

April 20, 2006



Financial Statements for the Fiscal Year Ended March 31, 2006 (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,
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Date of the meeting of the Board of Directors for approval
 of financial statements : April 20, 2006
 Interim dividend : Yes
 Beginning of dividend payment : June 26, 2006
 Date of General Meeting of Shareholders : June 23, 2006
 Adoption of unit stock system : No

1. Financial Results for the fiscal year: from April 1, 2005 to March 31, 2006

(1) Results of Operations

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

	Sales		Operating Income		Ordinary Income	
	(million yen)		(million yen)		(million yen)	
Year ended March 31, 2006	7,448	35.4%	1,960	56.2%	1,959	56.8%
Year ended March 31, 2005	5,500	15.7%	1,255	15.0%	1,249	19.1%

	Net Income		Net Income Per Share	Diluted Net Income Per Share	Ratio of net income to shareholders' equity	Ratio of Ordinary Income to total capital	Ratio of Ordinary Income to Sales
	(million yen)		(yen)	(yen)	(%)	(%)	(%)
Year ended March 31, 2006	1,182	58.7%	37,419.49	36,985.20	27.5	36.2	26.3
Year ended March 31, 2005	744	21.3%	23,370.35	23,132.09	22.7	30.8	22.7

Notes : 1. Equity in earnings (losses) of affiliates : For the year ended March 31, 2006 : million yen
 : For the year ended March 31, 2005 : million yen
 2. Weighted average number of shares outstanding : For the year ended March 31, 2006 :31,059 shares
 : For the year ended March 31, 2005 :30,800 shares
 3. Change in accounting policy : No
 4. Percentages above represent annual changes over the preceding year unless otherwise stated.

(2) Dividend Positions

	Annual Dividend Per Share			Total Annual Dividend	Payout Ratio	Ratio of Dividends to Shareholders' Equity
	Interim	Year End				
	(yen)	(yen)	(yen)	(million yen)	(%)	(%)
Year ended March 31, 2006	8,000.00	3,000.00	5,000.00	250	21.4	5.0
Year ended March 31, 2005	5,000.00	2,000.00	3,000.00	154	21.4	4.3

Note: 1. Breakdown of dividend at year ended March 31, 2005: Ordinary dividend ¥2,000.00 Memorial dividend ¥1,000.00

(3) Financial Positions

	Total Assets	Shareholders' Equity	Ratio of Shareholders' Equity to Total Assets	Shareholders' Equity Per Share
	(million yen)	(million yen)	(%)	(yen)
Year ended March 31, 2006	6,296	5,016	79.7 %	159,188.32
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
March 31, 2006 : 31,388 shares
March 31, 2005 : 30,800 shares
2. Number of treasury shares at the end of period
March 31, 2006 :
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)
Year ended March 31, 2006	705	-121	9	3,090
Year ended March 31, 2005	1,137	-335	-119	2,497

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

	Sales	Operating Income	Ordinary Income	Net Income	Dividends per Share		
					Interim	Year End	
	(million yen)	(million yen)	(million yen)	(million yen)	(yen)	(yen)	(yen)
Six months ending September 30, 2006	4,000	1,100	1,100	660	2,000.00		
Year ending March 31, 2007	8,200	2,250	2,250	1,350		2,000.00	4,000.00

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

A two (2) for one (1) stock split was performed on common shares held by shareholders appearing or recorded in the register of shareholders or the register of beneficial shareholders as at the close of business on March 31, 2006.

Please refer to "Review of Operations and Financial Position" on page 7 and 8 in relation to above-mentioned forecasts.

