

3. CONSOLIDATED QUARTERLY FINANCIAL STATEMENTS

(1) Consolidated Quarterly Balance Sheets

September 30, 2011 and March 31, 2011

[Millions of yen]

March 31, 2011 September 30, 2011

Consolidated balance sheets

Assets

Current assets

Cash and deposits	87,886	85,649
Notes and accounts receivable-trade	163,363	152,051
Lease receivables and investment assets	14,327	12,695
Short-term investment securities	87,261	97,575
Inventories	100,243	97,776
Deferred tax assets	30,393	25,427
Accounts receivable-other	10,536	9,041
Other	12,084	14,777
Allowance for doubtful accounts	(4,220)	(3,681)
Total current assets	501,876	491,314

Noncurrent assets

Property, plant and equipment

Buildings and structures, net	69,372	66,496
Machinery, equipment and vehicles, net	51,530	45,003
Tools, furniture and fixtures, net	20,154	20,132
Land	33,777	33,425
Lease assets, net	488	445
Construction in progress	6,589	4,999
Assets for rent, net	8,788	7,716
Total property, plant and equipment	190,701	178,219

Intangible assets

Goodwill	63,146	62,636
Other	25,225	25,015
Total intangible assets	88,371	87,652

Investments and other assets

Investment securities	20,893	17,544
Long-term loans receivable	154	130
Long-term prepaid expenses	3,030	2,820
Deferred tax assets	30,404	34,355
Other	10,752	10,074
Allowance for doubtful accounts	(732)	(799)
Total investments and other assets	64,504	64,127

Total noncurrent assets

343,577 329,998

Total assets

845,453 821,312

[Millions of yen]

March 31, 2011 September 30, 2011

	March 31, 2011	September 30, 2011
Liabilities		
Current liabilities		
Notes and accounts payable-trade	74,640	75,152
Short-term loans payable	50,018	41,680
Current portion of long-term loans payable	24,516	31,056
Accounts payable-other	31,490	27,856
Accrued expenses	24,282	23,746
Income taxes payable	5,199	5,345
Provision for bonuses	10,911	10,798
Provision for directors' bonuses	130	125
Provision for product warranties	1,622	1,400
Provision for loss on business liquidation	26	—
Notes payable-facilities	585	1,119
Asset retirement obligations	42	20
Other	19,013	17,491
Total current liabilities	242,480	235,794
Noncurrent liabilities		
Bonds payable	70,000	70,000
Long-term loans payable	48,033	42,456
Deferred tax liabilities for land revaluation	3,733	3,733
Provision for retirement benefits	44,734	46,262
Provision for directors' retirement benefits	329	299
Asset retirement obligations	963	947
Other	6,192	5,656
Total noncurrent liabilities	173,985	169,355
Total liabilities	416,465	405,150
Net assets		
Shareholders' equity		
Capital stock	37,519	37,519
Capital surplus	204,140	204,140
Retained earnings	211,467	211,210
Treasury stock	(1,670)	(1,623)
Total shareholders' equity	451,457	451,246
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	478	(190)
Deferred gains or losses on hedges	(94)	59
Foreign currency translation adjustment	(24,193)	(36,338)
Total accumulated other comprehensive income	(23,809)	(36,469)
Subscription rights to shares	658	650
Minority interests	682	734
Total net assets	428,987	416,162
Total liabilities and net assets	845,453	821,312

(2) Consolidated Quartely Statements of Income and Consolidated Quarterly Statements of Comprehensive Income

Consolidated Quartely Statements of Income

Six months ended September 30, 2010 and 2011

[Millions of yen]

	April-September 2010	April-September 2011
Net sales	391,825	378,323
Cost of sales	210,923	204,677
Gross profit	180,901	173,646
Selling, general and administrative expenses	158,295	158,041
Operating income	22,606	15,604
Non-operating income		
Interest income	618	532
Dividends income	211	292
Equity in earnings of affiliates	42	18
Other	2,044	1,790
Total non-operating income	2,917	2,633
Non-operating expenses		
Interest expenses	1,490	1,347
Foreign exchange losses	3,310	3,475
Other	2,819	1,815
Total non-operating expenses	7,620	6,638
Ordinary income	17,902	11,600
Extraordinary income		
Gain on sales of noncurrent assets	144	49
Gain on sales of investment securities	0	1
Reversal of provision for loss on business liquidation	173	19
Other extraordinary income of foreign subsidiaries	368	–
Total extraordinary income	686	71
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	992	775
Loss on valuation of investment securities	1,559	2,371
Impairment loss	53	33
Business structure improvement expenses	3,398	–
Loss on adjustment for changes of accounting standard for asset retirement obligations	983	–
Loss on disaster	–	57
Total extraordinary losses	6,987	3,238
Income before income taxes and minority interests	11,601	8,433
Income taxes	2,942	4,647
Income before minority interests	8,658	3,785
Minority interests in income	22	33
Net income	8,636	3,751

