



Business Report

for the 91st Term
From April 1, 2006, to March 31, 2007

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1. Matters pertaining to the current state of the Hitachi Medical Group

(1) The progression of business and results of the Hitachi Medical Group

In the domestic medical systems industry, reforms on the health insurance system are continuing and in hospital management efforts to cut back on expenses are gaining momentum.

As for the U.S. market, the market size for MRI systems declined somewhat due to the effects of changes in medical treatment fees.

In these environment, Hitachi Medical, as a full-line medical systems manufacturer, has been working to provide truly useful medical solutions that meet the needs of customers, including patients, based on our global sales and service strategies. We are doing this by developing new products that leverage the technical capabilities of the Hitachi Group.

In the consolidated accounting period under review, net sales fell by 3.3% from the preceding consolidated accounting period to JPY 118,342 million, as a result of poor domestic sales. Ordinary income, too, fell by 43.6% to JPY 2,429 million, reflecting the decrease in domestic sales.

We have prepared a five-year medium-term management plan in the current fiscal year and have been pursuing business restructuring, including a review of our product strategies to strengthen our development capabilities and a reform of production systems in order to achieve the targets in the management plan. As part of this restructuring, we executed a write-down and write-off of our maintenance spare parts and conventional products in process. As a result, loss on disposal of inventories of JPY 2,743 million was reported under extraordinary losses for the current consolidated accounting period. Moreover, amortization of goodwill and loss on sales of stocks of affiliates were also reported under extraordinary losses.

As a result of the above and due to the review of our deferred tax assets, income taxes-deferred amounted to JPY 7,987 million. Consequently we recorded a consolidated net loss of JPY 11,344 million for the current consolidated accounting period.

■ Medical Systems Segment

In terms of the Magnetic Resonance Imaging (MRI) Systems segment, strong sales were recorded in the U.S., with the launch of the new product, ECHELON Vega, a new high-field closed MRI System, which contributed to strong performances by both the devices and their maintenance services. In Japan, a new product called AIRIS Elite achieved strong sales, but the sales of conventional products dropped drastically. As a result, sales in this segment remained flat from the previous year.

As for the X-ray Computerized Tomography (CT) Systems segment, sales of the ROBUSTO four-slice CT system were impressive in Japan. In overseas markets, sales in both the U.S. and Europe were on the same levels as the previous year. As a result, sales in this segment were above the level of a year ago.

In the X-ray Systems segment, sales of DR (Digital Radiography) systems equipped with FPD (Flat Panel Detectors) such as the including medites CREA were buoyant, but conventional products such as the general-purpose, cassette-less, X-ray T.V. systems, including the digital POPULUS recorded lackluster results. As a result, sales in this segment fell below the previous year's levels.

In the Diagnostic Ultrasound Systems (US) segment, domestic sales remained unchanged from the previous year, while sales of middle- and low-end models in the European region enjoyed solid growth. As a result, sales in this segment increased from the level of the previous year.

Moreover sales of products of other companies fell substantially below the previous year's level as we conducted a review of the profitability of the business.

As a result of the above, sales from these segment fell by 4.9% from the preceding consolidated accounting year to JPY 108,252 million. Operating income decreased by 58.5% from the preceding consolidated accounting year to JPY 2,460 million due to lackluster sales of conventional products in Japan and the falling retail prices.

■ Medical Information Systems Segment

In the Medical Information Systems Segment, sales of Hitachi Medical's medical checkup data management system and electronic medical charts were brisk, as was sales of the medical accounting system by its domestic subsidiary Hitachi Medical Computer Systems, Inc., thanks to the revision of medical charges.

As a result, sales from this segment increased by 17.3% from the preceding consolidated account year to JPY 10,089 million. Operating income also improved by JPY 451 million to JPY 105 million.

■ Sales by Segment

Segment	Amount (Millions of yen)	Composition (%)	Year-on-year change (%)
Medical Systems	108,252	91.5	95.1
Medical Information Systems	10,089	8.5	117.3
Total	118,342	100.0	96.7

(2) Tasks to be addressed by the Hitachi Medical Group

Although the Japanese economy is expected to perform strongly, some are beginning to take a cautious view of the future, expressing growing concerns for the slowdown in the U.S. economy and rising interest rates.

The domestic market for diagnostic imaging systems is expected to expand based on the growth of the X-ray CT systems and the market in the United States is also expected to remain robust, while on the whole sales are expected to remain mostly flat compared to the previous year.

