

October 19, 2005



Financial Statements for the Six Months Ended September 30, 2005

For the fiscal year ending March 31, 2006

JAPAN PURE CHEMICAL CO., LTD.

Code No. : 4973
 URL : <http://www.netjpc.com>
 Stock Exchange Listed : Tokyo Stock Exchange-First Section
 Corporate Headquarters : 3-10-18 Kitamachi, Nerima-ku, Tokyo Japan
 Representative : Masao Watanabe, President
 Investor Relations : Kaoru Uchida, General Manager,
 Corporate Planning Division /Tel +81-3- 3550-1048

Date of the meeting of the Board of Directors for approval
 of financial statements : October 19, 2005
 Interim dividend : Yes
 Beginning of interim dividend payment : November 25, 2005
 Adoption of unit stock system : No

1. Financial Results for the six months: from April 1, 2005 to September 30, 2005

Note: All amounts less than one million yen have been disregarded.

(1) Results of Operations

	Sales		Operating Income		Ordinary Income	
	(million yen)		(million yen)		(million yen)	
Six months ended September 30, 2005	3,278	14.4%	847	34.9%	848	35.3%
Six months ended September 30, 2004	2,865	34.7%	628	26.1%	627	25.7%
Year ended March 31, 2005	5,500		1,255		1,249	

	Net Income		Net Income Per Share	Diluted Net Income Per Share
	(million yen)		(yen)	(yen)
Six months ended September 30, 2005	508	34.3%	16,454.28	16,307.76
Six months ended September 30, 2004	378	33.3%	12,300.35	12,175.04
Year ended March 31, 2005	744		23,370.35	23,132.09

Notes : 1. Equity in earnings (losses) of affiliates
 For the six months ended September 30, 2005 : million yen
 For the six months ended September 30, 2004 : million yen
 For the year ended March 31, 2005 : million yen
 2. Weighted average number of shares outstanding
 For the six months ended September 30, 2005 : 30,926 shares
 For the six months ended September 30, 2004 : 30,800 shares
 For the year ended March 31, 2005 : 30,800 shares
 3. Change in accounting policy : No
 4. Percentages above represent year on year changes over the same period last year unless otherwise stated.

(2) Dividend Information

	Interim Dividend Per Share	Annual Dividend Per Share
	(yen)	(yen)
Six months ended September 30, 2005	3,000.00	
Six months ended September 30, 2004	2,000.00	
Year ended March 31, 2005		5,000.00

(3) Financial Positions

	Total Assets	Shareholders' Equity	Ratio of Shareholders' Equity to Total Assets	Shareholders' Equity Per Share
	(million yen)	(million yen)	(%)	(yen)
Six months ended September 30, 2005	4,905	4,094	83.5 %	131,759.93
Six months ended September 30, 2004	3,914	3,278	83.8 %	106,459.35
Year ended March 31, 2005	4,519	3,590	79.4 %	115,752.67

Notes : 1. Number of shares outstanding at the end of period

September 30, 2005 : 31,076 shares

September 30, 2004 : 30,800 shares

March 31, 2005 : 30,800 shares

2. Number of treasury shares at the end of period

September 30, 2005 :

September 30, 2004 :

March 31, 2005 :

(4) Cash Flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash & Cash Equivalents at End of Period
	(million yen)	(million yen)	(million yen)	(million yen)
Six months ended September 30, 2005	61	-80	-0	2,478
Six months ended September 30, 2004	375	-124	-53	2,010
Year ended March 31, 2005	1,137	-335	-119	2,497

2. Financial Forecasts for the Fiscal Year Ending March 31, 2006

	Sales	Ordinary Income	Net Income	Dividends per Share	
				Year End	Annual
Year ending March 31, 2005	(million yen) 6,000	(million yen) 1,375	(million yen) 820	(yen) 3,000.00	(yen) 6,000.00

(Reference) Expected Net Income per Share: ¥26,386.92

Please refer to "Review of Operations and Financial Position" on page 10 and 11 in relation to above-mentioned forecasts.