Consolidated Quartely Statements of Comprehensive Income
Six months ended September 30, 2010 and 2011

[Millions of yen]

	April-September 2010	April-September 2011
Income before minority interests	8,658	3,785
Other comprehensive income		
Valuation difference on available-for-sale securities	(378)	(668)
Deferred gains or losses on hedges	(221)	154
Foreign currency translation adjustment	(11,052)	(12,124)
Share of other comprehensive income of associates accounted for using equity method	(2)	(1)
Total other comprehensive income	(11,655)	(12,640)
Comprehensive income	(2,996)	(8,855)
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	(2,971)	(8,907)
Comprehensive income attributable to minority interests	(25)	52

Consolidated Quarterly Statements of Income
Three months ended September 30, 2010 and 2011

[Millions of yen]

	July-September 2010	July-September 2011
Net sales	197,168	192,117
Cost of sales	104,705	102,081
Gross profit	92,462	90,035
Selling, general and administrative expenses	79,700	77,702
Operating income	12,761	12,333
Non-operating income		
Interest income	375	260
Dividends income	12	25
Equity in earnings of affiliates	–	31
Other	1,080	897
Total non-operating income	1,468	1,215
Non-operating expenses		
Interest expenses	748	700
Equity in losses of affiliates	6	–
Foreign exchange losses	706	2,815
Other	1,288	968
Total non-operating expenses	2,749	4,484
Ordinary income	11,480	9,064
Extraordinary income		
Gain on sales of noncurrent assets	119	11
Gain on reversal of loss on valuation of investment securities	–	647
Reversal of provision for loss on business liquidation	169	19
Other	–	38
Total extraordinary income	289	718
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	717	538
Loss on valuation of investment securities	576	1,201
Impairment loss	51	–
Business structure improvement expenses	1,020	–
Total extraordinary losses	2,365	1,739
Income before income taxes and minority interests	9,403	8,043
Income taxes	4,238	4,152
Income before minority interests	5,164	3,890
Minority interests in income	19	28
Net income	5,145	3,862

Consolidated Quartely Statements of Comprehensive Income
Three months ended September 30, 2010 and 2011

[Millions of yen]

	July-September 2010	July-September 2011
Income before minority interests	5,164	3,890
Other comprehensive income		
Valuation difference on available-for-sale securities	(273)	(841)
Deferred gains or losses on hedges	(257)	87
Foreign currency translation adjustment	(348)	(10,090)
Share of other comprehensive income of associates accounted for using equity method	0	(1)
Total other comprehensive income	(879)	(10,846)
Comprehensive income	4,285	(6,955)
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	4,304	(6,982)
Comprehensive income attributable to minority interests	(18)	27

(3) Consolidated Quarterly Statements of Cash Flow

Six months ended September 30, 2010 and 2011

[Millions of yen]

April-September 2010 April-September 2011

	April-September 2010	April-September 2011
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	11,601	8,433
Depreciation and amortization	27,455	23,613
Impairment loss	53	33
Amortization of goodwill	4,283	4,426
Interest and dividends income	(829)	(824)
Interest expenses	1,490	1,347
Loss (gain) on sales and retirement of noncurrent assets	847	726
Loss (gain) on sales and valuation of investment securities	1,559	2,369
Increase (decrease) in provision for retirement benefits	(5,906)	2,590
Increase (decrease) in provision for loss on business liquidation	(779)	(26)
Decrease (increase) in notes and accounts receivable-trade	3,479	(1,124)
Decrease (increase) in inventories	(14,189)	(3,472)
Increase (decrease) in notes and accounts payable-trade	12,441	9,477
Transfer of assets for rent	(2,934)	(1,860)
Decrease (increase) in accounts receivable-other	(3,063)	(1,892)
Increase (decrease) in accounts payable-other and accrued expenses	1,769	204
Decrease/increase in consumption taxes receivable/payable	(532)	1,331
Other, net	(1,179)	(5,472)
Subtotal	35,567	39,879
Interest and dividends income received	818	737
Interest expenses paid	(1,445)	(1,352)
Income taxes (paid) refund	(3,126)	(1,147)
Net cash provided by (used in) operating activities	31,814	38,118
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(16,870)	(12,983)
Proceeds from sales of property, plant and equipment	572	298
Purchase of intangible assets	(2,511)	(2,547)
Payments for transfer of business	—	(1,247)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	—	(5,267)
Payments of loans receivable	(334)	(121)
Collection of loans receivable	82	51
Purchase of investment securities	(3)	(3)
Proceeds from sales of investment securities	0	1
Payments of valuation of other investments	(558)	(410)
Other, net	385	79
Net cash provided by (used in) investing activities	(19,237)	(22,150)

