

Preparation of the Interim Unconsolidated Financial Statements

1. Valuation of Assets

(1) Inventories

Merchandise:	Valued at lower of cost or market using the weighted average cost method
Finished products:	Valued at cost using the weighted average cost method
Work-in-progress and semi-finished products:	Valued at cost using the weighted average cost method
Raw materials:	Valued at lower of cost or market using the moving-average method

(2) Securities

Held-to-maturity securities:	Valued at amortized cost (straight-line method)
Shares of subsidiaries and affiliates:	Valued at cost using the moving-average method
Other securities	
With market value:	Valued at market value based on market prices at the interim balance sheet date (Valuation gains and losses are fully capitalized, and cost of securities sold is calculated using the moving-average method.)
Without market value:	Valued at cost using the moving-average method

(3) Derivatives

Fair value

2. Depreciation of Fixed Assets

(1) Tangible fixed assets and real estates for lease

The Company uses the declining-balance method. However, for buildings (excluding attached facilities) acquired on or after April 1, 1998, the straight-line method is employed.

Estimated useful lives of tangible fixed assets are primarily as follows:

Buildings and structures:	15-50 years
Machinery and equipment:	4-15 years

(2) Intangible fixed assets

Depreciated using the straight-line method.

3. Accounting Standards for Major Reserves

(1) Allowance for doubtful receivables

To protect against potential losses from uncollectible notes and accounts receivable, the Company provides for uncollectible receivables based on historical loss ratios. Specific claims are evaluated for the likelihood of recovery and provision is made to the allowance for doubtful receivables in the amount deemed uncollectible.

(2) Reserve for bonuses

To appropriate funds for the payment of bonuses to employees, the reserve for bonuses is provided according to the expected amount of the payment for employees enrolled at the end of the interim period, based on the applicable period.

(3) Reserve for retirement benefits

To cover payment of retirement benefits to employees, the Company provides for retirement benefits based on the estimated value of the retirement benefit obligation as of the end of the interim period projected at the beginning of each fiscal year, less estimated fair amounts funded under contributory and qualified pension plans.

Prior service cost is amortized using the straight-line method over the certain years (five years), within the average remaining years of service of employees when obligations arise.

Actuarial gains and losses are expensed on a straight-line basis over the certain years (five years), within the average remaining years of service of employees, allocated proportionately starting from the year each respective gain or loss occurred.

(4) Reserve for directors' retirement bonuses

To cover payment of retirement bonuses to directors, the reserve for directors' retirement bonuses is stated as the amount to be paid in accordance with internal regulations.

(5) Reserve for SMON compensation

The reserve for SMON compensation is stated at an amount calculated in accordance with the Memorandum Regarding the Settlements and the settlements entered into with the Nationwide Liaison Council of SMON Patients' Associations, etc. in September 1979, in order to prepare for the future costs of health care and nursing with regard to the subjects of the settlements applicable to the Company as of the end of the interim period.

4. Accounting for Lease Transactions

Finance lease transactions other than those for which ownership is deemed to be transferred to the lessee are accounted for as ordinary lease transactions.

5. Hedge Accounting

(1) Methods of hedge accounting

The Company uses mainly deferred hedging. However, under certain conditions, forward exchange contracts are accounted for as if each hedging instrument and hedged item were one combined financial instrument.

(2) Hedging procedures, hedging targets and hedging policies

The Company uses yen interest swaps to hedge the portion of cash flow related to future asset management income, which is linked to short-term variable interest rates. In addition, the Company uses forward foreign exchange contracts for a portion of foreign currency-denominated transactions that can be individually recognized and are financially material. These hedge transactions are conducted in accordance with established regulations regarding scope of usage and standards for selection of counterparty financial institutions.

(3) Method of evaluating effectiveness of hedges

Preliminary testing is conducted using statistical methods such as regression analysis, and post-testing is conducted using comparative analysis.

6. Other

Consumption taxes are excluded from revenues and expenses.

<Changes in Accounting Methods>

<Accounting Standards concerning Presentation of Net Assets on Balance Sheet>

From this interim period, the Company has adopted the "Accounting Standards concerning Presentation of Net Assets on Balance Sheet" (Corporate Accounting Standards No. 5, issued by the Corporate Accounting Standards Committee on December 9, 2005) and the "Guides for Adopting the Accounting Standards concerning Presentation of Net Assets on Balance Sheet" (Corporate Accounting Standards Adoption Guide No. 8, issued by the Corporate Accounting Standards Committee on December 9, 2005).

If the former classification of Shareholders' Equity had been used, the total shareholders' equity would have totaled ¥1,657,071 million.

Following the revision of the Rules for Interim Financial Statements, the financial statements of the Company for the six months ended September 30, 2006 were prepared in accordance with those revised rules.

<Accounting Standards for Business Combination>

From this interim period, the Company adopts the "Accounting Standards concerning Business Combination" (issued by the Corporate Accounting Standards Council on October 31, 2003), and the "Guides for Adopting the Accounting Standards concerning Business Combination and Business Division" (Corporate Accounting Standards Adoption Guide No. 10, issued by the Corporate Accounting Standards Committee on December 27, 2005).