Under these circumstances, we will continue our investments into development and sales activities in order to expand our sales in the diagnostic imaging business, in addition to undertaking the measures outlined below.

- 1) Early introduction of new products into the market and expansion of sales
- 2) Reinforcing our development capabilities
 - Reinforcing our development capabilities by strengthening our collaborations with each of the Hitachi Group companies
- 3) Executing production reforms
 - Drastic cuts in production lead times
 - Promotion of internal manufacturing (e.g. internal manufacturing of coils for MR products)
- 4) Promoting cost reductions
 - Production in china, expansion of International Procurement
 - Internal manufacturing of major components

Moreover we are undertaking the following in terms of increasing sales of new products and product development.

[MRI Systems]

We will expand the sales of ECHELON Vega, a new high-field closed MRI system both in Japan and overseas. We are also reinforcing our product

development of high-field open MRI systems so that we will be able to launch a new product by the end of the year.

[X-ray CT Systems]

We will be launching the ECLoS, a new multi-slice (16, 8, and 4 slices) CT device. We will also continue to develop high-end models, as the market is expected to further expand.

[X-ray Systems]

In addition to the conventional FPD mounted models, we will focus on expanding sales of the CUREVISTA, a fluoroscopic system with a wide workspace and the Sirius Ubiquitous, a CR mounted mobile X-ray system.

[Diagnostic Ultrasound Systems]

We will concentrate on bolstering sales of the new premium model, HI VISION 900, the middle-end model, EUB-7500 and the low-end Apron EUB-7000HV, in addition to the existing high-end EUB-8500.

[Medical Information Systems]

By promoting further collaborations with Hitachi Medical Computer Systems, Inc. and the Hitachi Group, we intend to expand our solution proposing business including our medical image management systems, electronic medical charts for clinics and comprehensive medical checkup systems for small- to medium-scale hospitals.

Furthermore we hope to increase sales of our next generation medical checkup system, the Hellseher Neo, by adding the function of simulating risks of lifestyle-related diseases, which would indicate the risks of developing lifestyle-related diseases such as the metabolic syndrome in a clear and easily comprehensible way.

[Reinforcement of our sales structure in China]

We intend to further bolster our sales structure centering mainly on Hitachi Medical Systems (Beijing) Corporation and Hitachi Medical (Guangzhou) Co., Ltd. and expand our orders in China.

(3) Capital Investments by the Hitachi Medical Group

The amount of capital investments during the consolidated accounting period was JPY 2,450 million, which consisted mainly of investments in development, manufacturing and inspection facilities including the high-field sealed rooms at the Company's Kashiwa Plant.

(4) Borrowings and Financings by the Hitachi Medical Group

Lender	Loan amount
UBS AG	625 million yen

Note: Working capital for the European sales subsidiary

(5) Assets and business results of the Hitachi Medical Group

1) The Hitachi Medical Group

(Millions of yen)

	FY2003	FY2004	FY2005	FY2006
Net sales	122,699	119,282	122,436	118,342
Ordinary income	7,289	6,907	4,308	2,429
Net income/loss	3,060	2,009	1,296	△ 11,344
Net income/loss per share	77.42	51.06	32.96	△ 288.77
Total assets	120,209	126,812	131,874	114,219

2) Hitachi Medical

(Millions of yen)

	FY2003	FY2004	FY2005	FY2006
Net sales	95,929	95,051	95,441	89,689
Ordinary income/loss	3,095	3,597	2,550	△ 734
Net income/loss	2,107	1,492	2,007	△ 12,301
Net income/loss per share	53.48	37.92	51.05	△ 313.15
Total assets	104,233	109,673	115,429	97,259

(6) Major parent company and subsidiaries (As of March 31, 2007)

1) Relationship with the parent company

The Company's parent company is Hitachi, Ltd. and 61.68% of the Company's shares are held by the parent company. The Company sells medical instruments to hospitals belonging to the parent company.

