

5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

	September 30, 2008	[Millions of yen] March 31, 2008
Assets		
Current assets		
Cash and deposits	88,278	89,218
Notes and accounts receivable-trade	226,132	234,862
Lease receivables and investment assets	15,023	—
Short-term investment securities	17,000	33,000
Inventories	136,225	132,936
Deferred tax assets	37,351	37,086
Accounts receivable-other	9,744	14,284
Other	24,802	21,330
Allowance for doubtful accounts	-5,628	-5,608
Total current assets	548,930	557,110
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	74,226	71,815
Machinery, equipment and vehicles, net	83,577	86,088
Tools, furniture and fixtures, net	27,392	26,846
Land	35,698	35,961
Lease assets, net	113	—
Construction in progress	6,024	5,201
Assets for rent, net	12,755	20,076
Total property, plant and equipment	239,788	245,989
Intangible assets		
Goodwill	83,850	75,809
Other	29,196	18,038
Total intangible assets	113,046	93,848
Investments and other assets		
Investment securities	25,666	28,651
Long-term loans receivable	519	430
Long-term prepaid expenses	3,038	3,589
Deferred tax assets	30,394	28,604
Other	12,928	12,743
Allowance for doubtful accounts	-457	-430
Total investments and other assets	72,090	73,589
Total noncurrent assets	424,925	413,427
Total assets	973,855	970,538

	September 30, 2008	[Millions of yen] March 31, 2008
Liabilities		
Current liabilities		
Notes and accounts payable-trade	110,009	109,413
Short-term loans payable	82,057	93,875
Current portion of long-term loans payable	11,353	6,363
Current portion of bonds	—	5,000
Accounts payable-other	46,199	54,286
Accrued expenses	30,518	33,355
Income taxes payable	17,583	16,449
Provision for bonuses	14,703	15,121
Provision for directors' bonuses	122	257
Provision for product warranties	2,177	4,342
Provision for loss on business liquidation	9,517	11,727
Notes payable-facilities	2,899	2,070
Other	16,886	13,307
Total current liabilities	344,027	365,570
Noncurrent liabilities		
Bonds payable	70,116	70,166
Long-term loans payable	41,797	50,620
Deferred tax liabilities for land revaluation	3,961	4,010
Provision for retirement benefits	57,220	53,367
Provision for directors' retirement benefits	473	544
Other	8,463	7,946
Total noncurrent liabilities	182,032	186,656
Total liabilities	526,060	552,227
Net assets		
Shareholders' equity		
Capital stock	37,519	37,519
Capital surplus	204,140	204,140
Retained earnings	207,290	176,684
Treasury stock	-1,718	-1,340
Total shareholders' equity	447,231	417,003
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	2,154	2,913
Deferred gains or losses on hedges	-203	-319
Foreign currency translation adjustment	-2,465	-2,431
Total valuation and translation adjustments	-515	162
Subscription rights to shares	367	286
Minority interests	710	858
Total net assets	447,794	418,310
Total liabilities and net assets	973,855	970,538

(2) Consolidated Statement of Income

[Millions of yen]
Six months ended September 30, 2008

Net sales	532,971
Cost of sales	289,743
Gross profit	243,227
Selling, general and administrative expenses	194,557
Operating income	48,670
Non-operating income	
Interest income	1,149
Dividends income	359
Equity in earnings of affiliates	53
Other	4,154
Total non-operating income	<u>5,717</u>
Non-operating expenses	
Interest expenses	2,881
Foreign exchange losses	647
Other	2,982
Total non-operating expenses	<u>6,510</u>
Ordinary income	47,877
Extraordinary income	
Gain on sales of noncurrent assets	103
Gain on sales of investment securities	6
Gain on sales of subsidiaries and affiliates' stocks	2,803
Gain on transfer of business	3,063
Reversal of provision for loss on business liquidation	385
Other	458
Total extraordinary income	<u>6,820</u>
Extraordinary loss	
Loss on sales and retirement of noncurrent assets	1,085
Loss on sales of investment securities	0
Loss on valuation of investment securities	42
Impairment loss	254
Business structure improvement expenses	1,413
Loss on revision of retirement benefit plan	2,046
Total extraordinary losses	<u>4,842</u>
Income before income taxes and minority interests	49,856
Income taxes	20,572
Minority interests in income	3
Net income	29,279

