

# 11. NONCONSOLIDATED FINANCIAL STATEMENTS

## (1) Statements of Income and Retained Earnings

(Millions of yen)

	April 1, 2004 — September 30, 2004		April 1, 2003 — September 30, 2003		April 1, 2003 — March 31, 2004	
	Amount	% of net sales	Amount	% of operating revenue	Amount	YoY (%)
Operating revenue	25,041	100.0	5,970	100.0	15,036	100.0
Operating expenses	13,404	53.5	10,233	171.4	26,113	173.7
<b>Operating income (loss)</b>	<b>11,637</b>	<b>46.5</b>	<b>(4,262)</b>	<b>(71.4)</b>	<b>(11,076)</b>	<b>(73.7)</b>
Non-operating income	[ 1,678 ]	6.7	[ 1,017 ]	17.0	[ 2,395 ]	16.0
Interest and dividend income	1,378		950		2,121	
Other	299		67		274	
Non-operating expenses	[ 1,139 ]	4.6	[ 1,381 ]	23.1	[ 3,324 ]	22.1
Interest expense	936		628		1,839	
Other	203		753		1,484	
<b>Recurring profit (loss)</b>	<b>12,176</b>	<b>48.6</b>	<b>(4,626)</b>	<b>(77.5)</b>	<b>(12,005)</b>	<b>(79.8)</b>
Extraordinary profit	[ 18 ]	0.1	[ 284 ]	4.7	[ 464 ]	3.0
Gain on sales of fixed assets	18		284		464	
Extraordinary losses	[ 531 ]	2.1	[ 1,016 ]	17.0	[ 3,878 ]	25.8
Loss on disposal and sale of fixed assets	253		502		1,171	
Write-down on investment securities	277		—		—	
Provision of reserve for past director retirement bonuses	—		513		513	
Variance in accounting standards for employee retirement benefits	—		—		2,169	
Expenses related to switch to defined benefit pension plan	—		—		23	
<b>Income before income taxes for the period (loss)</b>	<b>11,663</b>	<b>46.6</b>	<b>(5,359)</b>	<b>(89.8)</b>	<b>(15,419)</b>	<b>(102.6)</b>
Income taxes	2		515		418	
Tax refunds for income and other taxes	(76)		—		—	
Deferred income taxes	(1,187)		(1,962)		(3,774)	
<b>Net income (loss)</b>	<b>12,924</b>	<b>51.6</b>	<b>(3,911)</b>	<b>(65.5)</b>	<b>(12,063)</b>	<b>(80.2)</b>
Retained earnings (loss) at beginning of the period	5,466		5,435		5,435	
Amount lost through land reappraisal differential	8		—		—	
Increase in unappropriated profits received from the management integration	—		—		3,346	
Interim dividend payment	—		—		2,655	
Undistributed income for the period (loss)	18,399		1,523		(5,937)	

Notes:

	As of September 30, 2004	As of September 30, 2003	As of March 31, 2004
Actual depreciation and amortization amount			
Tangible fixed assets (millions of yen)	1,745	1,173	2,943
Intangible fixed assets (millions of yen)	727	404	1,125

## (2) Balance Sheets

(Millions of yen)

	As of September 30, 2004		As of September 30, 2003		As of March 31, 2004	
	Amount	% of total	Amount	% of total	Amount	% of total
<b>Current assets</b>	[ 176,645 ]	39.5	[ 102,799 ]	30.8	[ 165,445 ]	38.0
Cash and deposits	13,408		12,458		21,521	
Trade notes receivable	14		82		28	
Accrued revenue	1,565		1,174		1,613	
Prepaid expenses	992		576		301	
Deferred tax assets	108		147		102	
Short-term loans	155,826		87,648		138,394	
Other receivables	495		231		1,791	
Tax receivable	3,256		—		—	
Other current assets	1,151		577		1,848	
Allowance for doubtful accounts	(173)		(97)		(156)	
<b>Fixed assets</b>	[ 270,397 ]	[ 60.5 ]	[ 230,857 ]	[ 69.2 ]	[ 269,820 ]	[ 62.0 ]
<i>Tangible fixed assets</i>	[ 76,367 ]	17.1	[ 41,088 ]	12.3	[ 76,333 ]	17.5
Buildings	39,428		26,515		37,445	
Structures	2,928		2,553		2,962	
Machinery and Equipments	363		191		335	
Vehicles	0		0		0	
Tools and furniture	612		373		598	
Land	32,760		10,423		32,940	
Construction in progress	274		1,031		2,051	
<i>Intangible fixed assets</i>	[ 4,754 ]	1.1	[ 3,131 ]	1.0	[ 5,008 ]	1.2
Software	3,742		2,817		4,114	
Other intangible fixed assets	1,012		313		894	
<i>Investments and others</i>	[ 189,274 ]	42.3	[ 186,637 ]	55.9	[ 188,479 ]	43.3
Investment securities	24,159		4,767		23,078	
Shares in subsidiaries and affiliates	159,888		178,968		161,388	
Long-term loans	4		11		8	
Long-term prepaid expenses	136		60		62	
Deferred tax assets	2,985		1,211		1,753	
Other investments	2,180		1,657		2,256	
Allowance for doubtful accounts	(79)		(39)		(69)	
<b>Total assets</b>	447,042	100.0	333,656	100.0	435,266	100.0

(Millions of yen)

