

14. NONCONSOLIDATED FINANCIAL STATEMENTS

(1) Statements of income and retained earnings

[Millions of yen]

	April 1, 2005 - March 31, 2006		April 1, 2006 - March 31, 2007		Change	
	Amount	% of operating revenue	Amount	% of operating revenue	Amount	YoY (%)
Operating revenue	55,854	100.0	58,201	100.0	2,346	4.2
Operating expenses	28,445	50.9	28,507	49.0	62	0.2
Operating income	27,409	49.1	29,693	51.0	2,284	8.3
Non-operating income	[2,875]	5.1	[3,630]	6.3	[754]	26.2
Interest income	2,284		2,990		706	
Dividends earned	369		247		(122)	
Other	221		392		171	
Non-operating expenses	[2,001]	3.6	[2,325]	4.0	[323]	16.2
Interest expense	1,082		1,378		296	
Interest paid on corporate bonds	388		233		(154)	
Other	531		713		182	
Recurring profit	28,283	50.6	30,999	53.3	2,715	9.6
Extraordinary profit	[1,545]	2.8	[8,908]	15.3	[7,362]	476.4
Gain on sales of fixed assets	98		4,096		3,997	
Gain on sales of investment securities	1,447		965		(482)	
Gain on reversal of reserve for doubtful receivables	-		2,477		2,477	
Gain on reversal of provision for discontinued operations	-		1,370		1,370	
Extraordinary losses	[68,846]	123.3	[1,257]	2.2	[(67,589)]	(98.2)
Loss on disposal and sale of fixed assets	1,047		997		(49)	
Loss due to impairment	5,240		9		(5,230)	
Provision for doubtful accounts	61,071		-		(61,071)	
Provision for loss on discontinued operations	1,370		-		(1,370)	
Special additional severance benefits	117		-		(117)	
Loss on abandonment of bonds of affiliates	-		250		250	
Income (loss) before income taxes for the period under review	(39,017)	(69.9)	38,650	66.4	77,667	-
Income taxes	(6,568)		(3,317)		3,251	
Deferred income taxes	1,792		983		(809)	
Net income (loss)	(34,240)	(61.3)	40,984	70.4	75,225	-
Retained earnings (loss) at beginning of the period	3,886		-		(3,886)	
Amount lost through land reappraisal differential	666		-		(666)	
Unappropriated earnings (loss) at the fiscal year-end	(29,688)		-		29,688	

Note: Depreciation and amortization execution figures (Millions of yen)

	<u>Previous Fiscal Year</u>	<u>Fiscal Year under Review</u>	<u>Change</u>
Tangible fixed assets	4,006	3,660	-345
Intangible fixed assets	1,651	1,381	-269

(2) Balance Sheets

[Millions of yen]

	As of March 31, 2006		As of March 31, 2007		Change	
	Amount	% of total	Amount	% of total	Amount	YoY (%)
Current assets	[136,391]	[35.4]	[215,768]	[48.1]	[79,376]	[58.2]
Cash and deposits	27,902		32,186		4,283	
Accrued revenue	1,448		1,457		9	
Prepaid expenses	934		353		(581)	
Deferred tax assets	354		290		(63)	
Short-term loans	143,521		212,756		69,234	
Other receivables	21,784		26,943		5,158	
Other current assets	1,667		538		(1,128)	
Allowance for doubtful accounts	(61,221)		(58,757)		2,464	
Fixed assets	[248,792]	[64.6]	[232,603]	[51.9]	[(16,188)]	[(6.5)]
<i>Tangible fixed assets</i>	[73,095]	19.0	[71,136]	15.9	[(1,959)]	(2.7)
Buildings	37,475		36,923		(551)	
Structures	3,086		2,770		(315)	
Machinery and Equipments	1,228		1,180		(48)	
Vehicles	0		0		0	
Equipment	579		487		(91)	
Land	30,669		28,926		(1,743)	
Construction in progress	56		847		791	
<i>Intangible fixed assets</i>	[3,623]	0.9	[2,404]	0.5	[(1,218)]	(33.6)
Software	3,214		2,229		(984)	
Other intangible fixed assets	409		175		(234)	
<i>Investments and others</i>	[172,073]	44.7	[159,063]	35.5	[(13,010)]	(7.6)
Investment securities	24,978		26,187		1,209	
Shares in affiliates	126,632		126,632		-	
Company concerned investment	3,794		3,794		-	
Company concerned long-term loans	14,100		-		(14,100)	
Long-term prepaid expenses	732		785		52	
Other investments	1,932		1,750		(182)	
Allowance for doubtful accounts	(96)		(86)		9	
Total assets	385,184	100.00	448,372	100.0	63,188	16.4