2) Major consolidated subsidiaries

Company Name	Location	Paid-in Capital	Share of voting rights (%)	Principal Business
Hitachi Medical Computer Systems, Inc.	Shinagawa-ku, Tokyo	325 million yen	100	Sales and service of medical information systems
Hitachi Medical Systems America, Inc.	U.S.A.	900 thousand US dollars	75	Sales and service of medical systems
Hitachi Medical Systems (Singapore) Pte, Ltd.	Democratic Peoples' Republic of Singapore	600 thousand Singaporean dollars	100	Sales and service of medical systems
Hitachi Medical Systems Europe Holding AG	Swiss Confederation	1,673 thousand euros	100	Sales and service of medical systems
Performance Controls, Inc.	U.S.A.	3,800 thousand US dollars	100	Manufacturing and sales of medical systems components
Hitachi Medical Systems (Suzhou) Corporation	People's Republic of China	41,385 thousand yuan	100	Manufacturing and sales of medical systems
Hitachi Medical Systems (Beijing) Corporation	People's Republic of China	18,597 thousand yuan	100	Sales and service of medical systems
Hitachi Medical (Guangzhou) Co., Ltd.	People's Republic of China	23,830 thousand yuan	60	Sales and service of medical systems

(7) Principal Businesses of the Hitachi Medical Group (As of March 31, 2007)

The Group is involved in the development, manufacturing, sales and installation of medical equipment and medical information systems and the maintenance services thereof.

Segment	Business Description
Medical Systems	MRI systems, X-ray CT systems, X-ray systems, Diagnostic Ultrasound systems, Nuclear Medicine systems, etc.
Medical Information Systems	Medical image management systems, hospital information systems, comprehensive medical checkup systems, medical administration systems

(8) Number of Employees of the Hitachi Medical Group (As of March 31, 2007)

Segment	Number of employees	Change from the end of the previous fiscal year (number of employees)
Medical Systems	3,191	+74
Medical Information Systems	434	+40
Total (Non-consolidated)	3,625 (2,335)	+114 (-15)

2. Stock Information (As of March 31, 2007)

1) Number of shares authorized

158,000,000 shares

2) Number of shares issued

39,540,000 shares

Capital	13,884,000,000 yen
Type of stock	Common stock
Number of shares per unit	1,000 shares

3) Number of stockholders

3,419

4) Major Stockholders

Shareholders	Equity in the Company	
	Number of shares held (shares)	Percentage of shares held (%)
Hitachi, Ltd.	24,220,400	61.68
State Street Bank and Trust Company 505019	1,102,000	2.81
Morgan Stanley & Co. International Limited	890,000	2.27
Citibank London PGGM Intern Beheer Japan	806,000	2.05
Hitachi Medical Corporation Group Employees' Stock Association	707,000	1.80
The Master Trust Bank of Japan, Ltd.	695,000	1.77
CBNY DFA Intl Small Cap Value Portfolio	628,000	1.60
Japan Trustee Services Bank, Ltd.	440,000	1.12
ABN AMRO Bank N.V. European Equities Hub	411,000	1.05
Trust & Custody Services Bank, Ltd.	299,000	0.76

3. Board Members and Corporate Officers

1) Names of the Board of Directors and Executive Officers, their positions and responsible divisions

■ Board of Directors (As of June 21, 2007)

Position	Name	Responsible Division (Committee)	Representative of other companies, etc.
Chairman, External Director	Yoshiro Kuwata	Member of the Nomination Committee, the Audit Committee and the Compensation Committee	Chairman, Hitachi High-Technologies Corporation
Director	Yuzo Inakazu	Chairman of the Nomination Committee and the Compensation Committee	—
Director	Kiyoshi Hamamatsu	—	—
Director	Kenichirou Kosugi	—	—
Director	Masahiro Tanaka	Chairman of the Audit Committee	—
External Director	Michiharu Nakamura	Member of the Nomination Committee, the Audit Committee and the Compensation Committee	Fellow, Hitachi, Ltd. External Director, Hitachi Maxell, Ltd.

■ Executive Officer (As of June 21, 2007)

Position	Name	Responsible Division	Representative of other companies, etc.
President and Chief Executive Officer	Yuzo Inakazu	Overall control	—
Senior Vice President and Chief Executive Officer	Kiyoshi Hamamatsu	Marketing, medical information systems business	—
Vice President and Executive Officer	Kazuyoshi Miki	Quality control, development, intellectual property	—
Vice President and Executive Officer	Kenzou Sawaide	Domestic sales, services business	—
Vice President and Executive Officer	Hideki Takahashi	International sales	—
Vice President and Executive Officer	Kenichirou Kosugi	Finance	—
Executive Officer	Toshiaki Teshima	Materials, quality control, development, production	—
Executive Officer	Norifumi Katsukura	Human resources, labor affairs, legal affairs, risk measures, compliance	—
Executive Officer	Michito Kinoshita	Domestic sales, services business	—
Executive Officer	Etsuji Yamamoto	Management support	—
Executive Officer	Kenichi Kaneki	Environment, export control	—
Executive Officer	Masao Miyake	International business	—

