

5. Consolidated Quarterly Financial Statements

(1) Consolidated Quarterly Balance Sheets

September 30, 2010 and March 31, 2010

[Millions of yen]

September 30, 2010

March 31, 2010

| | September 30, 2010 | March 31, 2010 |
|--|--------------------|----------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 90,133 | 85,533 |
| Notes and accounts receivable-trade | 160,713 | 177,720 |
| Lease receivables and investment assets | 13,086 | 13,993 |
| Short-term investment securities | 80,000 | 79,000 |
| Inventories | 105,763 | 98,263 |
| Deferred tax assets | 22,837 | 19,085 |
| Accounts receivable-other | 9,283 | 7,639 |
| Other | 14,679 | 12,720 |
| Allowance for doubtful accounts | -4,456 | -4,703 |
| Total current assets | 492,040 | 489,253 |
| Noncurrent assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 67,036 | 66,708 |
| Machinery, equipment and vehicles, net | 57,437 | 52,782 |
| Tools, furniture and fixtures, net | 20,955 | 22,026 |
| Land | 33,934 | 34,320 |
| Lease assets, net | 405 | 366 |
| Construction in progress | 8,793 | 16,901 |
| Assets for rent, net | 9,853 | 11,952 |
| Total property, plant and equipment | 198,416 | 205,057 |
| Intangible assets | | |
| Goodwill | 66,295 | 71,936 |
| Other | 24,673 | 27,137 |
| Total intangible assets | 90,969 | 99,074 |
| Investments and other assets | | |
| Investment securities | 19,645 | 22,029 |
| Long-term loans receivable | 174 | 164 |
| Long-term prepaid expenses | 3,151 | 3,353 |
| Deferred tax assets | 34,182 | 35,304 |
| Other | 12,743 | 12,375 |
| Allowance for doubtful accounts | -815 | -815 |
| Total investments and other assets | 69,082 | 72,411 |
| Total noncurrent assets | 358,468 | 376,544 |
| Total assets | 850,508 | 865,797 |

[Millions of yen]

September 30, 2010

March 31, 2010

Liabilities

Current liabilities

| | | |
|--|--------|--------|
| Notes and accounts payable-trade | 85,284 | 83,118 |
| Short-term loans payable | 51,868 | 58,231 |
| Current portion of long-term loans payable | 32,512 | 27,501 |
| Accounts payable-other | 34,708 | 30,536 |
| Accrued expenses | 23,439 | 24,882 |
| Income taxes payable | 5,722 | 2,488 |
| Provision for bonuses | 11,120 | 11,173 |
| Provision for directors' bonuses | 82 | 149 |
| Provision for product warranties | 1,434 | 1,869 |
| Provision for loss on business liquidation | 3,935 | 4,714 |
| Notes payable-facilities | 1,982 | 562 |
| Asset retirement obligations | 19 | — |
| Other | 17,637 | 22,086 |

| | | |
|---------------------------|---------|---------|
| Total current liabilities | 269,749 | 267,313 |
|---------------------------|---------|---------|

Noncurrent liabilities

| | | |
|---|--------|--------|
| Bonds payable | 40,000 | 40,000 |
| Long-term loans payable | 66,549 | 71,625 |
| Deferred tax liabilities for land revaluation | 3,733 | 3,733 |
| Provision for retirement benefits | 48,741 | 54,245 |
| Provision for directors' retirement benefits | 285 | 450 |
| Asset retirement obligations | 983 | — |
| Other | 6,603 | 7,654 |

| | | |
|------------------------------|---------|---------|
| Total noncurrent liabilities | 166,896 | 177,708 |
|------------------------------|---------|---------|

Total liabilities

| | |
|---------|---------|
| 436,645 | 445,022 |
|---------|---------|

Net assets

Shareholders' equity

| | | |
|-------------------|---------|---------|
| Capital stock | 37,519 | 37,519 |
| Capital surplus | 204,140 | 204,140 |
| Retained earnings | 198,404 | 193,790 |
| Treasury stock | -1,664 | -1,743 |

| | | |
|----------------------------|---------|---------|
| Total shareholders' equity | 438,399 | 433,707 |
|----------------------------|---------|---------|

Valuation and translation adjustments

| | | |
|---|---------|---------|
| Valuation difference on available-for-sale securities | 360 | 741 |
| Deferred gains or losses on hedges | -188 | 33 |
| Foreign currency translation adjustment | -25,952 | -14,947 |

| | | |
|---|---------|---------|
| Total valuation and translation adjustments | -25,780 | -14,172 |
|---|---------|---------|

Subscription rights to shares

| | |
|-----|-----|
| 594 | 617 |
|-----|-----|

Minority interests

| | |
|-----|-----|
| 648 | 622 |
|-----|-----|

Total net assets

| | |
|---------|---------|
| 413,862 | 420,775 |
|---------|---------|

Total liabilities and net assets

| | |
|---------|---------|
| 850,508 | 865,797 |
|---------|---------|

(2) Consolidated Quarterly Statements of Income
Six months ended September 30, 2009 and 2010

