the drafting of consolidated financial statements. Important transactions made during the period between their closing date and consolidation date are given adjustments necessary for consolidation.

4. Accounting basis

(1) Standards and method of evaluation of important assets

- a. Securities Securities with market value Market value method based on the November 30 market prices
Differences between revaluated amounts and original purchase prices are presented in net assets and the sales price is determined by the moving-average cost method.
Differences between acquisition prices and par value which occur from interest adjustment are accounted by the amortized cost method.
- Securities without market value Moving-average cost method
- b. Inventories Merchandises Periodic-average cost method
Products and work in process
Specialized machines and measurement systems Specific identification cost method
Other products and work in process Periodic-average cost method
Raw materials Moving-average cost method
Supplies Last invoice method

(2) Standards and methods of depreciation of important depreciable assets

a. Tangible assets

The declining balance method is applied. But to the buildings (excluding appendices to such buildings) acquired in or after April 1, 1998, straight-line method is applied. Consolidated subsidiaries apply the straight-line method.
(e.g.) Useful life of buildings is 10 to 50 years and that of machines is 7 to 10 years.

b. Intangible fixed assets

Straight-line method is applied. Besides, software for in-house use is amortized with the fixed amount method based on the potential period of usage (five years).

(3) Standards for calculation of important allowances

a. Allowance for doubtful accounts

Sufficient allowance for doubtful accounts is provided to cover possible losses by estimating uncollectible amounts individually in addition to possible losses based on actual losses on collection in the past.

b. Allowance for bonuses to employees

To reserve for payments of bonuses to employees, the estimated amount of payment for the current period is booked.

(4) Standards for conversion of foreign currency translation

Receivables and liabilities denominated in foreign currencies are translated into Japanese yen on the basis of the year-end rate and translation differences are charged to income or expenses. Financial statements of foreign consolidated subsidiaries are translated into Japanese yen on the basis of the year-end spot rate and translation differences are included in net assets as adjustment on foreign currency statement translation.

(5) Accounting consumption-tax-related transactions

Accounting of consumption tax is made with the tax-exclusion accounting method.

5. Evaluation of assets and liabilities of consolidated subsidiaries

Evaluation of assets and liabilities of the subsidiaries are carried out fully with the mark-to-market method.

6. Scope of cash and cash equivalents in the consolidated Cash Flow Statements

The cash and cash equivalents in the consolidated Cash Flow Statements are cash in hand, deposits that can be withdrawn anytime when we require, and short-term investments easily cashable, with minimal risks against price fluctuations and maturity of within 3 months.

Note

1. Related to consolidated Balance Sheets

(1) Investments and others for unconsolidated subsidiaries and affiliates

	FY11/2007 (as of Nov. 30, 2007)	FY11/2008 (as of Nov. 30, 2008)
Investment in securities (stocks)	¥ 9,000 thousand	¥ 39,000 thousand

(2) Account treatment of notes receivable and payable maturing on the last day of the fiscal year end

Matured note are recorded on the settlement date. The last day of this fiscal year end was a bank holiday, and Notes receivable and payable maturing on that date are excluded from:

Note receivable – trade	¥ 54,385 thousand
Note payable – trade	¥ 24,283 thousand

2. Related to consolidated Statement of Income

	FY11/2007 (2006/12/1-2007/11/30)	FY11/2008 (2007/12/1-2008/11/30)
(1) Major breakdowns of sell, general and administrative expenses		
Directors remunerations	¥ 157,890 thousand	¥ 194,797 thousand
Wages and bonuses	1,454,961	1,251,154
Retirement benefits to directors	14,815	-
Transfer to allowances for bonuses to employees	57,679	113,873
Transfer to allowances for retirement benefits		
- to employees	79,141	68,202
- to directors	162,514	-
Commission	412,725	361,861
Depreciation and amortization	176,957	217,642
Provision for doubtful accounts	9,054	-
(2) R & D expenses included in G&A expenses	¥ 819,495 thousand	¥ 1,313,359 thousand
(3) Details of profits on sales of fixed assets		
Machine, equipment and automotive equipment	¥ 5,152 thousand	1,576 thousand
Small tools and fixtures	427	128
(4) Details of losses on sales of fixed assets		
Buildings and structures	¥ 975 thousand	¥ 4,572 thousand
Machine, equipment and automotive equipment	33,200	73,939
Small tools and fixtures	2,356	7,644
Intangible assets	4,154	-

3. Related to consolidated Statement of Changes in Net assets

(1) Class and number of shares outstanding ... Ordinary shares, 23,098,490 shares outstanding (No changes)

