November 10, 2006

Non-Consolidated Financial Results for the Fiscal Year Ending September 30, 2006

Company name: **Fuji Pharma Co., Ltd.**
Code number: 4554
(URL http://www.fujipharma.jp)
Stock Exchange listing: JASDAQ
Company Domicile: Tokyo, Japan
Representative: Hirofumi Imai
Representative Director and President
Contact: Toyoyuki Kamide
Director and General Manager of Administration Department
Tel: 81-(3)-3556-3344

Date of board meeting for approving financial results: November 10, 2006
Date of regular shareholders' meeting: December 20, 2006
Scheduled start date of dividend: December 21, 2006
Trading Unit: 100 shares

1. Financial Results for the Fiscal Year Ending September 2006 (October 1, 2005 to September 30, 2006)

(1) Operating Results

	Net sales		Operating income		Ordinary income	
	Million Yen	YoY change (%)	Million Yen	YoY change (%)	Million Yen	YoY change (%)
Fiscal Year ended Sep. 2006	11,240	11.0	1,532	55.1	1,556	56.2
Fiscal Year ended Sep. 2005	10,128	4.5	987	-31.2	996	-31.2

	Net income		Net income per share	Diluted net income per share
	Million Yen	YoY change (%)	Yen	Yen
Fiscal Year ended Sep. 2006	915	58.7	73.78	-
Fiscal Year ended Sep. 2005	577	-32.4	47.33	-

	Return on equity	Return on assets	Profit margin on sales
	(%)	(%)	(%)
Fiscal Year ended Sep. 2006	7.6	10.0	13.8
Fiscal Year ended Sep. 2005	5.4	7.0	9.8

Notes: 1. Earnings on investments in equity-method affiliates:
Fiscal year ended Sep. 2006: None
Fiscal year ended Sep. 2005: None

2. Average number of shares outstanding:

Fiscal year ended Sep. 2006: 12,413,558 shares

Fiscal year ended Sep. 2005: 11,866,390 shares

3. Changes in accounting principles applied: None

4. The percentage change of sales, operating income, ordinary income and net income represents the percentage change over the same period of the previous year.

(2) Financial Positions

	Total assets	Net assets	Shareholders' equity ratio	Shareholders' equity per share
	Million Yen	Million Yen	(%)	Yen
Fiscal year ended Sep. 2006	16,989	13,013	76.6	1,011.12
Fiscal year ended Sep. 2005	14,190	10,936	77.1	920.32

Notes: 1. Number of shares outstanding: 12,869,990 shares as of Sep. 30, 2006

11,866,390 shares as of Sep. 30, 2005

2. Number of treasury stock shares: 10 shares as of Sep. 30, 2006

1,003,610 shares as of Sep. 30, 2005

(3) Cash Flows

	Net cash used by			Cash and cash equivalents balance at end of the fiscal year
	Operating activities	Investing activities	Financing activities	
	Million Yen	Million Yen	Million Yen	Million Yen
Fiscal year ended Sep. 2006	767	-2,364	1,172	2,258
Fiscal year ended Sep. 2005	338	-1,336	-178	2,683

2. Forecast for the Fiscal Year Ending September 2007 (October 1, 2006 to September 30, 2007)

	Net sales	Ordinary income	Net income
	Million Yen	Million Yen	Million Yen
First half ended Mar. 2007	5,950	700	440
Fiscal year ended Sep. 2007	12,680	1,720	1,060

Reference: Estimated net income per share for the fiscal year ending Sep. 2007: ¥ 82.36

3. Dividends

	Dividends per share			Total amount of dividends paid (annual)	Dividend payout ratio	Ratio of dividends to net assets
	Yen			Million yen	(%)	(%)
	1H	2H	Annual			
Fiscal year ended Sep. 2005	7.00	7.00	14.00	166	29.6	1.5
Fiscal year ended Sep. 2006	7.00	7.00	14.00	180	19.0	1.4
Fiscal year ended Sep. 2007 (Forecast)	7.00	7.00	14.00	-	-	-

Note: The above forecasts are based on the information available as of the date of this release and the assumption of several factors which may affect the company's results in the future. Actual results could significantly differ from the above estimates because of subsequent changes in the circumstances.

Ⅰ. Group Organization

The Company neither forms nor belongs to any corporate group. Furthermore, we do not have any ongoing or close business relationship with any party. Therefore, this item is not applicable.

Ⅱ. Management Policies

1. Fundamental Management Policy

Our corporate mission is “Making a contribution to society through the economical and stable supply of effective and safe pharmaceutical products which facilitate the improvement and cure of medical conditions and disorders”. Under this mission, we intend to fulfil our responsibility to our customers, shareholders, employees and other stakeholders by supplying good-quality pharmaceutical products and to expand our corporate value.

2. Profit Allocation Policy

One of our key tasks is to achieve a consecutive dividend or dividend per share increase. We determine profit allocation based on the net profit generated during the period concerned, but also comprehensively taking into account future company performance and earnings to be retained for future business operation. We plan to re-invest retained earnings in ways to strength research and development for the enhancement of operational foundation and the expansion of corporate value, to improve the production capacity and efficiency, and to increase our sales force.

We have no plan to change the number of annual dividend payments.

3. Opinion on the Change of Trading Unit

The trading unit was reduced from 1,000 shares to 100 shares on January, 2005, recognizing that the maintenance of appropriate trading units is a useful measure to facilitate investment from private investors and to improve the liquidity of our company shares. We will take other approaches to improve the liquidity.

4. Performance Indicator and Targets

Maximum effort will be made to generate earnings sufficient to realize our dividend policy and to cover the cost of upgrading or expansion of production facilities and improvement of our research and development system. We set measurable targets in our “Mid-term Business Plan” for the four-year period ended September 30, 2010 as follows:2,840 million yen of “Ordinary Income” (1,556 million yen for the fiscal year ended September 30, 2006); 16.1% of “Ordinary Income to Sales” (13.8% as of the fiscal year ended September 30, 2006); 10.0% of “Return on Assets” (Net Income / Total Assets, 5.9% of the fiscal year ended September 30, 2006). Furthermore, with reference to the rise in shareholder value, we also regard “Net Income per Share” as an important performance indicator and will target on 137 yen or more as of the fiscal year ended September 30, 2010 (73.78 yen as of the fiscal year ended September 30, 2006).

5. Medium- and Long-term Management Strategy

We will invest our management resources in a focused way in our strong areas: injectable solutions in terms of dosage form, obstetrics and gynaecology in terms of the medical examination field, and hormone drugs in terms of drug efficacy. We will also allocate a strategic budget to these areas for proactive measures such as business alliance, license agreement, product development and capital expenditure.

