

April 20, 2007



# Financial Statements for the Fiscal Year Ended March 31, 2007

## (Non-Consolidated)

### 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  
 Beginning of dividend payment : June 25, 2007  
 Scheduled Date of General Meeting of Shareholders : June 22, 2007  
 Scheduled Date of Filing Annual Security Report : June 22, 2007

#### 1. Financial Results for the fiscal year: from April 1, 2006 to March 31, 2007

##### (1) Results of Operations

(Amounts less than one million yen have been disregarded)

(Percentages represent annual changes over the preceding year unless otherwise stated)

	Sales		Operating Income		Ordinary Income	
	(million yen)		(million yen)		(million yen)	
Year ended March 31, 2007	9,536	28.0%	2,032	3.7%	2,040	4.1%
Year ended March 31, 2006	7,448	35.4%	1,960	56.2%	1,959	56.8%

	Net Income	Net Income Per Share	Diluted Net Income Per Share	Return on Equity	Ordinary Income to total Assets	Operating Income Ratio
	(million yen)	(yen)	(yen)	(%)	(%)	(%)
Year ended March 31, 2007	1,225	3.6%	19,511.70	22.5	30.5	21.3
Year ended March 31, 2006	1,182	58.7%	37,419.49	27.5	36.2	26.3

Reference : Equity in earnings (losses) of affiliates For the year ended March 31, 2007 : million yen  
 For the year ended March 31, 2006 : million yen

##### (2) Financial Positions

	Total Assets	Net Assets	Equity Ratio	Net Assets Per Share
	(million yen)	(million yen)	(%)	(yen)
Year ended March 31, 2007	7,091	5,881	82.9%	93,612.87
Year ended March 31, 2006	6,296	5,016	79.7%	159,188.32

##### (3) 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)
Year ended March 31, 2007	1,059	-843	-305	3,001
Year ended March 31, 2006	705	-121	9	3,090

## 2. Dividend Positions

	Dividend Per Share			Total Annual Dividend	Payout Ratio	Dividend on Equity Ratio
	Interim	Year End	Annual			
	(yen)	(yen)	(yen)	(million yen)	(%)	(%)
Year ended March 31, 2006	3,000.00	5,000.00	8,000.00	250	21.4	5.0
Year ended March 31, 2007	2,500.00	3,000.00	5,500.00	345	28.2	6.3
Year ending March 31, 2008 (Forecasts)	3,000.00	3,000.00	6,000.00		29.0	

Note: A 2-for-1 stock split was performed on April 1, 2006.

## 3. Financial Forecasts for the Fiscal Year Ending March 31, 2008

	Sales		Operating Income		Ordinary Income		Net Income		Net Income Per Share
	(million yen)		(million yen)		(million yen)		(million yen)		(yen)
First half ending September 30, 2007	4,800	1.1%	1,030	1.8%	1,030	1.5%	620	2.5%	9,867.58
Year ending March 31, 2008	10,000	4.9%	2,140	5.3%	2,160	5.9%	1,300	6.1%	20,690.09

## 4. Others

### (1) Changes in significant accounting policies

1. Changes in conformity with revision of accounting standard : yes
2. Other changes : No

### (2) Number of shares outstanding (Ordinary shares)

1. Number of shares outstanding at the end of term (including treasury stocks)
 

For the year ended March 31, 2007	: 62,832 shares
For the year ended March 31, 2006	: 31,388 shares
2. Number of treasury stocks at the end of term
 

For the year ended March 31, 2007	: shares
For the year ended March 31, 2006	: shares

### Notes Regarding Financial Forecast

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 financial forecasts 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.

Please refer to "Review of Operations ( 1 )Operations Analysis" on page 3 in relation to above-mentioned forecasts.