4. The Company's system and policy

(1) Summary of the contents of the Board of Directors resolution regarding the enhancement of systems, etc. to ensure the adequacy of business operations

■ Matters necessary for the execution of duties by the Audit Committee

- 1) Matters pertaining to directors and employees who are to assist the duties of the Audit Committee

An administrative office for the Board of Directors has been established to assist the duties of the various Committees including the Audit Committee and the Board of Directors; and one or more staff has been signed to this office. In addition to the staff assigned to the administrative office for the Board of Directors, employees of the Audit Division and the General Affairs Division also assist the administrative affairs of the Board of Directors and the various Committees. It should be noted that Directors have not been appointed explicitly to assist the duties of the Audit Committee.

- 2) Matters pertaining to the independence of the Directors and employees stipulated in the previous paragraph from the Executive Officer

The Audit Committee shall receive prior explanation regarding the personnel changes involving employees belonging to the administrative office for the Board of Directors and may request changes to the Executive Officer in charge of human resources, as necessary. When disciplinary actions are to be taken against an employee belonging to the administrative office for the Board of Directors, the Executive Officer in charge of human resources must obtain prior approval from the Audit Committee.

- 3) System for Executive Officers and employees to report to the Audit Committee and the system

for other reporting to the Audit Committee

Matters that have been brought before or reported to the Management Conference, results of internal audits conducted by the Audit Division, the status of reports under the whistleblower system to monitor compliance and in situations where an Executive Officer is discovered to be in danger of causing material damage to the Company, reports must be made without delay to the Audit Committee.

- 4) Systems to ensure that audits are performed effectively by the Audit Committee

The Audit Committee shall establish a standing audit committee and draw up activity plans upon adjustments with the audit plans of the Audit Division.

■ System to ensure that the execution of duties by the Executive Officers comply with the relevant laws and the Articles of Incorporation

Same as “System to ensure that execution of duties by the employee comply with relevant laws and the Articles of Incorporation,” stated below.

■ The enhancement of other systems stipulated as necessary by the Order of the Ministry of Justice to ensure the adequacy of operations

- 1) System regarding the retention and management of information relating to the execution of duties by the Executive Officer

Internal rules (Executive Officer Regulations and Document Retention Rules) stipulate that records of decisions by Executive Officers must be made and retained and that approval documents must be retained for certain number of years. Moreover in the event that a request is made for the above record or document by a member of the Audit Committee, it must be submitted by the Executive Officer without delay.

- 2) Regulations and other systems relating to the

management of risk of loss

In terms of risks relating to compliance, information security, the environment, disasters, quality and export control, systems have been established at each corresponding division to formulate rules and guidelines, conduct training, and create/distribute manuals.

Efforts are also being made to monitor the probability of occurrence of new risks through the reports given periodically by the Executive Officers on the execution of their duties; and in order to deal with the newly occurring risks, instructions are given to the Divisions concerned by the President and Chief Executive Officer as necessary, in addition to appointing an Executive Officer responsible for promptly dealing with such risks.

Furthermore, in the event that the risks materialize and the occurrence of material losses is predicted, the Executive Officer shall promptly report to members of the Audit Committee.

3) System to ensure that the execution of duties by the Executive Officers is conducted effectively

The effectiveness of the execution of duties by the Executive Officers is ensured by utilizing the management control system indicated below.

- The Management Conference and the management conference for each segment have been established and decisions are being made after deliberations on various aspects take place.
- Each segment, to the end of systematically and efficiently executing operations, draws up its business strategies, implementation measures and numerical targets in the form of the medium-term management plan (medium-term plan) and the yearly budget and manages its performance accordingly.
- Internal audits are being performed to monitor the status of operations and to implement

