

YAMAZEN CORPORATION AND ITS CONSOLIDATED SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
March 31, 2005 and 2006

	Millions of Yen		Thousands of U.S. Dollars (Note 1)		Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2005	2006	2006		2005	2006	2006
ASSETS				LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY			
Current assets:				Current liabilities:			
Cash and bank deposits (Notes 8 and 13)	¥ 24,384	¥ 28,108	\$ 239,278	Short-term bank loans (Note 8)	¥ 7,284	¥ 6,600	\$ 56,185
Short-term securities (Notes 4 and 13)	10,375	8,953	76,215	Current portion of long-term debt (Note 8)	7,836	5,995	51,034
Notes and accounts receivable (Notes 8 and 12)				Notes and accounts payable-			
Trade	93,093	96,505	821,529	Trade	113,149	117,277	998,357
Unconsolidated subsidiaries and affiliates	637	1,505	12,812	Unconsolidated subsidiaries and affiliates	7	8	68
Allowance for doubtful accounts	93,730	98,010	834,341		113,156	117,285	998,425
	(1,747)	(765)	(6,512)	Accrued employees' bonus	1,506	1,809	15,400
	91,983	97,245	827,829	Accrued expenses	1,826	1,900	16,175
Inventories (Note 3)	10,837	11,249	95,761	Accrued income taxes (Note 10)	332	3,606	30,697
Deferred income taxes (Note 10)	747	1,079	9,185	Other	1,721	2,210	18,813
Other	2,189	2,024	17,230	Total current liabilities	133,661	139,405	1,186,729
Total current assets	140,515	148,658	1,265,498				
				Long-term liabilities:			
Investments and long-term accounts receivable:				Long-term debt (Note 8)	14,632	11,621	98,927
Investments in securities (Notes 4 and 8)	6,182	11,132	94,765	Accrued retirement benefits for directors and corporate auditors	619	590	5,023
Investments in and advances to-				Accrued retirement benefits for employees (Note 9)	795	112	953
Unconsolidated subsidiaries and affiliates (Note 5)	2,261	2,143	18,243	Deferred income taxes (Note 10)	1	2,935	24,985
Other	117	26	221	Other	649	604	5,142
Long-term accounts receivable	2,526	1,410	12,003	Total long term liabilities	16,696	15,862	135,030
Allowance for doubtful accounts	(3,188)	(2,302)	(19,596)				
	7,898	12,409	105,636	Commitments and contingent liabilities (Notes 7 and 11)			
				Minority interests in consolidated subsidiaries	129	-	-
Property and equipment: (Note 8)				Shareholders' equity:			
Buildings and structures	12,723	12,930	110,070	Common stock			
Machinery and equipment	2,262	1,868	15,902	Authorized - 200,000,000 shares			
	14,985	14,798	125,972	Issued and outstanding			
Accumulated depreciation	(8,563)	(8,600)	(73,210)	- 93,840,310 shares at March 31, 2005 and 2006	7,909	7,909	67,328
	6,422	6,198	52,762	Additional paid-in capital	6,082	6,082	51,775
Land	10,985	11,004	93,675	Retained earnings	4,767	11,158	94,986
	17,407	17,202	146,437	Net unrealized holding gains on other securities	1,143	3,799	32,340
Prepaid pension expense (Note 9)	-	2,256	19,205	Foreign currency translation adjustments	(1,244)	(845)	(7,193)
Deferred income taxes (Note 10)	354	12	102	Less: Treasury common stock, at cost			
Other assets	2,962	2,820	24,006	- 28,916 shares at March 31, 2005	(7)		
				and 38,104 shares at March 31, 2006		(13)	(111)
				Total shareholders' equity	18,650	28,090	239,125
	¥ 169,136	¥ 183,357	\$ 1,560,884		¥ 169,136	¥ 183,357	\$ 1,560,884

The accompanying notes are an integral part of these statements.