[Millions of yen]

April-September 2009 April-September 2010

| | April-September 2009 | April-September 2010 |
|--|----------------------|----------------------|
| Net sales | 393,341 | 391,825 |
| Cost of sales | 224,459 | 210,923 |
| Gross profit | 168,881 | 180,901 |
| Selling, general and administrative expenses | 159,722 | 158,295 |
| Operating income | 9,159 | 22,606 |
| Non-operating income | | |
| Interest income | 758 | 618 |
| Dividends income | 204 | 211 |
| Equity in earnings of affiliates | — | 42 |
| Foreign exchange gains | 234 | — |
| Other | 2,603 | 2,044 |
| Total non-operating income | 3,801 | 2,917 |
| Non-operating expenses | | |
| Interest expenses | 1,851 | 1,490 |
| Equity in losses of affiliates | 40 | — |
| Foreign exchange losses | — | 3,310 |
| Other | 2,339 | 2,819 |
| Total non-operating expenses | 4,232 | 7,620 |
| Ordinary income | 8,728 | 17,902 |
| Extraordinary income | | |
| Gain on sales of noncurrent assets | 159 | 144 |
| Gain on sales of investment securities | — | 0 |
| Reversal of provision for loss on business liquidation | 696 | 173 |
| Other extraordinary income of foreign subsidiaries | 598 | 368 |
| Total extraordinary income | 1,454 | 686 |
| Extraordinary loss | | |
| Loss on sales and retirement of noncurrent assets | 1,651 | 992 |
| Loss on sales of investment securities | 13 | — |
| Loss on valuation of investment securities | 222 | 1,559 |
| Impairment loss | 164 | 53 |
| Business structure improvement expenses | 1,216 | 3,398 |
| Loss on adjustment for changes of accounting standard for asset retirement obligations | — | 983 |
| Total extraordinary losses | 3,268 | 6,987 |
| Income before income taxes and minority interests | 6,913 | 11,601 |
| Income taxes | 3,380 | 2,942 |
| Income before minority interests | — | 8,658 |
| Minority interests in income (loss) | -1 | 22 |
| Net income | 3,534 | 8,636 |

Three months ended September 30, 2009 and 2010

[Millions of yen]

July-September 2009 July-September 2010

| | July-September 2009 | July-September 2010 |
|--|---------------------|---------------------|
| Net sales | 203,901 | 197,168 |
| Cost of sales | 114,695 | 104,705 |
| Gross profit | 89,206 | 92,462 |
| Selling, general and administrative expenses | 79,457 | 79,700 |
| Operating income | 9,748 | 12,761 |
| Non-operating income | | |
| Interest income | 318 | 375 |
| Dividends income | 17 | 12 |
| Other | 1,072 | 1,080 |
| Total non-operating income | 1,407 | 1,468 |
| Non-operating expenses | | |
| Interest expenses | 812 | 748 |
| Equity in losses of affiliates | 7 | 6 |
| Foreign exchange losses | 1,179 | 706 |
| Other | 1,030 | 1,288 |
| Total non-operating expenses | 3,030 | 2,749 |
| Ordinary income | 8,125 | 11,480 |
| Extraordinary income | | |
| Gain on sales of noncurrent assets | 122 | 119 |
| Reversal of provision for loss on business liquidation | 231 | 169 |
| Total extraordinary income | 353 | 289 |
| Extraordinary loss | | |
| Loss on sales and retirement of noncurrent assets | 1,425 | 717 |
| Loss on sales of investment securities | 0 | — |
| Loss on valuation of investment securities | 10 | 576 |
| Impairment loss | 163 | 51 |
| Business structure improvement expenses | 369 | 1,020 |
| Total extraordinary losses | 1,969 | 2,365 |
| Income before income taxes and minority interests | 6,510 | 9,403 |
| Income taxes | 3,260 | 4,238 |
| Income before minority interests | — | 5,164 |
| Minority interests in income | 13 | 19 |
| Net income | 3,235 | 5,145 |

(3) Consolidated Quarterly Statements of Cash Flows
six months ended September 30, 2009 and 2010

[Millions of yen]

