

5. Non-consolidated Financial Statements

1. Non-consolidated Balance Sheets

(Unit: Millions of yen)

	Fiscal 2006 (as of March 31, 2006)		Fiscal 2007 (as of March 31, 2007)		Changes Increase/ (Decrease)
	Amount	Component ratio (%)	Amount	Component ratio (%)	Amount
ASSETS					
Current assets:					
Cash and time deposits	37,789		24,774		(13,015)
Notes receivable, trade	1,859		1,784		(75)
Accounts receivable, trade	113,763		107,612		(6,151)
Marketable securities	2		2		-
Finished products	24,847		27,072		2,225
Raw materials	8,827		12,877		4,050
Work in process	69,819		81,119		11,300
Supplies	1,228		1,235		7
Advances paid	9,912		13,366		3,454
Prepaid expenses	2,641		2,800		159
Deferred tax assets	17,633		16,023		(1,608)
Short-term loans	54,995		73,994		18,999
Accounts receivable, other	19,686		24,495		4,809
Other	1,987		2,535		548
Allowance for doubtful accounts	(939)		(469)		470
Total current assets	364,049	40.2	389,221	43.7	25,172
Fixed assets					
1. Property, plant and equipment, net:					
Buildings	52,132		54,034		1,902
Structures	6,905		-		(6,905)
Machinery and equipment	72,917		73,144		227
Aircrafts	14		-		(14)
Vehicles	1,261		-		(1,261)
Tools	12,538		12,296		(242)
Land	82,274		83,634		1,360
Construction in progress	6,012		-		(6,012)
Other	-		17,327		17,327
Total property, plant and equipment, net	234,053	25.9	240,435	27.0	6,382
2. Intangible assets:					
Industrial rights	118		-		(118)
Patent	-		94		94
Land lease rights	-		11		11
Trademark	-		6		6
Software	14,243		12,557		(1,686)
Other	1,704		860		(844)
Total intangible assets	16,065	1.8	13,528	1.5	(2,537)

	Fiscal 2006 (as of March 31, 2006)		Fiscal 2007 (as of March 31, 2007)		Changes Increase/ (Decrease)
	Amount	Compon ent ratio (%)	Amount	Compon ent ratio (%)	Amount
3. Investments and other assets:					
Investment securities	52,852		55,280		2,428
Investments in subsidiaries and affiliated companies	142,662		143,252		590
Investment securities, other than stock	27		8		(19)
Investments in subsidiaries and affiliated companies, other than stock	453		1,056		603
Long-term loans	67,004		5		(66,999)
Long-term loans for employees	-		128		128
Long-term loans for subsidiaries and affiliated companies	-		44,600		44,600
Bankruptcy and rehabilitation claims	-		6,452		6,452
Long-term prepaid expenses	2,382		1,931		(451)
Deferred tax assets	24,621		3,257		(21,364)
Other	7,635		2,121		(5,514)
Allowance for devaluation of investments	(744)		-		744
Allowance for doubtful accounts	(6,049)		(9,992)		(3,943)
Total investments and other assets	290,843	32.1	248,098	27.8	(42,745)
Total fixed assets	540,961	59.8	502,061	56.3	(38,900)
Total assets	905,010	100.0	891,282	100.0	(13,728)

(Unit: Millions of yen)

	Fiscal 2006 (as of March 31, 2006)		Fiscal 2007 (as of March 31, 2007)		Changes Increase/ (Decrease)
	Amount	Compon ent ratio (%)	Amount	Compon ent ratio (%)	Amount
LIABILITIES AND NET ASSETS					
Current liabilities:					
Notes payable, trade	3,804		3,941		137
Accounts payable, trade	172,129		166,929		(5,200)
Short-term borrowings	12,140		17,548		5,408
Current portion of long-term debt	11		-		(11)
Current portion of bonds	20,000		10,000		(10,000)
Accounts payable, other	10,523		18,744		8,221
Accrued expenses	34,356		29,111		(5,245)
Accrued income taxes	5,677		3,239		(2,438)
Advances received	5,378		6,254		876
Deposits received	1,248		960		(288)
Income in advance	172		181		9
Accrued bonus	10,060		10,076		16
Accrued director's bonus	-		92		92
Accrued warranty claims	7,063		7,520		457
Notes payable for acquisition of fixed assets	1,428		-		(1,428)
Other	5,463		1,401		(4,062)
Total current liabilities	289,452	32.0	275,996	31.0	(13,456)
Long-term liabilities:					
Bonds	80,000		90,000		10,000
Long-term debt	24,741		23,727		(1,014)
Long-term accounts payable, other	2,148		-		(2,148)
Long-term deposits received	1,394		-		(1,394)
Accrued pension and severance benefits	31,308		27,651		(3,657)
Accrued directors' severance and retirement benefits	170		200		30
Provision for losses on guarantees	1,163		745		(418)
Other	3		8,940		8,937
Total long-term liabilities	140,927	15.6	151,263	16.9	10,336
Total liabilities	430,379	47.6	427,259	47.9	(3,120)

