

11. NONCONSOLIDATED FINANCIAL STATEMENTS

(1) Statements of Income and Retained Earnings

[Millions of yen]

	Six months ended September 30, 2006		Six months ended September 30, 2005		Fiscal year ended March 31, 2006	
	Amount	% of operating revenue	Amount	% of operating revenue	Amount	% of operating revenue
Operating revenue	50,077	100.0	22,423	100.0	55,854	100.0
Operating expenses	14,884	29.7	14,275	63.7	28,445	50.9
Operating income	35,193	70.3	8,147	36.3	27,409	49.1
Non-operating income	[1,959]	3.9	[1,467]	6.6	[2,875]	5.1
Interest income	1,441		1,126		2,284	
Dividends earned	171		203		369	
Other	347		137		221	
Non-operating expenses	[1,249]	2.5	[979]	4.4	[2,001]	3.6
Interest expense	730		554		1,082	
Cooperate bond interest	145		235		388	
Other	373		189		531	
Recurring profit	35,904	71.7	8,636	38.5	28,283	50.6
Extraordinary profit	[2,335]	4.6	[1,155]	5.1	[1,545]	2.8
Gain on sales of fixed assets	63		98		98	
Gain on sales of investment securities	742		1,057		1,447	
Reversal of allowance for doubtful receivables	159		-		-	
Reversal of allowance for loss on withdrawal from operation	1,370		-		-	
Extraordinary losses	[456]	0.9	[17,203]	76.7	[68,846]	123.3
Loss on disposal and sale of fixed assets	456		306		1,047	
Loss due to impairment	-		566		5,240	
Provision to the reserve for doubtful receivables	-		16,331		61,071	
Deferred allowance for loss on withdrawal from operations	-		-		1,370	
Valuation loss on stocks on associated companies	-		-		117	
Income before income taxes for the period under review (loss)	37,782	75.4	(7,412)	(33.1)	(39,017)	(69.9)
Income taxes	(2,211)		(5,338)		(6,568)	
Deferred income taxes	373		3,797		1,792	
Interim net income (loss)	39,620	79.1	(5,872)	(26.2)	(34,240)	(61.3)
Retained earnings (loss) at beginning of the period	-		3,886		3,886	
Amount lost through land reappraisal differential	-		37		666	
Undistributed income for interim period (loss)	-		(1,947)		(29,688)	

Notes:

	As of September 30, 2006	As of September 30, 2005	As of March 31, 2006
Actual depreciation and amortization amount			
Tangible fixed assets (millions of yen)	1,823	1,952	4,006
Intangible fixed assets (millions of yen)	702	808	1,651

(2) Balance Sheets

[Millions of yen]

	As of September 30, 2006		As of September 30, 2005		As of March 31, 2006	
	Amount	% of total	Amount	% of total	Amount	% of total
Current assets	[182,409]	[42.6]	[151,948]	[38.0]	[136,391]	[35.4]
Cash and deposits	13,077		12,068		27,902	
Accrued revenue	1,597		1,741		1,448	
Prepaid expenses	1,327		1,206		934	
Deferred tax assets	391		179		354	
Short-term loans	210,688		139,482		143,521	
Other receivables	12,292		11,418		21,784	
Tax receivable	3,235		—		—	
Other current assets	714		2,309		1,667	
Allowance for doubtful accounts	(60,915)		(16,458)		(61,221)	
Fixed assets	[246,032]	[57.4]	[247,463]	[62.0]	[248,792]	[64.6]
<i>Tangible fixed assets</i>	[72,707]	17.0	[75,905]	19.0	[73,095]	19.0
Buildings	37,260		39,522		37,475	
Structures	2,996		3,094		3,086	
Machinery and Equipments	1,087		1,406		1,228	
Vehicles	0		0		0	
Equipment	531		667		579	
Land	30,818		30,952		30,669	
Construction in progress	11		261		56	
<i>Intangible fixed assets</i>	[3,053]	0.7	[4,199]	1.1	[3,623]	0.9
Software	2,729		3,701		3,214	
Other intangible fixed assets	323		498		409	
<i>Investments and others</i>	[170,272]	39.7	[167,358]	41.9	[172,073]	44.7
Investment securities	23,276		20,788		24,978	
Shares in affiliates	126,632		126,658		126,632	
Company concerned investment	3,794		3,794		3,794	
Company concerned long-term loans	14,100		14,100		14,100	
Long-term prepaid expenses	671		157		732	
Other investments	1,885		1,967		1,932	
Allowance for doubtful accounts	(86)		(108)		(96)	
Total assets	428,442	100.0	399,412	100.0	385,184	100.0