1. Corporate Group

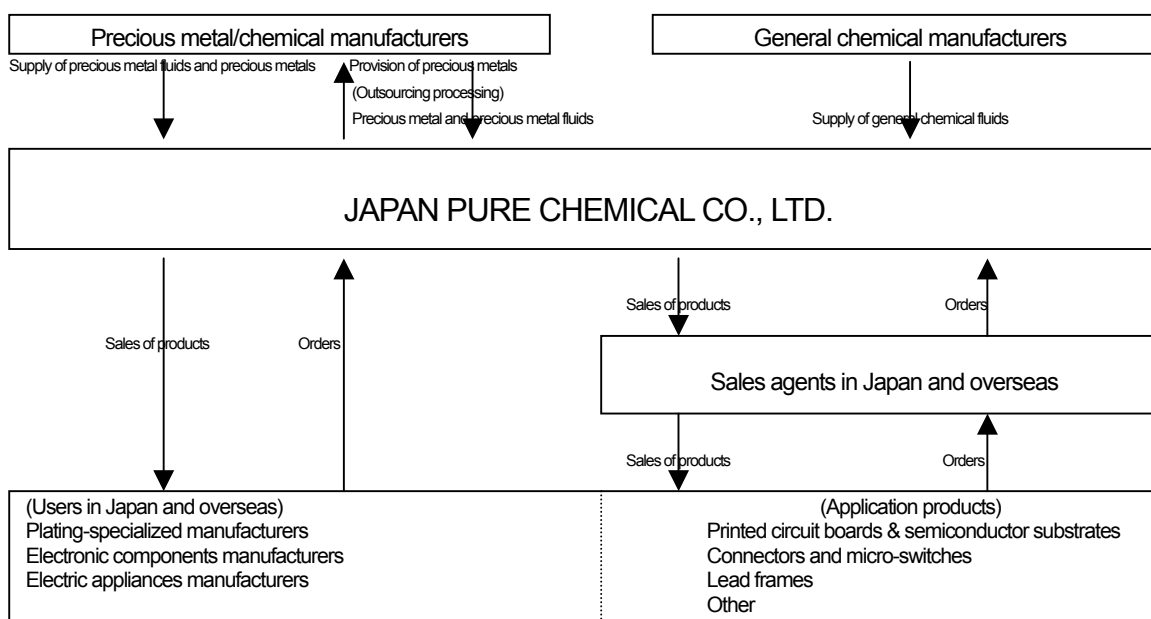
Japan Pure Chemical Co., Ltd. (the Company) is primarily engaged in the development, manufacture and sale of chemicals for the precious metal plating of contacts and connectors for the attachment of electronic components on printed circuit boards (including package substrates), and for connectors and 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 chemicals, silver plating chemicals, and palladium plating chemicals for printed circuit boards, connectors and lead frames,. 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 and electrically conductive. 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 on this policy, at a Board of Directors meeting held on October 19, 2005, the interim dividend for the period ended September 30, 2005 was increased. Further, at the General Meeting of Shareholders scheduled for June 23, 2006, it is planned to propose a motion that an ordinary dividend of ¥5,000 be paid. This would result in a total dividend for the year per share of ¥8,000, a year on year increase of ¥3,000.

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, a two (2) for one (1) stock split was performed on common shares held by shareholders appearing or recorded in the register of shareholders or the register of beneficial shareholders as at the close of business on March 31, 2006. 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% or more, to enhance profitability and returns on capital.

The ROE at the end of this fiscal year was 27.5%.

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. ISO certification for quality assurance (customer satisfaction) and environmental standards was obtained in April, 2005.

< 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.

3. Review of Operations and Financial Position

a. Review of Operations

In this fiscal year, with the Japanese economy experiencing growth in both corporate and household spending, clear signs of economic recovery could be seen. Against the background of the conclusion of the deflationary cycle, an increase in asset values centering on rising stock prices was seen. These factors coupled with the removal of quantitative monetary supply policy are indicators that after 15 years of stagnation a strong recovery in the Japanese economy has commenced.

In the electronic components industry, inventory level adjustments for digital home appliances such as mobile phones and LCD TVs commenced at the beginning of Fall last year. With these being completed more quickly than expected, there was a rapid recovery in the industry from July of last year and since then there has been steady growth in the market for digital home appliances such as mobile phones, PCs and flat panel TVs.

