

July 20, 2006



First Quarter Financial Results Ended June 30, 2006 For the Fiscal Year Ending March 31, 2007

JAPAN PURE CHEMICAL CO., LTD.

Code No. : 4973
 URL : <http://www.netjpc.com>
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1. Financial Results for the Fiscal 2007 First Quarter (April 1, 2006 – June 30, 2006)

(1) Results of Operations

(Note: amounts less than one million yen have been disregarded)

| | Sales | | Operating Income | | Ordinary Income | | Net Income | |
|----------------------------------|---------------|-------|------------------|-------|-----------------|-------|---------------|-------|
| | (million yen) | | (million yen) | | (million yen) | | (million yen) | |
| Three months ended June 30, 2006 | 2,392 | 55.3% | 520 | 47.5% | 521 | 47.2% | 313 | 46.8% |
| Three months ended June 30, 2005 | 1,540 | 5.8% | 352 | 18.9% | 354 | 19.2% | 213 | 20.7% |
| Year ended March 31, 2006 | 7,448 | 35.4% | 1,960 | 56.2% | 1,959 | 58.8% | 1,182 | 58.7% |

| | Net Income Per Share | Diluted Net Income Per Share |
|----------------------------------|-------------------------|---------------------------------|
| | (yen) | (yen) |
| Three months ended June 30, 2006 | 5,001.14 | 4,958.62 |
| Three months ended June 30, 2005 | 6,943.78 | 6,871.76 |
| Year ended March 31, 2006 | 37,419.49 | 36,985.20 |

Notes: 1. Percentages above represent year on year changes over the same period last year unless otherwise stated.

2. As a two (2) for one (1) stock split was performed on all shares on April 1, 2006. The total number of issued shares is 62,784.

Review of Operations

In the electronic components industry for the first quarter (from April until the end of June), a decline in demand for PCs as well as a manufacturing adjustment centering on low-end terminals for mobile phones was observed.

As regards the demand for our Company's chemicals, while it was slightly affected due to the conditions stated above, our Company was able to achieve favorable results for printed circuit boards, connectors and lead frames as forecast at the beginning of this period due to factors such as the increasing miniaturization, sophistication of electronic components and the trend toward use of lead-free products.

As a result, sales of ¥2,392,224 thousand (YoY increase of 55.3%), operating income of ¥520,424 thousand (YoY increase of 47.5%), ordinary income of ¥521,214 thousand (YoY increase of 47.2%), and net income of ¥313,956 thousand (YoY increase of 46.8%) were recorded.

(2) Financial Condition

| | Total Assets | Net Assets | Ratio of Net Assets to Total Assets | Net Assets Per Share |
|----------------|---------------|---------------|-------------------------------------|----------------------|
| | (million yen) | (million yen) | (%) | (yen) |
| June 30, 2006 | 6,098 | 5,115 | 83.9 % | 81,481.07 |
| June 30, 2005 | 4,331 | 3,686 | 85.1 % | 119,696.44 |
| March 31, 2006 | 6,296 | 5,016 | 79.7 % | 159,188.52 |

Notes : Number of shares outstanding at the end of period
June 30, 2006 : 62,784 shares
June 30, 2005 : 30,800 shares
March 31, 2006 : 31,388 shares

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) |
| Three months ended June 30, 2006 | -93 | -5 | -155 | 2,836 |
| Three months ended June 30, 2005 | -130 | -69 | -92 | 2,205 |
| Year ended March 31, 2006 | 705 | -121 | 9 | 3,090 |

In this quarter cash used in operating activities was ¥93 million. While cash was provided by income before income taxes of ¥521 million, depreciation expenses of ¥22 million and an increase in accounts payable of ¥113 million, this was offset by an increase in accounts receivable of ¥145 million and income tax payments of ¥542 million.

Cash used in investment activities was ¥5 million due to capital investment.

Cash used in financing activities was ¥155 million due to dividend payments of ¥156 million.

As a result the balance of cash and cash equivalents at the end of this quarter decreased by ¥253 million compared with the balance as at the end of the previous fiscal year.