## 1. Review of Operations

### ( 1 ) Operations Analysis

#### a. Outline of Business Results

The Japanese economy, in addition to seeing steady growth in capital investment, also noted a recovery in personal consumption in the second half of the year, meaning that this fiscal year marked the longest continuous economic recovery, exceeding even that of the so-called "Izanagi" recovery trend. However, as the global economy moved into its fifth consecutive year of expansion, and with international commodity markets continuing to skyrocket, major economies tightened monetary policy. Against this background there was a slowdown in exports and the corresponding IT inventory adjustments acted to suppress economic growth.

In the electronic components industry for PCs, there was reluctance to make purchases before the release of machines with new operating systems installed. For mobile phones, due to factors such as inventory adjustments by major makers in the second half of the year, the demand for gold plating chemicals declined in that sector. However, in line with the trend toward using lead-free products, overall demand continued to increase. As a result, the highest sales and income results ever were recorded, with sales of ¥9,536,769 thousand (YoY increase of 28.0%), operating income of ¥2,032,671 thousand (YoY increase of 3.7%), ordinary income of ¥2,040,007 thousand (YoY increase of 4.1%), and net income for the fiscal year of ¥1,225,275 thousand (YoY increase of 3.6%).

Sales according to use category are as stated below.

#### ( Printed circuit boards and semiconductor substrates )

In line with changes to MPU package design intended to increase PC speed, there was an increased demand for gold plating fluids in this sector, which was offset by the influence of sluggish PC sales and inventory adjustments by mobile phone manufacturers. As a result, sales of ¥4,379,387 thousand, a YoY increase of 12.8%, were recorded.

#### ( Connectors )

Throughout this fiscal year, demand for PCs, mobile phones and digital home appliances only increased slightly, resulting likewise in a minor increase in revenue for the sector. As a result, sales of ¥2,387,023 thousand, a YoY increase of 34.7%, were recorded.

#### ( Lead frames )

The demand for palladium PPF (Pre-plating lead frame) continued to increase, resulting in corresponding growth in sales and income. As a result, sales of ¥2,260,727 thousand, a YoY increase of 53.5%, were recorded.

#### ( Others )

Strong sales of ion plating for watch decoration and plating related devices meant that sales of ¥509,631 thousand, a YoY increase of 59.1%, were recorded.

#### b. Operation Results Analysis

In this fiscal year there were sales of ¥9,536,769 thousand, a YoY increase of 28.0%.

(For details refer to the Operation Results Outline.)

Cost of sales was ¥6,655,511 thousand, a YoY increase of 42.9%. Gross profit was ¥2,881,257 thousand, a YoY increase of 3.3%. Selling, general, and administrative expenses were ¥848,586 thousand, a YoY increase of 2.4%. The main reasons for this were an increase in personnel costs. As a result operating income was ¥2,032,671 thousand, a YoY increase of 3.7%.

Non-operating income due to an increase in received dividends was ¥7,335 thousand, a YoY increase of ¥8,042 thousand. As a result, ordinary income was ¥2,040,007 thousand, a YoY increase of 4.1%.

Taxes were ¥812,838 thousand, a YoY increase of 4.6%. As a result net income was ¥1,225,275 thousand, a YoY increase of 3.6%.

### **Outlook for the Next Fiscal Year**

In the electronic components industry, in the lead up to the 2008 Beijing Olympics increased demand for digital home appliances—centering on FPD (Flat Panel Displays) televisions, as well for PCs and mobile phones—is expected to result in steady demand by BRICs and other emerging economies. However, in the electronic components industry it is forecast that there may be fluctuations due to the influence of global economic trends.

While our Company, as a supplier of materials for the electronic components industry, will be influenced by these variables, through development and introduction into the market of new products and new customer acquisition strategies, we are aiming to actively expand the scope of business to achieve a YoY growth in ordinary income of 5.9%.

## **( 2 ) Financial Position Analysis**

### **a. Financial position analysis**

Total assets at the end of this fiscal year were ¥7,091,166 thousand, a YoY increase of ¥795,004 thousand.

