

16. NONCONSOLIDATED FINANCIAL STATEMENTS

(1) Statements of income

[Millions of yen]

	April 1, 2006 - March 31, 2007		April 1, 2007 - March 31, 2008		Increase (Decrease)	
	Amount	% of operating revenue	Amount	% of operating revenue	Amount	YoY (%)
Operating revenue	58,201	100.0	65,575	100.0	7,373	12.7
Operating expenses	28,507	49.0	31,087	47.4	2,579	9.0
Operating income	29,693	51.0	34,488	52.6	4,794	16.1
Non-operating income	[3,630]	6.3	[3,569]	5.4	[(61)]	(1.7)
Interest income	2,990		2,786		(204)	
Interest on securities	-		192		192	
Dividends income	247		299		52	
Other	392		291		(101)	
Non-operating expenses	[2,325]	4.0	[1,695]	2.5	[(629)]	(27.1)
Interest expense	1,378		1,266		(112)	
Interest paid on corporate bonds	233		141		(92)	
Other	713		288		(424)	
Recurring profit	30,999	53.3	36,361	55.5	5,362	17.3
Extraordinary profit	[8,908]	15.3	[8,334]	12.7	[(574)]	(6.4)
Gain on sales of fixed assets	4,096		135		(3,961)	
Gain on sales of investment securities	965		-		(965)	
Gain on reversal of allowance for doubtful receivables	2,477		8,199		5,721	
Gain on reversal of allowance for loss on withdrawal from operation	1,370		-		(1,370)	
Extraordinary losses	[1,257]	2.2	[1,373]	2.1	[116]	9.2
Loss on disposal and sale of fixed assets	997		752		(245)	
Loss on impairment of fixed assets	9		234		224	
Loss on revaluation of investment in securities	-		289		289	
Loss on abandonment of bonds of affiliates	250		97		(153)	
Income before income taxes	38,650	66.4	43,322	66.1	4,672	12.1
Income taxes	(3,317)		(4,530)		(1,213)	
Deferred income taxes	983		(119)		(1,102)	
Net income	40,984	70.4	47,972	73.2	6,987	17.0

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

	<u>Previous Fiscal Year</u>	<u>Fiscal Year under Review</u>	<u>Increase (Decrease)</u>
Tangible fixed assets	3,660	3,895	235
Intangible fixed assets	1,381	1,056	(325)

(2) Balance Sheets

[Millions of yen]

	As of March 31, 2007		As of March 31, 2008		Increase (Decrease)	
	Amount	% of total	Amount	% of total	Amount	YoY (%)
Current assets	[215,768]	[48.1]	[242,312]	[51.2]	[26,544]	[12.3]
Cash and deposits	32,186		49,276		17,090	
Accrued revenue	1,457		1,327		(130)	
Marketable securities	-		33,000		33,000	
Prepaid expenses	353		422		69	
Deferred tax assets	290		245		(44)	
Short-term loans	212,756		178,386		(34,369)	
Other accounts receivables	26,943		28,840		1,897	
Other current assets	538		1,370		831	
Allowance for doubtful accounts	(58,757)		(50,558)		8,198	
Fixed assets	[232,603]	[51.9]	[230,988]	[48.8]	[(1,615)]	[(0.7)]
<i>Tangible fixed assets</i>	[71,136]	15.9	[74,102]	15.7	[2,965]	4.2
Buildings	36,923		40,872		3,948	
Structures	2,770		2,870		100	
Machinery and equipments	1,180		1,055		(124)	
Vehicles	0		0		(0)	
Tools and equipment	487		484		(3)	
Land	28,926		28,722		(204)	
Construction in progress	847		97		(750)	
<i>Intangible fixed assets</i>	[2,404]	0.5	[2,614]	0.5	[210]	8.8
Software	2,229		2,126		(102)	
Other intangible fixed assets	175		488		313	
<i>Investments and others</i>	[159,063]	35.5	[154,271]	32.6	[(4,791)]	(3.0)
Investment securities	26,187		20,588		(5,598)	
Shares in affiliates	126,632		126,632		-	
Company concerned investment	3,794		3,794		-	
Employee concerned long-term loans	-		2		2	
Company concerned long-term loans	-		84		84	
Long-term prepaid expenses	785		569		(215)	
Deferred tax assets	-		1,127		1,127	
Other investments	1,750		1,548		(201)	
Allowance for doubtful accounts	(86)		(75)		11	
Total assets	448,372	100.0	473,301	100.0	24,928	5.6

