

YAMAZEN CORPORATION AND ITS CONSOLIDATED SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
March 31, 2007 and 2006

	Millions of Yen		Thousands of U.S. Dollars (Note 1)		Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	2007		2007	2006	2007
<b>ASSETS</b>				<b>LIABILITIES AND NET ASSETS</b>			
Current assets:				Current liabilities:			
Cash and bank deposits (Note 14)	¥ 28,943	¥ 28,108	\$ 245,176	Short-term bank loans (Note 9)	¥ 6,156	¥ 6,600	\$ 52,147
Short-term securities (Notes 5 and 14)	8,104	8,953	68,649	Current portion of long-term debt (Note 9)	10,927	5,995	92,562
Notes and accounts receivable - (Notes 9 and 13)				Notes and accounts payable-			
Trade	103,616	96,505	877,730	Trade	122,624	117,277	1,038,746
Unconsolidated subsidiaries and affiliates	907	1,505	7,683	Unconsolidated subsidiaries and affiliates	12	8	102
	<u>104,523</u>	<u>98,010</u>	<u>885,413</u>		<u>122,636</u>	<u>117,285</u>	<u>1,038,848</u>
Allowance for doubtful accounts	( 881 )	( 765 )	( 7,463 )	Accrued employees' bonus	1,911	1,809	16,188
	<u>103,642</u>	<u>97,245</u>	<u>877,950</u>	Accrued expenses	2,037	1,900	17,255
Inventories (Note 4)	12,834	11,249	108,717	Accrued income taxes (Note 11)	3,634	3,606	30,784
Deferred income taxes (Note 11)	1,215	1,079	10,292	Other	2,094	2,210	17,738
Other	2,162	2,024	18,314		<u>149,395</u>	<u>139,405</u>	<u>1,265,522</u>
Total current assets	<u>156,900</u>	<u>148,658</u>	<u>1,329,098</u>	Total current liabilities			
				Long-term liabilities:			
Investments and long-term accounts receivable:				Long-term debt (Note 9)	2,027	11,621	17,171
Investments in securities (Note 5 and 9)	10,486	11,132	88,827	Accrued retirement benefits for			
Investments in and advances to-				directors and corporate auditors	313	590	2,651
Unconsolidated subsidiaries and affiliates (Note 6)	1,058	2,143	8,962	Accrued retirement benefits for employees (Note 10)	53	112	449
Other	21	26	178	Deferred income taxes (Note 11)	2,909	2,935	24,642
Long-term accounts receivable	823	1,410	6,972	Other	651	604	5,515
Allowance for doubtful accounts	( 964 )	( 2,302 )	( 8,166 )	Total long - term liabilities	<u>5,953</u>	<u>15,862</u>	<u>50,428</u>
	<u>11,424</u>	<u>12,409</u>	<u>96,773</u>	Commitments and contingent liabilities (Notes 8 and 12)			
Property and equipment: (Note 9)				Net assets (Note 3):			
Buildings and structures	11,924	12,930	101,008	Shareholders' equity—			
Machinery and equipment	1,830	1,868	15,502	Common stock			
	<u>13,754</u>	<u>14,798</u>	<u>116,510</u>	— 93,840,310 shares at March 31, 2007 and 2006	7,909	7,909	66,997
Accumulated depreciation	( 8,142 )	( 8,600 )	( 68,971 )	Additional paid-in capital	6,082	6,082	51,521
	<u>5,612</u>	<u>6,198</u>	<u>47,539</u>	Retained earnings	17,961	11,158	152,147
Land	10,911	11,004	92,427	Less : Treasury common stock, at cost			
	<u>16,523</u>	<u>17,202</u>	<u>139,966</u>	— 41,497 shares at March 31, 2007			
				and 38,104 shares at March 31, 2006	( 15 )	( 13 )	( 127 )
Deferred income taxes (Note 11)	30	12	254	Total shareholders' equity	<u>31,937</u>	<u>25,136</u>	<u>270,538</u>
Prepaid pension expenses (Note 10)	2,381	2,256	20,169	Net unrealized gains and translation adjustments—			
Other assets	2,901	2,820	24,574	Net unrealized holding gains on securities	3,389	3,799	28,708
	<u>2,901</u>	<u>2,820</u>	<u>24,574</u>	Net unrealized holding gains on hedges	65	—	551
	<u>¥ 190,159</u>	<u>¥ 183,357</u>	<u>\$ 1,610,834</u>	Foreign currency translation adjustments	( 580 )	( 845 )	( 4,913 )
				Total net unrealized gains and translation adjustments	<u>2,874</u>	<u>2,954</u>	<u>24,346</u>
				Total net assets	<u>34,811</u>	<u>28,090</u>	<u>294,884</u>
					<u>¥ 190,159</u>	<u>¥ 183,357</u>	<u>\$ 1,610,834</u>

integral part of these statements.