Current assets decreased YoY ¥121,915 thousand to ¥5,191,937 thousand. The main reasons for this were a YoY decrease in cash and deposits of ¥289,290 thousand, to ¥3,002,209 thousand, due to long-term deposit investment and an increase in accounts receivable of ¥86,567 thousand.

Fixed assets increased YoY ¥916,919 thousand to ¥1,899,229 thousand. The increase in depreciation expenses resulted in a reduction for tangible fixed assets, despite the acquisition of a new R&D facility and a manufacturing streamlining system.

Investment and other assets, at ¥1,723,638 thousand, increased ¥939,856 thousand from the previous year due to a gain in valuation of investment securities of ¥434,108 thousand and an increase in long-term deposits of ¥500,000 thousand.

Total liabilities were ¥1,209,282 thousand, a YoY decrease of ¥70,276 thousand.

Current liabilities decreased YoY ¥50,764 thousand, to ¥984,705 thousand. The main reasons for this were a decrease in income tax payable of ¥110,012 thousand and an increase in purchase liabilities of ¥64,940 thousand.

Fixed liabilities were ¥224,577 thousand, a YoY decrease of ¥19,512 thousand. The main reason for this was a decrease in deferred tax liabilities resulting from a loss on valuation of investment securities.

Net assets for the fiscal year were ¥5,881,884 thousand, a YoY increase of ¥865,281 thousand. Based on net income calculation, retained earnings increased by ¥891,345 thousand.

### **b. Cash flow analysis**

Cash and cash equivalents at the end of this fiscal year were ¥3,001,532 thousand, a YoY decrease of ¥89,171 thousand.

For net cash provided by operating activities, due to favorable sales, net income before income taxes was ¥2,038,113 thousand, YoY increase of ¥78,961 thousand. However, due to an increase in both accounts receivable and income tax payments, the amount ultimately obtained from operating activities was ¥1,059,474

thousand, YoY increase of ¥354,315 thousand.

For net cash used for investment activities, while expenditure on capital investment was less than the previous year, due to an increased expenditure to acquire investment securities and an increase in long-term deposits, expenditures increased by ¥299,950 thousand compared to the previous year and net cash used for investment activities increased by ¥721,351 thousand YoY, to ¥843,143 thousand.

For net cash used for financial activities, expenditures for dividend payments increased and revenues received through stock issue resulting from the exercise of stock acquisition rights decreased. As a result, net cash used for financial activities was ¥305,503 thousand, for a YoY increase of ¥315,334.

(Reference)

	March, 2003	March, 2004	March, 2005	March, 2006	March, 2007
Equity Ratio	82.1%	83.2%	79.4%	79.7%	82.9%
Ratio of Market Capitalization to Total Assets	282.3%	645.9%	449.7%	858.5%	408.5%
Debt Redemption Multiple	—	—	—	—	—
Interest Coverage Ratio	—	—	—	—	—

Note) Equity ratio: Net assets / Total assets

Equity ratio based on market value: Market capitalization / Total assets

Debt redemption period: Interest bearing debt / Operating cash flow

Interest coverage ratio: Operating cash flow / Interest payments

### (3) 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 on this policy, at the General Meeting of Shareholders scheduled for June 22, 2007, it is planned to propose a motion that an ordinary dividend of ¥3,000 be paid. This would result in a total dividend for the year per share of ¥5,500, a year on year increase of ¥1,500 considering a 2-for-1 stock split performed on April 1, 2006.

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.

### (4) Business Risk

Possible risk items for operations development are set forth below. In order to provide full disclosure to investors, items including those that the Company believes will have no impact on our operations, however that may be important in investing or for full understanding of our Company's operations, are stated below.

#### a. 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.

**b. 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.

**c. Influence of fluctuations in the exchange rate**

In the fiscal year ended March 2006 and March 2007, exports accounted for 31.6% and 29.9%, 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.

**d. 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.

**e. 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.

#### **f. 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, as recently there has been an increase in the number of cases in which e-mail, memory, projector and similar have been used in communications with other companies, 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.