[Millions of yen]

	As of March 31, 2006		As of March 31, 2007		Change	
	Amount	% of total	Amount	% of total	Amount	YoY (%)
Current liabilities	[101,402]	26.3	[71,896]	16.0	[(29,505)]	(29.1)
Trade notes payable	54		61		7	
Short-term loans	71,585		33,772		(37,812)	
Long-term loans due within one year	8,085		16,763		8,677	
Bonds due within one year	5,000		-		(5,000)	
Account payable - other	9,660		18,476		8,815	
Accrued expenses	5,135		967		(4,168)	
Accrued income taxes	450		1,468		1,017	
Advances received	17		2		(14)	
Allowance for bonuses	-		194		194	
Allowance for corporate officers' bonuses	-		144		144	
Allowance for loss on discontinued operations	1,370		-		(1,370)	
Other current liabilities	42		44		2	
Long-term liabilities	[94,052]	24.4	[147,103]	32.8	[53,050]	56.4
Bonds	5,000		75,266		70,266	
Long-term loans	73,752		56,981		(16,770)	
Deferred tax liabilities	1,660		1,732		72	
Deferred tax liabilities related to revaluation	5,591		5,567		(24)	
Reserve for retirement benefits and pension plans	7,033		7,118		84	
Other long-term liabilities	1,014		436		(578)	
Total liabilities	195,454	[50.7]	218,999	[48.8]	23,545	[12.0]
<i>Capital stock</i>	37,519	9.7	-	-	-	-
<i>Additional paid-in capital</i>	[157,521]	40.9	[-]	-	[-]	-
Capital reserve	157,501		-		-	
Other additional paid-in capital	[19]		[-]		[-]	
Gain on disposal of treasury stock	19		-		-	
<i>Retained earnings</i>	[(21,928)]	(5.7)	[-]	-	[-]	-
Legal reserves	7,760		-		-	
Unappropriated earnings (loss) - including net income	(29,688)		-		-	
[Of which, net income (loss)]	[(34,240)]		[-]		[-]	
Gain on revaluation of land	7,896	2.1	-	-	-	-
Revaluation difference of other marketable securities	9,636	2.5	-	-	-	-
Treasury stock	(915)	(0.2)	-	-	-	-
Total shareholders' equity	189,729	[49.3]	-	[-]	-	[-]
Total liabilities and shareholders' equity	385,184	100.0	-	-	-	-

[Millions of yen]

	As of March 31, 2006		As of March 31, 2007		Change	
	Amount	% of total	Amount	% of total	Amount	YOY[%]
Shareholders' equity	[-]	-	[213,036]	[47.5]	[-]	-
Capital stock	-	-	37,519	8.3	-	-
Additional paid-in capital	[-]	-	[135,594]	30.2	[-]	-
Capital surplus	-	-	135,592		-	
Other capital surplus	-	-	2		-	
Retained earnings	[-]	-	[41,019]	9.2	[-]	-
Other retained earnings	[-]	-	[41,019]		[-]	
Advanced depreciation reserve	-	-	33		-	
Increase in retained earnings	-	-	40,985		-	
Treasury stock	-	-	(1,097)	(0.2)	-	-
Revaluation and translation adjustments	[-]	-	[16,228]	[3.7]	[-]	-
Unrealized gain on securities	-	-	8,366	1.9	-	-
Change in land value	-	-	7,861	1.8	-	-
Subscription warrant	-	-	108	0.0	-	-
Total shareholder's equity	-	[-]	229,372	[51.2]	-	[-]
Total liabilities and shareholder's equity	-	-	448,372	100.0	-	-

Note:

	As of March 31, 2006	As of March 31, 2007	[Millions of yen] Increase (Decrease)
1. Accumulated depreciation on tangible fixed assets (millions of yen)	74,425	69,362	(5,063)
2. Balance of guaranteed obligations <Of which, contingent liabilities, etc.>	23,844 < 9,000 >	10,660 < - >	(13,184) < (9,000) >

These figures include joint guarantees of the Company and its subsidiaries amounting to ¥566 million in the fiscal year under review and ¥6,575 million in the previous fiscal year, and, if the Company were to cover those liabilities, it would have the right to demand full payment from the relevant subsidiaries.

