

3. CONSOLIDATED QUARTERLY FINANCIAL STATEMENTS

(1) Consolidated Quarterly Balance Sheets

December 31, 2011 and March 31, 2011

[Millions of yen]

March 31, 2011 December 31, 2011

	March 31, 2011	December 31, 2011
Consolidated balance sheets		
Assets		
Current assets		
Cash and deposits	87,886	88,418
Notes and accounts receivable-trade	163,363	151,363
Lease receivables and investment assets	14,327	12,221
Short-term investment securities	87,261	127,466
Inventories	100,243	104,016
Deferred tax assets	30,393	23,330
Accounts receivable-other	10,536	10,399
Other	12,084	14,505
Allowance for doubtful accounts	(4,220)	(4,071)
Total current assets	501,876	527,651
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	69,372	66,222
Machinery, equipment and vehicles, net	51,530	41,271
Tools, furniture and fixtures, net	20,154	20,675
Land	33,777	33,414
Lease assets, net	488	417
Construction in progress	6,589	6,695
Assets for rent, net	8,788	7,277
Total property, plant and equipment	190,701	175,974
Intangible assets		
Goodwill	63,146	60,946
Other	25,225	25,707
Total intangible assets	88,371	86,654
Investments and other assets		
Investment securities	20,893	17,558
Long-term loans receivable	154	166
Long-term prepaid expenses	3,030	2,730
Deferred tax assets	30,404	34,098
Other	10,752	10,184
Allowance for doubtful accounts	(732)	(788)
Total investments and other assets	64,504	63,949
Total noncurrent assets	343,577	326,579
Total assets	845,453	854,230

[Millions of yen]

March 31, 2011

December 31, 2011

	March 31, 2011	December 31, 2011
Liabilities		
Current liabilities		
Notes and accounts payable-trade	74,640	76,210
Short-term loans payable	50,018	39,768
Current portion of long-term loans payable	24,516	25,061
Accounts payable-other	31,490	30,237
Accrued expenses	24,282	24,259
Income taxes payable	5,199	5,349
Provision for bonuses	10,911	5,584
Provision for directors' bonuses	130	164
Provision for product warranties	1,622	1,314
Provision for loss on business liquidation	26	—
Notes payable-facilities	585	805
Asset retirement obligations	42	34
Other	19,013	18,370
Total current liabilities	242,480	227,159
Noncurrent liabilities		
Bonds payable	70,000	110,000
Long-term loans payable	48,033	46,304
Deferred tax liabilities for land revaluation	3,733	3,269
Provision for retirement benefits	44,734	47,121
Provision for directors' retirement benefits	329	316
Asset retirement obligations	963	931
Other	6,192	5,636
Total noncurrent liabilities	173,985	213,580
Total liabilities	416,465	440,740
Net assets		
Shareholders' equity		
Capital stock	37,519	37,519
Capital surplus	204,140	204,140
Retained earnings	211,467	208,880
Treasury stock	(1,670)	(1,625)
Total shareholders' equity	451,457	448,915
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	478	(131)
Deferred gains or losses on hedges	(94)	237
Foreign currency translation adjustment	(24,193)	(36,831)
Total accumulated other comprehensive income	(23,809)	(36,724)
Subscription rights to shares	658	678
Minority interests	682	621
Total net assets	428,987	413,490
Total liabilities and net assets	845,453	854,230

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

Consolidated Quarterly Statements of Income Nine months ended December 31, 2010 and 2011

[Millions of yen]