1. Corporate Group

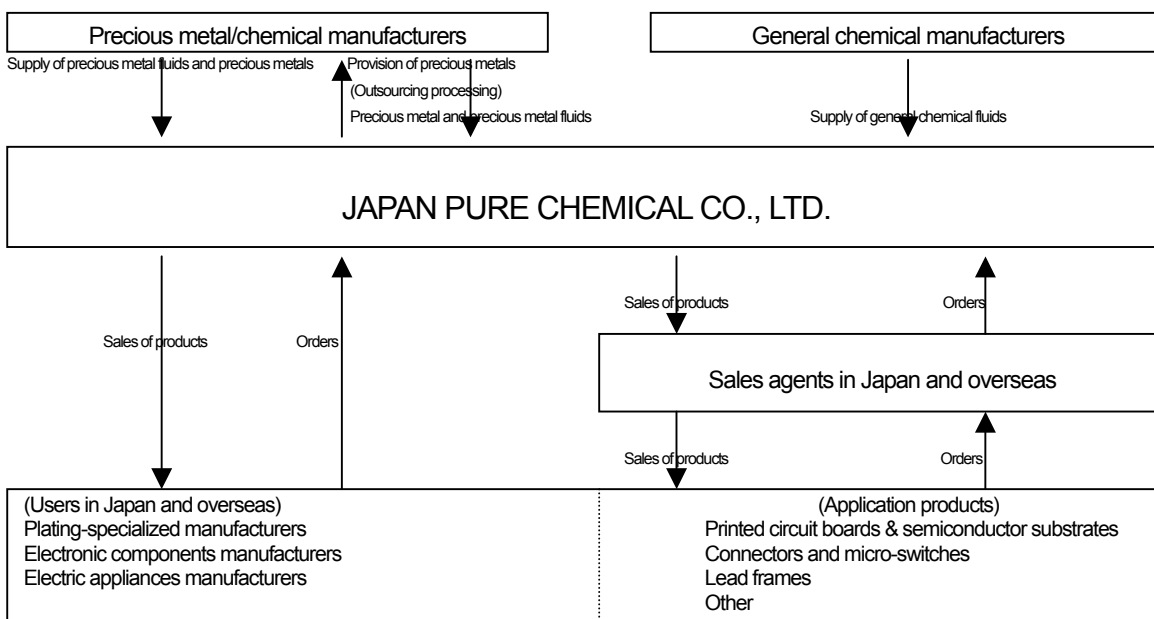
Japan Pure Chemical Co., Ltd. (the Company) is primarily engaged in the development, manufacture and sale of chemicals for the precious metal plating of contacts and connectors for the attachment of electronic components on printed circuit boards (including package substrates), and for connectors and lead frames. The Company is especially skilled in formulating comprehensive proposals that extend to advice on processes and after-sales services. This makes possible the development, manufacture and sale of products that closely match the needs of customers.

Since its establishment in July 1971, the Company has consistently targeted the electronics industry. As a result, the Company has grown along with this industry through the provision of gold plating fluids for semiconductor packages and connectors, silver plating fluids, and palladium plating fluids. When developing new products, the Company employs internal resources rather than relying on the adoption of technology from overseas, a policy that has resulted in the accumulation over many years of extensive technologies.

Based on their applications, precious metal plating fluids are divided into two categories: functional plating and decorative plating. Functional plating is used to improve performance, such as by making a surface more resistant to corrosion. The development, manufacture and sale of functional plating chemicals using precious metals is the core business of the Company. The types and applications of our products are as follows:

Category by function	Category of plating	Category of plating fluids	Category of applications (Main final products)
Functional plating (for electronics)	Gold plating	Soft gold plating fluids	Printed circuit boards and semiconductor substrates (mobile phones, PCs, electronic devices, etc.)
		Hard gold plating fluids	Connector and Micro-switches (mobile phones, PCs, electronic devices, etc.)
	Palladium plating	Palladium-nickel alloy plating fluids	Lead frames (mobile phones, PCs, electronic devices, etc.)
		Palladium plating fluids	
Silver plating	Pure silver plating fluids		

(Business Flow Diagram)



The Japan Pure Chemical business model is as follows.

1. Selectivity and concentration/specialization: Specialize in precious metal plating fluids that are based on our proprietary technology developed entirely in Japan.
2. Speed and agility: Act in a speedy and thorough manner with regard to decision-making, customer services and all other activities.
3. Manufacturing: As a rule, produce goods only to order in Japan and overseas; conduct manufacturing so as to meet customers' needs and fill orders quickly.

The Company has earned a reputation as a trusted partner in the electronics industry by leveraging these strengths and remaining at the forefront of global technological progress. By repeating this process, the Company has accumulated the knowledge and trust that produce a competitive edge and high profitability.

2. Management Policies

a. Fundamental management policies

Japan Pure Chemical takes pride in its role in supporting the foundation needed for the development of an information society. The Company is fulfilling its social mission by constantly acting speedily to take on new challenges and meet market demands with regard to new technologies, markets and products. Further, Japan Pure Chemical constantly places priority on maximizing shareholder value and on customer satisfaction to meet the expectations of shareholders and customers. To accomplish this, the Company is aiming to establish overwhelming positions of leadership in terms of technologies, market share and services, as well as to achieve the industry's highest level of employee skills and ethical standards.

b. Fundamental policy regarding allocation of earnings

The Company's fundamental policy regarding earnings allocations is to maintain a stable dividend payout ratio in accordance with the level of earnings while preserving the level of retained earnings needed for business activities in the future and strengthening the base of operations.

Based upon this policy it has been decided to increase dividends by ¥1,000 to a total dividend of ¥6,000 (per share) for the fiscal year.

With regards to the use of retained earnings, while it is important to give the highest priority to investment for future growth such as the entry into new areas of business and expansion of existing operations, consideration is also being given to the return of profits to our shareholders through methods such as the flexible purchase of treasury stock.

c. Policy regarding reduction in the investment unit

Management regards raising the liquidity of its shares and increasing the number of shareholders as important issues involving its equity policy. In consideration of the cost of an investment unit, management will continue to carefully examine further reductions in the investment unit and take actions as necessary.

d. Targeted performance indicators

From the standpoint of maximizing gains for shareholders, the Company places priority on maintaining return on equity (ROE) of 20% , to enhance profitability and returns on capital.

e. Medium- and long-term management strategies

In line with the issues set forth in the Medium-Term Management Plan based on fundamental policies established by the president, the Company has set the following goals and is taking the following actions.