[Millions of yen]

	As of March 31, 2007		As of March 31, 2008		Increase (Decrease)	
	Amount	% of total	Amount	% of total	Amount	YoY (%)
Current liabilities	[71,896]	16.0	[74,149]	15.7	[2,252]	3.1
Trade notes payable	61		45		(16)	
Short-term loans	33,772		41,613		7,840	
Long-term loans due within one year	16,763		6,362		(10,400)	
Bonds due within one year	-		5,000		5,000	
Account payable - other	18,476		14,728		(3,747)	
Accrued expenses	967		694		(272)	
Accrued income taxes	1,468		5,157		3,689	
Advances received	2		0		(2)	
Allowance for bonuses	194		347		152	
Allowance for directors' bonuses	144		139		(4)	
Other current liabilities	44		58		13	
Long-term liabilities	[147,103]	32.8	[135,167]	28.5	[(11,935)]	(8.1)
Bonds	75,266		70,166		(5,100)	
Long-term loans	56,981		50,618		(6,362)	
Deferred tax liabilities	1,732		-		(1,732)	
Deferred tax liabilities related to revaluation	5,567		5,534		(33)	
Reserve for retirement benefits and pension plans	7,118		8,443		1,325	
Other long-term liabilities	436		403		(32)	
Total liabilities	218,999	[48.8]	209,317	[44.2]	(9,682)	[(4.4)]

[Millions of yen]

	As of March 31, 2007		As of March 31, 2008		Increase (Decrease)	
	Amount	% of total	Amount	% of total	Amount	YOY[%]
Shareholders' equity	[213,036]	[47.5]	[251,497]	[53.1]	[38,461]	[18.1]
Capital stock	37,519	8.3	37,519	7.9	-	-
Additional paid-in capital	[135,594]	30.2	[135,592]	28.7	[(2)]	(0.0)
Capital surplus	135,592		135,592		-	
Other capital surplus	2		-		(2)	
Retained earnings	[41,019]	9.2	[79,725]	16.8	[38,705]	94.4
Other retained earnings	[41,019]		[79,725]		[38,705]	
Reserve for special depreciation	-		96		96	
Reserve for advanced depreciation	33		60		26	
Increase in retained earnings	40,985		79,568		38,582	
Treasury stock	(1,097)	(0.2)	(1,340)	(0.3)	(242)	22.1
Revaluation and translation adjustments	[16,228]	[3.7]	[12,200]	[2.6]	[(4,027)]	[(24.8)]
Unrealized gain on securities	8,366	1.9	4,388	0.9	(3,978)	(47.6)
Change in land value	7,861	1.8	7,812	1.7	(48)	(0.6)
Subscription warrant	108	0.0	286	0.1	177	164.5
Total net assets	229,372	[51.2]	263,983	[55.8]	34,611	[15.1]
Total liabilities and shareholder's equity	448,372	100.0	473,301	100.0	24,928	[5.6]

Note:

[Millions of yen]

	As of March 31, 2007	As of March 31, 2008	Increase (Decrease)
1. Accumulated depreciation on tangible fixed assets (millions of yen)	69,362	69,745	383
2. Balance of guaranteed obligations	10,660	1,989	(8,670)