	Fiscal 2006 (as of March 31, 2006)		Fiscal 2007 (as of March 31, 2007)		Changes Increase/ (Decrease)
	Amount	Component ratio (%)	Amount	Component ratio (%)	Amount
Shareholders' equity					
Common stock	153,795	17.0	-	-	-
Capital surplus:	160,071	17.7	-	-	-
Capital reserve	160,071		-	-	-
Retained earnings:	182,364	20.1	-	-	-
Legal reserve	7,901		-	-	-
Advanced depreciation reserve	687		-	-	-
General reserve	85,335		-	-	-
Unappropriated retained earnings	88,441		-	-	-
Net unrealized holding gains on securities	19,920	2.2	-	-	-
Less treasury stock, at cost	(41,519)	(4.6)	-	-	-
Total shareholders' equity	474,631	52.4	-	-	-
Total liabilities and shareholders' equity	905,010	100.0	-	-	-
Net assets					
Shareholders' capital					
Common stock	-	-	153,795	17.3	-
Capital surplus:	-	-	160,120	18.0	-
Capital reserve	-	-	160,071		-
Other Capital reserve	-	-	49		-
Retained earnings:	-	-	169,455	18.9	-
Legal reserve	-	-	7,901		-
Advanced depreciation reserve	-	-	719		-
General reserve	-	-	85,335		-
Unappropriated retained earnings	-	-	75,500		-
Less-treasury stock, at cost	-	-	(40,477)	(4.5)	-
Total shareholders' capital	-	-	442,893	49.7	-
Valuation, translation and other adjustments:					
Net unrealized holding gains on securities	-	-	21,130		-
Total valuation, translation and other adjustments	-	-	21,130	2.4	-
Total net assets	-	-	464,023	52.1	-
Total liabilities and net assets	-	-	891,282	100.0	-

2. Non-consolidated Statements of Income

(Unit: Millions of yen)

	Fiscal 2006 (ended March 30, 2006)		Fiscal 2007 (ended March 31, 2007)		Changes Increase/ (Decrease)
	Amount	Ratio of net sales (%)	Amount	Ratio of net sales (%)	Amount
Net sales	976,143	100.0	964,424	100.0	(11,719)
Cost of sales	778,248	79.7	782,838	81.2	4,590
Gross profit	197,895	20.3	181,586	18.8	(16,309)
Selling, general and administrative expenses	145,772	15.0	148,079	15.3	2,307
Operating income	52,123	5.3	33,507	3.5	(18,616)
Non-operating income:					
Interest and dividend income	2,664		2,659		(5)
Gain on revaluation of derivatives	-		4,166		4,166
Other	5,199		6,363		1,164
Total non-operating income	7,863	0.8	13,188	1.3	5,325
Non-operating expenses:					
Interest expenses	1,454		1,656		202
Exchange loss	-		12,082		12,082
Loss on revaluation of derivatives	2,983		72		(2,911)
Other	14,170		5,750		(8,420)
Total non-operating expenses	18,607	1.9	19,560	2.0	953
Ordinary income	41,379	4.2	27,135	2.8	(14,244)
Extraordinary gains:					
Gain on sale of fixed assets	534		678		144
Prior period adjustment	-		1,451		1,451
Gain on sale of investment securities	5,243		-		(5,243)
Reversal of allowance for doubtful accounts	9		-		(9)
Other	0		363		363
Total extraordinary gains	5,786	0.6	2,492	0.3	(3,294)
Extraordinary losses:					
Loss on sale and disposal of properly, plant and equipment	1,881		1,424		(457)
Loss on sale of investment securities	2,216		-		(2,216)
Loss on devaluation of securities	6,608		892		(5,716)
Impairment loss on property, plant and equipment	329		-		(329)
Allowance for doubtful accounts	-		3,077		3,077
Allowance for losses on guarantees	1,163		745		(418)
Allowance for devaluation of investments	744		-		(744)
Loss on liquidation of affiliated companies	-		1,922		1,922
Additional retirement payments	7,969		-		(7,969)
Loss on termination of joint development projects	7,094		-		(7,094)
Other	-		176		176
Total extraordinary losses	28,004	2.8	8,236	0.9	(19,768)
Income before income taxes	19,161	2.0	21,391	2.2	2,230
Income taxes-current	7,303	0.7	5,634	0.6	(1,669)
Income taxes-deferred	1,584	0.2	22,148	2.3	20,564
Net income (loss)	10,274	1.1	(6,391)	(0.7)	(16,665)