YAMAZEN CORPORATION AND ITS CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
For the years ended March 31, 2005 and 2006

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2005	2006	2006
Net sales (Notes 14 and 17)	¥ 308,349	¥ 341,785	\$ 2,909,551
Cost of sales (Note 14)	<u>273,845</u>	<u>303,505</u>	<u>2,583,681</u>
Gross profit	34,504	38,280	325,870
Selling, general and administrative expenses (Notes 7, 9 and 14)	<u>28,113</u>	<u>29,060</u>	<u>247,382</u>
Operating income	6,391	9,220	78,488
Other income (expenses):			
Interest and dividends income	1,000	1,267	10,786
Interest expense	(1,432)	(1,444)	(12,293)
Compensations received relating to transfer of a business right	153	328	2,792
Gain on sales of property and equipment	94	8	68
Loss on sales and disposal of property and equipment	(228)	(41)	(349)
Gain on sales of investments in securities	26	10	85
Gain on return of the substitutional portion of pension plan	894	1,694	14,421
Amortization of consolidated adjustment account	-	110	937
Prior service benefit from the changes of employees' retirement benefit plans	-	1,336	11,373
Loss on devaluation of investment in an unconsolidated subsidiary	-	(470)	(4,001)
Loss on sale of investment in a former consolidated subsidiary	-	(544)	(4,631)
Prior years' retirement benefits for directors and corporate auditors	(278)	-	-
Loss on sale of realty business (Notes 14 and 15)	(1,128)	-	-
Other, net	<u>123</u>	<u>356</u>	<u>3,031</u>
Income before income taxes and minority interests	5,615	11,830	100,707
Income taxes (Note 10)			
Current	272	3,629	30,893
Deferred	<u>2,310</u>	<u>1,138</u>	<u>9,688</u>
	2,582	4,767	40,581
Minority interests in earnings of consolidated subsidiaries	23	9	77
Net income	<u>¥ 3,010</u>	<u>¥ 7,054</u>	<u>\$ 60,049</u>
	Yen		U.S. Dollars (Note 1)
Net income per share (basic) (Note 2(19))	¥ 31.02	¥ 75.19	\$ 0.640
Cash dividends per share (Note 2(19))	6.00	7.50	0.064
Weighted average number of shares outstanding during year (unit: thousand shares)	93,816	93,807	

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YAMAZEN CORPORATION AND ITS CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
For the years ended March 31, 2005 and 2006

	Number of common shares (Thousands)	Millions of Yen					Treasury common stock
		Common stock	Additional paid-in capital	Retained earnings	Net unrealized holding gains on other securities	Foreign currency translation adjustments	
Balance as of March 31, 2004	93,840	¥ 7,909	¥ 6,082	¥ 1,876	¥ 757	¥ (1,584)	¥ (3)
Increase in retained earnings							
due to newly consolidated subsidiaries	-	-	-	116	-	-	-
Increase of net unrealized holding gains on other securities	-	-	-	-	386	-	-
Decrease of foreign currency translation adjustments, net	-	-	-	-	-	340	-
Net income	-	-	-	3,010	-	-	-
Cash dividends	-	-	-	(235)	-	-	-
Increase in treasury common stock	-	-	-	-	-	-	(4)
Balance as of March 31, 2005	93,840	¥ 7,909	¥ 6,082	¥ 4,767	¥ 1,143	¥ (1,244)	¥ (7)
Increase of net unrealized holding gains on other securities	-	-	-	-	2,656	-	-
Decrease of foreign currency translation adjustments, net	-	-	-	-	-	399	-
Net income	-	-	-	7,054	-	-	-
Cash dividends	-	-	-	(563)	-	-	-
Directors' and corporate auditors' bonuses	-	-	-	(100)	-	-	-
Increase in treasury common stock	-	-	-	-	-	-	(6)
Balance as of March 31, 2006	93,840	¥ 7,909	¥ 6,082	¥ 11,158	¥ 3,799	¥ (845)	¥ (13)

