

YAMAZEN CORPORATION AND ITS CONSOLIDATED SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
September 30 and March 31, 2006

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	(Unaudited) September 30, 2006	March 31, 2006	(Unaudited) September 30, 2006
<b>ASSETS</b>			
Current assets:			
Cash and bank deposits	¥ 29,884	¥ 28,108	\$ 253,469
Short-term securities	6,791	8,953	57,600
Notes and accounts receivable -			
Trade	100,802	96,505	854,979
Unconsolidated subsidiaries and affiliates	1,149	1,505	9,745
	<u>101,951</u>	<u>98,010</u>	<u>864,724</u>
Allowance for doubtful accounts	( 878 )	( 765 )	( 7,447 )
	<u>101,073</u>	<u>97,245</u>	<u>857,277</u>
Inventories	12,046	11,249	102,171
Deferred income taxes	971	1,079	8,236
Other	1,878	2,024	15,929
Total current assets	<u>152,643</u>	<u>148,658</u>	<u>1,294,682</u>
Investments and long-term accounts receivable:			
Investments in securities	9,348	11,132	79,288
Investments in and advances to-			
Unconsolidated subsidiaries and affiliates	1,920	2,143	16,285
Other	22	26	187
Long-term accounts receivable	1,380	1,410	11,705
Allowance for doubtful accounts	( 2,297 )	( 2,302 )	( 19,484 )
	<u>10,373</u>	<u>12,409</u>	<u>87,981</u>
Property and equipment:			
Buildings and structures	11,998	12,930	101,764
Machinery and equipment	1,820	1,868	15,437
	<u>13,818</u>	<u>14,798</u>	<u>117,201</u>
Accumulated depreciation	( 8,075 )	( 8,600 )	( 68,490 )
	<u>5,743</u>	<u>6,198</u>	<u>48,711</u>
Land	10,905	11,004	92,494
	<u>16,648</u>	<u>17,202</u>	<u>141,205</u>
Deferred income taxes	14	12	119
Prepaid pension expenses	2,323	2,256	19,703
Other assets	2,661	2,820	22,570
	<u>¥ 184,662</u>	<u>¥ 183,357</u>	<u>\$ 1,566,260</u>

The accompanying notes are an integral part of these statements.

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	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	(Unaudited) September 30, 2006	March 31, 2006	(Unaudited) September 30, 2006
<b>LIABILITIES AND NET ASSETS</b>			
<b>Current liabilities:</b>			
Short-term bank loans	¥ 5,556	¥ 6,600	\$ 47,125
Current portion of long-term debt	13,466	5,995	114,215
Notes and accounts payable-			
Trade	120,597	117,277	1,022,875
Unconsolidated subsidiaries and affiliates	11	8	94
	<u>120,608</u>	<u>117,285</u>	<u>1,022,969</u>
Accrued employees' bonus	1,686	1,809	14,300
Accrued expenses	1,957	1,900	16,599
Accrued income taxes	2,425	3,606	20,568
Other	2,552	2,210	21,646
<b>Total current liabilities</b>	<u>148,250</u>	<u>139,405</u>	<u>1,257,422</u>
<b>Long-term liabilities:</b>			
Long-term debt	2,949	11,621	25,013
Accrued retirement benefits for			
directors and corporate auditors	248	590	2,103
Accrued retirement benefits for employees	108	112	916
Deferred income taxes	2,402	2,935	20,374
Other	605	604	5,131
<b>Total long term liabilities</b>	<u>6,312</u>	<u>15,862</u>	<u>53,537</u>
<b>Net assets:</b>			
<b>Shareholders' equity:</b>			
Common stock			
— 93,840,310 shares at September 30 and March 31, 2006	7,909	7,909	67,082
Additional paid-in capital	6,082	6,082	51,586
Retained earnings	14,062	11,158	119,271
Less : Treasury common stock, at cost			
— 38,898 shares at September 30, 2006 and 38,104 shares at March 31, 2006	( 13 )	( 13 )	( 110 )
<b>Total shareholders' equity</b>	<u>28,040</u>	<u>25,136</u>	<u>237,829</u>
<b>Net unrealized gains (losses) and translation adjustments</b>			
Net unrealized holding gains (losses) on securities	2,731	3,799	23,163
Net unrealized holding gains (losses) on hedges	97	—	823
Foreign currency translation adjustments			
<b>Total net unrealized gains (losses) and     translation adjustments</b>	<u>( 768 )</u>	<u>( 845 )</u>	<u>( 6,514 )</u>
<b>Total net assets</b>	<u>30,100</u>	<u>28,090</u>	<u>255,301</u>
	<u>¥ 184,662</u>	<u>¥ 183,357</u>	<u>\$ 1,566,260</u>

The accompanying notes are an integral part of these statements.