	As of September 30, 2006		As of September 30, 2005		As of March 31, 2006	
	Amount	% of total	Amount	% of total	Amount	% of total
Current liabilities	[118,002]	27.6	[108,186]	27.1	[101,402]	26.3
Trade notes payable	127		134		54	
Short-term loans	85,305		87,085		71,585	
Long-term loans due within one year	15,763		6,412		8,085	
Bonds due within one year	5,000		5,000		5,000	
Account payable - other	8,552		4,532		9,660	
Accrued expenses	2,990		4,790		5,135	
Accrued income taxes	63		80		450	
Advanced received	6		12		17	
Allowance for bonus	157		-		-	
Allowance for loss on withdrawal from operation	-				1,370	
Other current liabilities	34		138		42	
Long-term liabilities	[82,322]	19.2	[76,195]	19.1	[94,052]	24.4
Bonds	5,000		10,000		5,000	
Long-term loans	62,863		51,137		73,752	
Deferred tax liabilities	1,265		861		1,660	
Deferred tax liabilities related to revaluation	5,591		6,059		5,591	
Reserve for retirement benefits and pension plans	7,111		7,113		7,033	
Other long-term liabilities	490		1,023		1,014	
Total liabilities	200,324	[46.8]	184,381	[46.2]	195,454	[50.7]
<i>Capital stock</i>	-	-	37,519	9.4	37,519	9.7
<i>Additional paid-in capital</i>	[-]	-	[157,521]	39.4	[157,521]	40.9
Capital reserve	-		157,501		157,501	
Other additional paid-in capital	-		19		19	
<i>Retained earnings</i>	[-]	-	[5,812]	1.5	[(21,928)]	(5.7)
Legal reserves	-		7,760		7,760	
Undistributed income for interim period (loss)	-		(1,947)		(29,688)	
[Includes interim net income (loss)]	[-]		[(5,872)]		[(34,240)]	
Gain on revaluation of land	-	-	8,524	2.1	7,896	2.1
Revaluation difference of other marketable securities	-	-	6,485	1.6	9,636	2.5
Treasury stock	-	-	(832)	(0.2)	(915)	(0.2)
Total shareholders' equity	-	[-]	215,030	[53.8]	189,729	[49.3]
Total liabilities and shareholders' equity	-	-	399,412	100.0	385,184	100.0

	As of September 30, 2006		As of September 30, 2005		As of March 31, 2006	
	Amount	% of total	Amount	% of total	Amount	% of total
Shareholder's equity	[211,743]	49.4	[-]	-	[-]	-
Capital stock	37,519	8.8	-	-	-	-
Additional paid-in capital	[135,594]	31.6	[-]	-	[-]	-
Capital reserve	135,592		-	-	-	-
Other additional paid-in capital	1		-	-	-	-
Retained earnings	[39,620]	9.2	[-]	-	[-]	-
Other retained earnings	[39,620]		[-]	-	[-]	-
Retained earnings carried forward	39,620		-	-	-	-
Treasury stock	(990)	(0.2)	-	-	-	-
Revaluation and translation adjustment	[16,358]	3.8	[-]	-	[-]	-
Unrealized gain on securities	8,463	2.0	-	-	-	-
Gain (loss) on deferred hedges	(1)	(0.0)	-	-	-	-
Unrealized gain on land	7,896	1.8	-	-	-	-
Share warrant	15	0.0	-	-	-	-
Total shareholder's equity	228,117	[53.2]	-	[-]	-	[-]
Total liabilities and shareholder's equity	428,442	100.0	-	-	-	-