	April-December 2010	April-December 2011
Net sales	575,280	560,372
Cost of sales	310,714	300,328
Gross profit	264,566	260,043
Selling, general and administrative expenses	236,314	236,757
Operating income	28,251	23,285
Non-operating income		
Interest income	956	844
Dividends income	357	456
Equity in earnings of affiliates	73	31
Other	2,826	2,718
Total non-operating income	4,213	4,051
Non-operating expenses		
Interest expenses	2,295	1,908
Foreign exchange losses	3,909	2,945
Other	3,987	3,584
Total non-operating expenses	10,191	8,438
Ordinary income	22,274	18,898
Extraordinary income		
Gain on sales of noncurrent assets	183	69
Gain on sales of investment securities	0	2
Reversal of provision for loss on business liquidation	183	19
Other extraordinary income of foreign subsidiaries	368	102
Total extraordinary income	735	194
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	1,354	1,318
Loss on sales of investment securities	2	–
Loss on valuation of investment securities	1,024	2,381
Impairment loss	59	84
Business structure improvement expenses	3,326	1,198
Loss on adjustment for changes of accounting standard for asset retirement obligations	983	–
Loss on disaster	–	57
Total extraordinary losses	6,750	5,039
Income before income taxes and minority interests	16,259	14,053
Income taxes	5,443	8,602
Income before minority interests	10,815	5,451
Minority interests in income	25	52
Net income	10,790	5,399

Consolidated Quarterly Statements of Income
Three months ended December 31, 2010 and 2011

[Millions of yen]

	October-December 2010	October-December 2011
Net sales	183,455	182,049
Cost of sales	99,790	95,651
Gross profit	83,664	86,397
Selling, general and administrative expenses	78,018	78,716
Operating income	5,645	7,680
Non-operating income		
Interest income	337	312
Dividends income	146	164
Equity in earnings of affiliates	31	12
Foreign exchange gains	—	530
Other	781	931
Total non-operating income	1,296	1,951
Non-operating expenses		
Interest expenses	805	561
Foreign exchange losses	598	—
Termination expenses on manufacturing consignment	—	544
Other	1,167	1,224
Total non-operating expenses	2,571	2,331
Ordinary income	4,371	7,301
Extraordinary income		
Gain on sales of noncurrent assets	39	20
Gain on sales of investment securities	0	0
Gain on reversal of loss on valuation of investment securities	606	18
Reversal of provision for loss on business liquidation	9	—
Other extraordinary income of foreign subsidiaries	—	102
Other	131	—
Total extraordinary income	787	142
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	361	542
Loss on sales of investment securities	2	—
Loss on valuation of investment securities	70	28
Impairment loss	5	53
Business structure improvement expenses	59	1,198
Total extraordinary losses	501	1,822
Income before income taxes and minority interests	4,657	5,620
Income taxes	2,500	3,954
Income before minority interests	2,157	1,666
Minority interests in income	3	18
Net income	2,153	1,647

Consolidated Quarterly Statements of Comprehensive Income
Nine months ended December 31, 2010 and 2011

[Millions of yen]

	April-December 2010	April-December 2011
Income before minority interests	10,815	5,451
Other comprehensive income		
Valuation difference on available-for-sale securities	(67)	(608)
Deferred gains or losses on hedges	(8)	332
Foreign currency translation adjustment	(15,440)	(12,748)
Share of other comprehensive income of associates accounted for using equity method	(4)	(3)
Total other comprehensive income	(15,520)	(13,027)
Comprehensive income	(4,704)	(7,576)
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	(4,686)	(7,515)
Comprehensive income attributable to minority interests	(18)	(60)

Consolidated Quarterly Statements of Comprehensive Income
Three months ended December 31, 2010 and 2011

[Millions of yen]

	October-December 2010	October-December 2011
Income before minority interests	2,157	1,666
Other comprehensive income		
Valuation difference on available-for-sale securities	311	60
Deferred gains or losses on hedges	213	177
Foreign currency translation adjustment	(4,387)	(623)
Share of other comprehensive income of associates accounted for using equity method	(2)	(2)
Total other comprehensive income	(3,865)	(387)
Comprehensive income	(1,708)	1,278
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	(1,715)	1,391
Comprehensive income attributable to minority interests	7	(112)

(3) Consolidated Quarterly Statements of Cash Flow
Nine months ended December 31, 2010 and 2011

[Millions of yen]