These figures include joint guarantees of the Company and its subsidiaries amounting to ¥253 million in the fiscal year under review and ¥566 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
From April 1, 2006 to March 31, 2007

[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						
	Retained earnings					Treasury stock	Total shareholder's equity
	Legal earned reserve	Other retained earnings		Total retained earnings			
		Reserve for advanced depreciation	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 net assets
	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

From April 1, 2007 to March 31, 2008

[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, 2007	37,519	135,592	2	135,594
Changes during the period				
Provision for reserve for special depreciation				
Provision for reserve for advanced depreciation				
Reversal of reserve for advanced depreciation				
Surplus dividend				
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	—	—	(2)	(2)
Balance at March 31, 2008	37,519	135,592	—	135,592

	Shareholder's equity						
	Retained earnings					Treasury stock	Total shareholder's equity
	Other retained earnings			Total retained earnings			
	Reserve for special depreciation	Reserve for advanced depreciation	Increase in retained earnings				
Balance at March 31, 2007	—	33	40,985	41,019	(1,097)	213,036	
Changes during the period							
Provision for reserve for special depreciation	96		(96)	—		—	
Provision for reserve for advanced depreciation		33	(33)	—		—	
Reversal of reserve for advanced depreciation		(6)	6	—		—	
Surplus dividend			(9,287)	(9,287)		(9,287)	
Net income			47,972	47,972		47,972	
Purchase of treasury stock					(289)	(289)	
Disposal of treasury stock			(28)	(28)	46	16	
Reversal of change in land value			48	48		48	
Changes, net, in items other than shareholders' equity							
Total changes during the period	96	26	38,582	38,705	(242)	38,461	
Balance at March 31, 2008	96	60	79,568	79,725	(1,340)	251,497	

	Revaluation and translation adjustments			Subscription warrant	Total net assets
	Unrealized gains on securities	Change in land value	Total evaluation and transition adjustment		
Balance at March 31, 2007	8,366	7,861	16,228	108	229,372
Changes during the period					
Provision for reserve for special depreciation					—
Provision for reserve for advanced depreciation					—
Reversal of reserve for advanced depreciation					—
Surplus dividend					(9,287)
Net income					47,972
Purchase of treasury stock					(289)
Disposal of treasury stock					16
Reversal of change in land value		(48)	(48)		—
Changes, net, in items other than shareholders' equity	(3,978)		(3,978)	177	(3,800)
Total changes during the period	(3,978)	(48)	(4,027)	177	34,611
Balance at March 31, 2008	4,388	7,812	12,200	286	263,983

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 balance sheet 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-value average.

2. Criteria and methods for evaluating derivatives

Derivatives are stated using the mark-to-market method

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.

Changes in Accounting Policy

Accompanying revisions in Japan's Corporate Tax Law (as contained in the Law Revising a Portion of the Income Tax Law, March 30, 2007, Law No. 6, and the Ordinance Revising a Portion of the Enforcement Regulations for the Income Tax Law, March 30, 2007, Ordinance No. 83), beginning with the fiscal year under review, the method of depreciation for tangible fixed assets purchased on or after April 1, 2007, has been changed to the method prescribed by the revised Income Tax Law. As a result of this change, compared with the previous method employed for the previous fiscal year, operating income was ¥65 million lower, recurring profit and income before income taxes were each ¥66 million lower than under the previous method of calculating depreciation.

Additional Information

Accompanying the change in Japan's Corporate Tax Law, the Company and its consolidated subsidiaries have adopted the following method of depreciation for tangible assets acquired on or before March 31, 2007. For those assets that have been depreciated to 5% of their acquisition value using the previous method of calculating depreciation, the difference between the remaining 5% of the acquisition cost and a memorandum price will be written off in equal amounts over the five-year period beginning with the year following the year when the book value is depreciated to 5% of the acquisition cost. As a result of this change in accounting method, for the fiscal year under review, operating income and recurring profit were each ¥141 million lower than under the previous method of calculating depreciation, income before income taxes was ¥140 million lower than these indicators would have been under the previous method for calculating depreciation.