	[Millions of yen]	
	April-June 2010	April-June 2011
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(3,019)	(4,736)
Proceeds from long-term loans payable	-	6,301
Repayment of long-term loans payable	(54)	(5,178)
Repayments of lease obligations	(711)	(762)
Proceeds from sales of treasury stock	2	2
Purchase of treasury stock	(56)	(6)
Cash dividends paid	(3,968)	(3,970)
Proceeds from stock issuance to minority shareholders	51	-
Net cash provided by (used in) financing activities	(7,755)	(8,351)
Effect of exchange rate change on cash and cash equivalents	522	460
Net increase (decrease) in cash and cash equivalents	5,342	8,076
Cash and cash equivalents at beginning of period	164,146	175,148
Cash and cash equivalents at end of period	169,488	183,225

(4) Notes Regarding Going Concern Assumptions

None

(5) Segment Information**[1] Six months ended September 30, 2010 (From April 1, 2010 to September 30, 2010)****1. Information about Segment Sales and Income (Loss)**

[Millions of yen]

	Reportable Segment			Total	Other	Total
	Business Technologies	Optics	Medical and Graphic			
Sales						
External	266,051	69,157	44,916	380,125	11,700	391,825
Intersegment	2,014	361	698	3,074	26,836	29,910
Total	268,065	69,519	45,615	383,199	38,536	421,736
Segment incomes	19,595	7,991	581	28,168	2,482	30,651

Notes:

1. "Other" consists of business segments such as sensing business and industrial inkjet business.
2. This information is based on the amount reported to management, and the figures were calculated based on the reportable segments, before they were changed in the third quarter of the consolidated fiscal year. The related information is presented in in the section [2] Six months ended September 30, 2011 (From April 1, 2011 to September 30, 2011). "3.Matters associated with changes in reportable segments"

2. Difference between the total of the reportable segments' measures of profit or loss and income according to consolidated quarterly statements of income, and the main components of the difference (matters related to adjustment of difference)

Item	[Millions of yen] Amount
Total operating income of reportable segments	28,168
Operating income categorized in "Other"	2,482
Intersegment - eliminations	(2,692)
Corporate expenses	(5,352)
Operating income reported on quarterly statements of income	22,606

Notes: Corporate expenses are mainly general administration expenses and basic research expenses that do not belong to any reporting segment.

[2] Six months ended September 30, 2011 (From April 1, 2011 to September 30, 2011)
1. Information about Segment Sales and Income (Loss)

[Millions of yen]

	Reportable Segment				Other	Total
	Business Technologies	Optics	Healthcare	Total		
Sales						
External	268,976	63,365	34,650	366,992	11,330	378,323
Intersegment	919	359	418	1,696	23,741	25,438
Total	269,895	63,724	35,068	368,689	35,072	403,761
Segment incomes (loss)	15,285	7,200	(378)	22,107	2,628	24,735

Notes: "Other" consists of business segments such as sensing business and industrial inkjet business

2. Difference between the total of the reportable segments' measures of profit or loss and income according to consolidated quarterly statements of income, and the main components of the difference (matters related to adjustment of difference)

[Millions of yen]

Item	Amount
Total operating income of reportable segments	22,107
Operating income categorized in "Other"	2,628
Intersegment - eliminations	(2,954)
Corporate expenses	(6,176)
Operating income reported on quarterly statements of income	15,604

Notes: Corporate expenses are mainly general administration expenses and basic research expenses that do not belong to any reporting segment.

3. Matters associated with changes in reportable segments

To further strengthen the competitiveness and operations of the production print field, since the third quarter of the previous consolidated fiscal year, the Group has restructured its operations by integrating the businesses associated with commercial printing and digital printing into the Business Technologies Business. As a result, it has changed the method by which it categorizes its reportable segments, and integrated the Graphic Imaging Business in the Medical & Graphic Imaging Business into the Business Technologies Business.

As a result of restructuring as described above, the main products and the types of services of the Medical & Graphic Imaging Business have changed from the production and sale of medical, printing, and other related products to the production and sale of medical and other related products. Consequently, the title of the reportable segment has changed from the Medical & Graphic Imaging Business to the Healthcare Business.