YAMAZEN CORPORATION AND ITS CONSOLIDATED SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF INCOME(Unaudited)  
For the six-months ended September 30, 2006 and 2005

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2006	2005	2006
Net sales	¥ 185,275	¥ 165,859	\$ 1,571,459
Cost of sales	164,636	147,371	1,396,404
Gross profit	20,639	18,488	175,055
Selling, general and administrative expenses	14,900	14,262	126,378
Operating income	5,739	4,226	48,677
 Other income (expenses):			
Interest and dividends income	805	608	6,828
Interest expense	( 760 )	( 698 )	( 6,446 )
Compensation received relating to transfer of a bussiness right	-	326	-
Gain on sale of property and equipment	13	6	110
Loss on sale and disposal of property and equipment	( 7 )	( 10 )	( 59 )
Gain on return of the substitutional portion of pension plan	-	1,694	-
Prior service benefit from changes of employees' retirement benefit plan	-	1,336	-
Loss on devaluation of investments in unconsolidated subsidiaries	-	( 470 )	-
Other, net	298	228	2,527
Income before income taxes and minority interests	6,088	7,246	51,637
 Income taxes			
Current	2,247	1,982	19,058
Deferred	234	850	1,985
	2,481	2,832	21,043
 Minority interests in earnings of consolidated subsidiaries			
Net income	¥ 3,607	¥ 4,410	\$ 30,594
	Yen		U.S. Dollars (Note 1)
Net income per share (basic)	¥ 38.46	¥ 47.01	\$ 0.326
Cash dividends per share	-	-	-
Weighted average number of shares outstanding during the current fiscal year (unit: thousands shares)	93,802	93,809	

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YAMAZEN CORPORATION AND ITS CONSOLIDATED SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS(Unaudited)  
For the six-months ended 30th September, 2006 and 2005

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2006	2005	2006
<b>Cash flows from operating activities:</b>			
Income before income taxes and minority interests	¥ 6,088	¥ 7,246	\$ 51,637
Adjustments for:			
Depreciation and amortization	339	343	2,875
Increase(decrease) in allowance for doubtful accounts	108	( 79 )	916
Decrease in accrued bonus and retirement benefits	( 569 )	( 723 )	( 4,826 )
Increase in prepaid pension expenses	( 66 )	( 2,314 )	( 560 )
Dividends and interest income	( 805 )	( 608 )	( 6,828 )
Interest expense	760	698	6,446
Foreign currency loss(gain)	13	9	110
Loss on devaluation of investments in unconsolidated subsidiaries	-	470	-
Loss on disposal of property and equipment	3	10	26
Gain on sale of property and equipment	( 9 )	( 6 )	( 76 )
Changes in assets and liabilities:			
Increase in trade receivables	( 3,888 )	( 280 )	( 32,977 )
Increase(decrease) in inventories	( 774 )	280	( 6,565 )
Increase in trade payables	3,304	987	28,024
Directors' and statutory auditors' bonuses	-	( 100 )	-
Other, net	1,154	443	9,788
Sub total	5,658	6,376	47,990
Income taxes paid	( 3,490 )	( 169 )	( 29,602 )
Net cash provided by operating activities	2,168	6,207	18,388
<b>Cash flows from investing activities:</b>			
Payments for time deposits	( 25 )	( 241 )	( 212 )
Proceeds from withdrawal of time deposits	25	99	212
Payments for acquisition of investments in securities	( 67 )	( 96 )	( 568 )
Proceeds from sales of investments in securities	-	22	-
Proceeds from collections of loan receivable	228	30	1,934
Payments for acquisition of property and equipment	( 267 )	( 202 )	( 2,266 )
Proceeds from sales of property and equipment	431	14	3,656
Dividends and interest income received	812	609	6,887
Other, net	( 7 )	( 19 )	( 59 )
Net cash provided by investing activities	1,130	216	9,584
<b>Cash flows from financing activities:</b>			
Decrease in short-term bank loans, net	( 1,045 )	( 2,064 )	( 8,864 )
Proceeds from issuance of long-term debt	400	1,900	3,393
Payments of long-term debt	( 1,601 )	( 4,966 )	( 13,579 )
Cash dividends paid	( 704 )	( 563 )	( 5,971 )
Interest expense paid	( 753 )	( 697 )	( 6,387 )
Other, net	( 1 )	( 2 )	( 8 )
Net cash used in financing activities	( 3,704 )	( 6,392 )	( 31,416 )
<b>Effect of exchange rate change on cash and cash equivalents</b>	19	49	162
<b>Net increase in cash and cash equivalents</b>	( 387 )	80	( 3,282 )
<b>Cash and cash equivalents at beginning of the period</b>	36,825	34,665	312,341
<b>Cash and cash equivalents at end of the period</b>	¥ 36,438	¥ 34,745	\$ 309,059

The accompanying notes are an integral part of these statements.