(2) Class and number of treasury stocks ... Ordinary shares

At the beginning	Increase	Decrease	At November 30,2008
587,623	196,007	35,264	748,366

(note) 1. Reason of increase was the purchase of our treasury stocks ... 195,600 shares

2 Reason of decrease was the transfer to director, auditor or employees by the exercise of Stock Acquisition Rights. ... 33,600 shares

(3) Dividends to shareholders ... Cash dividends paid

Date of approval	Class of shares	Amount	Per share	Allotment date	Effective date
2/26/2008 Meeting of shareholders	Ordinary shares	¥ 562 million	¥ 25.00	11/30/2007	2/27/2008
7/16/2008 Board of directors	Ordinary shares	¥ 563 million	¥ 25.00	5/31/2008	8/18/2008

Dividends after the end of the fiscal year of which basic date belongs to this period

Date of approval	Class of shares	Amount	Per share	Allotment date	Effective date
2/25/2009 Meeting of shareholders	Ordinary shares	¥ 558 million	¥ 25.00	11/30/2008	2/26/2009

4. Related to consolidated Statement of Cash Flows

Relationship between balance cash and cash equivalents at ending of the period and items listed in the Consolidated Balance Sheet

	FY11/2007 (2006/12/1-2007/11/30)	FY11/2008 (2007/12/1-2008/11/30)
Cash and deposits	¥ 6,753,600 thousand	¥ 5,442,358 thousand
Marketable securities	440,539	100,000
Balance of cash and cash equivalents at the year end	7,194,140	5,542,358

5. Retirement benefits to employees

(1) Retirement benefit plan outline

UNION TOOL Co. has established a payment advance retirement benefit plan according to the company's payments rule and a defined contributory pension plan.

(2) Amount of pension plan assets deputed by the Welfare Pension funds

UNION TOOL CO. joins the Welfare pension funds which depute the management of some pension assets for the government. Amount of this pension plan assets which is calculated on the fund contribution ratio basis is 2,998,506 thousand yen as of November 30, 2008.

6. Derivative transaction

The foreign currency exchange contract for the foreign currency credits and debts is applied to the hedge instruments (foreign currency exchange contract, only aimed at the hedges of foreign currency risks). We contract this hedge instruments only with the high credit rating financial institutes, so the credit risks are very low.

7. Marketable securities other than securities held for purpose of trading or held to maturities

(1) Securities which can be stated at market value thousands of yen

	FY 11 / 2 0 0 7 (as of November 30, 2007)			FY 11 / 2 0 0 8 (as of November 30, 2008)		
	Acquisition price	Balance Sheet value	Difference	Acquisition price	Balance Sheet value	Difference
Securities of which the balance sheet value is higher than acquisition price						
Equity stocks	2,385,977	5,674,750	3,288,772	1,272,174	2,033,601	761,426
Bonds	305,208	305,528	320	99,982	99,988	5
Others	1,023,972	1,052,500	28,527	200,000	200,800	800
Total	3,715,158	7,032,779	3,317,620	1,572,157	2,334,389	762,231
Securities of which the balance sheet value is lower than acquisition price						
Equity stocks	291,528	239,759	- 51,769	1,876,909	1,412,515	-464,394
Bonds	2,910,144	2,894,063	- 16,081	1,301,605	1,239,318	-62,287
Others	283,091	282,92	- 999	1,320,367	1,030,370	-289,997
Total	3,484,765	3,415,914	- 68,850	4,498,881	3,682,203	-816,678
Total	7,199,923	10,448,693	3,248,769	6,071,039	6,016,592	-54,446

(2) Securities which are not stated at market value thousands of yen

	FY 11 / 2 0 0 7 (as of November 30, 2007)	FY 11 / 2 0 0 8 (as of November 30, 2008)
	Balance Sheet value	Balance Sheet value
Unlisted stocks except OTC stocks	45,059	44,223
Money management fund	211,214	-
Money market fund	129,324	-
Certified deposits	100,000	100,000

(3) Scheduled maturities of other securities with redemption date thousands of yen

		within 1 year	over 1 year within 5 years	over 5 years within 10 years	over 10 years
		FY 11/2007	Bonds	1,400,000	1,700,000
	Others	100,000	-	-	100,000
FY 11/2008	Bonds	1,000,000	500,000	-	100,000
	Others	100,000	-	-	-