As for injectable solutions, we plan to proactively launch new inpatient care products, responding to the increasing introduction of Diagnosis Procedure Combination (DPC). We will reinforce the sales systems by forming a structure specialized in foundation hospitals and strengthen our support to academic research. Furthermore, we plan to increase our supply capacity. With regard to the obstetric and gynaecologic area, we will make efforts to secure the licensing-in of new combination drugs and drugs with new formulations in order to improve our product portfolio, which mainly consists of proprietary generic products. We will market these drugs to our existing customers in order to efficiently increase our sales. For hormone drugs, our new tablet production factory, designed for cross-contamination and proliferation prevention, started to operate. Therefore, we plan to establish a production system at the factory, in preparation for the increase in orders received and to develop a sustained-release (drug delivery system) product by using our skills and techniques related to drug formation.

6. Key Issues to be Resolved

The generic product market has been expanding amid calls for a cut in national medical expenses. Meanwhile, more and more newcomers, including leading foreign drug makers, have entered the growing generic product market. In addition, medical institutions' needs for quality assurance, a stable product supply and information provision are expected to further increase. Under these circumstances, in order to maintain and improve our competitive position in the market, and actively take growth strategies such as new development investment plans, we will address the following key challenges:

1) We will strengthen our research and development ability through our alliance with other pharmaceutical companies.
2) We will reinforce the marketing and sales systems for foundation hospitals by forming project teams and strengthening our support to academic research.
3) Responding to possible increasing needs for quality improvement and demand expansion, we will upgrade and expand our production systems.
4) We will implement a full-line strategy for production specification.
5) The importance of corporate social responsibility has been gradually recognized. We will adopt thoroughgoing measures to secure product quality/safety and environmental protection, and to educate our employees to comply with pharmaceutical business related laws/regulations and ethical standards.

7. Parent Company Related Issues

Not applicable.

8. Internal Control System Building and Operation

1) Mutual supervision system, organizational structure of administrative division, company rules preparation and building other internal control systems

Under our company's mutual supervision system, the Internal Auditor, controlled directly by the president, periodically conduct internal auditing to confirm whether each department's operation complies with laws and regulations, and company rules. The Auditor reports the results of the internal auditing to the president as well as giving advice and instructions to the department audited.

Our administrative division consists of the Corporate Planning Department, responsible for business planning and budgetary control and the Administrative Department, responsible for general administration, human resource management, accounting, financing and sales affairs. Both departments make ongoing efforts to maintain and improve their internal control systems.

Our company prepares its own corporate rules, consulting any related laws and regulations. Moreover, we make revisions to the rules, responding to amendments to the laws and regulations, and changes in corporate conditions.

2) Measures to improve the internal control system in the past year

The Administrative Department is mainly responsible for revising the company's existing rules and establishing new rules and operational guidelines. Furthermore, the department has been providing our employees with opportunities to fully understand the details and concept of the rules. Our company's recent emphasis has been placed on insider dealing and drunk driving protection.

9. Other Significant Information on Management

There is no information to be disclosed.

Ⅲ. Review of Operating Performance and Financial Conditions

1. Review of Operations

We recorded 11,240 million yen of sales (11.0% year-on-year increase), 1,532 million yen of operating income (55.2% year-on-year increase), 1,556 million yen of ordinary income (56.2% year-on-year increase), and 915 million yen of net income (58.7% year-on-year increase) for the fiscal year concerned.

(1) Analysis of Sales

The breakdown of sales being reviewed, diagnostic agents, including key urography and anigiography contract agents, "Oypalomin" and "Iopaque", a pituitary gonadotropic hormone drug, "Human Menopausal Gonadotropin", and infertility therapeutic agents, including an endometriosis therapeutic agent, "Buserecur" - have showed favorable sales results. While the diagnostic agents increased by 16.1% on a year on year basis to 4,489 million yen, the hormone drugs increased by 6.3% on a year on year basis to 2,883 million yen. In addition, drugs with other efficacies showed a steady growth. As a result, sales for the period increased by 11.0% on a year on year basis.

(2) Analysis of Operating Income

The sales cost ratio for the fiscal year concerned increased by 1.8% on a year on year basis to 57.1 %, mainly due to increased production costs, including depreciation on investment in the new tablet production facility, and for an increase in production capacity for injection products. In addition, the sales price decrease by the NHI price revision in April 2006 affected the sales cost ratio. The selling and administration cost decreased by 6.9% on a year on year basis to 3,293 million yen. A substantial decline in research and development costs to 601 million yen (37.0% YoY decrease) covered a rise in labor costs.

(3) Analysis of Non-operating Income and Extraordinary Losses

We booked 101 million yen of extraordinary losses in the fiscal year concerned. The breakdown of the losses consists of 20 million yen of loss on retirement of facilities resulting from the upgrading of injection drug production facilities in Toyama, 59 million yen of loss on disposal of inventories and 12 million yen of loss on revaluation of unlisted securities.

2. Financial Conditions

(1) Financial Conditions

The closing balance of total assets as at the end of the fiscal year concerned increased by 2,798 million yen to 16,989 million yen, compared to the opening balance. While the closing balance of cash and cash equivalents decreased by 625 million yen, that of trade receivables, marketable securities and inventories increased by 892 million yen, 699 million yen and 308 million yen respectively. As a result, the closing balance of current assets increased by 1,409 million yen to 10,680 million yen, compared to the opening balance.

The closing balance of fixed assets increased by 1,388 million yen to 6,309 million yen. The factors for the increase in tangible fixed assets are the investment in a building for tablet pharmaceuticals production and for an increase of production capacity of ample-, vial- and syringe-type products.

The closing balance of liabilities at the end of the fiscal year concerned increased by 722 million yen from the opening balance to 3,976 million yen due to 700 million yen increase in current liabilities. This resulted from a 362 million yen increase in accounts payable and a 292 million yen increase in accrued income taxes.

The closing balance of net assets as at the end of the fiscal year concerned increased by 2,076 million yen from the opening balance to 13,013 million yen. The shareholders' equity increased, mainly due to the sale of treasury stock and the accumulation of retained earnings. These two factors increased the shareholders' equity by 1,344 million yen and 731 million yen respectively. The increase in retained earnings is attributable to the net income of 915 million yen for the period.

(2) Cash Flow

The closing balance of cash and cash equivalents decreased by 425 million yen to 2,258 million yen from the opening balance. Details of the cash flows of operating, investing and financing activities and the factors for the increase or decrease in the cash flows are as follows:

1) Net cash provided by operating activities

575 million yen of depreciation, 362 million yen of increase in trade payable and 73 million yen in trade accounts payable were added to 1,454 million yen of net income before income tax for the fiscal year concerned. On the other hand, negative factors for the cash flow in operating activities were as follows: 892 million yen of increase in trade receivables; 308 million yen of increase in inventories; 295 million yen of income tax payment; 127 million yen of increase in long-term prepaid expenses. Consequently, net cash provided by operating activities for the fiscal year concerned was 767 million yen (127.0% YoY increase).