improvements

- In order for the Audit Committee to supervise the accounting auditors and to ensure the independence of the accounting auditors from the Executive Officers, the Audit Committee shall receive prior reports on the audit plans from the accounting auditors. Remunerations for the accounting auditors and commissioning non-auditing operations to the accounting auditors require prior approval by the Audit Committee.
 - Documented processes relating to the items that are to be included in the financial statements are being steadily implemented and verified (verifications are commissioned to accounting auditors as necessary).
- ### 4) System to ensure that the execution of duties by the employees comply with relevant laws and the Articles of Incorporation
- A compliance system is being maintained continuously by utilizing the management control system indicated below.
- Internal audits by the Audit Division and other related divisions are being conducted in order to confirm the status of compliance and to deter violations of the laws.
 - A whistleblower system to monitor compliance has been established so that personnel may report incidents to their divisions.
 - As a part of the Company's compliance education, an educational program using texts including handbooks on the laws relating to the business activities of the Company is being conducted.
 - In order to make the internal control systems known throughout the Company and to ensure their efficiency, the Executive Officers, as part of their duties, are establishing the rules for each Company. However the enactment and the revision/removal of rules determining the system of rules/enactment methods, and of the rules

relating to the organizations of the companies and to compliance/information management, particularly significant ones will require the approval of the Board of Directors.

5) System to ensure the adequacy of operations by the Corporate Group comprising the Company, the Company's parent company and its subsidiaries

The adequacy of operations by the Corporate Group is ensured by the system indicated below.

[The system, which includes the parent company]

- We regard the corporate behavior standards of the Company and Hitachi, Ltd., the parent company, as the foundation for the Hitachi brand and our CSR activities. We will nurture a set of values to be shared by the entire Hitachi Group, while at the same time share the understanding of the CSR that need to be fulfilled as a corporate entity.
- We are undergoing periodic audits on operations, accounting, export control and compliance by the parent company and receiving the results thereof in the form of appropriate feedback.
- The Company and the Hitachi Medical Group have made it their policy to conduct transactions within the Hitachi Group fairly and based on market prices.

[The system, which includes the subsidiaries]

- The Company has determined policies and management rules, which have at their core the compliance to the laws governing the business activities of the Hitachi Medical Group, including information security, the environment, quality control, export control, prevention of antisocial business, etc., and has laid down similar rules at its subsidiaries.
- In order to ensure efficiency and compliance, we have determined rules on internal audits and

have developed a system that conducts periodic audits. We have also dispatched the Company's Directors and Corporate Auditors to the Hitachi Medical Group.

- We have established a whistleblower system to monitor compliance, which enables employees of the Company and the Hitachi Medical Group to make reports of incidents to the responsible divisions of the Company.
- In terms of internal controls over financial statements, documented processes relating to the items that are to be included in the financial statements are being steadily implemented and verified by the Corporate Auditors, etc. of each company.
- The Company and the Hitachi Medical Group have made it their policy to conduct transactions within the Group fairly and based on market prices.

(2) Basic Policy on the Control of the Company

The Company recognizes that the listing of its stocks and the raising of capital for the Company's future growth from investors and from the stock market, while engaging in the management of the Company with a sense of urgency instilled by the awareness of being evaluated on a daily basis, is extremely important in enhancing its corporate value.

On the other hand, from the perspective of stockholder composition, the Company's parent company is Hitachi, Ltd. and on the basis of this capital relationship with Hitachi, Ltd., the Company is aggressively utilizing the R&D capabilities, the brand power and other management resources of Hitachi, Ltd. and the Hitachi Group.

The Company considers the optimization of its value as it applies to all of its stockholders as one of its major management goals and from this perspective it intends to engage in the construction of its governance structure and the formulation of its management plans.

(3) Policy on the determination of dividends

The Company considers the interests of its stockholders as one of its top priorities.

Dividend payments will be executed based on maintaining a balance between the appropriate return of profits to our stockholders and the retention of internal reserves for R&D investments, while comprehensively taking into account the Company's performance and financial position.

During the current consolidated accounting period, the Company declared a year-end dividend of 4.5 yen per share, which is the same amount as the interim dividend, for a full year dividend of 9.0 yen per share.