8. Tax effect accounting

(1) Breakdown of major factors of deferred income tax assets and liabilities incurred

a. Deferred income tax assets

	FY11/2007 (as of Nov. 30, 2007)	FY11/2008 (as of Nov. 30, 2008)
Enterprise tax payable	¥ 72,446 thousand	¥ 68,213 thousand
Accrued bonuses to employees	74,888	58,676
Long-term accounts payable – others	182,915	41,734
Allowance for doubtful receivables	36,462	10,676
Depreciation and amortization	30,535	34,074
Loss on devaluation of investment securities	18,809	173,087
Loss on devaluation of golf membership	10,428	2,288
Losses brought forward	39,015	103
Unrealized elimination of fixed assets	405,033	387,464
Unrealized elimination of inventories	261,291	158,295
Others	145,052	281,718
Sub-total	1,276,877	1,216,332
Deduction –allowances for revaluation	- 27,010	- 24,235
Total	1,249,866	1,192,097
b. Deferred income tax liabilities		
Unrealized gains on investments in marketable securities	¥ -1,323,496 thousand	¥ 19,864 thousand
Reserve for reduction entry of fixed assets	- 119,004	-138,719
Others	- 8,537	-306
Total	- 1,451,037	-119,161
Net amount of deferred income tax assets	¥ - 201,170 thousand	¥ 1,072,935 thousand

(2) Major breakdown of item that caused difference concerned when there are important differences between the legal effective tax rate and the contribution rate of the corporation tax after application of tax effect accounting.

	FY11/2007	FY11/2008
Legal effective tax rate	40.7 %	40.7 %
Accounts not counted in deductive expenses eternally such as entertainment expenses	0.1 %	0.1 %
Even distribution of the inhabitant tax	0.1 %	-2.2 %
Foreign tax differential between parent and subsidiaries	- 6.6 %	-5.9 %
Others	- 0.8 %	1.9 %
Contribution rate of the corporation tax after application of tax effect accounting	33.5 %	34.6 %

9. Segment information

(1) Business segment information

thousands of yen

	FY 11/2007 (from December 1, 2006 to November 30, 2007)					
	Cutting tools	Linear motion Bearings	Others	Total	Elimination and corporate assets or expenses	Consolidated
Sales						
(1) Unaffiliated customers	28,198,158	486,579	1,669,064	30,353,802	-	30,353,802
(2) Intersegment	-	-	1,111,233	1,111,233	(1,111,233)	-
T o t a l	28,198,158	486,579	2,780,298	31,465,036	(1,111,233)	30,353,802
Operating expenses	20,050,521	450,280	2,527,193	23,027,994	(588,677)	22,439,317
Operating income	8,147,636	36,299	253,105	8,437,041	(522,556)	7,914,485
Assets	32,809,640	910,142	2,942,800	36,662,583	18,074,474	54,737,057
Depreciation	1,974,625	73,933	71,703	2,120,262	232,769	2,353,032
Capital expenditures	4,153,769	145,719	134,030	4,433,519	41,666	4,475,186

thousands of yen

	FY 11/2008 (from December 1, 2007 to November 30, 2008)				
	Cutting tools	Others	Total	Elimination and corporate assets or expenses	Consolidated
Sales					
(1) Unaffiliated customers	27,355,207	2,010,928	29,366,136	-	29,366,136
(2) Intersegment	-	914,777	914,777	(914,777)	-
T o t a l	27,355,207	2,925,706	30,280,914	(914,777)	29,366,136
Operating expenses	19,989,084	2,725,776	22,714,860	(761,856)	21,953,004
Operating income	7,366,123	199,930	7,566,053	(152,921)	7,413,132
Assets	33,266,516	4,230,902	37,497,418	15,747,981	53,245,399
Depreciation	2,113,996	161,752	2,275,748	377,626	2,653,374
Capital expenditures	3,404,890	290,574	3,695,464	3,029,857	6,725,321

Note 1. Business segment has been classified in terms of sales. Main products of each business segment are as follow ;

- (1) Cutting tools Carbide drills for printed circuit boards
- (2) Others Linear motion bearings Specialized production equipment
Digital measurement system