April-September 2009 April-September 2010

| | April-September 2009 | April-September 2010 |
|--|----------------------|----------------------|
| Net cash provided by (used in) operating activities | | |
| Income before income taxes and minority interests | 6,913 | 11,601 |
| Depreciation and amortization | 30,897 | 27,455 |
| Impairment loss | 164 | 53 |
| Amortization of goodwill | 4,698 | 4,283 |
| Interest and dividends income | -963 | -829 |
| Interest expenses | 1,851 | 1,490 |
| Loss (gain) on sales and retirement of noncurrent assets | 1,492 | 847 |
| Loss (gain) on sales and valuation of investment securities | 236 | 1,559 |
| Increase (decrease) in provision for retirement benefits | 2,264 | -5,906 |
| Increase (decrease) in provision for loss on business liquidation | -1,241 | -779 |
| Decrease (increase) in notes and accounts receivable-trade | 991 | 3,479 |
| Decrease (increase) in inventories | 26,339 | -14,189 |
| Increase (decrease) in notes and accounts payable-trade | -12,027 | 12,441 |
| Transfer of assets for rent | -3,655 | -2,934 |
| Decrease (increase) in accounts receivable-other | 1,621 | -3,063 |
| Increase (decrease) in accounts payable-other and accrued expenses | -6,237 | 1,769 |
| Decrease/increase in consumption taxes receivable/payable | 3,618 | -532 |
| Other, net | -8,285 | -1,179 |
| Subtotal | 48,678 | 35,567 |
| Interest and dividends income received | 1,171 | 818 |
| Interest expenses paid | -1,969 | -1,445 |
| Income taxes (paid) refund | 6,215 | -3,126 |
| Net cash provided by (used in) operating activities | 54,096 | 31,814 |
| Net cash provided by (used in) investing activities | | |
| Purchase of property, plant and equipment | -19,816 | -16,870 |
| Proceeds from sales of property, plant and equipment | 234 | 572 |
| Purchase of intangible assets | -2,160 | -2,511 |
| Payments of loans receivable | -114 | -334 |
| Collection of loans receivable | 107 | 82 |
| Purchase of investment securities | -92 | -3 |
| Proceeds from sales of investment securities | 16 | 0 |
| Payments of valuation of other investments | -592 | -558 |
| Other, net | 404 | 385 |
| Net cash provided by (used in) investing activities | -22,013 | -19,237 |

[Millions of yen]

April-September 2009 April-September 2010

| | April-September 2009 | April-September 2010 |
|--|----------------------|----------------------|
| Net cash provided by (used in) financing activities | | |
| Net increase (decrease) in short-term loans payable | 6,816 | -3,019 |
| Proceeds from long-term loans payable | 16,095 | — |
| Repayment of long-term loans payable | -9,261 | -54 |
| Repayments of lease obligations | -958 | -711 |
| Proceeds from sales of treasury stock | 2 | 2 |
| Purchase of treasury stock | -17 | -56 |
| Cash dividends paid | -5,293 | -3,968 |
| Proceeds from stock issuance to minority shareholders | — | 51 |
| Net cash provided by (used in) financing activities | 7,383 | -7,755 |
| Effect of exchange rate change on cash and cash equivalents | 1,161 | 522 |
| Net increase (decrease) in cash and cash equivalents | 40,627 | 5,342 |
| Cash and cash equivalents at beginning of period | 133,727 | 164,146 |
| Cash and cash equivalents at end of period | 174,355 | 169,488 |

(4) Notes Regarding Going Concern Assumptions

None.

(5) Segment Information

[1] Business Segment

Three months to September 30, 2009 (From July 1, 2009 to September 30, 2009)

| | Business Technologies | Optics | Medical and Graphic | Sensing | Other | Total | Eliminations and Corporate | Consolidated |
|-------------------------|-----------------------|--------|---------------------|---------|--------|---------|----------------------------|--------------|
| [Millions of yen] | | | | | | | | |
| Sales | | | | | | | | |
| External | 132,720 | 36,483 | 29,201 | 1,635 | 3,860 | 203,901 | - | 203,901 |
| Intersegment | 858 | 184 | 652 | 239 | 11,287 | 13,222 | (13,222) | - |
| Total | 133,579 | 36,668 | 29,853 | 1,874 | 15,148 | 217,124 | (13,222) | 203,901 |
| Operating expenses | 125,934 | 32,210 | 28,890 | 2,050 | 14,309 | 203,395 | (9,242) | 194,152 |
| Operating income (loss) | 7,644 | 4,457 | 962 | (175) | 838 | 13,728 | (3,979) | 9,748 |

Six months to September 30, 2009 (From April 1, 2009 to September 30, 2009)

| | Business Technologies | Optics | Medical and Graphic | Sensing | Other | Total | Eliminations and Corporate | Consolidated |
|-------------------------|-----------------------|--------|---------------------|---------|--------|---------|----------------------------|--------------|
| [Millions of yen] | | | | | | | | |
| Sales | | | | | | | | |
| External | 259,940 | 70,474 | 52,928 | 3,043 | 6,954 | 393,341 | - | 393,341 |
| Intersegment | 1,600 | 349 | 928 | 450 | 22,458 | 25,787 | (25,787) | - |
| Total | 261,540 | 70,823 | 53,857 | 3,493 | 29,412 | 419,128 | (25,787) | 393,341 |
| Operating expenses | 253,651 | 64,704 | 52,063 | 3,870 | 28,123 | 402,412 | (18,230) | 384,181 |
| Operating income (loss) | 7,889 | 6,119 | 1,793 | (376) | 1,289 | 16,716 | (7,556) | 9,159 |

Notes:

1. 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.

2. Principal products in business segments

| 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 |

3. Operating expenses not able to be properly allocated that are included in Eliminations and Corporate are principally R&D expenses incurred by the Company and expenses associated with head office functions. Such expenses amounted to ¥7,635 million and ¥14,942 million for the July-September and the April-September terms respectively.