For our Company, in addition to the increased demand resulting from the favorable conditions described above, demand for our gold plating chemicals for flexible circuit boards and connectors also increased because of the trend toward using lead-free products, the increasing sophistication of equipment, the growing number of components due to miniaturization and the strong performance of semiconductor packages such as BGA.

As a result, the highest sales and income results ever were recorded, with sales of ¥7,448,111 thousand (YoY increase of 35.4%), operating income of ¥1,960,648 thousand (YoY increase of 56.2%), ordinary income of ¥1,959,942 thousand (YoY increase of 58.8%) and net income for the fiscal year of ¥1,182,212 thousand (YoY increase of 58.7%).

Sales according to use category are as stated below.

Printed circuit boards and semiconductor substrates

In line with the ongoing miniaturization of semiconductors, the movement from lead frame to BGA type continued, with the BGA market expanding.

Further, in the flexible print circuit board market, in response to increasing miniaturization and the trend toward use of lead-free products, the shift from solder plating to gold plating continued. In addition, sales of new products for semiconductor packages proceeded as planned.

As a result, sales of ¥3,883,171 thousand, a YoY increase of 32.8%, were recorded.

Connectors and micro-switches

Driven by increased demand for gold plating fluids resulting from the trend toward use of lead-free products as well as the demand for highly functional plating fluids created by increased miniaturization of connectors, sales increased 75.0% from the previous year to ¥1,771,606 thousand.

Lead frames

In response to the trend for use of lead-free products, palladium PPF (Pre-plating lead frame) has been well received with the demand for palladium plating fluids increasing.

Sales increased 41.8% from the previous fiscal year to ¥1,473,079 thousand.

Other

Due to a decline in ion plating for watch decoration, sales were ¥320,253 thousand, a YoY decrease of 39.1%.

<Outlook for the Next Fiscal Year>

In the electronic component industry, in addition to replacement demand for PCs, mobile telephones digital home appliances and game consoles in the established markets of Europe, Japan, South Korea and Taiwan, it is also expected that there will be new purchase demand for PCs and mobile phones in developing regions such as BRICs (Brazil, Russia, India and China).

Within these areas it is believed that the demand for mobile phone components resulting from increased sophistication will exceed the number of units able to be shipped.

In the PC market it is expected that purchase of units for personal use will accelerate further due to demand

for Bluetooth compatible equipment and the increasing market penetration of iPod. While influencing factors are unknown, it is also believed that the demand for high-end mobile PCs will increase.

For digital home appliances it is thought that FPD (Flat Panel Display TVs) will continue to perform well with the growth in digital broadcasting accelerating the increase in the number of units shipped.

Our Company has secured a dominant market share in gold plating for semiconductors that are used in advanced electronic equipments and components. Further from this year onwards to coincide with the introduction of regulations mandating use of lead-free products, our Company aims to actively expand market share through application of independently developed technologies that have been proven in flexible circuit board use to various printed circuit boards and connectors.

In addition to provide us with the capability to quickly respond to the burgeoning demand from overseas manufacturers, our Company continues to focus on its Asia wide sales network with the ultimate goal of becoming a truly worldwide corporate organization.

Financial forecasts for the fiscal year ending March 31, 2007 are as stated below.

Sales: ¥8,200,000 thousand (YoY increase of 10.1%)

Ordinary Income: ¥2,250,000 thousand (YoY increase of 14.8%)

Net Income: ¥1,350,000 thousand (YoY increase of 14.2%)

[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.

b. Financial Position and Financial Results Analysis

(1) Financial position analysis

Total assets at the end of this fiscal year were ¥6,296,162 thousand, a YoY increase of ¥1,776,182 thousand.

Current assets increased ¥1,397,426 thousand to ¥5,313,852 thousand. The main reasons for this were cash and deposits increased ¥593,198 thousand to ¥3,291,500 thousand together with accounts receivable which increased ¥716,992 thousand.