2) Net cash used in investing activities

We received 847 million yen as proceeds from sales of leased assets. On the other hand, we spent 1,333 million yen, 847 million yen and 485 million yen for the purchase of tangible fixed assets, leased assets and intangible fixed assets respectively. Consequently, net cash used in investment activities was 2,364 million yen (76.9% YoY increase).

3) Net cash used in financing activities

We received 1,344 million yen as proceeds from sales of treasury stock and 500 million yen as short-term borrowings. On the other hand, we spent 172 million yen as dividends. Consequently, net cash used in financing activities was 1,172 million yen (178 million yen of negative cash flow in the fiscal year ended September 30, 2005).

Trends of the company's cash flow indicators are as follows:

	FY2002	FY2003	FY2004	FY2005	FY2006
Equity ratio (%)	78.2	75.7	74.0	77.1	76.6
Market value basis equity ratio (%)	48.8	116.7	110.9	90.8	103.5
Debt redemption period (Years)	1.5	0.3	0.2	0.6	0.3
Interest coverage ratio (Times)	481.5	620.2	632.6	183.1	332.5

・ Equity ratio: Shareholders' equity / Total assets

・ Market value basis equity ratio: Market capitalization / Total assets

・ Debt redemption period: Interest-bearing debt / Operating cash flow

・ Interest coverage ratio: Operating cash flow / Interest paid

※ "Guaranteed deposit received" in the Liability Section of the Balance Sheet is used as interest-bearing debt.

※ "Net cash provided by operating activities" in Cash Flow Statements and "Interest paid" in Income Statements are used as Operating cash flow and Interest paid.

3. Operational Risk

Risks related to the information contained in the financial statements for the fiscal year concerned which may have significant influences on investors' decision are as follows:

(1) Statutory Regulation

Our company manufactures and distributes pharmaceutical products under the Pharmaceutical Affairs Law and related regulations. In April 2005, the amended Pharmaceutical Affairs Law was enforced. This amendment and the revision in other laws/regulations related to the pharmaceutical industry, which may be made in future, may have influences on our financial condition and business performance.

(2) Research and Development for Pharmaceutical Products

There is a possibility that our research and development projects will be behind schedule, a new product development period will be extended and the projects will be suspended or even terminated. These events may have an impact on our business performance.

(3) Competition

Our policy is to sell our products at reasonable prices taking into account the profitability of products. However, some of our products have been suffering from considerable market price decline because of the fierce competition from many competitors. Moreover, some original drug manufacturers have taken an aggressive approach to maintain their market share. Therefore, there is a possibility that we will not manage to achieve our projected forecasts.

4. Outlook

Under the government's medical cost control policy, more hospitals plan to introduce DPC and the revised prescription guidelines took effect in April 2006. The generic product market is expected to continue expanding, given its contribution to the reduction of drug expenditure. However, foreign generic drug companies, and domestic medium and large brand-name drug manufacturers are entering into the generic product market as their interest in the market is increasing. The competition in the market is expected to intensify.

As for the fiscal year ended September 30, 2007, we expect sales growth, particularly in diagnostic agents and hormone drugs used by an increasing number of MRs in charge of medical institutions which have introduced DPC and hospitals specialized in fertility treatment, and by strengthening our support to academic research. On the profit side, we also project growth, as we will cover the increase in investment and labor costs with the reduction in production costs as well as well-managed selling and administration costs.

Our projection for the fiscal year ending September 30, 2007 is 12,680 million yen of sales, 1,720 million yen of ordinary income and 1,060 million yen of net income.

Ⅳ. Financial Statements

(1) Balance Sheet

(Thousands of yen)

	As of September 30, 2005			As of September 30, 2006		
	Amount		Ratio (%)	Amount		Ratio (%)
Assets						
I Current assets						
1. Cash on hand and bank deposits		2,083,090			1,457,905	
2. Trade notes receivable ※4		735,107			658,262	
3. Trade accounts receivable		3,305,024			4,274,348	
4. Marketable securities		600,341			1,300,119	
5. Purchased goods		123,474			147,621	
6. Products		765,816			924,444	
7. Raw materials		689,325			984,973	
8. Products in progress		599,389			436,619	
9. Inventory goods		41,821			34,819	
10. Advance payment		26,274			7,692	
11. Prepaid expenses		72,268			176,081	
12. Deferred tax assets		225,787			269,696	
13. Other accounts receivable		278			4,615	
14. Accrued income		304			300	
15. Other current assets		3,576			4,600	
Allowance for doubtful receivables		-1,212			-1,479	
Total current assets		9,270,668	65.3		10,680,619	62.9
II Fixed assets						
1) Property, plant and equipment						
1. Buildings	2,919,149			4,026,217		
Accumulated depreciation	1,044,791	1,874,358		1,262,453	2,763,764	
2. Structures	72,515			80,449		
Accumulated depreciation	57,051	15,463		61,066	19,383	
3. Machinery and equipment	1,881,809			2,264,770		
Accumulated depreciation	1,394,045	487,763		1,536,788	727,981	
4. Vehicles and other transportation equipment	16,575			24,978		
Accumulated depreciation	10,311	6,263		15,989	8,989	
5. Tools, furniture and fixtures	516,674			537,820		
Accumulated depreciation	385,506	131,168		414,592	123,227	
6. Land		483,721			483,721	
7. Construction in progress		350,700			-	
Total property, plant and equipment		3,349,438	23.6		4,127,067	24.3
2) Intangible fixed assets						
1. Trademark		337			287	
2. Distributorship		110,000			558,500	
3. Software		81,239			63,580	
4. Telephone subscription rights		7,976			7,976	
Total intangible assets		199,554	1.4		630,344	3.7
3) Investments and other assets						
1. Investment securities		193,829			177,288	
2. Investments in anonymous association		450			450	
3. Long-term prepaid expenses		233,758			361,119	
4. Deferred tax assets		151,408			160,798	
5. Guaranteed deposits		384,118			442,699	
6. Insurance reserve fund		7,705			9,417	
7. Restricted fund		400,000			400,000	
Total investments and other assets		1,371,271	9.7		1,551,774	9.1
Total fixed assets		4,920,263	34.7		6,309,187	37.1
Total assets		14,190,931	100.0		16,989,806	100.0

(Thousands of yen)