YAMAZEN CORPORATION AND ITS CONSOLIDATED SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF INCOME  
For the years ended March 31, 2007 and 2006

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	2007
Net sales (Notes 15 and 17)	¥ 377,611	¥ 341,785	\$ 3,198,738
Cost of sales (Note 15)	<u>334,923</u>	<u>303,505</u>	<u>2,837,129</u>
Gross profit	42,688	38,280	361,609
Selling, general and administrative expenses (Notes 8,10 and 15)	<u>30,370</u>	<u>29,060</u>	<u>257,263</u>
Operating income	12,318	9,220	104,346
Other income (expenses):			
Interest and dividends income	1,531	1,267	12,969
Interest expense	( 1,530 )	( 1,444 )	( 12,961 )
Compensation received relating to transfer of a bussiness right	-	328	-
Gain on sale of property and equipment	13	8	110
Loss on sale and disposal of property and equipment	( 23 )	( 41 )	( 195 )
Gain on sales of investments in securities	19	10	161
Gain on return of the substitutional portion of pension plan	-	1,694	-
Amortization of consolidated adjustment account	-	110	-
Prior service benefit from the changes of employees' retirement benefit plan	-	1,336	-
Loss on devaluation of investments in an unconsolidated subsidiariy	( 66 )	( 470 )	( 559 )
Loss on sale of investment in a former consolidated subsidiary	-	( 544 )	-
Other, net	591	356	5,007
Income before income taxes and minority interests	<u>12,853</u>	<u>11,830</u>	<u>108,878</u>
Income taxes (Note 11)			
Current	5,213	3,629	44,159
Deferred	<u>133</u>	<u>1,138</u>	<u>1,127</u>
	5,346	4,767	45,286
Minority interests in earnings of consolidated subsidiaries	-	9	-
Net income	<u>¥ 7,507</u>	<u>¥ 7,054</u>	<u>\$ 63,592</u>
		Yen	U.S. Dollars (Note 1)
Net income per share (basic) (Note 2(18))	¥ 80.03	¥ 75.19	\$ 0.678
Cash dividends per share (Note 2(18))	12.50	7.50	0.106
Weighted average number of shares outstanding during the current fiscal year (unit: thousands shares)	93,801	93,807	

The accompanying notes are an integral part of these statements.

YAMAZEN CORPORATION AND ITS CONSOLIDATED SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS  
For the years ended March 31, 2007 and 2006

	Number of common shares (Thousands)	Shareholders' equity					Net unrealized gains and translation adjustments				Total net assets
		Common stock	Additional paid-in capital	Retained earnings	Treasury common stock	Total Shareholders' Equity	Net unrealized holding gains on securities	Net unrealized holding gains on hedges	Foreign currency translation adjustments	Total net unrealized gains and translation adjustments	
		Millions of Yen									
Balance as of March 31, 2005	93,840	¥ 7,909	¥ 6,082	¥ 4,767	¥ ( 7 )	¥ 18,751	¥ 1,143	¥ —	¥ ( 1,244 )	¥ ( 101 )	¥ 18,650
Increase of net unrealized holding gains on other securities	—	—	—	—	—	—	2,656	—	—	2,656	2,656
Increase of net unrealized holding gains on hedges	—	—	—	—	—	—	—	—	—	—	—
Increase of foreign currency translation adjustments, net	—	—	—	—	—	—	—	—	399	399	399
Net Income	—	—	—	7,054	—	7,054	—	—	—	—	7,054
Cash dividends	—	—	—	( 563 )	—	( 563 )	—	—	—	—	( 563 )
Directors' and corporate auditors' bonuses	—	—	—	( 100 )	—	( 100 )	—	—	—	—	( 100 )
Increase in treasury common stock	—	—	—	—	( 6 )	( 6 )	—	—	—	—	( 6 )
Balance as of March 31, 2006	93,840	¥ 7,909	¥ 6,082	¥ 11,158	¥ ( 13 )	¥ 25,136	¥ 3,799	¥ —	¥ ( 845 )	¥ 2,954	¥ 28,090
Decrease of net unrealized holding gains on other securities	—	—	—	—	—	—	( 410 )	—	—	( 410 )	410
Increase of net unrealized holding gains on hedges	—	—	—	—	—	—	—	65	—	65	65
Increase of foreign currency translation adjustments, net	—	—	—	—	—	—	—	—	265	265	265
Net income	—	—	—	7,507	—	7,507	—	—	—	—	7,507
Cash dividends	—	—	—	( 704 )	—	( 704 )	—	—	—	—	( 704 )
Increase in treasury common stock	—	—	—	—	( 2 )	( 2 )	—	—	—	—	( 2 )
Balance as of March 31, 2007	93,840	¥ 7,909	¥ 6,082	¥ 17,961	¥ ( 15 )	¥ 31,937	¥ 3,389	¥ 65	¥ ( 580 )	¥ 2,874	¥ 34,811