< Business strategy >

Clearly determine the Company's current position in each of its business domains. Conduct rigorous sales and technology development activities based on sales and technology (new product) strategies that reflect an awareness of the competitors in each domain.

1. Entry into new business areas.

Without harming the Company's established business model, target for entry new areas of business other than the electronic components industry.

2. Further strengthen new product development and market research.

Develop new products for the next generation of electronic components and speedily provide the marketplace with products that are suited to changes in the surrounding environment. Aim to anticipate market needs, expand new business and further increase market share.

3. Strengthen and expand overseas markets.

Strengthen business activities with respect to expanding overseas markets, especially South-East Asia.

4. ISO certification for quality assurance and environmental standards

The Company is establishing integrated management systems in compliance with the latest ISO9001 and ISO14001 standards to bring its quality assurance and environmental preservation systems in line with international standards. Simultaneously with the acquisition of ISO quality (customer satisfaction) and environmental standards certifications in April 2005, the Company further improved its level of efficiency and standardization.

< Organizational strategies >

Committed to the principle that its greatest resource is its personnel, while continuing pursuing efficiency in management, the Company will exercise flexibility to achieve business growth, and will construct stable organizational systems that fully meet the expectations of each of the stakeholders and continuously achieve high levels of growth.

1. Increase and upgrade the technical staff

Increase the number of engineers in line with the personnel plan and bolster staffing as required to develop new products.

2. Upgrade and foster the sales framework

Enhance strategic sales skills that draw on technical expertise while fostering the development of young and mid-level sales personnel to lay the groundwork for future growth. Strengthen global market research capabilities and establish a sales management framework that can utilize data in a systematic manner.

3. Strengthen in-house management systems

Based upon a reexamination of the compatibility of each department's operational procedures and inter-departmental cooperation, gain an understanding of appropriate and efficient in-house checking functions and construct stable in-house management systems.

The company will further renew the underlying operational systems, heighten precision in forecast and actual management operations, and implement advanced information disclosure systems to ensure further accuracy and speed.

f. Key issues

(1) Current status and key issues

In the Company's core semiconductor and electronic components markets, given that these are global markets where a high rate of growth continues, dramatic changes in the market occur not only as a result of the emergence of new technologies but also due to shifts in worldwide supply-demand dynamics.

To be able to respond to such strict market conditions, many of the manufacturers that form the Company's customer base are undertaking rapid restructuring of their manufacturing hubs and systems on a global scale from

the viewpoints of both marketing and cost competitiveness, in addition to of course maintaining technological competitiveness.

Due to this situation, the Company regards its most pressing issues as follows.

1. Upgrading the ability to develop new technologies

Rapidly develop new products and products that are enhanced with scientific knowledge, high quality and performance, low cost, and added value, while constantly offering customers the latest advances technology.

2. Reinforce the sales framework

The Company must strengthen its “total solutions framework” to closely reflect customer needs. The Company must also identify customer needs and respond in a manner that is speedy and accurate, as well as enhance its ability to provide customers with proposals. The Company needs to respond in a flexible manner to the overseas shift in production activities and to other forms of diversification in the operations of customers. There is also a need to step up activities to gain new customers.

3. Share and centralize information on market needs

This involves monitoring and analyzing the activities of competitors, new product introductions and other market trends; developing ties with new customers; developing next-generation technologies; and effectively utilize proposals for sales and technology strategies that target new fields of business.

(2) Specific initiatives

1. Upgrade ability to develop new technologies

The Company will aggressively hire talented new graduates and research engineers who can make an immediate contribution, to raise the level of R&D activities. Moreover, while closely monitoring developments involving the latest user orientated technologies, the Company is committed to the implementation of detailed total solutions. With regard to the assignment of engineers to both the materials development group and process development group, this will be performed based upon a consideration of the abilities of each individual.

2. Bolster sales framework

There is a need to accurately identify the needs of customers and respond in a speedy and appropriate manner and upgrade the ability to formulate proposals for customers. For this purpose, the Company is shifting individuals with extensive knowledge and experience in technologies from its technology divisions to sales-technology divisions and increasing the number of young and mid-level personnel.

3. Share and centralize information

Once a week, a liaison meeting is held for managers. Through sharing information on market trends and other issues, these meetings ensure that the Company’s operational strategies are moving forward in a uniform direction.

Further the Company through proactive implementation of the latest communications infrastructure is strengthening cooperation between related divisions and collecting the latest technological and other information.