Fixed assets increased ¥378,756 thousand to ¥982,309 thousand. For tangible fixed assets and intangible fixed assets, while there was acquisition of a new R&D facility and a manufacturing streamlining system, the increase in depreciation expenses resulted in a reduction for this item.

Investment and other assets, at ¥783,782 thousand, increased ¥411,565 thousand from the previous year due to a gain in valuation of investment securities of ¥427,957 thousand.

Total liabilities were ¥1,279,559 thousand, a YoY increase of ¥349,761 thousand.

Current liabilities increased ¥230,746 thousand to ¥1,035,469 thousand. The main reasons for this were an increase in income tax payable and purchase liabilities of ¥161,000 thousand and ¥88,178 thousand respectively.

Fixed liabilities were ¥244,089 thousand, a YoY increase of ¥119,015 thousand. The main reason for this was an increase in deferred tax liabilities resulting from a gain on valuation of investment securities.

Shareholders' equity for the fiscal year was ¥5,016,603 thousand, a YoY increase of ¥1,426,421 thousand. Based on net income calculation, retained earnings increased ¥971,584 thousand.

(2) Financial results analysis

In this fiscal year there were sales of ¥7,448,111 thousand, a YoY increase of 35.4%.

(For details refer to the Financial Results Outline.)

Cost of sales was ¥4,658,891 thousand, a YoY increase of 34.3%. Gross profit was ¥2,789,219 thousand, a YoY increase of 37.3%.

Selling, general and administrative expenses were ¥828,570 thousand, a YoY increase of 6.8%. The main reasons for this were an increase in personnel costs due to increased staff levels and an increase in depreciation expenses resulting from increased investment on plant and equipment.

As a result operating income was ¥1,960,648 thousand, a YoY increase of 56.2%.

Non-operating income was ¥706 thousand, a YoY decrease of ¥5,103 thousand. The main reason for this was a reduction in public offer expenses.

As a result, ordinary income was ¥1,959,942 thousand, a YoY increase of 56.8%.

Taxes were ¥776,940 thousand, a YoY increase of 54.3%.

As a result net income was ¥1,182,212 thousand, a YoY increase of ¥437,406 thousand (58.7%).

(3) Cash flow analysis

Cash and cash equivalents at the end of this fiscal year were ¥3,090,704 thousand, a YoY increase of ¥593,198 thousand. From the net cash provided by operating activities of ¥705,159 thousand, ¥121,792 thousand was used for investment activities. ¥9,831 thousand was obtained from financial activities.

- Net cash provided by operating activities was ¥705,159 thousand, a YoY decrease of ¥432,513 thousand. While net income before income taxes was ¥1,959,152 thousand, a YoY increase of ¥710,859 thousand, there was an increase in accounts receivable of ¥716,992 thousand and an income tax payment of ¥625,874 thousand, causing this item to decrease.
- Net cash used for investment activities was ¥121,792 thousand, a YoY decrease of ¥213,994 thousand. This was accounted for by an expenditure of ¥111,912 thousand for the acquisition of tangible fixed assets, ¥6,700 thousand for the acquisition of intangible fixed assets and ¥3,178 thousand for the acquisition of investment securities.
- Net cash provided by financial activities was ¥9,831 thousand, a YoY increase of ¥128,844 thousand. This was primarily accounted for by ¥185,629 thousand yen paid in dividends as against revenues of ¥197,172 thousand received through stock issue resulting from the exercise of stock acquisition rights.

As a result, cash and cash equivalents at the end of this fiscal year were ¥3,090,704 thousand, a YoY increase of ¥593,198 thousand.