	As of September 30, 2005			As of September 30, 2006		
	Amount		Ratio (%)	Amount		Ratio (%)
Liabilities						
I Current liabilities						
1. Trade notes payable		245,145			237,450	
2. Trade accounts payable		1,274,342			1,644,666	
3. Other accounts payable		339,517			394,065	
4. Current portion of long-term other accounts payable		31,507			-	
5. Accrued expenses		135,740			149,279	
6. Accrued income taxes		126,634			419,492	
7. Accrued consumption tax		13,553			2,004	
8. Deposits received		12,046			9,531	
9. Accrued bonuses for employees		429,589			464,857	
10. Accrued bonuses for directors		-			15,300	
11. Allowance for sales return		-			8,736	
12. Notes payable for purchase of equipment		1,509			-	
13. Other current liabilities		34,949			-	
Total current liabilities		2,644,536	18.6		3,345,384	19.7
II Fixed liabilities						
1. Guaranteed deposits received		204,952			208,646	
2. Accrued retirement benefits for employees		328,036			371,227	
3. Accrued retirement benefits for directors		76,997			51,491	
Total fixed liabilities		609,987	4.3		631,365	3.7
Total liabilities		3,254,523	22.9		3,976,750	23.4
Stockholders' equity						
I Common stock ※1		1,616,950	11.4		-	-
II Capital reserve						
1. Additional paid-in capital	2,226,020			-		
Total of capital reserve		2,226,020	15.7		-	-
III Retained earnings						
1. Legal reserve	164,079			-		
2. Voluntary reserve						
1) Contingent reserve	5,000,000			-		
3. Unappropriated retained earnings	2,635,308			-		
Total of retained earnings		7,799,387	55.0		-	-
IV Net unrealized holding gain on securities		23,314	0.1		-	-
V Treasury stock ※3		-729,264	-5.1		-	-
Total stockholders' equity		10,936,408	77.1		-	-
Total liabilities and shareholders' equity		14,190,931	100.0		-	-
Net assets						
I Stockholders' equity						
1. Common stock		-	-		1,616,950	9.5
2. Capital surplus						
1) Additional paid-in capital	-			2,226,020		
2) Other capital surplus						
Profit from disposal of treasury stock	-			615,567		
Total of capital surplus		-	-		2,841,587	16.8
3. Retained earnings						
1) Legal reserve	-			164,079		
2) Other retained earnings						
Contingent reserve	-			5,000,000		
Earned surplus carried forward	-			3,366,639		
Total of retained earnings		-	-		8,530,718	50.2
4. Treasury stock		-	-		-7	-0.0
Total stockholders' equity		-	-		12,989,248	76.5
II Valuation and translation adjustments						
1. Net unrealized holding gain on securities	-			23,808		
Total valuation and translation adjustments		-	-		23,808	0.1
Total net assets		-	-		13,013,056	76.6
Total liabilities and net assets		-	-		16,989,806	100.0

(2) Income Statement

(Thousands of yen)

	Fiscal year ended Sep. 30, 2005			Fiscal year ended Sep. 30, 2006		
	Amount		Ratio (%)	Amount		Ratio (%)
I Net sales						
1. Sales of goods	9,380,789			10,396,022		
2. Sales of merchandise	747,855	10,128,644	100.0	844,617	11,240,639	100.0
II Cost of sales						
1. Opening balance of merchandise and goods stocked	789,579			889,291		
2. Goods purchased for the period	403,452			461,240		
3. Cost of goods manufactured for the period	5,338,855			6,136,750		
Total	6,531,886			7,487,281		
4. Closing balance of merchandise and goods stocked	889,291			1,072,065		
5. Transfer to other accounts ※1	39,858	5,602,737	55.3	9,749	6,405,467	57.0
Gross profit		4,525,907	44.7		4,835,172	43.0
Provision for allowance for sales returns		-	-		8,736	0.1
Net gross profit		4,525,907	44.7		4,826,435	42.9
III Selling, general and administrative expenses						
1. Sales promotion expenses	71,809			68,056		
2. Sales commission	237,063			238,749		
3. Packaging and transportation expenses	146,700			151,030		
4. Entertainment expenses	12,990			11,842		
5. Directors' remuneration	43,800			46,080		
6. Salaries and bonuses for employees	814,890			878,739		
7. Provision for accrued bonuses for employees	265,347			290,245		
8. Provision for accrued bonus for directors	-			15,300		
9. Provision for retirement benefits for employees	30,895			32,467		
10. Provision for retirement benefits for directors	7,418			7,057		
11. Welfare expenses	192,946			199,139		
12. Traveling expenses	141,856			145,095		
13. Rent	154,902			168,367		
14. Depreciation and amortization	36,780			52,409		
15. Research and development expenses ※2	955,359			601,711		
16. Miscellaneous expenses	425,191	3,537,951	34.9	387,570	3,293,863	29.3
Operating Income		987,956	9.8		1,532,572	13.6
IV Non-operating income						
1. Interest received and discount income	1,907			2,407		
2. Interest on marketable securities	1,634			2,013		
3. Dividend received	300			364		
4. Gain on sales of investment securities	-			6,628		
5. Subcontracting income	5,200			11,150		
6. Miscellaneous income	11,388	20,430	0.2	12,786	35,350	0.3
V Non-operating expenses						
1. Interest paid	1,846			2,307		
2. Sales discount	2,224			2,294		
3. Miscellaneous expenses	8,084	12,155	0.2	7,310	11,912	0.1
Ordinary income		996,231	9.8		1,556,010	13.8
VI Extraordinary gains	-	-	-	-	-	-
VII Extraordinary losses						
1. Loss on disposal of property, plant and equipment ※3	47,658			20,915		
2. Loss on revaluation of inventories	3,939			2,392		
3. Loss on disposal of inventories	24,696			59,497		
4. Loss on revaluation of investment securities	17,916			12,083		
5. Retirement benefit for directors	-	94,210	0.9	6,555	101,445	0.9
Income before income taxes		902,020	8.9		1,454,564	12.9
Income taxes - current	358,983			592,325		
Income taxes - deferred	-34,125	324,858	3.2	-53,637	538,687	4.8
Net income		577,162	5.7		915,877	8.1

Manufacturing Statement (Thousands of yen)

	Fiscal year ended Sep.30,2005			Fiscal year ended Sep.30,2006		
	Amount		Ratio (%)	Amount		Ratio (%)
I Cost of materials		4,046,633	70.6		4,172,334	68.6
II Labor cost ※1		654,392	11.4		661,304	10.9
III Overheads						
Depreciation and amortization	364,211			439,932		
Supplies expenses	156,869			161,898		
Miscellaneous expenses	507,690	1,028,771	18.0	648,790	1,250,621	20.5
Cost of goods manufactured for the period		5,729,797	100.0		6,084,260	100.0
Opening balance of work-in-progress		241,657			599,389	
Total		5,971,454			6,683,649	
Closing balance of work-in-progress		599,389			436,619	
Transfer to other accounts ※2		33,209			110,279	
Total cost of goods manufactured for the period		5,338,855			6,136,750	