#### **g. 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.

#### **h. 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.

#### **i. 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.

### **2. Corporate Group**

There have been no major changes to the Business Flow Diagram (Business Details) from those contained in the recent Securities Report (Submitted on June 23, 2006). Accordingly, this item has been omitted.

### **3. Management Policies**

#### **(1) Fundamental Management Policies**

While the IT society is supported by a wide range of industries, fine chemicals makers are most active in Japan, providing the functional materials required for the production of electronic devices. As precious metal plating chemicals are an important part of the functional chemicals, our Company's fundamental management policy is to grow as a company known among fine chemical makers as the company most highly praised within the international device market.

#### **(2) Targeted Performance Indexes**

With the aim of increasing profitability and capital efficiency and gains for shareholders, the company places an emphasis on ROE and DOE (dividend on equity) as targeted performance indexes.

In this fiscal year, ROE and DOE were 22.5% and 6.3%, respectively.

#### **(3) Medium- to Long-Term Management Strategies**

The Company, based on its fundamental management policies outlined in its Medium-Term Management Plan (From April 2007 to March 2009), set forth concrete goals with respect to the issues it faces and we continue to strive to meet these goals.

The management strategies are as outlined below.

#### **< Business Strategies >**

##### **1) Strengthen sales activities in response to expanded overseas markets**

In the past few years, the Company's growth has been supported by the increasing popularity in developed countries of digital equipment such as PCs and mobile phones. However, recently there have been signs that this market has nearly become oversaturated. Accordingly, the Company, believing that the promotion of business strategies that focus on new markets is vital to its future growth, continues to cultivate these strategies in terms of both marketing and technical support.

##### **2) Cultivate new demand for precious metal plating**

The range of applications for precious metal plating technologies continues to expand, not just in established

product sectors such as PCs, mobile phones and digital cameras but also for game machines and flat screen TVs. Regardless of the sector, the Company believes it is vital to actively strengthen market research and marketing strategies.

### **3 ) Enter new business areas**

The Company, based on its established technologies within the precious metal plating industry and by continuing to enter into new areas of operation, is actively seeking new markets to further increase revenues and expand the content of its operations.

#### **< Organizational Strategies >**

##### **1 ) Upgrade technical staff**

In the future the Company's major competitors will not be precious metal chemical manufacturers but rather general plating chemical manufacturers. Accordingly, in the Company's technical group, "Unique Concepts" are a pre-requisite to challenging these general plating chemical manufacturers whose technical groups employ far more technical staff. The Company is tackling this challenge not merely by increasing staffing levels but by ensuring that all persons hired possesses superior skills within their fields.

##### **2 ) Strengthen marketing systems**

The Company will establish sales hubs and dispatch necessary personnel to markets where future growth is predicted.

Further, within the Japanese market, the Company will establish an information exchange network with the R&D groups of major device manufacturers forming the core of its new technology development systems.

##### **3 ) Establish in-house management systems**

While the Company has already launched its in-house management systems, our goal is to create a system where there is smooth decision-making by top management through the streamlining of important operational processes and the creation of concise documentation.

#### **( 4 ) Key Issues Facing the Company**

##### **Current Status and Key Issues**

In the Company's core semiconductor and electronics markets the trend towards globalization of operations continues. The majority of the Company's client manufacturers, to adapt to this market expansion, in addition to competing to unearth new technologies, are also continuing to seek out optimum manufacturing systems that on a global scale, with a focus on both marketing and cost competitiveness.

Against this background, the Company continues to supply unique plating chemicals to the electronics industry and recognizes that the following issues must be addressed to ensure its corporate growth as a company that receives high praise in the international marketplace.

##### **1 ) Growing to become a model fine chemical company in the 21st century**

Moving on from the 20th century, in which the mass chemical industry was engaged in cost and sales competition on an engineering basis, to the 21st century, the Company as a fine chemicals manufacturer aims to differentiate itself from rival companies by producing highly functional and highly profitable products that represent the latest chemical-related knowledge.