2. An amount of unallocated operating expenses, such as remuneration for directors, included in elimination and corporate assets or expenses, were 193,980 thousand of yen.
3. An amount of corporate assets included in elimination and corporate assets, consisting of moneies in the cash, deposits, marketable securities, long-term investments (investment in securities) and those related to managerial division, were 16,027,135 thousand of yen.
- 4 Business segment has been changed from this period. If the conventional business segment would be applied, our FY11/2008 business segment information are as follows:

thousands of yen

	FY 11/2008 (from December 1, 2007 to November 30, 2008)					
	Cutting tools	Linear motion Bearings	Others	Total	Elimination and Corporate assets or expenses	Consolidated
Sales						
(1) Unaffiliated customers	27,355,207	459,823	1,551,105	29,366,136	-	29,366,136
(2) Intersegment	-	-	914,777	914,777	(914,777)	-
T o t a l	27,355,207	459,823	2,465,882	30,280,914	(914,777)	29,366,136
Operating expenses	19,989,084	429,521	2,296,254	22,714,860	(761,856)	21,953,004
Operating income	7,366,123	30,302	169,628	7,566,053	(152,921)	7,413,132
Assets	33,266,516	838,416	3,392,486	37,497,418	15,747,981	53,245,299
Depreciation	2,113,996	87,108	74,643	2,275,748	377,626	2,653,374
Capital expenditures	3,404,890	14,926	275,647	3,695,464	3,029,857	6,725,321

(2) Segment information by geographic area

thousands of yen

	FY 11 / 2007 (from December 1, 2006 to November 30, 2007)						
	Japan	North America	Asia	Europe	Total	Elimination and corporate assets or expenses	Consolidated
Sales							
(1) Unaffiliated customers	14,903,673	1,581,723	12,647,055	1,221,349	30,353,802	-	30,353,802
(2) Intersegment	7,256,326	5,081	492,017	3,738	7,757,164	(7,757,164)	-
T o t a l	22,160,000	1,586,805	13,139,072	1,225,088	38,110,966	(7,757,164)	30,353,802
Operating expenses	16,869,817	1,429,610	10,756,872	1,181,479	30,237,779	(7,798,461)	22,439,317
Operating income	5,290,183	157,195	2,382,200	43,609	7,873,187	41,297	7,914,485
Assets	43,145,691	2,416,315	15,829,026	895,214	62,286,248	(7,549,190)	54,737,057

thousands of yen

	FY 11 / 2008 (from December 1, 2007 to November 30, 2008)						
	Japan	North America	Asia	Europe	Total	Elimination and corporate assets or expenses	Consolidated
Sales							
(1) Unaffiliated customers	13,648,945	1,488,575	13,159,873	1,068,742	29,366,136	-	29,366,136
(2) Intersegment	7,749,671	1,103	429,145	129	8,180,049	(8,180,049)	-
T o t a l	21,398,617	1,489,678	13,589,018	1,068,871	37,546,186	(8,180,049)	29,366,136
Operating expenses	16,708,463	1,376,348	12,165,355	1,083,168	31,333,336	(9,380,332)	21,953,004
Operating income	4,690,153	113,330	1,423,662	-14,296	6,212,849	1,200,282	7,413,132
Assets	22,121,067	1,041,406	14,446,453	566,004	38,174,931	15,070,467	53,245,399

Note 1. Nations or areas has been classified in terms of their geographic closeness.

2. Main countries or regions that belong to classes other than Japan

(1) North America : United States of America

(2) Asia : Taiwan China Singapore

(3) Europe : Switzerland

3. An amount of unallocated operating expenses, such as remuneration for directors, included in elimination and corporate assets or expenses, were 193,980 thousand of yen.

4. An amount of corporate assets included in elimination and corporate assets, consisting of moneies in the cash, deposits, marketable securities, long-term investments (investment in securities) and those related to managerial division, were 16,027,135 thousand of yen.

(3) Overseas sales by geographic area

thousands of yen

	FY 11 / 2007 (from December 1, 2006 to November 30, 2007)				
	North America	Asia	Europe	Other	Total
Overseas sales	1,529,770	14,810,189	1,234,242	38,858	17,613,061
Consolidated net sales					30,353,802
Percentage of overseas sales to consolidated net sales	5.0 %	48.8 %	4.1 %	0.1 %	58.0 %

thousands of yen

	FY 11 / 2008 (from December 1, 2007 to November 30, 2008)				
	North America	Asia	Europe	Other	Total
Overseas sales	1,462,908	14,922,063	1,093,973	31,624	17,510,569
Consolidated net sales					29,366,136
Percentage of overseas sales to consolidated net sales	5.0%	50.8%	3.7%	0.1%	59.6%

- Note 1. Nations or areas has been classified in terms of their geographic closeness.
 2. Main countries or regions that belong to classes other than Japan
 (1) North America : United States of America Canada
 (2) Asia : Korea China Taiwan Singapore
 (3) Europe : Switzerland Italy United Kingdom France
 3. Overseas sales represents sales of UNIONTOOL CO. and its subsidiaries made in countries and regions other than Japan.