2. Financial Forecasts for the Fiscal Year Ending March 31, 2007 (April 1, 2006 – March 31, 2007)

| | Sales | Ordinary Income | Net Income |
|--------------------------------------|---------------|-----------------|---------------|
| | (million yen) | (million yen) | (million yen) |
| Six months ending September 30, 2006 | 4,000 | 1,100 | 660 |
| Year ending March 31, 2007 | 8,200 | 2,250 | 1,350 |

(Reference) Expected Net Income per Share: ¥21,505.03

The forecast for the fiscal year ending March 31, 2007, remains unchanged from the forecast on April 20, 2006

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.
Amounts less than one million yen have been disregarded.

Balance Sheet (Summary)

(Thousands of yen)

| Category | Current First Quarter (June 30, 2006) | Previous First Quarter (June 30, 2005) | Year-on-Year Comparison | | Previous Fiscal Year (March 31, 2006) |
|---|--|---|-------------------------|-------|--|
| | Amount | Amount | Amount | % | |
| (ASSETS) | | | | | |
| Current assets | | | | | |
| Cash and deposits | 3,037,529 | 2,405,870 | 631,659 | 26.3 | 3,291,500 |
| Accounts receivable | 1,864,218 | 1,137,925 | 726,293 | 63.8 | 1,719,087 |
| Inventories | 263,079 | 173,240 | 89,839 | 51.9 | 229,651 |
| Others | 33,565 | 26,129 | 7,436 | 28.5 | 73,611 |
| Total Current Assets | 5,198,393 | 3,743,167 | 1,455,226 | 38.9 | 5,313,852 |
| Fixed assets | | | | | |
| Tangible fixed assets | 134,336 | 156,697 | -22,360 | -14.3 | 153,989 |
| Intangible Fixed Assets | 45,237 | 54,957 | -9,719 | -17.7 | 44,537 |
| Investments and Other Assets | 720,407 | 376,265 | 344,142 | 91.4 | 783,782 |
| Total Fixed Assets | 899,982 | 587,920 | 312,062 | 53.1 | 982,309 |
| Total Assets | 6,098,375 | 4,331,087 | 1,767,288 | 40.8 | 6,296,162 |
| (LIABILITIES) | | | | | |
| Current liabilities | | | | | |
| Accounts payable | 462,854 | 284,526 | 178,327 | 62.7 | 349,511 |
| Income tax payable | 176,941 | 123,043 | 53,898 | 43.8 | 551,000 |
| Others | 123,031 | 105,231 | 17,800 | 16.9 | 134,958 |
| Total Current Liabilities | 762,828 | 512,801 | 250,026 | 48.8 | 1,035,469 |
| Fixed liabilities | | | | | |
| Deferred tax liabilities | 134,773 | - | 134,773 | - | 163,572 |
| Reserve for Director's retirement benefits for service | 85,066 | 131,635 | -46,568 | -35.4 | 80,517 |
| Total Fixed Liabilities | 219,839 | 131,635 | 88,204 | 67.0 | 244,089 |
| Total Liabilities | 982,667 | 644,436 | 338,231 | 52.5 | 1,279,559 |
| (EQUITY) | | | | | |
| Capital stock | - | 1,235,191 | -1,235,191 | - | 1,234,508 |
| Capital reserve | - | 978,904 | -978,904 | - | 978,220 |
| Retained earnings | - | 2,674,563 | -2,674,563 | - | 2,537,547 |
| Stock valuation differential | - | 12,505 | -12,505 | - | 266,327 |
| Total Shareholders' Equity | | 3,686,650 | -3,686,650 | | 5,016,603 |
| (Net Assets) | | | | | |
| Shareholders Equity | | | | | |
| (1) Capital stock | 1,235,191 | - | 1,235,191 | - | - |
| (2) Capital reserve | 978,904 | - | 978,904 | - | - |
| (3) Retained earnings | 2,674,563 | - | 2,674,563 | - | - |
| Total Shareholders' Equity | 4,888,659 | - | 4,888,659 | - | - |
| Valuation and Exchange Differential | | | | | |
| (1) Stock valuation differential | 227,047 | - | 227,047 | - | - |
| Total Valuation and Exchange Differential | 227,047 | - | 227,047 | - | - |
| Total Net Assets | 5,115,707 | | 1,429,057 | - | |
| Total Liabilities, Shareholders' Equity and Net Assets | 6,098,375 | 4,331,087 | 1,767,288 | - | 6,296,162 |