	Thousands of U.S. Dollars (Note 1)									
	Shareholders' equity					Net unrealized gains and translation adjustments				Total net assets
	Common stock	Additional paid-in capital	Retained earnings	Treasury common stock	Total Shareholders' Equity	Net unrealized holding gains on securities	Net unrealized holding gains on hedges	Foreign currency translation adjustments	Total net unrealized gains and translation adjustments	
Balance as of March 31, 2006	\$ 66,997	\$ 51,521	\$ 94,519	\$ ( 110 )	\$ 212,927	\$ 32,181	\$ —	\$ ( 7,158 )	\$ 25,023	
Decrease of net unrealized holding gains on other securities	—	—	—	—	—	3,473	—	—	( 3,473 )	( 3,473 )
Increase of net unrealized holding gains on hedges	—	—	—	—	—	—	551	—	551	551
Increase of foreign currency translation adjustments, net	—	—	—	—	—	—	—	2,245	2,245	2,245
Net income	—	—	63,592	—	63,592	—	—	—	—	63,592
Cash dividends	—	—	( 5,964 )	—	( 5,964 )	—	—	—	—	( 5,964 )
Increase in treasury common stock	—	—	—	( 17 )	( 17 )	—	—	—	—	( 17 )
Balance as of March 31, 2007	\$ 66,997	\$ 51,521	\$ 152,147	\$ ( 127 )	\$ ( 270,538 )	\$ 28,708	\$ 551	\$ ( 4,913 )	\$ 24,346	\$ 294,884

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, 2007 and 2006

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	2007
<b>Cash flows from operating activities:</b>			
Income before income taxes and minority interests	¥ 12,853	¥ 11,830	\$ 108,878
Adjustments for:			
Depreciation and amortization	676	690	5,726
Decrease in allowance for doubtful accounts	( 1,223 )	( 1,873 )	( 10,360 )
Decrease in accrued bonus and retirement benefits	( 335 )	( 310 )	( 2,838 )
Increase in prepaid pension expenses	( 124 )	( 2,256 )	( 1,050 )
Dividends and interest income	( 1,531 )	( 1,267 )	( 12,969 )
Interest expense	1,530	1,444	12,961
Foreign currency loss	40	26	339
Gain on sales of investments in securities	( 19 )	( 10 )	( 161 )
Loss on devaluation of investments in unconsolidated subsidiaries	66	470	559
Loss on sales of investment in a former consolidated subsidiary	-	544	-
Loss on disposal of property and equipment	18	36	152
Gain on sales of property and equipment	( 9 )	( 3 )	( 76 )
Changes in assets and liabilities:			
Increase in trade receivables	( 6,276 )	( 4,093 )	( 53,164 )
Increase in inventories	( 1,485 )	( 450 )	( 12,580 )
Increase in trade payables	5,196	3,952	44,015
Directors' and statutory auditors' bonuses	-	( 100 )	-
Other, net	2,089	1,584	17,696
Sub total	11,466	10,214	97,128
Income taxes paid	( 5,421 )	( 313 )	( 45,921 )
Net cash provided by operating activities	6,045	9,901	51,207
<b>Cash flows from investing activities:</b>			
Payments for time deposits	( 35 )	( 252 )	( 296 )
Proceeds from withdrawal of time deposits	45	110	381
Payments for acquisition of investments in securities	( 200 )	( 1,160 )	( 1,694 )
Proceeds from sales of investments in securities	97	332	821
Payments for acquisition of property and equipment	( 809 )	( 521 )	( 6,853 )
Proceeds from sales of property and equipment	435	18	3,685
Dividends and interest income received	1,538	1,252	13,028
Net decrease caused by sales of shares of a former consolidated subsidiary	-	( 128 )	-
Other, net	140	2	1,186
Net cash provided by (used in) investing activities	1,211	( 347 )	10,258
<b>Cash flows from financing activities:</b>			
Decrease in short-term bank loans, net	( 445 )	( 686 )	( 3,770 )
Proceeds from issuance of long-term debt	1,400	3,450	11,859
Payments of long-term debt	( 6,062 )	( 8,302 )	( 51,351 )
Cash dividends paid	( 703 )	( 563 )	( 5,955 )
Interest expense paid	( 1,524 )	( 1,440 )	( 12,910 )
Other, net	( 3 )	( 6 )	( 25 )
Net cash used in financing activities	( 7,337 )	( 7,547 )	( 62,152 )
<b>Effect of exchange rate change on cash and cash equivalents</b>	76	154	645
<b>Net increase in cash and cash equivalents</b>	( 5 )	2,161	( 42 )
<b>Cash and cash equivalents at beginning of year</b>	36,826	34,664	311,952
<b>Cash and cash equivalents at end of year (Note 14)</b>	¥ 36,821	¥ 36,825	\$ 311,910

The accompanying notes are an integral part of these statements.