The Company believes that the most important assets in fine chemical manufacture are not capital or plant capability but rather development and marketing skills, which means placing the highest priority on the acquisition of

superior human resources. Accordingly, the Company continues to actively implement recruiting strategies that focus on acquiring persons with postgraduate degrees.

## **2 ) Fundamental policy regarding technology and sales**

The Company's competitors are involved not only in the precious metal plating chemical industry but also in the base metal plating chemical industry. Accordingly, the Company, as a part of its fundamental technical development policies, continues to promote the ongoing expansion of its market share through timely improvement of its core precious metal plating technologies while at the same time clearly identifying areas that have not yet been fully addressed in technical terms, within both the precious and base metal plating industries.

The Company's fundamental sales policies involve relying on the inherent appeal of our Company's superior products, to promote standardization of high-end products not influenced by economic or industry fluctuations, to achieve new product releases (acquire market share and improve gross profit), to participate in new applications, and to concentrate our personnel placement focusing on overseas markets and specifically to expand sales of existing products to companies operating on the China mainland.

## **3 ) Sales expansion**

As a part of the Company's goals, namely to grow as a fine chemical manufacturing company, it is not our ultimate objective to just expand for the sake of corporate expansion. However, based on the company's long held conviction that human resources are the most important assets, the Company continues to steadily increase the number of its employees.

It is therefore predicted that our current facilities will reach full capacity (in terms of employee numbers) within a few years. Accordingly, the company is currently examining relocating the Company as a whole or some divisions.

## **( 5 ) Other Items with a Major Influence on Company Management (conflict of interest)**

There are no applicable items.

#### 4. Financial Statements, etc.

##### (1) Balance Sheet

Category	Previous Fiscal Period (March 31, 2006)		Current Fiscal Period (March 31, 2007)		Year-on-Year Comparison
	Amount (One Thousand Yen)	% of Total	Amount (One Thousand Yen)	% of Total	
<b>(ASSETS)</b>					
Current assets					
1. Cash and deposits	3,291,500		3,002,209		-289,290
2. Notes receivable	234,234		277,680		43,445
3. Accounts receivable	1,484,853		1,527,974		43,121
4. Marketable securities	—		68		68
5. Products	94,802		89,212		-5,589
6. Raw materials	132,509		219,523		87,014
7. Stock	2,340		1,337		-1,003
8. Prepaid expenses	6,783		6,783		0
9. Deferred tax assets	66,457		59,155		-7,301
10. Consumption tax receivables	—		7,218		7,218
11. Other	371		772		400
<b>Total Current Assets</b>	<b>5,313,852</b>	<b>84.4</b>	<b>5,191,937</b>	<b>73.2</b>	<b>-121,915</b>
Fixed assets					
1. Tangible fixed assets					
(1) Buildings and structures	72,659		81,303		
Accumulated depreciation	33,004	39,655	38,556	42,746	3,090
(2) Vehicle and delivery equipment	12,594		12,594		
Accumulated depreciation	8,153	4,440	9,569	3,024	-1,416
(3) Tools, equipment and fixtures	372,217		388,322		
Accumulated depreciation	262,324	109,893	309,012	79,310	-30,583
<b>Total Tangible Fixed Assets</b>		<b>153,989</b>		<b>125,080</b>	<b>1.8</b>
2. Intangible Fixed Assets					
(1) Software	41,960		48,208		6,247
(2) Telephone subscription rights	466		466		—
(3) Trademark rights	2,111		1,835		-275
<b>Total Intangible Fixed Assets</b>		<b>44,537</b>		<b>50,510</b>	<b>0.7</b>
3. Investments and Other Assets					
(1) Investment securities	756,604		1,190,713		434,108
(2) Long-term deposits	—		500,000		500,000
(3) Deferred tax assets	22,186		26,011		3,825
(4) Long-term prepaid expenses	4,217		5,783		1,565
(5) Other	773		1,130		357
<b>Total Investment and Other Assets</b>		<b>783,782</b>		<b>1,723,638</b>	<b>24.3</b>
<b>Total Fixed Assets</b>		<b>982,309</b>		<b>1,899,229</b>	<b>26.8</b>
<b>Total Assets</b>		<b>6,296,162</b>		<b>7,091,166</b>	<b>100.0</b>