10. Per share data

	FY11/2007 (2006/12/1 - 2007/11/30)	FY11/2008 (2007/12/1 - 2008/11/30)
Net assets per share	¥ 2,180.67	¥ 2,222.59
Net income per share	¥ 251.18	¥ 215.42
Fully diluted net income per share	¥ 250.91	¥ 215.41

Note: Basis by which net income is computed

	FY11/2007 2006/12/1-2007/11/30	FY11/2008 2007/12/1-2008/11/30
Net income as reported (thousands of yen)	5,651,051	4,849,297
Net income concerning the common stocks (thousands of yen)	5,651,051	4,849,297
Net income non-concerning the common stocks (thousands of yen)	-	-
Average number of common stocks outstanding (1,000shares)	22,497	22,510
Increase of common stock numbers by fully dilution (1,000shares)	24	1

Non-consolidated Balance Sheets

thousands of yen

account	FY 11 / 2007 (as of Nov.30, 2007)		FY 11 / 2008 (as of Nov.30, 2008)		difference
	amount	ratio	amount	ratio	amount
		%		%	
Assets :					
Current assets :	16,100,256	36.7	14,991,031	36.3	-1,109,225
Cash and deposits	3,414,696		3,741,262		326,566
Notes receivables-trade	1,301,145		1,201,99		-99,225
Accounts receivables-trade	4,975,188		3,590,566		-1,384,622
Marketable securities	1,840,518		894,304		-946,214
Inventories	4,187,157		4,954,755		767,598
Deferred tax assets	160,793		146,925		-13,867
Other current assets	220,755		461,295		240,540
Fixed assets :	27,768,513	63.3	26,354,452	63.7	-1,414,060
Property, plant and equipment	13,119,312	29.9	15,286,838	37.0	2,167,526
Buildings and structures	3,634,167		3,376,737		-257,430
Machines and equipment	5,789,710		5,398,939		-390,770
Land	2,761,354		5,770,784		3,009,430
Construction work in progress	466,849		361,881		-104,968
Others	467,228		378,495		-88,733
Intangible fixed assets	129,318	0.3	97,268	0.2	-32,050
Investments and others	14,519,882	33.1	10,970,345	26.5	-3,549,536
Investments in securities	9,090,859		5,263,288		-3,827,570
Investments in affiliates	1,596,449		1,626,449		30,000
Capital investments in affiliates	2,893,114		2,893,114		-
Other investments	939,458		1,187,491		248,033
Total assets	43,868,770	100.0	41,345,484	100.0	-2,523,286
Liabilities :					
Current liabilities :	3,353,190	7.6	2,272,892	5.5	-2,351,397
Notes and accounts payable-trade	780,657		546,877		-233,780
Accounts payable-other	1,148,366		434,141		-714,224
Accrued expenses	327,518		225,305		-102,213
Accrued income taxes	883,165		790,092		-93,072
Other current liabilities	213,480		276,475		62,995
Fixed liabilities :	1,619,448	3.7	348,349	0.8	-1,271,099
Deferred tax liabilities	1,202,414		-		-1,202,414
Other fixed liabilities	417,033		348,349		-1,271,099
Total liabilities	4,972,638	11.3	2,621,241	6.3	-2,351,397
Net assets :					
Shareholders' equity	36,969,611	84.3	38,756,529	93.8	1,786,918
Common stock	2,998,505	6.8	2,998,505	7.3	-
Additional paid-in capital	3,048,701	7.0	3,038,118	7.4	-10,582
Retained earnings	33,108,242	75.5	35,173,423	85.0	2,065,180
Treasury stocks	-2,185,837	-5.0	-2,453,517	-5.9	-267,679
Valuation differences or adjustments	1,926,520	4.4	-32,286	-0.1	-1,958,807
Other valuation differences of securities	1,926,520	4.4	-32,286	-0.1	-1,958,807
Total net assets	38,896,131	88.7	38,724,242	93.7	-171,889
Total liabilities and net assets	43,868,770	100.0	41,345,484	100.0	-2,523,286

Note : Negative figures indicate decrease.