Further the newly implemented base systems have facilitated the strategic and effective sharing of the above-mentioned information in real time.

g. Measures regarding corporate governance

(1) Basic philosophy for corporate governance

The Company is fully aware of the importance of strengthening corporate governance to maximize corporate value, this being the value delivered first and foremost to shareholders, clients, and employees, as well as other stakeholders of the Company. Accordingly we continue to strengthen our corporate governance system based upon the four fundamental tenets below:

1. Ensuring transparent and sound management.

2. Realizing a speedy decision making process and implementation of operations.

3. Clarifying accountability.

4. Disclosing information in a prompt, accurate, and fair manner.

In the future, in response to the changes in society and legal systems, the Company will continue to examine the appropriateness of its systems and where necessary make revisions with the aim of further strengthening its corporate governance.

(2) Corporate bodies and internal control systems

1. Corporate bodies

A . The Board of Directors

The Board of Directors is comprised of six persons, two of whom are external Directors. In addition to the ordinary Board of Directors meetings that are held monthly where urgent decisions are required, extraordinary meetings of the Board of Directors are also held. Centering on management planning, as the ultimate decision maker, this is the body that proposes and decides items of major importance.

Further to clarify managerial responsibility, the Company appoints Directors for a one (1) year term that corresponds to the fiscal year.

B . Auditors and the Board of Auditors

The Company operates under the audit system. The Auditors operate independently from the Directors and conduct audits to ensure that the Directors are complying with all applicable laws and regulations in the execution of their duties. In addition to the ordinary Board of Auditors meetings that are held monthly, extraordinary meetings of the Board of Auditors are also held as required. The Company has 1 full-time Auditor and 3 external Auditors.

C . Management Meetings

To ensure full deliberations in the decision making process that centers on the Board of Directors, the Company has established management meetings to conduct preliminary examinations and make proposals on matters of major importance that are to be deliberated upon and ultimately decided by the Board of Directors. Management meetings are attended by internal Directors and the heads of each Division, where matters such as the Company's management policy and management strategies are discussed.

Further, at the management meetings, deliberations are also held regarding the execution of operations and the progress towards achieving budgeted targets.

2. Internal Control System

Based upon the four basic tenets of corporate governance as stated above, the following three administrative offices, which are positioned below the management meeting level, have been established for the purpose of strengthening internal control systems and further enhancing corporate value.

A. Disclosure Office

This office has been established for the purposes of prompt, accurate, and fair disclosure of information, the clarification of accountability and to ensure the improved reliability of disclosed information based upon the Company's "Disclosure Policy" and "Disclosure Regulations".

B. Compliance Office

This office has been established to ensure the transparency and soundness of management and the execution of operations and to maintain and improve the corporate code of ethics based upon the "Japan Pure Chemical Co., Ltd., Corporate Code of Conduct".

C. Risk Management Office

This office drafts the risk management regulations and manuals that outline the measures to be taken in the event of emergencies and accidents and through forums such as morning meetings, ensures that all employees are fully aware of the contents of these regulations and manuals.

Based on consultations with each of the divisions, this office will continue to put in place risk management systems tailored to the individual needs of each type of operation.

3. Internal and Board of Auditors Auditing

Independent from the operations execution divisions, the Company employs an “Internal Auditor” who is selected by the Board of Directors.

The internal auditor working in close cooperation with the Board of Auditors and the accounting auditor conducts audits to determine that there is no illegality in the execution of the Company’s operations and that they are being performed appropriately, legitimately and in accordance with management policy, applicable laws and regulations, in-house regulations and standards. In addition, the internal auditor also examines the adequacy and effectiveness of the internal control systems so as to provide advice on their improvement, and where necessary, makes reform proposals.

Each Auditor, through attendance at all important meetings and by requiring submission of related written materials, conducts audits to ensure the Directors are operating within the law in the execution of their duties. Further, where necessary, they may request reports of audits from both the internal auditing division and accounting auditor to improve communication.

4. Accounting Audits

The names of the Certified Public Accountants who perform the Company’s accounting audits, and the firms they belong to, are stated below.

Further, the accountants involved in auditing are Certified Public Accountants and Junior Accountants.

Certified Public Accountants Names		Auditing Firm
Designated Auditor	Hiroyuki Yasuda	Ernst & Young ShinNihon
Audit Staff Member	Atsushi Ono	

Note) As all auditors have performed audits for less than seven consecutive years, this item has been omitted.

This auditing firm has implemented its own independent measures to ensure that the staff performing the Company’s audits do not exceed the set period for performance of the Company’s accounting audit.

(3) Implementation of Comprehensive Corporate Governance Systems in the Past Year

A Board of Directors meeting is held at least once a month. At management meetings preliminary deliberations are conducted on matters of major importance that will be deliberated upon and ultimately decided by the Board of Directors.

Further, the Company continues to promptly, accurately and fairly disclose information through measures such as the publication of financial statements within 20 days from the settlement of accounts

(4) Risk Management System

Given that this is an industry in which there are dramatic changes in the operating environment, the Company fully recognizes the importance of appropriately managing the various risks it faces to be able to not only maintain, but also increase, corporate value. Accordingly the Company has implemented the specific internal control initiatives stated below:

1. As regards the risks related to management strategy decision-making, the concerned divisions first conduct an initial risk analysis and examine appropriate risk reduction measures. Items of major importance are then fully deliberated at the management meeting stage, that after which a decision is reached at a Board of Directors meeting. Performance results are continually monitored after implementation to ensure a quick response to any problems that may arise.
2. With regard to risks related to the execution of operations, such as quality control problems and accidents, the Company has drafted a general risk management manual that addresses the most urgent issues and through

forums such as morning meetings, ensures that all employees are fully aware of these risks. The Company will put in place risk management systems tailored to the individual needs of each type of operation to maintain sound management and improve the response to risks.