Note:

	As of September 30, 2006	As of September 30, 2005	As of March 31, 2006
1. Accumulated depreciation on tangible fixed assets (millions of yen)	75,324	72,906	74,425
2. Balance of guaranteed obligations <including guarantee> (millions of yen)	10,100	25,649	23,844
	<3,000>	<7,000>	<9,000>

Joint liability between the Company and its affiliates included ¥8,989 million for interim period ended September 30, 2006, ¥8,949 million for interim period ended September 30, 2005, and ¥6,575 million for fiscal year ended March 31, 2006. In the event that the Company fulfills those obligations, it retains the right to recover payment in full from its subsidiaries.

(3) STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

[Millions of yen]

	Shareholders' Equity								
	Capital stock	Additional paid-in capital			Retained earning			Treasury stock	Total shareholders' equity
		Capital reserve	Other additional paid-in capital	Total Additional paid-in capital	Profit reserve	Other retained earnings	Total Retained earnings		
Balance at March 31, 2006	37,519	157,501	19	157,521	7,760	(29,688)	(21,928)	(915)	172,196
Changes during the period									
Reversal of other additional paid-in capital (to compensate for losses)			(19)	(19)		19	19		-
Reversal of profit reserve (to compensate for losses)					(7,760)	7,760	-		-
Reversal of capital reserve (to compensate for losses)		(21,,908)		(21,908)		21,908	21,908		-
Net income for the period						39,620	39,620		39,620
Purchases of treasury stock								(80)	(80)
Disposal of treasury stock			1	1				5	7
Changes, net, in items other than shareholders' equity									
Total changes during the period	-	(21,908)	(18)	(21,926)	(7,760)	69,309	61,549	(75)	39,547
Balance at September 30, 2006	37,519	135,592	1	135,594	-	39,620	39,620	(990)	211,743

	Revaluation and Translation Adjustments				Share Warrants	Total net assets
	Unrealized gains on securities	Gain (loss) on deferred hedges	Unrealized gain on land	Total revaluations and translation adjustments		
Balance at March 31, 2006	9,636	-	7,896	17,532	-	189,729
Changes during the period						
Reversal of other additional paid-in capital (to compensate for losses)						-
Reversal of profit reserve (to compensate for losses)						-
Reversal of capital reserve (to compensate for losses)						-
Net income for the period						39,620
Purchases of treasury stock						(80)
Disposal of treasury stock						7
Changes, net, in items other than shareholders' equity	(1,173)	(1)	-	(1,174)	15	(1,159)
Total changes during the period	(1,173)	(1)	-	(1,174)	15	38,387
Balance at September 30, 2006	8,463	(1)	7,896	16,358	15	228,117

BASIS OF PRESENTING INTERIM FINANCIAL STATEMENTS

1. Asset Valuation

(1) Marketable Securities

Shares of subsidiaries and affiliates

Shares of subsidiaries and affiliates are stated at cost using the moving-average method.

Other securities

Securities with fair market value are stated using the mark-to-market method based on the market price at the interim settlement date. (Total net unrealized gains or losses after tax effect adjustment are directly recorded in shareholders' equity, and the cost of securities sold is computed based on the moving-average method.) Other securities that do not have fair market value are primarily stated at cost using the moving-average method.

(2) Derivatives

Derivatives are stated using the mark-to-market method.

2. Depreciation and amortization of major depreciable assets

(1) Tangible fixed assets

The declining-balance method is used. However, the straight-line method is used for buildings (excluding annexed structures) acquired since April 1, 1998.

(2) Intangible fixed assets

The straight-line method is used. For software for internal use, the straight-line method is adopted based on a licensing period of five years.

3. Reserves

(1) Allowance for Doubtful Receivables

To prepare for possible losses on uncollectable receivables, for general receivables, an amount is provided according to the historical percentage of uncollectables. For specific receivables for which there is some concern regarding collectability, an amount is recorded by investigating the possibility of collection for each individual account.