(3) Statements of Changes in Shareholder's Equity

[Millions of yen]

	Shareholder's equity			
	Capital stock	Additional paid-in capital		
		Capital surplus	Other capital surplus	Total additional paid-in capital
Balance at March 31, 2006	37,519	157,501	19	157,521
Changes during the period				
Reversal of other capital surplus (deficit coverage)			(19)	(19)
Reversal of earned reserve (deficit coverage)				
Reversal of legal capital surplus (deficit coverage)		(21,908)		(21,908)
Provision for reserve for advanced depreciation (period under review)				
Reversal of reserve for advanced depreciation (period under review)				
Net income				
Purchase of treasury stock				
Disposal of treasury stock			2	2
Reversal of change in land value				
Changes, net, in items other than shareholders' equity				
Total changes during the period	—	(21,908)	(17)	(21,926)
Balance at March 31, 2007	37,519	135,592	2	135,594

	Shareholder's equity					
	Legal earned reserve	Retained earnings			Treasury stock	Total shareholder's equity
		Other retained earnings		Total retained earnings		
		Advanced depreciation reserve	Increase in retained earnings			
Balance at March 31, 2006	7,760	—	(29,688)	(21,928)	(915)	172,196
Changes during the period						
Reversal of other capital surplus (deficit coverage)			19	19		—
Reversal of earned reserve (deficit coverage)	(7,760)		7,760	—		—
Reversal of legal capital surplus (deficit coverage)			21,908	21,908		—
Provision for reserve for advanced depreciation (period under review)		38	(38)	—		—
Reversal of reserve for advanced depreciation (period under review)		(4)	4	—		—
Net income			40,984	40,984		40,984
Purchase of treasury stock					(190)	(190)
Disposal of treasury stock					7	9
Reversal of change in land value			35	35		35
Changes, net, in items other than shareholders' equity						
Total changes during the period	(7,760)	33	70,674	62,948	(182)	40,839
Balance at March 31, 2007	—	33	40,985	41,019	(1,097)	213,036

	Revaluation and translation adjustments			Subscription warrant	Total shareholder's equity
	Unrealized gains on securities	Change in land value	Total evaluation and transition adjustment		
Balance at March 31, 2006	9,636	7,896	17,532	—	189,729
Changes during the period					
Reversal of other capital surplus (deficit coverage)					—
Reversal of earned reserve (deficit coverage)					—
Reversal of legal capital surplus (deficit coverage)					—
Provision for reserve for advanced depreciation (period under review)					—
Reversal of reserve for advanced depreciation (period under review)					—
Net income					40,984
Purchase of treasury stock					(190)
Disposal of treasury stock					9
Reversal of change in land value		(35)	(35)		—
Changes, net, in items other than shareholders' equity	(1,269)		(1,269)	108	(1,161)
Total changes during the period	(1,269)	(35)	(1,304)	108	39,642
Balance at March 31, 2007	8,366	7,861	16,228	108	229,372

BASIS OF PRESENTING FINANCIAL STATEMENTS

1. Asset Valuation

(1) Shares of subsidiaries and affiliates

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

(2) Other securities

Securities with fair market value are stated using the mark-to-market method based on the market price at the year-end 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. Criteria and methods for evaluating derivatives

Valuation at market price

3. 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.

4. 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 estimated amount is recorded by investigating the possibility of collection for each individual account.

(2) Reserves for bonuses

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

(3) Allowance for directors' bonuses

To prepare for the payment of directors' bonuses, an amount corresponding to the projected value of bonus payments to directors for the fiscal year under review is recorded.

(4) 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 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.

5. 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.

6. 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 hedging targets*

Interest rate swaps are used as the hedge method.

The hedge targets are scheduled corporate bonds and borrowings

(3) *Hedge policy*

The Company enters 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 among value fluctuations of hedged items, cash flows and hedge instruments.

7. Land revaluation

Land for industrial purposes that had been revaluated based on the Law Concerning Land Revaluation (Law No. 34 implemented on March 31, 1998) was received from Minolta on October 1, 2003, at the time of the merger. The amount corresponding to taxes on the amount of the land revaluation is included under the item deferred tax liabilities related to land revaluation. An amount equivalent to the amount of the revaluation less the deferred tax liability has been entered in shareholders' equity as the differential on revaluation of land.