3. To support the activities above, copies of the documents that outline the basic regulations, such as the “Company Philosophy” and “Japan Pure Chemical Co., Ltd. Corporate Code of Conduct”, have been distributed to all employees to ensure full compliance with all laws and regulations by everyone within the Company, from top management through to rank and file employees. Further, in addition to drafting a “Disclosure Policy” and “Disclosure Regulations” the Company continues to improve its in-house systems to ensure that there is always appropriate, prompt, accurate, and fair disclosure of information to investors.
4. As measures towards the concrete implementation of CSR (Corporate Social Responsibility), on April 22, 2005 the Company, as a public corporation, acquired ISO9001 and ISO14001 certification. From the viewpoint of quality assurance and environmental friendliness, the standardization of operational procedures and the PDCA (plan-do-check-action) cycle have been implemented within all the Company’s departments.

3. Review of Operations and Financial Position

a Review of Operations

In the electronic components industry, the mobile phone market has completed the adjustment of inventory levels that was commenced last fall and is now in an upward cycle. Further in the PC market, laptop computers have continued to improve steadily. Further for AV, LCD TVs, and automobile related products, a general upward trend in all markets has been seen.

For the Company this has meant a large increase in component related orders. This is due to an increase in built-in components arising from factors such as the increased sophistication of semiconductor package and mobile phones together with the introduction of new models. As a result, the Company continues to experience steady growth.

The Company's performance has been especially boosted by increased demand for our new electroless gold plating liquid for thick surfaces needed for the increasingly sophisticated semiconductor package and by demand for lead-free gold plating for flexible printed circuit boards. This has resulted in record sales and income.

As a result, sales of 3,278,326 thousand yen (YoY increase of 14.4%), operating income of 847,680 thousand yen (YoY increase of 34.9%), ordinary income of 848,853 thousand yen (YoY increase of 35.3%) and net income for the interim period of 508,865 thousand yen (YoY increase of 34.3%), were recorded.

Sales according to category of use are as stated below:

Printed circuit boards and semiconductor substrates	1,766,641 thousand yen	(YoY increase of 18.9%)
Connectors and micro-switches	753,742 thousand yen	(YoY increase of 48.7%)
Lead frames	595,830 thousand yen	(YoY decrease of 0.4%)
Others	162,111 thousand yen	(YoY decrease of 41.0%)

b Financial Position

Cash and cash equivalents at the end of this interim period have on a YoY comparison decreased by 19,220 thousand yen to 2,478,285 thousand yen.

The major factors affecting each cash flow in this interim period are stated below.

(Cash flow provided by operating activities)

Net cash provided by operating activities amounted to 61,275 thousand yen.

This is accounted for by net income before income taxes of 848,788 thousand yen, an increase in accounts receivable of 354,745 thousand yen, and income tax payments of 375,924 thousand yen.

(Cash flow used in investing activities)

Net cash used for investment activities was 80,037 thousand yen.

This is accounted for by an expenditure of 78,063 thousand yen for the acquisition of tangible fixed assets.

(Cash flow provided by financing activities)

Net cash provided through financial activities was 458 thousand yen. This is accounted for by the revenue received from shares issues as a result of the exercise of reservation rights of 93,654 thousand yen, less the 92,400 thousand yen paid in dividends.

Further the trends in the cash flow index for the Company are as stated below.

	Sep., 2003	March, 2004	Sep., 2004	March, 2005	Sep., 2005
Equity Ratio	83.9%	83.2%	83.8%	79.4%	83.5%
Ratio of Market Capitalization to Total Assets	524.7%	645.9%	468.2%	449.7%	467.5%
Debt Redemption Multiple	—	—	—	—	—
Interest Coverage Ratio	—	—	—	—	—

Note) Equity Ratio: Equity at the end of the fiscal year / Total assets at the end of the fiscal year

Ratio of market capitalization to total assets: Market capitalization at the end of the fiscal year / Total assets at the end of the fiscal year

Debt Redemption Period: Interest bearing debt / Operating cash flow

Interest Coverage Ratio: Operating cash flow / Interest payments

< Outlook for the Fiscal Year >

With the increasing sophistication of electronic components and the trend towards the use of lead-free plating, steady growth in the Company's financial results is expected. However given that the trend of future developments in the electronic components industry remains unclear, the forecast for this fiscal year remains unchanged at this point. In the event that there is a major change in the forecast financial results, the Company will promptly provide notice of the revisions.

[Notes regarding forecast results]

While statements in these reports regarding the next fiscal year and other future events are evaluations made based upon the information available at the time these reports were prepared, they contain risk items and uncertainties.

Accordingly actual results may vary significantly from the forecast results stated here for a number of reasons.