(3) Consolidated Statement of Cash Flows

[Millions of yen]
Six months ended September 30, 2008

Net cash provided by (used in) operating activities	
Income before income taxes and minority interests	49,856
Depreciation and amortization	33,931
Impairment loss	254
Amortization of goodwill	4,084
Increase (decrease) in allowance for doubtful accounts	127
Interest and dividends income	(1,509)
Interest expenses	2,881
Loss (gain) on sales and retirement of noncurrent assets	982
Loss (gain) on sales and valuation of investment securities	36
Loss (gain) on sales and valuation of stocks of subsidiaries and affiliates	(2,803)
Loss (gain) on transfer of business	(3,063)
Reversal of provision for loss on business liquidation	(385)
Business structure improvement expenses	1,413
Loss on revision of retirement benefit plan	2,046
Increase (decrease) in provision for retirement benefits	3,783
Increase (decrease) in provision for loss on business liquidation	(2,210)
Decrease (increase) in notes and accounts receivable-trade	12,825
Decrease (increase) in inventories	(688)
Increase (decrease) in notes and accounts payable-trade	(4,303)
Increase (decrease) in accrued consumption taxes	(61)
Reversal of Accumulated impairment loss on leased assets	(106)
Transfer of Assets for rent	(3,314)
Other, net	(8,820)
Subtotal	84,956
Interest and dividends income received	1,558
Interest expenses paid	(2,499)
Payments for extra retirement payments	(105)
Income taxes paid	(19,922)
Net cash provided by (used in) operating activities	63,986

[Millions of yen]
Six months ended September 30, 2008

Net cash provided by (used in) investment activities	
Purchase of property, plant and equipment	(34,058)
Proceeds from sales of property, plant and equipment	1,193
Purchase of intangible assets	(3,422)
Proceeds from transfer of business	4,585
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidat	3,177
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(23,954)
Payments of loans receivable	(3)
Collection of loans receivable	74
Purchase of investment securities	(152)
Proceeds from sales of investment securities	8
Payments for other investments	(737)
Other, net	107
Net cash provided by (used in) investment activities	(53,182)
Net cash provided by (used in) financing activities	
Net increase (decrease) in short-term loans payable	(10,734)
Proceeds from long-term loans payable	375
Repayment of long-term loans payable	(4,182)
Redemption of bonds	(5,000)
Repayments of lease obligations	(1,364)
Proceeds from sales of treasury stock	92
Purchase of treasury stock	(471)
Cash dividends paid	(3,972)
Cash dividends paid to minority shareholders	(268)
Net cash provided by (used in) financing activities	(25,526)
Effect of exchange rate change on cash and cash equivalents	(2,729)
Net increase (decrease) in cash and cash equivalents	(17,451)
Cash and cash equivalents at beginning of period	122,187
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolida	498
Cash and cash equivalents at end of period	105,234

Beginning with the current fiscal year, the "Accounting Standards for Quarterly Financial Reporting" (ASBJ, ASBJ Statement No. 12) and the "Implementation Guidance for the Accounting Standards for Quarterly Financial Statements" (ASBJ, ASBJ Guidance No. 14) have been applied. In addition, the quarterly consolidated financial statements are prepared following the "Rules for Quarterly Consolidated Financial Statements."

(4) Notes Regarding Assumptions Related to Continuing Companies

Second quarter of the fiscal year ending March 31, 2009 (July 1, 2008, to September 30, 2008)

This item does not apply to the Group.

(5) Segment Information

[1] Business Segment

Six-month period ended September 30, 2008 (from April 1, 2008 to September 30, 2008)

[Millions of yen]

	Business Technologies	Optics	Medical and Graphic	Sensing	Other	Total	Elimination & corporate	Consolidation
Sales								
Outside customers	343,782	109,440	66,234	4,926	8,588	532,971	--	532,971
Intersegment sales/transfers	2,267	539	1,052	323	31,144	35,327	(35,327)	--
Total	346,050	109,979	67,286	5,249	39,732	568,298	(35,327)	532,971
Operating expenses	313,730	91,017	64,429	4,734	38,088	512,000	(27,699)	484,300
Operating income	32,319	18,962	2,856	514	1,643	56,298	(7,627)	48,670

Notes:

- Business classification is based on similarity of product type and market. The Group's operations are classified into the five segments of Business Technologies, Optics, Medical and Graphic Imaging, Sensing, and other businesses.
- Principal Products in Each Business Segment

Business Segment	Principal Products
Business Technologies	MFPs, printers, etc.
Optics	Optical devices, electronics materials, etc.
Medical and Graphic Imaging	Medical products, graphic imaging products, etc.
Sensing	Industrial-use and medical-use measuring instruments, etc
Other businesses	Products other than the above

- Operating expenses not allocated but included in Elimination/corporate under review amounted to ¥15,889 million are principally R&D expenses incurred by the Company and expenses associated with head office functions.