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

	March, 2002	March, 2003	March, 2004	March, 2005	March, 2006
Equity Ratio	82.5%	82.1%	83.2%	79.4%	79.7%
Ratio of Market Capitalization to Total Assets	—	282.3%	645.9%	449.7%	858.5%
Debt Redemption Multiple	—	—	—	—	—
Interest Coverage Ratio	23.0	—	—	—	—

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

c. 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 ended March 2006, exports accounted for 34.6% and 31.6%, 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.

4. Financial Statements, etc.

(1) Balance Sheet

Category	Previous Fiscal Period (March 31, 2005)		Current Fiscal Period (March 31, 2006)		Year-on-Year Comparison
	Amount (One Thousand Yen)	% of Total	Amount (One Thousand Yen)	% of Total	
(ASSETS)					
Current assets					
1. Cash and deposits	2,698,301		3,291,500		593,198
2. Notes receivable	170,380		234,234		63,854
3. Accounts receivable	831,715		1,484,853		653,138
4. Products	69,274		94,802		25,527
5. Raw materials	91,211		132,509		41,297
6. Stock	36		2,340		2,304
7. Prepaid expenses	6,739		6,783		43
8. Deferred tax assets	48,351		66,457		18,105
9. Other	414		371		-43
Total Current Assets	3,916,426	86.6	5,313,852	84.4	1,397,426
Fixed assets					
1. Tangible fixed assets					
(1) Buildings and structures	59,524		72,659		
Accumulated depreciation	26,939	32,584	33,004	39,655	7,070
(2) Vehicle and delivery equipment	12,594		12,594		
Accumulated depreciation	6,073	6,521	8,153	4,440	-2,080
(3) Tools, equipment and fixtures	338,398		372,217		
Accumulated depreciation	200,729	137,669	262,324	109,893	-27,775
Total Tangible Fixed Assets		176,775		153,989	-22,785
2. Intangible Fixed Assets					
(1) Software		51,708		41,960	-9,748
(2) Telephone subscription rights		466		466	0
(3) Trademark rights		2,386		2,111	-275
Total Intangible Fixed Assets		54,561		44,537	-10,023
3. Investments and Other Assets					
(1) Investment securities		325,469		756,604	431,135
(2) Deposits for guaranty		24,098		22,186	-1,912
(3) Deferred tax assets		18,734		0	-18,734
(4) Long-term prepaid expenses		3,529		4,217	688
(5) Other		383		773	390
Total Investment and Other Assets		372,216		783,782	411,565
Total Fixed Assets		603,553	13.4	982,309	378,756
Total Assets		4,519,979	100.0	6,296,162	1,776,182

Category	Previous Fiscal Period (March 31, 2005)		Current Fiscal Period (March 31, 2006)		Year-on-Year Comparison
	Amount (One Thousand Yen)	% of Total	Amount (One Thousand Yen)	% of Total	
(LIABILITIES)					
Current liabilities					
1. Notes payable	2,394		8,347		5,953
2. Accounts payable	258,939		341,164		82,225
3. Monies payable	33,119		38,659		5,540
4. Income tax payable	390,000		551,000		161,000
5. Consumption tax payable	1,358		33,962		32,604
6. Reserve for bonuses	46,000		52,000		6,000
7. Monies payable for facilities	63,000		840		-62,160
8. Other	9,911		9,495		-416
Total Current Liabilities	804,723	17.8	1,035,469	16.4	230,746
Fixed liabilities					
1. Deferred tax liabilities	—		163,572		163,572
1. Reserve for Director's retirement benefits for service	125,074		80,517		-44,556
Total Fixed Liabilities	125,074	2.8	244,089	3.9	119,015
Total Liabilities	929,797	20.6	1,279,559	20.3	349,761
(SHAREHOLDERS EQUITY)					
Capital stock					
	1,134,000	25.1	1,234,508	19.6	100,508
Capital surplus					
1. Capital reserve	877,713		978,220		100,507
Total Capital Surplus	877,713	19.4	978,220	15.5	100,507
Retained earnings					
1. Voluntary reserve					
(1) Special depreciation reserve	17,096		38,220		21,123
(2) Special reserve	700,000		1,200,000		500,000
2. Unappropriated earnings at the end of the period	848,867		1,299,327		450,460
Total Retained Earnings	1,565,963	34.6	2,537,547	40.3	971,584
Stock valuation differential					
	12,505	0.3	266,327	4.2	253,822
Total Shareholders' Equity	3,590,182	79.4	5,016,603	79.7	1,426,421
Total Liabilities and Shareholders' Equity	4,519,979	100.0	6,296,162	100.0	1,776,182