3. Non-consolidated Statement of Net Assets

(Unit: Millions of yen)

	Shareholders' capital								
	Common stock	Capital surplus			Retained earnings				
		Capital reserve	Other	Total	Legal reserve	Other			Total
						Ad.dep. reserve	General reserve	Unappropriated retained earnings	
Balance, March 31, 2006	153,795	160,071	-	160,071	7,901	687	85,335	88,441	182,364
Increase (decrease) during the year									
Reserve for reduction in cost basis of fixed assets	-	-	-	-	-	32	-	(32)	-
Dividends paid	-	-	-	-	-	-	-	(6,452)	(6,452)
Payment of bonus to directors and statutory auditors	-	-	-	-	-	-	-	(66)	(66)
Net income	-	-	-	-	-	-	-	(6,391)	(6,391)
Purchase of treasury stock	-	-	-	-	-	-	-	-	-
Disposal of treasury stock	-	-	49	49	-	-	-	-	-
Changes (other than shareholders' capital), net	-	-	-	-	-	-	-	-	-
Total	-	-	49	49	-	32	-	(12,941)	(12,909)
Balance, March 31, 2007	153,795	160,071	49	160,120	7,901	719	85,335	75,500	169,455

	Shareholders' capital		Valuation, translation and other adjustments		Net assets total
	Treasury stock	Total	Net unrealized holding gains on securities	Total	
Balance, March 31, 2006	(41,519)	454,711	19,920	19,920	474,631
Increase (decrease) during the year					
Reserve for reduction in cost basis of fixed assets	-	-	-	-	-
Dividends paid	-	(6,452)	-	-	(6,452)
Payment of bonus to directors and statutory auditors	-	(66)	-	-	(66)
Net income	-	(6,391)	-	-	(6,391)
Purchase of treasury stock	(62)	(62)	-	-	(62)
Disposal of treasury stock	1,104	1,153	-	-	1,153
Changes (other than shareholders' capital), net	-	-	1,210	1,210	1,210
Total	1,042	(11,818)	1,210	1,210	(10,608)
Balance, March 31, 2007	(40,477)	442,893	21,130	21,130	464,023

4. Notes to Non-consolidated Financial Statements

(Statements of Income)

- Extraordinary gains and extraordinary losses:

(Fiscal 2007)

(1) Prior period adjustment

Prior period adjustment represents a gain on reversal, as a result of the final settlement, of a portion of “Loss on termination of joint development projects (joint development projects for new model vehicles)” which was recorded as an extraordinary loss in prior year.

(2) Allowance for doubtful accounts

The allowance has been provided for certain loans to affiliated companies.

(3) Loss on liquidation of affiliated companies

“Loss on liquidation” consists of the following two components:

(1) Integration of dealer subsidiaries

The Company has recorded a ¥1,009 million loss as a result of integration of dealer subsidiaries in Osaka prefecture and Wakayama prefecture.

(2) Liquidation of a joint venture

The Company has recorded a ¥913 million loss on liquidation of Fuji AT Ltd, which was a joint venture with JATCO Ltd.

(Fiscal 2006)

“Loss on termination of joint development projects” in “Extraordinary losses” consisted of the following two components:

(1) Joint development project for new model vehicles

In light of the termination of the Strategic Alliance between the Company and General Motors (GM), the Company and GM agreed to terminate the joint development project for cross over vehicles with SAAB Automobile AB. As a result, the Company has recorded an extraordinary loss of ¥3,633 million on the joint project costs already incurred. As the Company has since identified certain project asset to be used for another model development, the loss has been reduced by ¥1,980 million compared to the amount recorded in the consolidated financial statements for the semi-annual period of 2006.

(2) New software system development project

The Company started to develop a software operating system which was expected to support its business processes from order entry to delivery. However, the Company has concluded that the new system would not be as cost effective as it was originally planned. As a result, the Company terminated the development project and has recorded an extraordinary loss of ¥3,461 million from the termination.

- Income tax-deferred

(Fiscal 2007)

Since the adoption of the accounting standard for financial instruments, the Company has conservatively recorded impairment losses on its investments in subsidiaries. In accordance with its accounting policy, the Company recognized deferred tax assets for the resulting deductible temporary differences between the carrying amounts of its investments in subsidiaries and their respective tax bases, since the Company considered those deferred tax assets to be fully realizable through a tax-planning strategy such as regional integration or reorganization of domestic dealership subsidiaries based on its business plan.

However, pursuant to the new mid-term business plan that was recently announced, the Company re-evaluated the tax-planning strategy including the possibility of regional integration or reorganization, and the timing of related tax deductions, and has concluded that the scheduling of the reversal of such deductible temporary differences became no longer feasible. As a result, the Company has provided a valuation allowance of ¥19,892 million against its deferred tax assets related to the impairment losses on investments in subsidiaries in Fiscal 2007.