(2) Reserves for Bonus

To prepare for the payment of employee bonuses, an amount corresponding to the current interim portion of estimated bonus payments to employees is recorded.

(3) Reserve for Retirement Benefits

To prepare for employee retirement benefits, the Company has calculated the amount recognized to have been incurred at the end of the interim consolidated accounting period based on projected benefit obligations and pension assets at the end of the current fiscal year.

For treatment of expenses related to prior service obligations, we apply the straight-line method based on a fixed number of years (10) within the average remaining service period of the employee at the time of occurrence.

Regarding actuarial loss/gain, expenses are treated from the following fiscal year of business, based on the straight-line method based on a fixed number of years (10) within the average remaining service period of the employee at the time of occurrence.

4. Lease Transactions

Finance leases that do not transfer ownership rights of the leased property to the lessee are principally accounted for based on the usual methods for operating leases.

5. Principal Accounting Methods for Hedge Transactions

(1) Hedge accounting methods

The deferred hedge method is used. Special accounting methods are used for interest rate swaps that meet certain conditions.

(2) Hedging instruments and targets

The interest rate swaps are used as the hedge method.

The hedge targets are scheduled corporate bonds and borrowings.

(3) Hedge policy

The Company and consolidated subsidiaries enter into interest rate swaps to make interest rates on bonds and borrowings stable or reduce the risk of costs fluctuations for future capital procurement, not for speculation purpose, within the limit of actual financial or operating transactions.

(4) Methods for evaluating the effectiveness of hedges

Verification is made to ascertain a high correlation between value fluctuations of hedged items and cash flows and hedging instruments.

6. Other important items regarding the preparation of consolidated financial statements

(1) Consumption tax

National and local consumption taxes are accounted for by the tax excluded method.

(2) Consolidated tax payment system

From the subject interim fiscal period, consolidated tax payment system was applied.

Changes between methods recognized in the most recent consolidated fiscal accounting year and accounting procedures for the interim period under review.

(Accounting standard for stock options)

As of the interim period under review, the Company adopted the "Accounting Standard for Stock Options" (Corporate Accounting Standard No.8, issued by the Accounting Standards Board of Japan on December 27, 2005) and the "Guidelines for Application of the Accounting Standard for Stock Options" (Corporate Accounting Standard Guidelines No.11, issued by the Accounting Standards Board of Japan on May 31, 2006). As a result, operating income, recurring income, and income before income taxes for the interim period under review declined ¥15 million.

(Accounting standard for presentation of net assets in the balance sheet)

As of the interim period under review, the Company adopted the "Accounting Standard for Presentation of New Assets in the Balance Sheet" (Corporate Accounting Standard No. 5, issued by the Accounting Standards Board of Japan on December 9, 2005) and the "Guidelines for Application of the Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Corporate Accounting Standard Guidelines No.8, issued by the Accounting Standards Board of Japan on December 9, 2005). Total assets as presented previously would amount to approximately ¥228,103 million. In addition, as of the interim period under review, net assets in financial statements for interim periods have been presented according to the revised rules pertaining to financial statements for interim periods.

(Changes in presentation methods)

Heretofore, outstanding expenses have been presented as “accrued expenses;” however, as of the interim period under review, the portion of these expenses determined to be liabilities have been presented as “accounts payable” to ensure more appropriate presentation. In addition, “accrued expenses,” including outstanding expenses determined to be liabilities, amounted to ¥1,649 million for the interim period of the previous fiscal year.

Estimated bonus payments to employees were previously included in “accrued expenses” under current liabilities; however, as of the interim period under review, this figure is presented as “reserve for bonuses.” In addition, estimated bonus payments to employees included in “accrued expenses” amounted to ¥167 million for the interim period of the previous fiscal year.

12. LEASE TRANSACTIONS

Notation has been omitted due to disclosure through EDINET.

13. MARKETABLE SECURITIES

In the current interim period under review as well as in the previous interim period and the previous full fiscal year, no subsidiary nor affiliate recorded any market value for its stock.