(2) Profit & Loss Statement

Category	Previous Fiscal Period (April 1, 2004 - March 31, 2005)		Current Fiscal Period (April 1, 2005 - March 31, 2006)		Year-on-Year Comparison		
	Amount (One Thousand Yen)	% of Total	Amount (One Thousand Yen)	% of Total			
Sales							
1. Product sales		5,500,642	100.0	7,448,111	100.0	1,947,469	
Cost of sales							
1. Product inventory at beginning of the period	27,520			69,274			
2. Product manufacturing costs	3,511,284			4,684,419			
Total	3,538,804			4,753,693			
3. Product inventory at end of the period	69,274	3,469,530	63.1	94,802	4,658,891	62.6	1,189,361
Gross Profit		2,031,112	36.9		2,789,219	37.4	758,107
Selling, general and administrative expenses		776,069	14.1		828,570	11.1	52,501
Operating income		1,255,043	22.8		1,960,648	26.3	705,605
Non-operating income							
1. Interest received	61			70			
2. Dividends received	1,494			1,807			
3. Currency gain	231			904			
4. Dividend Income				362			
5. Other income	46	1,834	0.0	141	3,286	0.0	1,452
Non-operating expenses							
1. New share issue expenses	2,108			3,842			
2. Public offering expenses	5,226						
3. Other loses	309	7,643	0.1	149	3,992	0.0	-3,651
Ordinary income		1,249,233	22.7		1,959,942	26.3	710,709

Category	Previous Fiscal Period (April 1, 2004 - March 31, 2005)		Current Fiscal Period (April 1, 2005 - March 31, 2006)		Year-on-Year Comparison
	Amount (One Thousand Yen)	% of Total	Amount (One Thousand Yen)	% of Total	
Extraordinary income					
1. Profit on sale of fixed assets	284		—		
2. Profit on sale of securities	319		—		
3. Insurance payments received	831	1,434	310	310	-1,124
Extraordinary losses					
1. Loss on sale of fixed assets	772		—		
2. Loss of retirement of fixed assets	1,603	2,375	1,100	1,100	-1,275
Income before income taxes		1,248,293		1,959,152	710,859
Income taxes, residence taxes and enterprise taxes	507,226		786,874		
Income tax effect adjustment	-3,739	503,486	-9,934	776,940	273,454
Net income		744,806		1,182,212	437,406
Retained earnings brought forward		165,660		210,343	44,682
Interim dividend		61,600		93,228	31,628
Unappropriated retained earnings at end of year		848,867		1,299,327	450,460