Non-consolidated Statements of Income

thousands of yen

account	term	FY 11 / 2007 (2006/12/1-2007/11/30)		FY 11 / 2008 (2007/12/1-2008/11/30)		difference amount
		amount	ratio	amount	ratio	
Net sales		22,160,000	100.0	21,398,617	100.0	-761,382
Cost of sales		13,629,412	61.5	13,467,869	62.9	-161,542
Gross income		8,530,587	38.5	7,930,747	37.1	-599,840
Selling, general and administrative expenses		3,231,237	14.6	3,009,731	14.1	-221,506
Advertising expenses		110,685		113,348		
Packaging and transportation - out		201,859		196,616		
Executive salaries		157,890		193,980		
Salaries and bonuses to employees		952,605		776,090		
Welfare expenses		151,535		131,740		
Traveling and communications expenses		171,156		151,674		
Rental expenses and general commissions		436,970		394,673		
Research and development expenses		308,817		428,015		
Others		739,714		623,407		
Operating income		5,299,350	23.9	4,921,016	23.0	-378,333
Non-operating income		477,861	2.2	697,462	3.3	219,600
Interest and dividends income		364,001		552,838		
Other non-operating income		113,858		144,622		
Non-operating expenses		41,849	0.2	233,528	1.1	191,678
Ordinary income		5,735,362	25.9	5,384,950	25.2	-350,411
Extraordinary profit		236,937	1.1	86,250	0.4	-150,686
Extraordinary losses		51,066	0.2	479,011	2.3	427,945
Net income before income taxes		5,921,232	26.8	4,992,188	23.3	-929,044
Income taxes and enterprise taxes - amount		2,272,314	10.3	1,800,630	8.4	-471,683
Net income		3,648,918	16.5	3,191,558	14.9	-457,360

Non-consolidated Statement of Changes in Net Assets

FY11/2008 (from December 1, 2007 to November 30, 2008)

thousands of yen

	Shareholders' equity			
	Additional paid-in capital			Total
	Common Stock	Capital Reserve	Other additional paid-in capital	
Balance at November 30, 2006	2,998,505	3,020,484	28,216	3,048,701
Changes:				
Dividends payments	-	-	-	-
Net income	-	-	-	-
Reserve for deferred gain on sales of fixed assets	-	-	-	-
Transfer from reserve for deferred gain on sales of fixed assets	-	-	-	-
Reserve to general reserve	-	-	-	-
Bonuses to directors and auditors	-	-	-	-
Payments from purchase of treasury stocks	-	-	-	-
Proceeds from sales of treasury stocks	-	-	-10,582	-10,582
Net changes except shareholders' equity	-	-	-	-
Net changes	-	-	-10,582	-10,582
Balance at November 30, 2007	2,998,505	3,020,484	17,634	3,038,118

thousands of yen

	Shareholders' equity				
	Retained earnings				Total
	Legal reserve	Other retained earnings			
		Voluntary reserve		Retained earnings carried forward	
Reserve for deferred gain on sales of fixed assets		General Reserve			
Balance at November 30, 2006	419,574	173,389	25,000,000	7,515,279	33,108,242
Changes:					
Dividends payments	-	-	-	-1,126,377	-1,126,377
Net income	-	-	-	3,191,558	3,191,558
Reserve for deferred gain on sales of fixed assets	-	43,153	-	-43,153	-
Transfer from reserve for deferred gain on sales of fixed assets	-	-14,427	-	14,427	-
Reserve to general reserve	-	-	2,500,000	-2,500,000	-
Bonuses to directors and auditors	-	-	-	-	-
Payments from purchase of treasury stocks	-	-	-	-	-
Proceeds from sales of treasury stocks	-	-	-	-	-
Net changes except shareholders' equity	-	-	-	-	-
Net changes	-	28,726	2,500,000	-463,545	2,065,180
Balance at November 30, 2007	419,574	202,115	27,500,000	7,051,733	35,173,423

thousands of yen

	Shareholders' equity	Total	Valuation differences or adjustments	Total Net assets
	Treasury stock		Other valuation differences of securities	
Balance at November 30, 2006	-2,185,837	36,969,611	1,926,520	38,896,131
Changes:				
Dividends payments	-	-1,126,377	-	-1,126,377
Net income	-	3,191,558	-	3,191,558
Reserve for deferred gain on sales of fixed assets	-	-	-	-
Transfer from reserve for deferred gain on sales of fixed assets	-	-	-	-
Reserve to general reserve	-	-	-	-
Bonuses to directors and auditors	-	-	-	-
Payments from purchase of treasury stocks	-398,155	-398,155	-	-398,155
Proceeds from sales of treasury stocks	130,475	119,892	-	119,892
Net changes except shareholders' equity	-	-	-1,958,807	-1,958,807
Net changes	-267,679	1,786,918	-1,958,807	-171,889
Balance at November 30, 2007	-2,453,517	38,756,529	-32,286	38,724,242