Tracing and obtaining information necessary for preparing segment information for the first half of the previous consolidated fiscal year in accordance with the reportable segments for the first half of the consolidated fiscal year under review is difficult, and preparing segment information in the ways described above imposes an excessive burden. Moreover, no such segment information has been reported to management. For those reasons and given the utility of such segment information, we do not disclose it, with the exception of sales to external customers.

If we prepare segment information for the first half of the previous consolidated fiscal year in accordance with the segments for the first half of the consolidated fiscal year under review, sales to external customers in the Business Technologies Business are ¥270,918 million, and those in the Healthcare Business are ¥40,048 million. The figure of the Business Technologies Business includes ¥4,867 million from the former Graphic Imaging Business.

[3] Three months ended September 30, 2010 (From July 1, 2010 to September 30, 2010)**1. Information about Segment Sales and Income (Loss)**

[Millions of yen]

	Reportable Segment			Total	Other	Total
	Business Technologies	Optics	Medical and Graphic e			
Sales						
External	133,270	33,983	23,892	191,146	6,021	197,168
Intersegment	968	205	383	1,556	14,654	16,211
Total	134,238	34,189	24,276	192,703	20,676	213,379
Segment incomes	11,948	2,893	667	15,509	1,498	17,007

Notes:

1. "Other" consists of business segments such as sensing business and industrial inkjet business.
2. This information is based on the amount reported to management, and the figures were calculated based on the reportable segments, before they were changed in the third quarter of the consolidated fiscal year. The related information is presented in the section [2] Six months ended September 30, 2011 (From April 1, 2011 to September 30, 2011) "3.Matters associated with changes in reportable segments" and in the section [4] Three months ended September 30, 2011 (From July 1, 2011 to September 30, 2011) "3.Matters associated with changes in reportable segments".

2. Difference between the total of the reportable segments' measures of profit or loss and income according to consolidated quarterly statements of income, and the main components of the difference (matters related to adjustment of difference)

[Millions of yen]

Item	Amount
Total operating income of reportable segments	15,509
Operating income categorized in "Other"	1,498
Intersegment - eliminations	(1,624)
Corporate expenses	(2,621)
Operating income reported on quarterly statements of income	12,761

Notes: Corporate expenses are mainly general administration expenses and basic research expenses that do not belong to any reporting segment.

[4] Three months ended September 30, 2011 (From July 1, 2011 to September 30, 2011)
1. Information about Segment Sales and Income (Loss)

[Millions of yen]

	Reportable Segment				Other	Total
	Business Technologies	Optics	Healthcare	Total		
Sales						
External	134,907	32,224	19,144	186,276	5,841	192,117
Intersegment	429	186	220	836	12,557	13,393
Total	135,336	32,410	19,365	187,112	18,398	205,510
Segment incomes	11,656	3,797	131	15,585	1,579	17,164

Notes: "Other" consists of business segments such as sensing business and industrial inkjet business

2. Difference between the total of the reportable segments' measures of profit or loss and income according to consolidated quarterly statements of income, and the main components of the difference (matters related to adjustment of difference)

[Millions of yen]

Item	Amount
Total operating income of reportable segments	15,585
Operating income categorized in "Other"	1,579
Intersegment - eliminations	(1,654)
Corporate expenses	(3,176)
Operating income reported on quarterly statements of income	12,333

Notes: Corporate expenses are mainly general administration expenses and basic research expenses that do not belong to any reporting segment.

3. Matters associated with changes in reportable segments

Since the third quarter of the previous consolidated fiscal year, the Group has changed the method by which it categorizes its reportable segments. For the details, please refer to [2]. First half of the consolidated fiscal year under review (from April 1, 2011 to September 30, 2011), 3. Matters associated with changes in reportable segments.

Tracing and obtaining information necessary for preparing segment information for the first half of the previous consolidated fiscal year in accordance with the reportable segments for the first half of the consolidated fiscal year under review is difficult, and preparing segment information in the ways described above imposes an excessive burden. Moreover, no such segment information has been reported to management. For those reasons and given the utility of such segment information, we do not disclose it, with the exception of sales to external customers.

If we prepare segment information for the first half of the previous consolidated fiscal year in accordance with the segments for the first half of the consolidated fiscal year under review, sales to external customers in the Business Technologies Business are ¥136,054 million, and those in the Healthcare Business are ¥21,108 million. The figure of the Business Technologies Business includes ¥2,784 million from the former Graphic Imaging Business.

(6) Notes to any Significant Changes in Shareholders' Equity

None