Notes to manufacturing statement

Fiscal year ended Sep. 30, 2005	Fiscal year ended Sep. 30, 2006
We applied the simple process costing method on the basis of historical cost for cost accounting. Notes: ※1. The amount of provisions for allowances included in the labor cost is as follows (thousands of yen): Provision for accrued bonuses: 124,151 Provision for accrued retirement benefits: 9,926 ※2. Breakdown of transfer to other accounts is as follows (thousands of yen): Loss on revaluation of inventories: 20,169 Other accounts receivable: 13,039	Same as on the left. Notes: ※1. The amount of provisions for allowances included in the labor cost is as follows (thousands of yen): Provision for accrued bonuses: 124,563 Provision for accrued retirement benefits: 11,103 ※2. Breakdown of transfer to other accounts is as follows (thousands of yen): Loss on revaluation of inventories: 54,161 Other accounts receivable: 56,118

(3) Appropriation Statement and Statements of Changes in Stockholders' Equity

Appropriation Statement (Thousands of yen)

Fiscal year ended September 30, 2005	Amount	
Unappropriated retained earnings at the end of the period		2,635,308
The above shall be appropriated as follows:		
Cash dividends	83,064	
Bonuses for directors and corporate auditors	15,500	
(of which for Corporate Auditors)	(3,200)	98,564
Unappropriated retained earnings carried forward		2,536,743

The above appropriation was approved by the shareholders meeting held on Dec. 20, 2005

Statements of Changes in Stockholders' Equity

(Thousands of yen)

	Stockholders' equity							
	Common stock	Capital surplus			Retained earnings			
		Additional paid-in capital	Other capital surplus: Profit from disposal of treasury stock	Total capital surplus	Legal reserve	Other retained earnings: Contingent reserve	Other retained earnings: Earned surplus carried forward	Total retained earnings
Balance at beginning of period	1,616,950	2,226,020	-	2,226,020	164,079	5,000,000	2,635,308	7,799,387
Changes in the term								
Dividends from surplus	-	-	-	-	-	-	-173,154	-173,154
Bonus for directors	-	-	-	-	-	-	-15,500	-15,500
Reversal of the amount allotted in the previous period as bonues for directors	-	-	-	-	-	-	4,108	4,108
Net income	-	-	-	-	-	-	915,877	915,877
Disposal of treasury stock	-	-	615,567	615,567	-	-	-	-
Net change of items other than stockholders' equity	-	-	-	-	-	-	-	-
Total changes in the term	-	-	615,567	615,567	-	-	731,331	731,331
Balance at end of period	1,616,950	2,226,020	615,567	2,841,587	164,079	5,000,000	3,366,639	8,530,718

	Stockholders' equity		Valuation and translation adjustments		Total net assets
	Treasury stock	Total stockholders' equity	Net unrealized holding gain on securities	Total valuation and translation adjustments	
Balance at beginning of period	-729,264	10,913,093	23,314	23,314	10,936,408
Changes in the term					
Dividends from surplus	-	-173,154	-	-	-173,154
Bonus for directors	-	-15,500	-	-	-15,500
Reversal of the amount allotted in the previous period as bonues for directors	-	4,108	-	-	4,108
Net income	-	915,877	-	-	915,877
Disposal of treasury stock	729,256	1,344,824	-	-	1,344,824
Net change of items other than stockholders' equity	-	-	493	493	493
Total changes in the term	729,256	2,076,155	493	493	2,076,648
Balance at end of period	-7	12,989,248	23,808	23,808	13,013,056

(4) Cash Flow Statement

(Thousands of yen)

	Fiscal year ended Sep. 30, 2005	Fiscal year ended Sep. 30, 2006
	Amount	Amount
I Cash flows from operating activities		
Income before income taxes	902,020	1,454,564
Depreciation and amortization	429,632	575,540
Increase in retirement benefits for employees	42,255	43,190
Increase (decrease) in retirement benefits for directors	3,695	-25,506
Increase in allowance for doubtful receivables	45	267
Increase in accrued bonuses for employees	53,193	35,267
Increase in accrued bonuses for directors	-	15,300
Increase in allowance for sales return	-	8,736
Interest and dividends income	-3,842	-4,785
Foreign exchange loss	0	-
Gain on sales of investment securities	-	-6,628
Loss on revaluation of investment securities	17,916	12,083
Loss on disposal of capital assets	47,658	20,915
Increase in trade receivable	-150,716	-892,478
Increase in inventories	-486,858	-308,649
Decrease (increase) in other accounts receivable	9,103	-4,337
Increase in prepaid expenses	-	-103,813
Increase in long-term prepaid expenses	-2,539	-127,360
Increase in trade payable	58,623	362,628
Increase in other accounts payable	30,927	73,947
Increase in accrued expenses	30,537	13,538
Decrease in accrued consumption taxes	-12,862	-11,548
Increase in guaranteed deposits received	7,742	3,694
Payments of bonuses to directors	-10,000	-11,391
Other	2,638	-33,555
Sub total	969,174	1,089,618
Interests and dividends received	3,658	4,475
Funds transferred to defined contribution pension account	-31,860	-31,507
Income taxes paid	-602,914	-295,296
Net cash used by operating activities	338,058	767,290
II Cash flows from investing activities		
Pay-in of time deposits	-200,000	-
Reimbursement of time deposits	100,000	-
Purchase of investment securities	-	-499,361
Proceeds from sales of investment securities	-	11,922
Purchase of property, plant and equipment	-1,053,286	-1,333,152
Loss on disposal of property, plant and equipment	-1,618	-5,953
Purchase of intangible fixed assets	-180,499	-485,998
Purchase of leased assets	-90,142	-847,723
Proceeds from sales of leased assets	90,142	847,723
Pay-in of guaranteed deposits	-	-50,112
Other	-1,199	-1,717
Net cash used in investing activities	-1,336,603	-2,364,373
III Cash flows from financing activities		
Borrowing of short-term loan	-	500,000
Repayment of short-term borrowings	-	-500,000
Proceeds from sales of treasury stock	-	1,344,824
Cash dividends paid	-178,236	-172,823
Net cash provided by financing activities	-178,236	1,172,000
IV Effect of exchange rate changes on cash and cash equivalents	-0	-
V Decrease in cash and cash equivalents	-1,176,782	-425,082
VI Opening balance of cash and cash equivalents	3,860,214	2,683,431
VII Closing balance of cash and cash equivalents	2,683,431	2,258,349