II. Consolidated Balance Sheets

Item	FY2006 (As of March 31, 2007)	FY2005 (Reference) (As of March 31, 2006)
(Assets)	(Millions of yen)	(Millions of yen)
Current Assets	88,616	102,387
Cash on hand and in banks	8,252	8,928
Receivables	35,127	38,106
Marketable securities	3,610	7,935
Inventories	24,234	26,835
Deferred tax assets	3,698	4,754
Deposits	13,065	13,030
Others	1,133	3,248
Less: Allowance for doubtful accounts	△ 506	△ 451
Fixed Assets	25,602	29,486
Tangible fixed assets	16,029	16,017
Buildings and structures	5,933	5,935
Machinery, equipment and vehicles	1,861	1,992
Land	5,793	5,879
Others	2,441	2,211
Intangible fixed assets	2,673	3,500
Goodwill	77	429
Software	2,473	2,890
Others	121	180
Investment and other assets	6,899	9,967
Investment securities	4,865	1,359
Long-term prepaid expenses	392	418
Deferred tax assets	432	7,190
Others	1,209	1,001
Less: Allowance for doubtful accounts	—	△ 3
Total Assets	114,219	131,874

Item	FY2006 (As of March 31, 2007)	FY2005 (Reference) (As of March 31, 2006)
(Liabilities)	(Millions of yen)	(Millions of yen)
Current Liabilities	34,921	40,248
Notes and accounts payable	20,146	24,612
Short-term loans payable	625	596
Accrued expenses	6,339	6,299
Accrued income taxes	724	715
Reserve for guarantee for after-care of products	1,889	1,954
Others	5,195	6,070
Long-Term liabilities	11,901	12,976
Long-term loans payable	—	762
Accrued retirement benefits	9,554	10,098
Reserve for directors' retirement allowances	527	452
Deferred tax liabilities on revaluation	1,612	1,612
Others	206	50
Total Liabilities	46,822	53,225
(Minority Interests)		
Minority Interests in Consolidated Subsidiaries	—	1,469
(Stockholders' Equity)		
Common Stock	—	13,884
Capital Surplus	—	21,206
Retained Earnings	—	44,912
Unrealized Gain/Loss on Revaluation of Land	—	△ 3,053
Unrealized Gain/Loss on Marketable Securities	—	157
Foreign Currency Translation Adjustment	—	394
Treasury Stock	—	△ 322
Total Stockholders' Equity	—	77,179
Total Liabilities, Minority Interests and Stockholders' Equity	—	131,874
(Net Assets)		
Stockholders' Equity	67,820	—
Common stock	13,884	—
Capital surplus	21,206	—
Retained earnings	33,096	—
Treasury stock	△ 366	—
Valuation and Translation Adjustments	△ 2,189	—
Unrealized gain/loss on marketable securities	275	—
Unrealized gain/loss on revaluation of land	△ 3,053	—
Foreign currency translation adjustment	588	—
Minority Interests	1,765	—
Total Net Assets	67,396	—
Total Liabilities and Net Assets	114,219	—

III. Consolidated Statements of Income

Item	FY2006 (from April 1, 2006 to March 31, 2007)		FY2005 (Reference) (from April 1, 2005 to March 31, 2006)	
	(Millions of yen)		(Millions of yen)	
Net sales	118,342		122,436	
Cost of goods sold	<u>76,677</u>		<u>79,814</u>	
Gross Profit	41,665		42,621	
Selling, general and administrative expenses	<u>38,588</u>		<u>37,678</u>	
Operating Income	3,076		4,943	
Non-operating income	(Millions of yen)		(Millions of yen)	
Interest income	206		112	
Foreign exchange gains	51		103	
Others	<u>233</u>	492	<u>226</u>	442
Non-operating expenses				
Interest expenses	46		30	
Loss on disposal of inventories	545		674	
Loss on disposal of fixed assets	283		245	
Others	<u>264</u>	<u>1,139</u>	<u>126</u>	<u>1,077</u>
Ordinary Income	2,429		4,308	
Extraordinary income				
Gain on sales of investment securities	<u>208</u>	208	<u>—</u>	—
Extraordinary losses				
Loss on disposal of inventories	2,743		—	
Loss on sales of fixed assets	—		306	
Impairment loss	—		36	
Loss on valuation of investment securities	127		—	
Amortization of goodwill	292		—	
Loss on sales of stocks of affiliates	<u>372</u>	<u>3,536</u>	<u>—</u>	<u>342</u>
Income/Loss before Income Taxes	△ 898		3,966	
Income taxes-Current	1,842		1,528	
Tax refund	—		△ 120	
Income taxes-Deferred	<u>7,987</u>	9,829	<u>856</u>	2,264
Minority interest in earnings of consolidated subsidiaries	<u>615</u>		<u>405</u>	
Net Income/Loss	△ 11,344		1,296	

IV. Consolidated Statement of Changes in Stockholders' Equity

(From April 1, 2006
to March 31, 2007)

	Stockholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total stockholders' equity
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
Balance as of March 31, 2006	13,884	21,206	44,912	△ 322	79,680
Changes in the consolidated interim period					
Dividend payments of surplus			△ 471		△ 471
Net loss			△ 11,344		△ 11,344
Acquisition of treasury stocks				△ 48	△ 48
Disposition of treasury stocks		△ 0	△ 0	4	3
Net changes in items other than stockholders' equity during the consolidated year					—
Total changes in the consolidated interim period	—	△ 0	△ 11,815	△ 44	△ 11,859
Balance as of March 31, 2007	13,884	21,206	33,096	△ 366	67,820

	Valuation and translation adjustments				Minority interests	Total net assets
	Unrealized gain/loss on marketable securities	Unrealized gain/loss on revaluation of land	Foreign currency translation adjustment	Total valuation and translation adjustments		
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
Balance as of March 31, 2006	157	△ 3,053	394	△ 2,501	1,469	78,649
Changes in the consolidated interim period						
Dividend payments of surplus						△ 471
Net loss						△ 11,344
Acquisition of treasury stocks						△ 48
Disposition of treasury stocks						3
Net changes in items other than stockholders' equity during the consolidated year	117		193	311	296	607
Total changes in the consolidated interim period	117	—	193	311	296	△ 11,252
Balance as of March 31, 2007	275	△ 3,053	588	△ 2,189	1,765	67,396

V. Non-consolidated Balance Sheets

Item	FY2006 (As of March 31, 2007)	FY2005 (Reference) (As of March 31, 2006)
(Assets)	(Millions of yen)	(Millions of yen)
Current Assets	70,642	85,989
Cash on hand and in banks	3,778	4,549
Notes receivable-trade	4,472	4,540
Accounts receivable-trade	26,427	29,783
Marketable securities	3,610	7,935
Merchandise	135	296
Finished goods	7,252	7,623
Materials	1,255	1,304
Work in process	7,427	10,383
Deferred tax assets	2,539	2,958
Short-term loans	17	3,099
Deposits	13,065	13,030
Others	687	582
Less: Allowance for doubtful accounts	△ 26	△ 99
Fixed Assets	26,617	29,440
Tangible fixed assets	14,433	14,065
Buildings	5,361	5,174
Structures	145	156
Machinery	1,375	1,345
Vehicles	3	4
Equipment	1,726	1,685
Land	5,682	5,681
Construction in progress	140	16
Intangible fixed assets	2,097	2,740
Patent right	31	38
Right of trademark	3	4
Software	1,676	2,423
Right of using facilities	51	54
Software in progress	334	219
Investment and other assets	10,086	12,634
Investment securities	4,782	1,295
Stocks of affiliates	1,990	2,604
Investments in capital of affiliates	1,091	641
Long-term loans	—	1
Long-term loans receivable from employees	10	9
Loans receivable from affiliates	900	100
Long-term prepaid expenses	370	395
Deferred tax assets	—	6,855
Others	941	735
Less: Allowance for doubtful accounts	—	△ 3
Total Assets	97,259	115,429

Item	FY2006 (As of March 31, 2007)	FY2005 (Reference) (As of March 31, 2006)
(Liabilities)	(Millions of yen)	(Millions of yen)
Current Liabilities	25,236	30,428
Notes payable-trade	376	795
Accounts payable-trade	18,697	22,650
Accounts payable-other	371	631
Accrued income taxes	39	171
Accrued expenses	3,564	3,481
Advance received	542	730
Deposits received	437	452
Reserve for guarantee for after-care of products	1,029	1,085
Notes payable-facilities	53	218
Others	124	212
Long-Term liabilities	11,297	11,575
Accrued retirement benefits	8,998	9,531
Reserve for directors' retirement allowances	490	430
Deferred tax liabilities	195	—
Deferred tax liabilities on revaluation	1,612	1,612
Total Liabilities	36,534	42,004
(Stockholders' Equity)		
Common Stock	—	13,884
Capital Surplus	—	21,206
Capital reserve	—	21,206
Other capital surplus	—	0
Disposal of treasury stock	—	0
Retained Earnings	—	41,553
Legal reserve	—	798
Voluntary retained earnings	—	38,968
General reserve	—	38,968
Unappropriated retained earnings	—	1,787
Unrealized Gain/Loss on Revaluation of Land	—	△ 3,053
Unrealized Gain/Loss on Marketable Securities	—	157
Treasury Stock	—	△ 322
Total Stockholders' Equity	—	73,425
Total Liabilities and Stockholders' Equity	—	115,429
(Net Assets)		
Stockholders' Equity	63,504	—
Common stock	13,884	—
Capital surplus	21,206	—
Capital reserve	21,206	—
Retained earnings	28,780	—
Legal reserve	798	—
Other retained earnings	27,981	—
General reserve	38,968	—
Retained earnings brought forward	△ 10,986	—
Treasury stock	△ 366	—
Valuation and Translation Adjustments	△ 2,778	—
Unrealized gain/loss on revaluation of land	△ 3,053	—
Unrealized gain/loss on marketable securities	275	—
Total Net Assets	60,725	—
Total Liabilities and Net Assets	97,259	—