Principles for preparing financial statements

1. Standards and method of evaluation of securities

- (1) Securities of subsidiaries and affiliated company Moving-average cost method
- (2) Other marketable securities
 Securities with market value Market value method based on the November 30 market prices
 Differences between revaluated amounts and original purchase prices are presented in net assets and the sales price is determined by the amortized cost method.
- Securities without market value Moving-average cost method

2. Standards and method of evaluation of inventories

- Merchandises Periodic-average cost method
- Products and work in process
 Specialized machines and measurement systems Specific identification cost method
 Other products and work in process Periodic-average cost method
- Raw materials Moving-average cost method
- Supplies Last invoice method

3. Standards and methods of depreciation of fixed assets

- (1) Tangible assets
 The declining balance method is applied. But to the buildings (excluding appendices to such buildings) acquired in or after April 1, 1998, straight-line method is applied.
 (e.g.) Useful life of buildings is 10 to 50 years and that of machines is 7 to 10 years.
- (2) Intangible assets
 Straight-line method is applied. Besides, software for in-house use is amortized with the fixed amount method based on the potential period of usage (five years).

4. Standards for calculation of allowances

- (1) Allowance for doubtful accounts
 Sufficient allowance for doubtful accounts is provided to cover possible losses by estimating uncollectible amounts individually in addition to possible losses based on actual losses on collection in the past.
- (2) Allowance for bonuses to employees
 To reserve for payments of bonuses to employees, the estimated amount of payment is booked.

5. Others

- Accounting consumption-tax-related transactions
 Accounting of consumption tax is made with the tax-exclusion accounting method.

Note

1. Related to Balance Sheets

- (1) Transactions with subsidiaries

	FY11/2007 (as of Nov. 30, 2007)	FY11/2008 (as of Nov. 30, 2008)
Current assets		
Accounts receivable –trade	¥ 1,838,065 thousand	¥ 1,280,957 thousand

- (2) Account treatment of notes receivable and payable maturing on the last day of the fiscal year end
 Matured note are recorded on the settlement date. The last day of this fiscal year end was a bank holiday, and Notes receivable and payable maturing on that date are excluded from:
- | | |
|-------------------------------|-------------------|
| Note receivable – trade | ¥ 54,385 thousand |
| Note payable – trade | ¥ 24,283 thousand |

2. Related to Statements of Income

(1) Transactions with subsidiaries

	FY11/2007		FY11/2008	
	(2006/12/1-2007/11/30)		(2007/12/1-2008/11/30)	
Sales	¥ 7,394,881	thousand	¥ 8,033,810	thousand
(2) Amount of R & D expenses included in general and administrative expenses and total cost of production				
R & D expenses	¥ 819,495	thousand	¥ 1,312,043	thousand
(3) Dividends receivable from subsidiaries	¥ 117,755	thousand	¥ 355,319	thousand
(4) Major breakdown of disposal gains of fixed assets				
Machine and equipment	¥ 128	thousand	¥ 227	thousand
(5) Major breakdown of disposal losses of fixed assets				
Buildings	¥ 975	thousand	¥ 4,572	thousand
Machine and equipment	28,650		73,854	

3. Related to Statement of Changes in Net assets

Treasury stocks: Class ... ordinary shares

At the beginning	Increase	Decrease	At November 30,2008
587,623	196,007	35,264	748,366

(note) 1. Reason of increase was the purchase of our treasury stocks ... 195,600 shares

2 Reason of decrease was the transfer to director, auditor or employees by the exercise of Stock Acquisition Rights. ... 33,600 shares

4. Related to the lease transactions

The company does not use the lease transaction.

5. Related to the market value of securities

There is no marketable securities of subsidiaries or affiliates with current value.

6. Tax effect accounting

(1) Breakdown of major factors of deferred income tax assets and liabilities incurred

	FY11/2007		FY11/2008	
	(as of Nov. 30, 2007)		(as of Nov. 30, 2008)	
Deferred income tax assets				
Accrued bonuses to employees	¥ 74,888	thousand	¥ 58,676	thousand
Long-term accounts payable – others	182,915		172,425	
Loss on devaluation of investment securities	18,809		173,087	
Depreciation and amortization	27,702		29,305	
Devaluation of golf membership	10,428		2,288	
Enterprise tax payable	72,446		68,213	
Others	13,688		20,284	
Total deferred income tax assets	400,879		524,281	
Deferred income tax liabilities				
Devaluation of investments in securities	¥ -1,323,496	thousand	¥ 19,864	thousand
Reserve for reduction entry of fixed assets	- 119,004		-138,719	
Total deferred income tax liabilities	-1,442,500		-118,855	
Net amount of deferred income tax assets	¥ -1,041,621	thousand	¥ 405,426	thousand

(2) Major breakdown of item that caused difference concerned when there are important differences between the legal effective tax rate and the contribution rate of the corporation tax after application of tax effect accounting.