Significant Accounting Policies

	Fiscal year ended Sep. 30, 2005	Fiscal year ended Sep. 30, 2006
1. Valuation Criteria and Methods for Securities Holding	**Securities Holding:** **Marketable securities:** Market value method on the basis of market price as of the balance sheet date (Changes in unrealized gain or loss are included directly in shareholders' equity and the cost price of securities sold is calculated by the moving average method.) **Non-marketable securities:** Moving average cost method	**1) Securities Holding:** **Marketable securities:** Market value method on the basis of market price as of the balance sheet date (Changes in unrealized gain or loss are included directly in net assets and the cost price of securities sold is calculated by the moving average method.) **Non-marketable securities:** Same as left.
2. Valuation Criteria and Methods for Inventories	First-in, first-out cost method	Same as left.
3. Depreciation and Amortization of Fixed Assets	**1) Depreciation on property, plant and equipment:** Declining-balance method: However, depreciation on the buildings which we bought after April 1, 1998 (excluding the facilities attached to the buildings) is calculated by the straight-line method. The useful lives of property, plant and equipment are summarized as follows: Buildings: 7 to 50 years Machinery and equipment: 7 years **2) Amortization of intangible fixed assets:** Straight-line method: Amortization of computer software utilized within our company is calculated by the straight-line method on the basis of the available duration (5 years). **3) Amortization of long-term prepaid expenses:** Straight-line method	**1) Depreciation on property, plant and equipment:** Same as left. **2) Amortization of intangible fixed assets:** Same as left. **3) Amortization of long-term prepaid expenses:** Same as left.
4. Basis for Significant Allowances	**1) Allowance for doubtful receivables:** The allowance for doubtful receivables is provided for possible losses on bad debts at an amount determined by the following methods. For ordinary receivables, loan loss ratio method (the historical experience of bad debts) is applied and for receivables of high default risk, bankruptcy claim and reorganization claim, we examine the possibility of recovery of the respective receivables. **2) Accrued bonuses to employees:** Accrued bonuses are provided for bonuses with the amount estimated to be paid to employees as of the end of the fiscal year concerned. **3) Accrued retirement benefits for employees:** Accrued retirement benefits for employees are provided for retirement benefits to be paid under the company's defined benefit program with the amount calculated based on potential retirement benefit obligation as of the end of the fiscal year concerned.	**1) Allowance for doubtful receivables:** Same as left. **2) Accrued bonuses to employees:** Same as left. **3) Accrued retirement benefits for employees:** Same as left.

	Fiscal year ended Sep. 30, 2005	Fiscal year ended Sep. 30, 2006
4. Basis for Significant Allowances	**4) Accrued retirement benefits for directors:** Accrued retirement benefits for directors are provided with the amount estimated to be paid as of the end of the fiscal year concerned in accordance with the internal rules for such retirement benefits for directors. Provision for this allowance reserve is prescribed by Article 43 in the enforcement regulations of Commercial Law. **5)** ――――――― **6)** ―――――――	**4) Accrued retirement benefits for directors:** Accrued retirement benefits for directors are provided with the amount estimated to be paid as of the end of the fiscal year concerned in accordance with the internal rules for such retirement benefits for directors. **5) Allowance for sales returns:** Allowance for sales returns is provided with expected gross profit from volume of returns calculated based on past rejection rates in preparation for sales returns. **6) Accrued bonuses for directors:** Accrued bonuses are provided for bonuses with the amount estimated to be paid to directors as of the end of the fiscal year concerned.
5. Accounting for Lease Transactions	The accounting procedures conform to the accounting method for the usual lease contract are applied to finance lease agreements excluding those stipulating the transfer of ownership of the leased assets to the lessee.	Same as left.
6. Cash and Cash Equivalents in Cash Flow Statements	Cash and cash equivalents consist of cash on hand and bank deposits which can be withdrawn at any time and short-term investments with the duration of three months or less which can be easily converted to cash and are exposed to little risk of change in value.	Same as left.
7. Other Significant Items	**Accounting for Consumption Tax** Tax-exclusive method is applied to the accounting for transactions subject to consumption tax.	**Accounting for Consumption Tax** Same as left.

Changes in Significant Accounting Policies

Fiscal year ended Sep. 30, 2005	Fiscal year ended Sep. 30, 2006
―――――――	**(Accounting for the Impairment of Fixed Assets)** The Company started to account for the impairment of fixed assets (suggested in "Opinion Paper on the Establishment of Accounting Standards for Impairment Loss on Fixed Assets released by the Financial Services Agency's Business Accounting Council on August 9, 2002) and "the implementation guidelines for asset impairment accounting" (Business Accounting Application Guideline No. 6 released by the Accounting Standards Board of Japan in October 31, 2003) in the fiscal year concerned. This adoption had no significant impact on the Company's financial performance.

Fiscal year ended Sep. 30, 2005	Fiscal year ended Sep. 30, 2006
――――――――――	**(Accounting for bonuses for directors)** The Company started to account for bonuses to directors (Business Accounting Standard No. 4 released on November 29, 2005) in the fiscal year concerned. Before the adoption, the Company had recognized bonuses to directors as the decrease in unappropriated profits as of the date of a general meeting of stockholders. However, the Company started to book bonuses to directors on an accrual basis in the fiscal year concerned. This adoption decreased operating income, ordinary income and net income before tax by 15,300 thousand yen each. **(Accounting Standards for Presentation of Net Assets in the Balance Sheet)** The Company started to apply the Accounting Standards for Presentation of Net Assets in the Balance Sheet (Business Accounting Standards No. 5 released on December 9, 2005) and Business Accounting Application Guideline No. 8 released by the Accounting Standards Board of Japan in December 9, 2005) in the fiscal year concerned. The total amount of stockholders' equity for the fiscal year concerned on the previous accounting standards basis is 13,013,056 thousand yen. The regulations of financial statements were amended in April 2006. The Company prepared the section of net assets in the balance sheet for the fiscal year concerned in accordance with the amended regulations.

Changes in the Presentation in Financial Statements

Fiscal year ended Sep. 30, 2005	Fiscal year ended Sep. 30, 2006
――――――――――	**(Cash Flow Statements)** "Increase in prepaid expenses" in the section of cash flows from operating activities, which is the item included in "Other" in the cash flow statement for the previous fiscal year, is presented separately in the cash flow statement for the fiscal year concerned. The amount of "Increase in prepaid expenses" included in "Other" in the cash flow statement for the previous fiscal year is -4,053 thousand yen.

Supplementary Information

Fiscal year ended Sep. 30, 2005	Fiscal year ended Sep. 30, 2006
(Pro forma standard taxation) "Local Taxation Reform Law" (No. 9 issued in 2003) was promulgated on March 31, 2003. Under this law, the pro forma standard taxation shall be applied to any corporation for any fiscal year commencing April 1, 2004 or after. Our company booked corporate tax calculated by added-value and capital basis method in the section of selling, general and administrative expense for the period concerned in accordance with "Accounting Practices for the Booking of Pro Forma Basis Tax in Income Statements" (Accounting Practices No.12 issued by the Corporate Accounting Standards Committee on February 13, 2004). This adoption increased sales and general administrative expenses by 18,862 thousand yen and decreased operating income, ordinary income and net income before tax by the same amount each.	**(Allowance for sales return)** The Company had recognized loss on sales returns as a sales deduction on an accrual basis until the previous fiscal year. However, the Company started to provide the allowance for sales return in preparation for possible returns in the fiscal year concerned. The adoption of this accounting is attributable to the increasing significance of sales returns in line with expanding sales. The Company believes that we can reflect more accurately the impact of sales returns in our financial statements by adopting this accounting method. This adoption decreased operating income, ordinary income and net income by 8,736 thousand yen each.