	As of September 30, 2004		As of September 30, 2003		As of March 31, 2004	
	Amount	% of total	Amount	% of total	Amount	% of total
<b>Current liabilities</b>	[ 116,012 ]	26.0	[ 51,736 ]	15.5	[ 127,916 ]	29.4
Trade notes payable	82		281		91	
Accounts payable	—		139		—	
Short-term loans	89,286		32,701		91,521	
Long-term loans due within one year	4,459		1,511		9,014	
Bonds due within one year	16,300		12,000		18,300	
Other payables	1,753		2,161		2,671	
Accrued expenses	3,845		2,642		5,800	
Accrued income taxes	79		1		5	
Advances received	81		157		137	
Other current liabilities	124		138		373	
<b>Long-term liabilities</b>	[ 77,103 ]	17.2	[ 43,484 ]	13.0	[ 63,520 ]	14.6
Bonds	15,000		20,000		20,000	
Long-term loans	48,558		21,772		30,274	
Long-term payable	320		296		449	
Deferred tax liabilities related to revaluation	5,961		—		5,967	
Reserve for retirement benefits and pension plans	6,496		432		5,985	
Reserve for directors' retirement benefits	724		677		801	
Long-term guarantee deposits received	28		297		28	
Other long-term liabilities	12		7		12	
<b>Total liabilities</b>	193,116	[ 43.2 ]	95,220	[ 28.5 ]	191,436	[ 44.0 ]
<i>Capital stock</i>	37,519	8.4	37,519	11.2	37,519	8.6
<i>Additional paid-in capital</i>	[ 157,519 ]	35.2	[ 157,507 ]	47.2	[ 157,516 ]	36.2
Capital reserve	157,501		157,501		157,501	
Other additional paid-in capital	17		6		15	
<i>Retained earnings</i>	[ 45,475 ]	10.2	[ 42,659 ]	12.8	[ 35,197 ]	8.1
Legal reserves	7,760		7,760		7,760	
Voluntary reserves	19,315		33,375		33,375	
Undistributed income for period (loss)	18,399		1,523		(5,937)	
[Includes net income (loss)]	[ 12,924 ]		[ (3,911) ]		[ (12,063) ]	
Gain on revaluation of land	8,689	1.9	—		8,698	2.0
Unrealized gains on securities	5,389	1.2	1,207	0.4	5,473	1.2
Treasury stock	(666)	(0.1)	(457)	(0.1)	(576)	(0.1)
<b>Total shareholders' equity</b>	253,926	[ 56.8 ]	238,436	[ 71.5 ]	243,829	[ 56.0 ]
<b>Total liabilities and shareholders' equity</b>	447,042	100.0	333,656	100.0	435,266	100.0

Note:

As of September 30, 2004

As of September 30, 2003

As of March 31, 2004

1. Accumulated depreciation on tangible fixed assets (millions of yen)	71,604	41,136	70,278
2. Balance of guaranteed obligations <including guarantee> (millions of yen)	26,618 <8,903>	21,481 < 10,648>	44,054 < 7,663 >

Joint liability between the Company and its business subsidiaries included ¥11,962 million for the interim fiscal period ended September 30, 2004, ¥4,107 million for the interim fiscal period ended September 30, 2003, and ¥21,065 million for fiscal year ended March 31, 2004. In the event that the Company fulfills those obligations, it retains the right to recover payment in full from its business subsidiaries.

# Basis of Presenting Interim Financial Statements

## 1. Asset Valuation

### (1) Marketable Securities

#### *Shares of subsidiaries and affiliates*

Shares of subsidiaries and affiliates are stated at cost using the moving-average method.

#### *Other securities*

Securities with fair market value are stated using the mark-to-market method based on the market price at the interim settlement 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-average method.

### (2) Derivatives

Derivatives are stated using the mark-to-market method.

## 2. 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.

### (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.

## 3. Reserves

### (1) *Allowance for doubtful receivables*

For general receivables, an amount is provided according to the historical percentage of uncollectables. (The legal provision rate will be used when the legal provision rate specified by the transitional measure of the Corporation Tax Law exceeds the historical percentage.) For specific receivables for which there is some concern regarding collectability, an amount is recorded by investigating the possibility of collection for each individual account.

### (2) *Retirement Benefit Reserves*

To prepare for employee retirement benefits, the Company has calculated the amount recognized to have been incurred at the end of the interim consolidated accounting period based on projected benefit obligations and pension assets at the end of the current fiscal year.

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

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

### (3) *Allowance for Directors' Retirement Benefits*

To provide for the payment of directors' retirement benefits, reserve for benefits for retired directors and auditors is recorded in an actual amount equal to the need at the end of the interim period under review based on the Company's regulations.

## 4. Lease Transactions

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

## 5. 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 instruments*

#### *Hedge instruments*

derivatives trading (trading of forward foreign currency exchange contracts, and interest rate swaps)

#### *Hedged items*

Anticipated foreign currency denominated transactions, corporate bonds, and borrowings

*(3) Hedge policy*

Hedges are implemented within a certain range for the purpose of hedging foreign exchange rate fluctuation risk, interest rate fluctuation risk, and raw-material price fluctuation risk, based on internal regulations regarding derivative transactions.

*(4) Methods for evaluating the effectiveness of hedges*

Verification is made to ascertain a high correlation between value fluctuations of hedged items and hedging instruments.

**6. Accounting for consumption taxes**

National and local consumption taxes are accounted for by the net-of-tax method.

## 12. LEASE TRANSACTIONS

Notation has been omitted due to disclosure through EDINET

## 13. MARKETABLE SECURITIES

In the current interim period under review as well as in the previous interim period and the previous full fiscal year, no subsidiary nor affiliate recorded any market value for its stock.