	FY11/2007	FY11/2008
Legal effective tax rate	40.7 %	40.7 %
Accounts not counted in deductive expenses eternally such as entertainment expenses	0.1 %	0.1 %
Even distribution of the inhabitant tax	- 1.6 %	- 2.2 %
Foreign tax differential between parent and subsidiaries	0.2 %	- 2.9 %
Others	- 1.0 %	0.3 %
Contribution rate of the corporation tax after application of tax effect accounting	38.4 %	36.0 %

7. Amounts per share

	FY11/2007 (as of Nov.30, 2007)	FY11/2008 (as of Nov.30, 2008)
Net assets worth per share	¥ 1,727.88	¥ 1,732.62
Net income per share	¥ 162.19	¥ 141.78
Diluted net income per share	¥ 162.01	¥ 141.77

(Note) Basis for calculations of net income per share

	FY11/2007	FY11/2008
Net income booked on the Statements of Income (thousands of yen)	¥ 3,648,918	¥ 3,191,558
Net income attributed to common stocks (thousands of yen)	3,648,918	¥3,191,558
Net income not attributed to common stocks (thousands of yen)	-	-
Average number of outstanding shares during this interim period (1,000 shares)	22,497	22,510
Increase of the outstanding shares by adjustments of full dilution (1,000 shares)	24	1

8. Segment information

(1) Business segment

thousands of yen

segment \ term		FY 11 / 2007 (2006/12/1 – 2007/11/30)		FY 11 / 2008 (2007/12/1 – 2008/11/30)		Y on Y change (%)
		amount	ratio (%)	amount	ratio (%)	
Cutting tools	Domestic	11,180,216		10,557,125		
	Export	7,843,951		7,634,571		
	Total	19,024,167	85.9	18,191,696	85.0	- 4.4
Others	Domestic	1,559,483		1,298,442		
	Export	1,576,349		1,908,478		
	Total	3,135,822	14.1	3,206,920	15.0	2.3
Total	Domestic	12,739,700		11,855,567		
	Export	9,420,300		9,543,050		
	Total	22,160,000	100.0	21,398,617	100.0	- 3.4

(2) Segment by geographic area

thousands of yen

segment \ term		FY 11 / 2007 (2006/12/1 – 2007/11/30)		FY 11 / 2008 (2007/12/1 – 2008/11/30)		Y on Y change (%)
		amount	ratio (%)	amount	ratio (%)	
Domestic		12,739,699	57.5	11,855,567	55.4	- 6.9
North America		500,113	2.3	448,343	2.1	-10.4
Asia		8,290,871	37.4	8,539,155	39.9	3.0
Europe and others		629,316	2.8	555,551	2.6	11.7
Total		22,160,000	100.0	21,398,617	100.0	- 3.4

9. Others

(1) Amount of consolidated investment, depreciation and R&D expenses millions of yen

	FY11/2007	FY11/2008	FY11/2009 (plan)
Investments	4,475	6,725	1,997
Depreciation	2,353	2,653	2,743
R&D expenses	819	1,313	1,295

(2) Conversion of foreign subsidiaries' financial statements

All of our 8 subsidiaries are outer Japan companies and are included in the scope of consolidation. Financial statements of these subsidiaries are translated into Japanese yen on the basis of the year-end spot rate.

Consequently, the UNION TOLL Group's financial performance may be influenced by exchange fluctuations.

a. Effect of exchange rate change on sales and incomes millions of yen

	2008 actual value	2008 nominal value (note)	Influences
Sales	29,783	29,366	- 417
Operating income	8,053	7,413	- 640
Ordinary income	8,394	7,755	- 639
Net income	5,254	4,849	- 405

note 2007 nominal value is the temporarily exchanged value by the currency rate of the same period last year.

b. Translation exchange rate

	Nov. 30, 2007	Nov.30, 2008	change ratio (%)	Nov.30, 2009 (Budget)
US \$	¥ 115.43	¥ 103.57	10.3	¥ 91.03
SFr	98.45	94.91	3.6	86.28
New Taiwan \$	3.53	3.23	8.5	2.76
RMB	15.36	15.20	1.0	13.31

(3) Number of employees

	Nov.30, 2007	Nov. 30, 2008	change (ratio %)
Parent company	744	770	+ 26 (+3.5)
Group total	1,518	1,537	+ 19 (+1.3)