(Changes in presentation of financial statements)

(Balance sheets)

(Fiscal 2007)

- (1) "Structures", "Aircraft", "Vehicles", and "Construction in progress" which were presented separately in Fiscal 2006, are all included in "Other" properly, plant and equipment in Fiscal 2007, because of each of these amounts being less than one hundredth of total assets. Included in "Other" of ¥17,327 million in Fiscal 2007 are "Structures" of ¥7,221 million, "Aircraft" of ¥12 million, "Vehicles" of ¥1,251 million, and "Construction in progress" of ¥8,843 million.
- (2) "Patent" and "Trademark" which were both included in "Industrial rights" in Fiscal 2006 have been presented as separate line items in Fiscal 2007. "Patent" and "Trademark" included in "Industrial rights" of ¥118 million in Fiscal 2006 are ¥111 million and ¥7 million, respectively.
- (3) "Land lease rights" which was included in "Other" intangible assets in Fiscal 2006, has been presented as a separate line item in Fiscal 2007. "Land lease rights" included in "Other" of ¥1,704 million in Fiscal 2006 is ¥11 million.
- (4) "Long-term loans for employees" and "Long-term loans for subsidiaries and affiliated companies" which were both included in "Long-term loan" in Fiscal 2006 have been presented as separate line items in Fiscal 2007. "Long-term loans for employees" and "Long-term loans for subsidiaries and affiliated companies" included in "Long-term loan" of ¥67,004 million in Fiscal 2006 are ¥139 million and ¥63,336 million, respectively.
- (5) "Bankruptcy and rehabilitation claims" which was included in "Other" investment and other assets in Fiscal 2006 has been presented as a separate line item in Fiscal 2007, "Bankruptcy and rehabilitation claims" included in "Other" of ¥7,635 million in Fiscal 2006 is ¥5,443 million.
- (6) "Current portion of long-term debts" and "Notes payable for acquisition of fixed assets" which were presented separately in Fiscal 2006 are included in "Short-term borrowings" and "Notes payable, trade" in Fiscal 2007, because of each of those amounts being less than one hundredth of total assets. "Current portion of long-term debts" of ¥1,008 million and "Notes payable for acquisition of fixed assets" of ¥1,122 million are included in "Short-term borrowings" of ¥17,548 million and "Notes payable, trade" of ¥3,941 million, respectively, in Fiscal 2007.

(7) “Long-term accounts payable, other” and “Long-term deposits received” which were presented separately in Fiscal 2006 are both included in “Other” long-term liabilities in Fiscal 2007, because of each of these amounts being less than one hundredth of total assets. “Long-term accounts payable, other” and “Long-term deposits received” included in “Other” of ¥8,940 million in Fiscal 2007 are ¥7,743 million and ¥1,196 million, respectively.

(Fiscal 2006)

Not applicable.

(Statements of income)

(Fiscal 2007)

(1) “Gain on revaluation of derivatives” which was included in “Other” non-operating income in Fiscal 2006 has been presented as a separate line item in Fiscal 2007, “Gain on revaluation of derivatives” included in “Other” of ¥5,199 million in Fiscal 2006 is ¥513 million.

(2) “Exchange loss” which was included in “Other” non-operating expenses in Fiscal 2006 has been presented as a separate line item in Fiscal 2007. “Exchange loss” included in “Other” of ¥14,170 million in Fiscal 2006 is ¥8,352 million.

(3) “Gain on sale of investment securities” and “Reversal of allowance for doubtful accounts” which were presented separately in Fiscal 2006 are both included in “Other” extraordinary gains in Fiscal 2007 due to their decreased significance. “Gain on sale of investment securities” and “Reversal of allowance for doubtful accounts” included in “Other” of ¥363 million in Fiscal 2007 are ¥211 million and ¥1 million, respectively.

(4) “Loss on sale of investment securities” and “Impairment loss of property, plant and equipment” which were stated separately in Fiscal 2006 are both included in “Other” extraordinary losses in Fiscal 2007 due to their decreased significance. “Loss on sale of investment securities” and Impairment loss on property, plant and equipment included in “Other” of ¥176 million in Fiscal 2007 are ¥19 million and ¥157 million, respectively.

(Fiscal 2006)

Not applicable.

(Subsequent events)

(Fiscal 2007)

In response to a take-over bid for the shares of Fuji Robin Industries Ltd. (a consolidated subsidiary) by Makita Corporation, the Company has tendered all the shares (7,525 thousand shares) of Fuji Robin owned by the Company.

As a result, the Company expects a gain of ¥1,560 million (sale proceeds: ¥1,950 million) from the sale of the shares in Fiscal 2008.

The sale is scheduled on May 15, 2007.