Major factors that may affect the actual results are the economic environment surrounding the Company's operations and market conditions.

4. Business Risk

From within the items set forth in our financial report related to business and accounting conditions, the items that have or may have a major influence on investors' decisions are as stated below.

1. Heavy reliance on the electronic equipment industry

Given that our Company's precious metal plating fluids are used predominately within the electronic equipment industry for applications such as contacts for semi-conductor mounted circuit boards, printed circuit boards, connectors and lead frames, our major clients are businesses primarily involved in that industry. Accordingly, trends within this industry, in particular shifts in the mobile phone and PC markets, have a great influence on our Company's results.

2. Influence of market trends on the products and raw materials used by our Company.

In general terms the raw materials used for the majority of our Company's products can be divided into precious metals and chemicals, with precious metals accounting for the majority of our expenditures. While the price of chemicals is relatively stable, as the international market prices of precious metals (gold, silver, palladium) fluctuate widely, these variations have a corresponding influence on our sales results.

As the contract price between our Company and clients is determined based upon market value on the date of purchase and sale, and as our Company places orders to purchase precious metals at the time of receiving orders from our clients, fluctuations in the market price of precious metals have little effect on our profit margin. However, given price fluctuation risks as a result of stock rollover, this influence is kept to an absolute minimum through reduction in delivery times and minimization of the amount of stock on hand.

Further, given that supplies of precious metals are limited, where procurement problems arise as a result of sudden fluctuations in supply and demand or mining accidents, it is possible that this will influence our Company's business activities.

3. Influence of fluctuations in the exchange rate

In the fiscal year ended March 2005 and the six months ended Sep. 2005, exports accounted for 34.6% and 33.3%, respectively of our Company's business. In terms of trading abroad, while the settlement of accounts has as a general rule been performed in yen, recently there has been a growing trend to conduct such trade in U.S. dollars. While our Company hedges its risks through forward exchange contracts, it cannot be guaranteed that all risk can be avoided and accordingly currency fluctuations may impact our Company's results.

4. Research and development

As technological innovations in the electronic components industry are significant, the Company considers R&D to be of the utmost importance in ensuring the supply of products to our clients that are in line with their needs not just to maintain, but also to expand our market share. For these purposes, the Company promotes R&D activities for new product development and the improvement of existing products.

The Company's fundamental principles for future activities are the development of plating fluids for cutting edge devices and the development of environmentally friendly plating fluids that contribute to further reductions in our clients' costs. However, when R&D activities intended to achieve these principles do not progress as planned, the results of the Company may be affected.

5. Intellectual property rights

Given that gold plating fluid, which is the Company's key product, has complex components which make analysis difficult, in general it is thought that putting a similar product on the market is not a simple task. Further, to date the Company has not actively pursued acquisition of patent rights for gold plating, since even a failed patent application would require it to disclose information on the composition of the plating fluid.

However, given the advances in recent years in organic analysis technologies, in the future, with regard to R&D for

new technologies the Company will not emphasize making patent applications based upon information on composition, but rather will protect technologies by making patent applications based on physicochemical constants. However given that registration of all patents pending cannot be guaranteed and that there may be cases where competitors achieve technological developments that are superior to those of the Company, this may have a major affect on the Company's operational strategies.

Further, while the Company conducts thorough in-house investigations to ensure that its operations do not impinge on the intellectual property rights held by a third party, where new patent rights are granted to another company regarding products developed and sold by that Company, this may affect the results of the Company.

6. Unauthorized distribution or disclosure of technological know-how

The technological information of the Company pertains to plating liquid development processes, plating fluids and their composition and components, and technological data that is exchanged by the Company and its clients. This type of technological information is stored in designated secure cabinets that are checked daily and the Company prohibits both the removal of such information from its premises, and its reproduction. Especially with regard to plating composition and components, measures to prevent unauthorized dissemination, such as coded use of terminology by the Company, have been implemented.

However in the event that there is unauthorized dissemination of this information, since it is believed that there is a possibility products similar to those of the Company could be produced by referring to the plating component analysis results in combination with this information, this may affect the results of the Company.

While every effort is made to ensure that personnel are fully aware of the Company's policies when they are hired, their obligations for compliance, and duties to maintain confidentiality, once personnel leave the Company, despite being under a contractual obligation to continue to maintain confidentiality, were they to unlawfully disseminate any part of the Company's technology or information, it cannot be denied that this may affect the Company's operations.

7. Securing and fostering of human resources

The Company is expanding its operations not just on the basis that each employee performs his/her duties as expected, but also that they have a constant awareness of Company operations. To date the Company has been able to maintain an elite workforce through strategies such as increasing company name recognition, strengthening recruiting activities, and upgrading human resource education and training. In the future, while the Company will expand operations by further strengthening R&D systems, expanding overseas markets, and moving into new areas of business, in the event that the Company is unable to recruit or foster a sufficient number of personnel, this may affect future operational development.

8. Laws and regulations

Given that the Company uses chemicals to which the "Poisonous and Deleterious Substances Control Law" applies as raw materials in its plating fluids, the Company is subject to the regulations regarding their sale, manufacture and import that have been enacted under that Law.