Profit & Loss Statement (Summary)

(Thousands of yen)

| Category | Current First Quarter (Three months ended June 30, 2006) | Previous First Quarter (Three months ended June 30, 2005) | Year-on-Year Comparison | | Previous Fiscal Year (Year ended March 31, 2006) |
|---|--|---|-------------------------|---------|--|
| | Amount | Amount | Amount | % | Amount |
| Sales | 2,392,224 | 1,540,374 | 851,850 | 55.3 | 7,444,111 |
| Cost of sales | 1,662,875 | 976,552 | 686,323 | 70.3 | 4,658,891 |
| Gross profit | 729,348 | 563,821 | 165,526 | 29.4 | 2,789,219 |
| Selling, general and administrative expenses | 208,923 | 210,875 | -1,951 | -0.9 | 828,570 |
| Operating income | 520,424 | 352,946 | 167,478 | 47.5 | 1,960,648 |
| Non-operating income | 4,010 | 1,472 | 2,537 | 172.3 | 3,286 |
| Non-operating expenses | 3,220 | 241 | 2,979 | 1,236.1 | 3,992 |
| Ordinary income | 521,214 | 354,177 | 167,036 | 47.2 | 1,959,942 |
| Extraordinary income | 68 | 0 | 68 | - | 310 |
| Extraordinary losses | 0 | 0 | - | - | 1,100 |
| Income before tax expenses | 521,282 | 354,177 | 167,104 | 47.2 | 1,959,152 |
| Tax expenses | 207,325 | 140,309 | 67,016 | 47.8 | 776,940 |
| Net income | 313,956 | 213,868 | 100,088 | 46.8 | 1,182,212 |

Cash flow statement (Summary)

(Thousands of yen)

| | Current First Quarter (Three months ended June 30, 2006) | Previous First Quarter (Three months ended June 30, 2005) | Previous Fiscal Year (Year ended March 31, 2006) |
|---|---|--|---|
| Category | Amount | Amount | Amount |
| Cash flow from operating activities | | | |
| Income before tax expenses | 521,282 | 354,177 | 1,959,152 |
| Depreciation expenses | 22,485 | 24,816 | 92,347 |
| Increase in accounts receivable | -145,130 | -135,830 | -716,992 |
| Increase in accounts payable | 113,342 | 23,193 | 88,178 |
| Others | -66,215 | -17,910 | -93,531 |
| Sub Total | 448,588 | 248,446 | 1,329,155 |
| Income tax payments | -542,786 | -380,333 | -625,874 |
| Others | 3,873 | 1,369 | 1,878 |
| Cash flow from operating activities | -93,148 | -130,517 | 705,159 |
| Cash flow from investing activities | | | |
| Expenditures for acquisition of tangible fixed assets | -3,472 | -67,738 | -111,912 |
| Expenditures for acquisition of intangible fixed assets | -700 | -396 | -6,700 |
| Expenditures for acquisition of investment securities | -751 | -1,009 | -3,178 |
| Others | -325 | -369 | - |
| Cash flow from investing activities | -5,248 | -69,513 | -121,792 |
| Cash flow from financing activities | | | |
| Dividend payments | -156,940 | -92,400 | -185,628 |
| Others | -1,367 | — | 195,459 |
| Cash flow from financing activities | -155,572 | -92,400 | 9,831 |
| Increase/decrease in cash and cash equivalents | -253,970 | -292,430 | 593,198 |
| Balance of cash and cash equivalents at beginning of the period | 3,090,704 | 2,497,505 | 2,497,506 |
| Balance of cash and cash equivalents at end of the period | 2,836,733 | 2,205,075 | 3,090,704 |