(3) Cash Flows

Category	Previous Fiscal Period (April 1, 2004 - March 31, 2005)	Current Fiscal Period (April 1, 2005 - March 31, 2006)	Year-on-Year Comparison
	Amount (One Thousand Yen)	Amount (One Thousand Yen)	
Cash flow from operating activities			
1. Income before income taxes	1,248,293	1,959,152	
2. Depreciation expenses	76,936	92,347	
3. Profit on sale of fixed assets	-284	—	
4. Loss on sale of fixed assets	772	—	
5. Profit on sale of investment securities	-319	—	
6. Increase in reserve for bonuses	5,000	6,000	
7. Increase in reserve for Directors' retirement benefits for service	8,165	-44,556	
8. Loss on retirement of fixed assets	1,603	1,100	
9. Interest and dividends receivable	-1,556	-1,878	
10. Public offering expenses	5,226	—	
11. Increase/decrease in accounts receivable (minus = increase)	45,509	-716,992	
12. Increase/decrease in inventory (minus = increase)	5,165	-69,129	
13. Increase in purchase liabilities	41,366	88,178	
14. Payment of bonuses for Directors	-25,000	-25,000	
15. Other	-217	39,932	
Sub Total	1,410,661	1,329,155	
16. Interest and dividends received	1,556	1,878	
17. Income taxes paid	-274,545	-625,874	
Cash flow from operating activities	1,137,672	705,159	-432,513
Cash flow from investing activities			
1. Expenditures for acquisition of tangible fixed assets	-56,589	-111,912	
2. Income from sale of tangible fixed assets	90	—	
3. Expenditures for acquisition of intangible fixed assets	-55,300	-6,700	
4. Expenditures for acquisition of investment securities	-222,343	-3,178	
5. Income from sale of investment securities	437	—	
6. Other	-2,080	—	
Cash flow from investing activities	-335,786	-121,792	213,994
Cash flow from financing activities			
1. Issuance of common stock	—	197,172	
2. Payments for stock exchange listing-related expenses	-3,513	-1,713	
3. Dividend payments	-115,500	-185,628	
Cash flow from financing activities	-119,013	9,831	128,844
Increase in cash and cash equivalents	682,873	593,198	-89,675
Balance of cash and cash equivalents at beginning of the period	1,814,632	2,497,506	682,874
Balance of cash and cash equivalents at end of the period	2,497,506	3,090,704	593,198

(4) Proposal for the Appropriation of Retained Earnings

Category	Previous Fiscal Period		Current Fiscal Period	
	Date of Approval by the General Meeting of Shareholders (June 24, 2005)		Date of Approval by the General Meeting of Shareholders (scheduled on June 23, 2006)	
	Amount (One Thousand Yen)		Amount (One Thousand Yen)	
Unappropriated earnings at end of period		848,867		1,299,327
Reversal of voluntary reserve				
1. Reversal of special depreciation reserve	7,300	7,300	16,552	16,552
Total		856,167		1,315,879
To be appropriated as follows				
1. Dividends	92,400		156,940	
(Ordinary dividend)	(¥2,000 per share)		(¥5,000 per share)	
(Commemorative dividend)	(¥1,000 per share)		—	
2. Directors' bonuses	25,000		20,000	
3. Voluntary reserve				
(1) Reserve for special depreciation	28,424		2,037	
(2) Special reserve	500,000	645,824	700,000	878,977
Retained earnings carried forward		210,343		436,902

(Note)

In previous fiscal period, an interim dividend of ¥2,000 per share (Total dividend ¥61,600,000) was paid.

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

(5) Sales Results by Product

Product Type	Previous Fiscal Period (April 1, 2004 - March 31, 2005)		Current Fiscal Period (April 1, 2005 - March 31, 2006)	
	Amount (One Thousand Yen)		Amount (One Thousand Yen)	Year-on-year comparison (%)
For printed circuit boards & semiconductor substrates	2,923,362		3,883,171	132.8
For connectors & micro-switches	1,012,590		1,771,606	175.0
For lead frames	1,038,585		1,473,079	141.8
Other	526,103		320,253	60.9
Total	5,500,642		7,448,111	135.4

(6) Sales Results by Export Region

	Previous Fiscal Period (April 1, 2004 - March 31, 2005)		Current Fiscal Period (April 1, 2005 - March 31, 2006)	
	Amount (One Thousand Yen)	% of Total	Amount (One Thousand Yen)	% of Total
Korea	338,706	17.8	481,482	20.5
Taiwan	525,611	27.6	671,377	28.5
Singapore / Malaysia	151,998	8.0	158,265	6.7
China	554,816	29.2	471,509	20.0
Other Regions	329,896	17.4	573,182	24.3
Total	1,901,029 (34.6%)	100.0	2,355,818 (31.6%)	100.0