Category	Previous Fiscal Period (March 31, 2006)		Current Fiscal Period (March 31, 2007)		Year-on-Year Comparison
	Amount (One Thousand Yen)	% of Total	Amount (One Thousand Yen)	% of Total	
<b>(LIABILITIES)</b>					
Current liabilities					
1. Notes payable	8,347		—		-8,347
2. Accounts payable	341,164		414,453		73,288
3. Monies payable	38,659		42,655		3,996
4. Income tax payable	551,000		440,987		-110,012
5. Consumption tax payable	33,962		—		-33,962
6. Reserve for bonuses	52,000		55,400		3,400
7. Monies payable for facilities	840		16,826		15,986
8. Other	9,495		14,382		4,887
Total Current Liabilities	1,035,469	16.4	984,705	13.9	-50,764
Fixed liabilities					
1. Deferred tax liabilities	163,572		121,735		-41,836
1. Reserve for Director's retirement benefits for service	80,517		102,841		22,323
Total Fixed Liabilities	244,089	3.9	224,577	3.2	-19,512
Total Liabilities	1,279,559	20.3	1,209,282	17.1	-70,276
<b>(SHAREHOLDERS EQUITY)</b>					
Capital stock	1,234,508	19.6			
Capital surplus					
1. Capital reserve	978,220				
Total Capital Surplus	978,220	15.5			
Retained earnings					
1. Voluntary reserve					
(1) Special depreciation reserve	38,220				
(2) Special reserve	1,200,000				
2 Unappropriated earnings at the end of the period	1,299,327				
Total Retained Earnings	2,537,547	40.3			
Stock valuation differential	266,327	4.3			
Total Shareholders' Equity	5,016,603	79.7			
Total Liabilities and Shareholders' Equity	6,296,162	100.0			
<b>(Net Assets)</b>					
Shareholders Equity					
1. Capital stock			1,240,248	17.5	
2. Capital surplus					
(1)Capital reserve			983,961		
Total capital surplus			983,961	13.9	
3. Retained earnings					
(1)Other retained earnings					
Reserve for special depreciation			13,509		
General reserve			1,900,000		
Unappropriated retained earnings at the end of the period			1,515,383		
Total Retained Earnings			3,428,893	48.3	
Total Shareholders' Equity Valuation and Exchange Differential			5,653,102	79.7	
Stock valuation differential			228,781		
Total Valuation and Exchange Differential			228,781	3.2	
Total Net Assets			5,881,884	82.9	
Total Liabilities and Net Assets			7,091,166	100.0	