VI. Non-consolidated Statements of Income

Item	FY2006 (from April 1, 2006 to March 31, 2007)		FY2005 (Reference) (from April 1, 2005 to March 31, 2006)	
	(Millions of yen)		(Millions of yen)	
Net sales	89,689		95,441	
Cost of goods sold	69,620		72,001	
Gross Profit	20,069		23,439	
Selling, general and administrative expenses	21,787		22,312	
Operating Income/Loss	△ 1,718		1,126	
Non-operating income	(Millions of yen)		(Millions of yen)	
Interest income	71		26	
Interest on securities	26		10	
Dividends income	1,550		2,236	
Miscellaneous income	72		140	
	1,721		2,414	
Non-operating expenses				
Interest expenses	9		7	
Loss on disposal of inventories	215		672	
Loss on disposal of fixed assets	272		237	
Miscellaneous loss	240		72	
	738		990	
Ordinary Income/Loss	△ 734		2,550	
Extraordinary income				
Gain on sales of investment securities	208		—	
Extraordinary losses				
Loss on sales of fixed assets	—		306	
Impairment loss	—		36	
Loss on disposal of inventories	2,743		—	
Loss on liquidation of affiliates	1,489		—	
Loss on valuation of investment securities	127		—	
	4,360		342	
Income/Loss before Income Taxes	△ 4,887		2,208	
Income taxes-Current	32		82	
Tax refund	—		△ 120	
Income taxes-Deferred	7,382		238	
	7,414		200	
Net Income/Loss	△ 12,301		2,007	
Retained profit brought forward	—		1,346	
Unappropriated profit/loss transferred on merger	—		483	
Reversal of unrealized gain/loss on revaluation of land	—		△ 1,755	
Interim dividends	—		294	
Unappropriated Profit	—		1,787	

VII. Non-consolidated Statement of Changes in Stockholders' Equity (From April 1, 2006 to March 31, 2007)

	Stockholders' equity							
	Common stock	Capital surplus			Retained earnings			
		Capital reserve	Other capital surplus	Total capital surplus	Earned surplus reserve	Other retained earnings		Total retained earnings
(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
Balance as of March 31, 2006	13,884	21,206	0	21,206	798	38,968	1,787	41,553
Changes in the year								
Dividend payments of surplus							△ 471	△ 471
Net loss							△ 12,301	△ 12,301
Acquisition of treasury stocks								
Disposition of treasury stocks			△ 0	△ 0			△ 0	△ 0
Net changes in items other than stockholders' equity during the year								
Total changes in the year	—	—	△ 0	△ 0	—	—	△ 12,773	△ 12,773
Balance as of March 31, 2007	13,884	21,206	—	21,206	798	38,968	△ 10,986	28,780

	Stockholders' equity		Valuation and translation adjustments			Total net assets
	Treasury stock	Total stockholders' equity	Unrealized gain/loss on revaluation of land	Unrealized gain/loss on marketable securities	Total valuation and translation adjustments	
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
Balance as of March 31, 2006	△ 322	76,321	△ 3,053	157	△ 2,896	73,425
Changes in the year						
Dividend payments of surplus		△ 471				△ 471
Net loss		△ 12,301				△ 12,301
Acquisition of treasury stocks	△ 48	△ 48				△ 48
Disposition of treasury stocks	4	3				3
Net changes in items other than stockholders' equity during the year				117	117	117
Total changes in the year	△ 44	△ 12,817	—	117	117	△ 12,700
Balance as of March 31, 2007	△ 366	63,504	△ 3,053	275	△ 2,778	60,725