Notes to Financial Statements

(Notes to Balance Sheets)

As of September 30, 2005	As of September 30, 2006
※1 Maximum number of stocks that the Company can issue: Common stock 28,220,000 shares Number of outstanding stocks: Common stock 12,870,000 shares	※1 ――――――――
2 The increased amount of net assets by measuring the assets set forth in Commercial Code Enforcement Regulation Article 124 Paragraph 3 at market prices is 23,314 thousand yen.	2 ――――――――
※3 Treasury stock: The number of treasury stocks is 1,003,610 common stocks.	※3 ――――――――
	※4 Notes receivable and payable due on the fiscal year end Notes receivable and payable due on the fiscal year end are accounted for based on the nominal maturity date, although the fiscal year concerned was a holiday for financial institutions. The amount of notes receivable and payable due on the fiscal year end is as follows: Notes receivable 78,387 thousand yen Notes payable 5,389 thousand yen

(Notes to Income Statements)

Fiscal year ended Sep. 30, 2005	Fiscal year ended Sep. 30, 2006
※1 Breakdown of transfer to other accounts: (Thousands of yen) Loss on disposal of inventories 23,191 Selling and general administrative expenses 12,727 Loss on revaluation of inventories 3,939	※1 Breakdown of transfer to other accounts: (Thousands of yen) Loss on disposal of inventories 8,409 Loss on revaluation of inventories 1,339
※ 2 Amount of research and development expenses: Amount of research and development expenses included in selling and general administrative expenses (Thousands of yen) 955,359	※ 2 Amount of research and development expenses: Amount of research and development expenses included in selling and general administrative expenses (Thousands of yen) 601,711
※3 Breakdown of loss on retirement of fixed assets: (Thousands of yen) Building 11,428 Machinery and equipment 31,706 Vehicle and delivery equipment 1,699 Tool, furniture and fixture 2,824	※3 Breakdown of loss on retirement of fixed assets: (Thousands of yen) Building 10,980 Structures 280 Machinery and equipment 8,438 Tool, furniture and fixture 1,216

(Notes to Cash Flow Statements)

Fiscal year ended Sep. 30, 2005	Fiscal year ended Sep. 30, 2006
Cash and cash equivalents balance at end of the period and the relationship between the balance and the amount booked in the balance sheets: (As of Sep.30, 2005) Thousands of yen Cash on hand and at banks 2,083,090 Securities 600,341 Cash and cash equivalents 2,683,431	Cash and cash equivalents balance at end of the period and the relationship between the balance and the amount booked in the balance sheets: (As of Sep. 30, 2006) Thousands of yen Cash on hand and at banks 1,457,905 Securities 1,300,119 Securities not expired within three months -499,674 Cash and cash equivalents 2,258,349

(Notes to Statements of Changes in Stockholders' Equity for the Fiscal Year Ended Sep. 30, 2006)

Notes to Classes and Number of Outstanding Shares

Class	Number of shares as of Sep. 30, 2005	Increase in number of shares during the period	Decrease in number of shares during the period	Number of shares as of Sep. 30, 2006
Outstanding shares				
Common stock	12,870,000	-	-	12,870,000

Notes to Classes and Number of Treasury Stocks

Class	Number of shares as of Sep. 30, 2005	Increase in number of shares during the period	Decrease in number of shares during the period	Number of shares as of Sep. 30, 2006
Treasury stocks				
Common stock	1,003,610	-	1,003,600*	10

* The decrease is attributable to the sales of treasury stocks.

Notes to Surplus

(1) Amount of dividend paid

a. Details of decision on dividends made by the regular shareholders' meeting held on December 20, 2005

- Class of stocks: Common stock
- Total amount of dividend paid: 83,064 thousand yen
- Dividend per share: 7 yen
- Record date: September 30, 2005
- Effective date: December 21, 2005

b. Details of decision on dividends made by the board of directors held on May 17, 2006

- Class of stocks: Common stock
- Total amount of dividend paid: 90,089 thousand yen
- Dividend per share: 7 yen
- Record date: March 31, 2006
- Effective date: June 9, 2006

(2) Amount of dividend payable in the fiscal year ended September 30, 2007

- Class of stocks: Common stock
- Dividend resource: Retained earnings
- Total amount of dividend paid: 90,089 thousand yen
- Dividend per share: 7 yen
- Record date: September 30, 2006
- Effective date: December 21, 2006

(Notes to Lease Transactions) (Thousands of yen)

For the fiscal year ended Sep. 30, 2005	For the fiscal year ended Sep. 30, 2006
1. Finance lease transactions except for those agreements stipulating the transfer of ownership of the leased assets to the lessee (1) The pro forma amounts of the acquisition costs, accumulated depreciation and net book value of the leased assets (Machinery and equipment) Acquisition costs: 1,348,149 Accumulated depreciation: 386,214 Net book value: 961,934 (Vehicles and other transportation equipment) Acquisition costs: 95,486 Accumulated depreciation: 50,863 Net book value: 44,623 (Tools, furniture and fixtures) Acquisition costs: 49,110 Accumulated depreciation: 22,406 Net book value: 26,704 (Total) Acquisition costs: 1,492,746 Accumulated depreciation: 459,483 Net book value: 1,033,262 (2) The pro forma amounts of unexpired lease payments Due in one year or less: 177,595 Due after one year: 894,384 Total 1,071,979 (3) Lease payment, depreciation of lease assets and interest paid Lease payments: 196,619 Depreciation: 165,990 Interest paid: 17,138 (4) Methods of calculation of depreciation Depreciation of leased assets is calculated on the basis of the straight-line method assuming the respective lease terms as the useful lives. As for the residual value, in the case of agreements stipulating the residual value assured, the residual value concerned is adopted and in any other cases, the residual value is assumed at zero. (5) Methods of calculation of interests The difference between the total amount of the lease payments (excluding maintenance and administration costs) and the acquisition cost is treated as interest and the way of allocating the interest to the respective fiscal years applied is by the interest method. 2. Operating lease transactions (Unexpired lease payments) Due in one year or less: 24,000 Due after one year: 119,980 Total 143,980	1. Finance lease transactions except for those agreements stipulating the transfer of ownership of the leased assets to the lessee (1) The pro forma amounts of the acquisition costs, accumulated depreciation and net book value of the leased assets (Machinery and equipment) Acquisition costs: 2,156,589 Accumulated depreciation: 583,858 Net book value: 1,572,731 (Vehicles and other transportation equipment) Acquisition costs: 96,723 Accumulated depreciation: 55,076 Net book value: 41,646 (Tools, furniture and fixtures) Acquisition costs: 49,110 Accumulated depreciation: 30,728 Net book value: 18,382 (Total) Acquisition costs: 2,302,422 Accumulated depreciation: 669,662 Net book value: 1,632,759 (2) The pro forma amounts of unexpired lease payments Due in one year or less: 270,617 Due after one year: 1,465,661 Total 1,736,278 (3) Lease payment, depreciation of lease assets and interest paid Lease payments: 271,413 Depreciation: 224,650 Interest paid: 23,678 (4) Methods of calculation of depreciation Same as left. (5) Methods of calculation of interests Same as left. 2. Operating lease transactions (Unexpired lease payments) Due in one year or less: 24,000 Due after one year: 95,980 Total 119,980