	Common stock	Additional paid-in capital	Retained earnings	Net unrealized holding gains on other securities	Foreign currency translation adjustments	Treasury common stock
Balance as of March 31, 2005	\$ 67,328	\$ 51,775	\$ 40,581	\$ 9,730	\$ (10,590)	\$ (60)
Increase of net unrealized holding gains on other securities	-	-	-	22,610	-	-
Decrease of foreign currency translation adjustments, net	-	-	-	-	3,397	-
Net income	-	-	60,049	-	-	-
Cash dividends	-	-	(4,793)	-	-	-
Directors' and corporate auditors' bonuses	-	-	(851)	-	-	-
Increase in treasury common stock	-	-	-	-	-	(51)
Balance as of March 31, 2006	\$ 67,328	\$ 51,775	\$ 94,986	\$ 32,340	\$ (7,193)	\$ (111)

The accompanying notes are an integral part of these statements.

YAMAZEN CORPORATION AND ITS CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended March 31, 2005 and 2006

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2005	2006	2006
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 5,615	¥ 11,830	\$ 100,707
Adjustments for:			
Depreciation and amortization	752	690	5,874
Decrease in allowance for doubtful accounts	(61)	(1,873)	(15,945)
Decrease in accrued bonus and retirement benefits	(661)	(310)	(2,639)
Increase in prepaid pension expense	-	(2,256)	(19,205)
Dividends and interest income	(1,000)	(1,267)	(10,786)
Interest expense	1,432	1,444	12,293
Foreign currency loss	6	26	221
Gain on sales of investments in securities	(26)	(10)	(85)
Loss on sale of realty business	1,128	-	-
Loss on devaluation of investment in an unconsolidated subsidiary	-	470	4,001
Loss on sale of investment in a former consolidated subsidiary	-	544	4,631
Loss on disposal of property and equipment	145	36	306
Gain on sales of property and equipment	(11)	(3)	(25)
Changes in assets and liabilities:			
Increase in trade receivables	(5,560)	(4,093)	(34,843)
Decrease(increase) in inventories	78	(450)	(3,831)
Increase in trade payables	12,804	3,952	33,643
Directors' and corporate auditors' bonuses	-	(100)	(851)
Other, net	790	1,584	13,484
Sub total	<u>15,431</u>	<u>10,214</u>	<u>86,950</u>
Income taxes refunded(paid)	266	(313)	(2,665)
Net cash provided by operating activities	<u>15,697</u>	<u>9,901</u>	<u>84,285</u>
Cash flows from investing activities:			
Payments for time deposits	(154)	(252)	(2,145)
Proceeds from withdrawal of time deposits	135	110	937
Proceeds from sales of short-term securities	580	-	-
Payments for acquisition of investments in securities	(1,120)	(1,160)	(9,875)
Proceeds from sales of investments in securities	184	332	2,826
Payments for acquisition of property and equipment	(877)	(521)	(4,435)
Proceeds from sales of property and equipment	463	18	153
Dividends and interest income received	983	1,252	10,658
Net decrease caused by sales of shares of a former consolidated subsidiary	-	(128)	(1,090)
Other, net	1,423	2	17
Net cash provided by (used in) investing activities	<u>1,617</u>	<u>(347)</u>	<u>(2,954)</u>
Cash flows from financing activities:			
Decrease in short-term bank loans, net	(5,443)	(686)	(5,840)
Proceeds from issuance of long-term debt	2,750	3,450	29,369
Payments of long-term debt	(5,707)	(8,302)	(70,673)
Cash dividends paid	(235)	(563)	(4,793)
Interest expense paid	(1,433)	(1,440)	(12,258)
Other, net	(5)	(6)	(51)
Net cash used in financing activities	<u>(10,073)</u>	<u>(7,547)</u>	<u>(64,246)</u>
Effect of exchange rate change on cash and cash equivalents	34	154	1,311
Net increase in cash and cash equivalents	7,275	2,161	18,396
Cash and cash equivalents at beginning of year	27,368	34,664	295,088
Cash and cash equivalents			
of newly consolidated subsidiaries at beginning of year	21	-	-
Cash and cash equivalents at end of year (Note 13)	<u>¥ 34,664</u>	<u>¥ 36,825</u>	<u>\$ 313,484</u>

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