(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 accounts

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) Allowance 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 and pension plans

In order to provide employee retirement benefits, the amount recorded by the Company is based on projected benefit obligations and pension assets at the end of the fiscal year.

Prior service cost is being amortized as incurred by the straight-line method over periods (10) which are shorter than the average remaining years of service of the employees.

Actuarial gains and losses are amortized in the year following the year in which the gains or losses are recognized, primarily by the straight-line method over periods (10) which are shorter than the average remaining years of service of the employees.

5. Lease Transactions

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

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 methods and hedging targets

Interest rate swaps are used as the hedge method.

The hedge targets are 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 between 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

¥ (7,575) million

8. Other important items regarding the preparation of financial statements

(1) Consumption tax

The tax-exclusion method is used to account for consumption taxes. In addition, asset-related consumption tax that cannot be excluded is accounted for as deferred consumption taxes, etc., in the long-term prepaid expenses item and amortized over a five-year period by the straight-line method.

(2) Consolidated tax payment system

Consolidated tax payment system is adopted.

CHANGES TO PRESENTATION METHODS

(Balance Sheet Items)

Because of the revision of financial reporting guidelines, negotiable deposits issued by domestic companies, which were included within the “cash and deposits” item in the previous fiscal year, are from the fiscal year under review included in the “marketable securities” item.

Negotiable deposits issued by domestic companies on March 31, 2007	¥15,000 million
Negotiable deposits issued by domestic companies on March 31, 2008	¥33,000 million

(Statements of Income Items)

Because of the revision of financial reporting guidelines, interest on negotiable deposits issued by domestic companies, which were included within the “Interest income” item in the previous fiscal year, are from the fiscal year under review included in the “Interest on securities” item.

Negotiable deposits issued by domestic companies on March 31, 2007	¥33 million
Negotiable deposits issued by domestic companies on March 31, 2008	¥192 million

17. LEASE TRANSACTIONS

Notation has been omitted due to disclosure through EDINET. (Yuka Shoken Houkoku-Sho)

18. 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.

19. TAX-EFFECT ACCOUNTING

1. Breakdown by cause of deferred tax assets and liabilities

	As of March 31, 2007	[Millions of yen] As of March 31, 2008
Deferred tax assets		
Allowance for doubtful accounts	23,943	20,602
Losses on stock of affiliated companies	13,757	13,757
Reserve for retirement benefits and pension plans over deductible limit	5,760	6,022
Net operating tax loss carried forward	4,026	5,741
Excess of depreciation and amortization over deductible limit	826	796
Allowance for bonuses	79	141
Other	1,802	1,602
Deferred tax assets subtotal	50,197	48,664
Valuation allowance	(44,864)	(43,181)
Total deferred tax assets	5,332	5,483
Deferred tax liabilities		
Revaluation difference of marketable securities	(5,740)	(3,010)
Gain on establishment of employee pension trust	(1,010)	(991)
Reserve for special depreciation	-	(66)
Reserve for advanced depreciation	(23)	(41)
Total deferred tax liabilities	(6,774)	(4,109)
Net deferred tax assets	(1,442)	1,373
Deferred tax liabilities related to revaluation	[Millions of yen]	[Millions of yen]
Deferred tax liabilities related to revaluation of land	(5,567)	(5,534)

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, 2007	[%] As of March 31, 2008
Statutory income tax rate	40.7	40.7
(Adjustments)		
Valuation allowance	0.4	(3.9)
Exclusion from gross revenue of dividends received	(43.9)	(46.5)
R&D tax credit	(0.7)	(1.0)
Refunds for past fiscal year income taxes, etc.	(0.4)	(0.7)
Other	(2.1)	0.7
Effective income tax rate after the adoption of tax effect accounting	(6.0)	(10.7)