The Company, in addition to implementing measures regarding registration of the sale, manufacture, and importation of deleterious and poisonous substances, as legally required, has also established in-house management systems to ensure compliance with the applicable laws and regulations. In the development of products the Company gives full consideration to their composition and components, based upon whether or not the use of poisonous substances is permissible, and in addition considers reducing the amount of these substances. However, in the unlikely event that the Company's use of these materials comes to be in breach of any laws or regulations, this may affect the Company's results.

9. Waste control

In the Company's manufacturing and experimentation processes, liquid waste and emissions are created, which given

environmental considerations, must be appropriately processed. Depending upon the concentration of the liquid waste, the Company either processes it through discharged liquid waste treatment equipment or has it processed by an outside contractor. With regard to emission controls, the exhaust gases produced in the laboratory and manufacturing processes are processed by exhaust gas treatment equipment, through a localized ventilation system. As a result of these systems, to date the Company has not been the subject of any orders by public authorities and has received no complaints from local residents. However, in the future, should any problems arise regarding the Company's waste control, this may have a major influence on the Company's results.

5. Financial Statements, etc.

(1) Balance Sheet

Category	As of September 30, 2004		As of September 30, 2005		As of March 31, 2005	
	Amount (One Thousand Yen)	% of Total	Amount (One Thousand Yen)	% of Total	Amount (One Thousand Yen)	% of Total
(ASSETS)						
Current assets						
1. Cash and deposits	2,211,781		2,679,081		2,698,301	
2. Notes receivable	189,419		201,338		170,380	
3. Accounts receivable	927,432		1,155,502		831,715	
4. Inventories	150,615		210,811		160,523	
5. Deferred tax assets	37,892		44,868		48,351	
6. Other	7,987		5,613		7,153	
Total Current Assets		3,525,128		4,297,215		3,916,426
				87.6		86.6
Fixed assets						
1. Tangible fixed assets						
(1) Buildings and structures	35,448		43,013		32,584	
(2) Vehicle and delivery equipment	7,995		5,480		6,521	
(3) Tools, equipment and fixtures	103,156		124,142		137,669	
Total Tangible fixed assets		146,601		172,636		176,775
				3.5		3.9
2. Intangible Fixed Assets		62,894		49,244		54,561
				1.0		1.2
3. Investments and Other Assets						
(1) Investment securities	117,242		358,357		325,469	
(2) Deferred tax assets	35,836				18,734	
(3) Other	26,671		27,731		28,010	
Total Investment and Other Assets		179,750		386,089		372,216
				7.9		8.3
Total Fixed Assets		389,245		607,970		603,553
				12.4		13.4
Total Assets		3,914,373		4,905,186		4,519,979
				100.0		100.0

Category	As of September 30, 2004		As of September 30, 2005		As of March 31, 2005				
	Amount (One Thousand Yen)	% of Total	Amount (One Thousand Yen)	% of Total	Amount (One Thousand Yen)	% of Total			
(LIABILITIES)									
Current liabilities									
1. Notes payable	8,400		22,585		2,394				
2. Accounts payable	158,850		250,462		258,939				
3. Monies payable	25,080		35,087		33,119				
4. Income tax payable	261,668		333,625		390,000				
5. Reserve for bonuses	41,000		46,000		46,000				
6. Other	27,826		40,539		74,270				
Total Current Liabilities		522,825	13.3		728,299	14.8		804,723	17.8
Fixed liabilities									
1. Deferred tax liabilities			10,895						
2. Reserve for Director's retirement benefits for service	112,600		71,420		125,074				
Total Fixed Liabilities		112,600	2.9		82,315	1.7		125,074	2.8
Total Liabilities		635,425	16.2		810,615	16.5		929,797	20.6
(SHAREHOLDERS EQUITY)									
Capital stock									
		1,134,000	29.0		1,181,177	24.1		1,134,000	25.1
Capital surplus									
1. Capital reserve	877,713		924,890		877,713				
Total Capital Surplus		877,713	22.4		924,890	18.9		877,713	19.4
Retained earnings									
1. Special depreciation reserve	17,096		38,220		17,096				
2. Special reserve	700,000		1,200,000		700,000				
2. Unappropriated earnings at the end of the period	544,511		719,208		848,867				
Total Retained Earnings		1,261,607	32.3		1,957,428	39.9		1,565,963	34.6
Stock valuation differential		5,627	0.1		31,076	0.6		12,505	0.3
Total Shareholders' Equity		3,278,948	83.8		4,094,571	83.5		3,590,182	79.4
Total Liabilities and Shareholders' Equity		3,914,373	100.0		4,905,186	100.0		4,519,979	100.0