(1) *Method of revaluation*

The value of the land has been evaluated according to the value appraisal method for land fronting major roads, as provided for in Article 2-4 of the Enforcement Orders for the Law Concerning Land Revaluation (Enforcement Orders No. 119, implemented on March 31, 1998) and the method for valuation of fixed assets provided for in Article 2-3 of the Enforcement Orders.

(2) *Date of revaluation*

March 31, 2002

(3) *The difference between the market value of the revalued land at the end of the fiscal year under review and the book value following revaluation*

¥ (7,198) million

8. Other important items regarding the preparation of financial statements

(1) *Consumption tax*

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

In addition, of consumption tax excluding the asset-related exempt portion, the deferred consumption tax value etc., stipulated by the tax law is accounted for as a long-term prepaid expense and amortized over five years based on the straight-line method.

(2) *Consolidated tax payment system*

Consolidated tax payment system is adopted.

DISCREPANCIES BETWEEN METHODS RECOGNIZED IN THE MOST RECENT FISCAL ACCOUNTING YEAR AND ACCOUNTING PROCEDURES FOR THE FISCAL YEAR UNDER REVIEW

(Accounting standard for presentation of shareholder's equity in the balance sheet)

As of the 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 shareholder's equity as presented previously would amount to approximately ¥299,264 million.

(Accounting standard for stock options)

As of the 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 period under review declined ¥108 million.

(Accounting standard for directors' bonuses)

From the fiscal year under review, the Company has applied "Accounting Standards concerning Corporate Officers' Bonuses" (ASBJ Statement No. 4, November 29, 2005). As a result of this change, operating income, recurring income, and income before income taxes were each reduced by ¥144 million.

CHANGES TO PRESENTATION METHODS

(Balance Sheet Items)

1. Reserves for bonuses

In the previous fiscal year, "estimated bonus payments to employees" was included within "accrued expenses." To more appropriately present this figure, from the fiscal year under review it is included within "reserves for bonuses." The value of "estimated bonus payments to employees" included within "payables" in the previous fiscal year was ¥177 million.

2. Receivables and Payables

In the previous fiscal year, "confirmed obligation expense payables" was included within "accrued expenses." To more appropriately present this figure, from the fiscal year under review, it is included within "payables." The value of "confirmed obligation expense payables" included within "accrued expenses" in the previous fiscal year was ¥3,816 million.

15. LEASE TRANSACTIONS

Notation has been omitted due to disclosure through EDINET.

16. NEGOTIABLE SECURITIES

At both the end of the previous fiscal year and the end of the fiscal year under review, none of the Company's subsidiary or affiliates had listed shares.

17. TAX-EFFECT ACCOUNTING

1. Breakdown by cause of deferred tax assets and liabilities

	As of March 31, 2006	[Millions of yen] As of March 31, 2007
Deferred tax assets		
Excess of reserve for doubtful accounts over deductible limit	24,952	23,943
Losses on stock of affiliated companies	13,757	13,757
Excess of reserve for retirement benefits and pension over deductible limit	5,949	5,760
Net loss carried forward	2,729	4,026
Excess of depreciation and amortization over deductible limit	2,028	826
Excess of provisions for reserve for bonuses over deductible limit	-	79
Excess of accrued bonuses over deductible limit	72	-
Provision for loss on discontinued operations	557	-
Other	984	1,802
Deferred tax assets subtotal	51,030	50,197
Valuation allowance	(44,714)	(44,864)
Total deferred tax assets	6,316	5,332
Deferred tax liabilities		
Revaluation difference of marketable securities	(6,611)	(5,740)
Gain on establishment of employee pension trust	(1,011)	(1,010)
Reserve for advanced depreciation	-	(23)
Total deferred tax liabilities	(7,622)	(6,774)
Net deferred tax assets	(1,306)	(1,442)
Deferred tax liabilities related to revaluation	[Millions of yen]	[Millions of yen]
Deferred tax liabilities related to revaluation of land	(5,591)	(5,567)

2. Reconciliation between the statutory income tax rate and the effective income tax rate after the adoption of tax effect accounting

	As of March 31, 2006	[%] As of March 31, 2007
Statutory income tax rate	40.7	40.7
(Adjustments)		
Temporary differences for which no write off can be scheduled	(70.4)	0.4
Exclusion from gross revenue of dividends received	40.1	(43.9)
R&D tax credit	0.5	(0.7)
Refunds for past fiscal year income taxes, etc.	-	(0.4)
Other	1.3	(2.1)
Effective income tax rate after the adoption of tax effect accounting	12.2	(6.0)