**(2) Profit & Loss Statement**

Category	Previous Fiscal Period (April 1, 2005 - March 31, 2006)			Current Fiscal Period (April 1, 2006 - March 31, 2007)			Year-on-Year Comparison
	Amount (One Thousand Yen)		% of Total	Amount (One Thousand Yen)		% of Total	
Sales							
1. Product sales		7,448,111	100.0		9,536,769	100.0	2,088,657
Cost of sales							
1. Product inventory at beginning of the period	69,274			94,802			
2. Product manufacturing costs	4,684,419			6,649,922			
Total	4,753,693			6,744,724			
3. Product inventory at end of the period	94,802	4,658,891	62.6	89,212	6,655,511	69.8	1,996,619
Gross Profit		2,789,219	37.4		2,881,257	30.2	92,037
Selling, general and administrative expenses		828,570	11.1		848,586	8.9	20,015
Operating income		1,960,648	26.3		2,032,671	21.3	72,022
Non-operating income							
1. Interest received	70			1,665			
2. Dividends received	1,807			7,383			
3. Currency gain	904			434			
4. Dividend Income of insurance	362			418			
5. Other income	141	3,286	0.0	616	10,518	0.1	7,231
Non-operating expenses							
1. New share issue expenses	3,842			—			
2. Stock split expenses	—			2,764			
3. Stock delivery expenses	—			289			
4. Other losses	149	3,992	0.0	128	3,182	0.0	-810
Ordinary income		1,959,942	26.3		2,040,007	21.4	80,064
Extraordinary income							
1. Insurance income	310	310	0.0	188	188	0.0	-122
Extraordinary losses							
1. Loss of retirement of fixed assets	1,100	1,100	0.0	2,082	2,082	0.0	981
Income before income taxes		1,959,152	26.3		2,038,113	21.4	78,961
Income taxes, residence taxes and enterprise taxes	786,874			821,614			
Income tax effect adjustment	-9,934	776,940	10.4	-8,776	812,837	8.5	1,157
Net income		1,182,212	15.9		1,225,275	12.9	43,063
Retained earnings brought forward		210,343					
Interim dividend		93,228					
Unappropriated retained earnings at end of year		1,299,327					

### (3) Statements of Change in Net Assets

Current Fiscal Period(April 1, 2006 - March 31, 2007)

	Shareholders' Equity							
	Capital stock	Capital surplus		Retained earnings				Total Shareholders' Equity
		Capital reserve	Total capital surplus	Other retained earnings			Total retained earnings	
				Special depreciation reserve	Other reserve	Unappropriated retained earnings at the end of the period		
Balance as of March 31, 2006 (One Thousand Yen)	1,234,508	978,220	978,220	38,220	1,200,000	1,299,327	2,537,547	4,750,275
Changes during the current period								
Issuance of new shares	5,740	5,740	5,740	-	-	-	-	11,481
Dividends declared	-	-	-	-	-	-313,930	-313,930	-313,930
Directors' bonuses	-	-	-	-	-	-20,000	-20,000	-20,000
Reversal of special depreciation reserve	-	-	-	-26,747	-	26,747	-	-
Reserve for special depreciation	-	-	-	2,037	-	-2,037	-	-
General reserve	-	-	-	-	700,000	-700,000	-	-
Net income	-	-	-	-	-	1,225,275	1,225,275	1,225,275
Net changes other than shareholders' equity	-	-	-	-	-	-	-	-
Total changes during the current period (One Thousand Yen)	5,740	5,740	5,740	-24,710	700,000	216,056	891,345	902,826
Balance as of March 31, 2007 (One Thousand Yen)	1,240,248	983,961	983,961	13,509	1,900,000	1,515,383	3,428,893	5,653,102

	Valuation and Exchange Differential		Total Net Assets
	Stock valuation differential	Total Valuation and Exchange Differential	
Balance as of March 31, 2006 (One Thousand Yen)	266,327	266,327	5,016,603
Changes during the current period			
Issuance of new shares	-	-	11,481
Dividends declared	-	-	-313,930
Directors' bonuses	-	-	-20,000
Reversal of special depreciation reserve	-	-	-
Reserve for special depreciation	-	-	-
General reserve	-	-	-
Net income	-	-	1,225,275
Net changes other than shareholders' equity	-37,545	-37,545	-37,545
Total changes during the current period (One Thousand Yen)	-37,545	-37,545	865,281
Balance as of March 31, 2007 (One Thousand Yen)	228,781	228,781	5,881,884