(2) Profit & Loss Statement

Category	Six months ended Sep 30, 2004		Six months ended Sep 30, 2005		Year ended March 31, 2005	
	Amount (One Thousand Yen)	% of Total	Amount (One Thousand Yen)	% of Total	Amount (One Thousand Yen)	% of Total
Sales	2,865,747	100.0	3,278,326	100.0	5,500,642	100.0
Cost of sales	1,846,145	64.4	1,993,964	60.8	3,469,530	63.1
Gross Profit	1,019,601	35.6	1,284,361	39.2	2,031,112	36.9
Selling, general and administrative expenses	391,232	13.7	436,681	13.3	776,069	14.1
Operating income	628,368	21.9	847,680	25.9	1,255,043	22.8
Non-operating income	1,594	0.0	1,932	0.0	1,834	0.0
Non-operating expenses	2,371	0.0	759	0.0	7,643	0.1
Ordinary income	627,592	21.9	848,853	25.9	1,249,233	22.7
Extraordinary income	1,434	0.0			1,434	0.0
Extraordinary losses	757	0.0	65	0.0	2,375	0.0
Income before income taxes	628,269	21.9	848,788	25.9	1,248,293	22.7
Income taxes, residence taxes and enterprise taxes	255,082		319,549		507,226	
Income tax effect adjustment	-5,663	249,418	20,373	339,923	-3,739	503,486
Net income	378,850	13.2	508,865	15.5	744,806	13.5
Retained earnings brought forward	165,660		210,343		165,660	
Interim dividend					61,600	
Unappropriated retained earnings at end of year	544,511		719,208		848,867	

(3) Cash Flows

	Six months ended Sep 30, 2004	Six months ended Sep 30, 2005	Year ended March 31, 2005
Category	Amount (One Thousand Yen)	Amount (One Thousand Yen)	Amount (One Thousand Yen)
Cash flow from operating activities			
1. Income before income taxes	628,269	848,788	1,248,293
2. Depreciation expenses	33,022	42,494	76,936
3. Profit on sale of investment securities	-319		-319
4. Increase/decrease in reserve for bonuses (minus = decrease)			5,000
5. Increase/decrease in reserve for Directors' retirement benefits for service (minus = decrease)	-4,308	-53,654	8,165
6. Loss on retirement of fixed assets		65	1,603
7. Profit on sale of fixed assets	-284		-284
8. Loss on sale of fixed assets	757	—	772
9. Interest and dividends receivable	-1,229	-1,478	-1,556
10. Public offering expenses			5,226
11. Increase/decrease in accounts receivable (minus = increase)	-69,246	-354,745	45,509
12. Increase/decrease in inventory (minus = increase)	15,073	-50,288	5,165
13. Increase/decrease in purchase liabilities (minus = decrease)	-52,715	11,714	41,366
14. Payment of bonuses for Directors	-25,000	-25,000	-25,000
15. Other	-5,666	17,827	-217
Sub Total	518,352	435,722	1,410,661
16. Interest and dividends received	1,229	1,478	1,556
17. Income taxes paid	-144,440	-375,924	-274,545
Cash flow from operating activities	375,142	61,275	1,137,672
Cash flow from investing activities			
1. Expenditures for acquisition of investment securities	-25,714	-1,577	-222,343
2. Expenditures for acquisition of tangible fixed assets	-49,702	-78,063	-56,589
3. Income from sale of tangible fixed assets			90
4. Expenditures for acquisition of intangible fixed assets	-49,176	-396	-55,300
5. Income from sale of investment securities	437	—	437
6. Other	-732		-2,080
Cash flow from investing activities	-124,888	-80,037	-335,786
Cash flow from financing activities			
1. Issuance of common stock		93,654	
1. Payments for stock exchange listing-related expenses		-1,713	-3,513
2. Dividend payments	-53,900	-92,400	-115,500
Cash flow from financing activities	-53,900	-458	-119,013
Increase/decrease in cash and cash equivalents	196,353	-19,220	682,873
Balance of cash and cash equivalents at beginning of the period	1,814,632	2,497,506	1,814,632
Balance of cash and cash equivalents at end of the period	2,010,986	2,478,285	2,497,506

(4) Sales Results

The sales results by product are as stated below.

Product Type	Six months ended Sep 30, 2004	Six months ended Sep 30, 2005	Year-on-year comparison	
	Amount (One Thousand Yen)	Amount (One Thousand Yen)	Amount (One Thousand Yen)	(%)
For printed circuit boards & semiconductor substrates	1,485,765	1,766,641	280,876	118.9
For connectors & micro-switches	507,016	753,742	246,725	148.7
For lead frames	598,425	595,830	-2,594	99.6
Other	274,539	162,111	-112,428	59.0
Total	2,865,747	3,278,326	412,578	114.4

Notes: The above amounts do not include consumption tax.

The major export regions, their sales amounts and the percentage of region in terms of sales are as stated below.

	Six months ended Sep 30, 2004		Six months ended Sep 30, 2005	
	Amount (One Thousand Yen)	% of Total	Amount (One Thousand Yen)	% of Total
Korea	157,396	16.2	200,628	18.4
Taiwan	258,723	26.5	328,976	30.2
Singapore / Malaysia	96,070	9.9	65,943	6.0
China	287,866	29.5	221,693	20.3
Other Regions	174,760	17.9	273,992	25.1
Total	974,818 (34.0%)	100.0	1,091,234 (33.3%)	100.0

Notes: The percentages stated within the brackets are the percentage of exports to total sales.