	April-December 2010	April-December 2011
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	16,259	14,053
Depreciation and amortization	41,140	36,034
Impairment loss	59	84
Amortization of goodwill	6,327	6,596
Interest and dividends income	(1,313)	(1,301)
Interest expenses	2,295	1,908
Loss (gain) on sales and retirement of noncurrent assets	1,170	1,248
Loss (gain) on sales and valuation of investment securities	1,026	2,377
Increase (decrease) in provision for bonuses	(5,349)	(5,228)
Increase (decrease) in provision for retirement benefits	(4,552)	3,446
Increase (decrease) in provision for loss on business liquidation	(1,107)	(26)
Decrease (increase) in notes and accounts receivable-trade	6,105	(1,457)
Decrease (increase) in inventories	(16,536)	(10,106)
Increase (decrease) in notes and accounts payable-trade	6,940	11,048
Transfer of assets for rent	(3,931)	(2,820)
Decrease (increase) in accounts receivable-other	(3,004)	(1,996)
Increase (decrease) in accounts payable-other and accrued expenses	2,618	2,847
Increase (decrease) in deposits received	1,406	1,511
Decrease/increase in consumption taxes receivable/payable	(481)	937
Other, net	(2,290)	(5,201)
Subtotal	46,781	53,954
Interest and dividends income received	1,347	1,228
Interest expenses paid	(2,280)	(1,890)
Income taxes (paid) refund	(6,391)	(4,284)
Net cash provided by (used in) operating activities	39,457	49,006
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(28,067)	(19,889)
Proceeds from sales of property, plant and equipment	700	325
Purchase of intangible assets	(3,582)	(4,023)
Proceeds from transfer of business	468	-
Payments for transfer of business	-	(1,479)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(2,114)	(5,506)
Payments of loans receivable	(457)	(207)
Collection of loans receivable	117	68
Purchase of investment securities	(94)	(5)
Proceeds from sales of investment securities	11	2
Payments for other investments	(957)	(663)
Other, net	275	115
Net cash provided by (used in) investing activities	(33,701)	(31,262)

[Millions of yen]

	April-December 2010	April-December 2011
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	11,091	(7,323)
Proceeds from long-term loans payable	—	10,304
Repayment of long-term loans payable	(10,057)	(11,333)
Proceeds from issuance of bonds	30,000	40,000
Repayments of lease obligations	(1,130)	(1,250)
Proceeds from sales of treasury stock	3	2
Purchase of treasury stock	(71)	(9)
Cash dividends paid	(7,828)	(7,803)
Proceeds from stock issuance to minority shareholders	51	—
Net cash provided by (used in) financing activities	22,059	22,586
Effect of exchange rate change on cash and cash equivalents	512	407
Net increase (decrease) in cash and cash equivalents	28,326	40,737
Cash and cash equivalents at beginning of period	164,146	175,148
Cash and cash equivalents at end of period	192,472	215,885

(4) Notes Regarding Going Concern Assumptions

None

(5) Segment Information**[1] Nine months ended December 31, 2010 (From April 1, 2010 to December 31, 2010)****1. Information about Segment Sales and Income (Loss)**

[Millions of yen]

	Reportable Segment				Other ^{*1}	Total
	Business Technologies	Optics	Healthcare ^{*2}	Total		
Sales						
External	396,340	99,407	62,514	558,262	17,017	575,280
Intersegment	2,542	650	1,087	4,280	37,736	42,016
Total	398,883	100,058	63,601	562,543	54,754	617,297
Segment incomes	25,988	10,043	592	36,625	3,699	40,324

Notes:

1. "Other" consists of business segments such as sensing business and industrial inkjet business.
2. The business segment that was reported as the "Medical & Graphic Business" until the first half of the consolidated fiscal year under review has been renamed as a new reportable segment, the "Healthcare Business", starting the third quarter of the consolidated fiscal year under review. Information in this segment information is based on the amount reported to management, and the figures of the Healthcare Business include those of the Medical & Graphic Business for the first half of the consolidated fiscal year under review. The related information is presented in the section [2] Nine months ended December 31, 2011 (From April 1, 2011 to December 31, 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	36,625
Operating income categorized in "Other"	3,699
Intersegment - eliminations	(3,923)
Corporate expenses	(8,149)
Operating income reported on quarterly statements of income	28,251

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

[2] Nine months ended December 31, 2011 (From April 1, 2011 to December 31, 2011)**1. Information about Segment Sales and Income (Loss)**

[Millions of yen]

	Reportable Segment				Other*	Total
	Business Technologies	Optics	Healthcare	Total		
Sales						
External	400,882	91,112	51,906	543,902	16,469	560,372
Intersegment	1,412	562	1,150	3,126	34,979	38,105
Total	402,295	91,675	53,057	547,029	51,449	598,478
Segment incomes (loss)	24,641	9,696	(598)	33,738	3,566	37,305

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	33,738
Operating income categorized in "Other"	3,566
Intersegment - eliminations	(4,190)
Corporate expenses	(9,829)
Operating income reported on quarterly statements of income	23,285

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 three quarters of the previous consolidated fiscal year in accordance with the reportable segments for the first three quarters 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 three quarters of the previous consolidated fiscal year in accordance with the segments for the first three quarters of the consolidated fiscal year under review, sales to external customers in the Business Technologies Business are ¥401,208 million, and those in the Healthcare Business are ¥57,646 million. The figure of the Business Technologies Business includes ¥4,867 million from the former Graphic Imaging Business.

[3] Three months ended December 31, 2010 (From October 1, 2010 to December 31, 2010)**1. Information about Segment Sales and Income (Loss)**

[Millions of yen]

	Reportable Segment				Other*	Total
	Business Technologies	Optics	Healthcare	Total		
Sales						
External	130,289	30,249	17,598	178,137	5,317	183,455
Intersegment	528	289	388	1,205	10,900	12,105
Total	130,817	30,538	17,986	179,343	16,217	195,561
Segment incomes	6,393	2,051	11	8,456	1,217	9,673

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	8,456
Operating income categorized in "Other"	1,217
Intersegment - eliminations	(1,230)
Corporate expenses	(2,797)
Operating income reported on quarterly statements of income	5,645

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

[4] Three months ended December 31, 2011 (From October 1, 2011 to December 31, 2011)
1. Information about Segment Sales and Income (Loss)

[Millions of yen]

	Reportable Segment				Other	Total
	Business Technologies	Optics	Healthcare	Total		
Sales						
External	131,906	27,747	17,256	176,910	5,138	182,049
Intersegment	493	203	732	1,429	11,237	12,667
Total	132,399	27,951	17,989	178,340	16,376	194,716
Segment incomes (loss)	9,355	2,496	(220)	11,631	937	12,569

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	11,631
Operating income categorized in "Other"	937
Intersegment - eliminations	(1,235)
Corporate expenses	(3,652)
Operating income reported on quarterly statements of income	7,680

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

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

None

(7) Notes Regarding Effects of Changes in Corporate Tax Rates

Starting from consolidated fiscal years which begin on or after April 1, 2012, corporate tax rates will be lowered and special reconstruction corporate taxes will be applied, following the issuing of "a partial amendment to income tax law to develop a tax system that responds to changes in the structure of the economy" (Act No. 114 of 2011) and "a reconstruction funding law in the aftermath of the Great East Japan Earthquake" (Act No. 117 of 2011) on December 2, 2011. As a result, the legal effective tax rates will be 38.01% for the consolidated fiscal years starting between April 1, 2012 and April 1, 2014, and 35.64% for the consolidated fiscal years starting from April 1, 2015, down from the current 40.69%.

As a result of these changes, net income for the first three quarters of the consolidated fiscal year under review declined ¥1,533 million, and comprehensive income declined ¥1,558 million.