**(4) Cash Flows**

Category	Previous Fiscal Period	Current Fiscal Period	Year-on-Year Comparison
	(April 1, 2005 - March 31, 2006)	(April 1, 2006 - March 31, 2007)	
	Amount	Amount	
	(One Thousand Yen)	(One Thousand Yen)	
Cash flow from operating activities			
1. Income before income taxes	1,959,152	2,038,113	
2. Depreciation expenses	92,347	76,470	
3. Increase in reserve for bonuses	6,000	3,400	
4. Increase in reserve for Directors' retirement benefits for service	-44,556	22,323	
5. Loss on retirement of fixed assets	1,100	2,082	
6. Interest and dividends receivable	-1,878	-9,048	
7. Increase/decrease in accounts receivable (minus = increase)	-716,992	-86,567	
8. Increase/decrease in inventory (minus = increase)	-69,129	-80,421	
9. Increase in purchase liabilities	88,178	64,940	
10. Payment of bonuses for Directors	-25,000	-20,000	
11. Other	39,932	-29,239	
Sub Total	1,329,155	1,982,052	
16. Interest and dividends received	1,878	9,048	
17. Income taxes paid	-625,874	-931,626	
Cash flow from operating activities	705,159	1,059,474	354,315
Cash flow from investing activities			
1. Expenditures for acquisition of tangible fixed assets	-111,912	-32,495	
2. Expenditures for acquisition of intangible fixed assets	-6,700	-7,547	
3. Expenditures for acquisition of investment securities	-3,178	-497,413	
4. Net increase in time deposit (minus = increase)	—	-299,950	
5. Other	—	-5,737	
Cash flow from investing activities	-121,792	-843,143	-721,351
Cash flow from financing activities			
1. Issuance of common stock	197,172	11,191	
2. Payments for stock exchange listing-related expenses	-1,713	—	
3. Dividend payments	-185,628	-313,930	
4. Other	—	-2,764	
Cash flow from financing activities	9,831	-305,503	-315,334
Increase in cash and cash equivalents	593,198	-89,171	-682,369
Balance of cash and cash equivalents at beginning of the period	2,497,506	3,090,704	593,198
Balance of cash and cash equivalents at end of the period	3,090,704	3,001,532	-89,171

**(5) Proposal for the Appropriation of Retained Earnings**

Category	Previous Fiscal Period	
	Date of Approval by the General Meeting of Shareholders (scheduled on June 23, 2006)	
	Amount (One Thousand Yen)	
Unappropriated earnings at end of period		1,299,327
Reversal of voluntary reserve		
1. Reversal of special depreciation reserve	16,552	16,552
Total		1,315,879
To be appropriated as follows		
1. Dividends	156,940	
(Ordinary dividend)	(¥5,000 per share)	
2. Directors' bonuses	20,000	
3. Voluntary reserve		
(1) Reserve for special depreciation	2,037	
(2) Special reserve	700,000	878,977
Retained earnings carried forward		436,902

(Note)

In previous fiscal period, an interim dividend of ¥3,000 per share (Total dividend ¥93,228,000) was paid.

**(6) Sales Results by Product**

Product Type	Previous Fiscal Period (April 1, 2005 - March 31, 2006)		Current Fiscal Period (April 1, 2006 - March 31, 2007)	
	Amount (One Thousand Yen)		Amount (One Thousand Yen)	Year-on-year comparison (%)
For printed circuit boards & semiconductor substrates	3,883,171		4,379,387	112.8
For connectors & micro-switches	1,771,606		2,387,023	134.7
For lead frames	1,473,079		2,260,727	153.5
Other	320,253		509,631	159.1
Total	7,448,111		9,536,769	128.0

**(7) Sales Results by Export Region**

	Previous Fiscal Period (April 1, 2005 - March 31, 2006)		Current Fiscal Period (April 1, 2006 - March 31, 2007)	
	Amount (One Thousand Yen)	% of Total	Amount (One Thousand Yen)	% of Total
Korea	481,482	20.5	540,477	19.0
Taiwan	671,377	28.5	676,651	23.8
Singapore / Malaysia	158,265	6.7	195,125	6.8
China	471,509	20.0	761,286	26.7
Other Regions	573,182	24.3	673,626	23.7
Total	2,355,818 (31.6%)	100.0	2,847,166 (29.9%)	100.0