(Notes to Securities Holding)

1. Breakdown of marketable securities

As of the fiscal year ended September 30, 2005 (Thousands of yen)

		Acquisition cost	Value booked in the balance sheets	Unrealized gain (loss)
Securities whose value booked exceeds their acquisition cost	(1) Stock	42,248	80,931	38,683
	(2) Debt securities			
	1. Government bonds	99,980	100,613	633
	2. Corporate bonds	-	-	-
	3. Others	-	-	-
	(3) Others	-	-	-
	Sub Total	142,228	181,545	39,316
Securities whose value booked does not exceed their acquisition cost	(1) Stock	-	-	-
	(2) Debt securities			
	1. Government bonds	-	-	-
	2. Corporate bonds	-	-	-
	3. Others	-	-	-
	(3) Others	-	-	-
	Sub Total	-	-	-
Total		142,228	181,545	39,316

As of the fiscal year ended September 30, 2006 (Thousands of yen)

		Acquisition cost	Value booked in the balance sheets	Unrealized gain (loss)
Securities whose value booked exceeds their acquisition cost	(1) Stock	36,954	77,365	40,411
	(2) Debt securities			
	1. Government bonds	-	-	-
	2. Corporate bonds	-	-	-
	3. Others	-	-	-
	(3) Others	-	-	-
	Sub Total	36,954	77,365	40,411
Securities whose value booked does not exceed their acquisition cost	(1) Stock	-	-	-
	(2) Debt securities			
	1. Government bonds	199,924	199,662	-262
	2. Corporate bonds	-	-	-
	3. Others	-	-	-
	(3) Others	-	-	-
	Sub Total	199,924	199,662	-262
Total		236,879	277,028	40,148

2. Marketable securities sold during the fiscal year concerned

(Thousands of yen)

	Fiscal year ended September 30, 2005	Fiscal year ended September 30, 2006
Sales Proceeds	-	11,922
Total gain	-	6,628
Total loss	-	-

3. Breakdown of nonmarketable securities (Thousands of yen)

	Fiscal year ended September 30, 2005	Fiscal year ended September 30, 2006
	Value booked in the balance sheets	Value booked in the balance sheets
Other securities		
Money Management Fund	200,136	200,275
Free Financial Fund	400,204	500,229
Commercial paper	-	499,674
Unlisted stock (excluding over-the-counter shares)	12,284	200

(Note) The Company recorded 12,083 thousand yen impairment losses on part of securities holdings, which are unlisted and not measured at a fair value, for the fiscal year concerned.
In the event that the value of securities is estimated to decline 50% or more from the book value due to the deterioration of the issuer's financial conditions, the Company applies the impairment accounting method to the securities.

4. Estimated redemption amount of fixed-term securities (Thousands of yen)

	Fiscal year ended September 30, 2005				Fiscal year ended September 30, 2006			
	Less than 1 year	1-5 years	5- 10 years	Over 10 years	Less than 1 year	1-5 years	5- 10 years	Over 10 years
1. Debt securities								
(1) Government Bonds	-	-	100,613	-	99,940	-	99,722	-
(2) Corporate Bonds	-	-	-	-	-	-	-	-
(3) Others	-	-	-	-	-	-	-	-
2. Others	-	-	-	-	499,674	-	-	-
Total	-	-	100,613	-	599,614	-	99,722	-

(Notes to Derivative Transactions)

The company did not have any derivative transactions.

(Notes to Retirement Benefit System)

1. Description of the retirement benefit system

We provide a retirement benefit system in accordance with internal rules. Furthermore, we are a member of the Mutual Aid Corporation for the Retirement Benefit of Small Size Companies. We may provide a premium severance pay depending on the reason for an employee's resignation.

In April 2003, we amended the Retirement Benefit System and introduced the Defined Contribution Pension Plan and the Retirement Benefit Prepayment Plan.

2. Breakdown of the retirement benefit obligation (Thousands of yen)

	As of Sep. 30, 2005	As of Sep. 30, 2006
1. Retirement benefit obligation	539,434	591,780
2. Estimated retirement benefit provided by Mutual Aid Corporation	211,397	220,553
3. Accrued retirement benefit (1-2)	328,036	371,227

(Note) The pension assets to be transferred to the defined contribution pension account amounts to 132,712 thousand yen and the assets have been transferred over the past four years. The transfer was completed in this fiscal year.

3. Breakdown of expenses related to retirement benefit (Thousands of yen)

	As of Sep. 30, 2005	As of Sep. 30, 2006
1. Retirement benefit paid on the basis of service years	49,772	53,043
2. Premium severance allowance paid temporarily	632	647
3. Premiums paid to the Defined Contribution Pension Fund	16,710	17,861
4. Prepaid retirement benefit	4,856	5,424
5. Total expenses	71,972	76,977

4. Method for calculating the retirement benefit obligation

We applied the simplified method for the calculation of the retirement benefit obligation. Therefore, we do not provide the assumptions of estimating the obligation.

(Notes to Tax Effect Accounting)

1. Breakdown of deferred tax assets and liabilities (Thousands of yen)

(Deferred tax assets)	(As of Sep. 30, 2005)	(As of Sep. 30, 2006)
Nondeductible provision for accrued bonuses	174,843	189,196
Nondeductible provision for retirement benefits for employees	125,066	151,089
Nondeductible accrued enterprise tax	8,073	36,454
Nondeductible provision for retirement benefits for directors	31,338	20,957
Accrued retirement benefits which had not been transferred to the Defined Contribution Pension System	12,823	-
Others	41,052	49,137
Total of deferred tax assets	393,197	446,835
(Deferred tax liabilities)		
Disparity in the estimated value of other marketable securities	-16,001	-16,340
Net value of deferred tax assets	377,195	430,495

2.Disparity between the effective tax rate and the rate of corporate tax based on the tax effect accounting method

	Fiscal year ended September 30, 2005	Fiscal year ended September 30, 2006
Statutory tax rate	40.7%	40.7%
(Disparity)		
Deductible research and development cost	-6.2	-4.5
Provincial tax to be levied for the fiscal year concerned	1.1	0.7
Permanent nondeductible items such as entertainment expenses	0.6	0.3
Others	-0.2	-0.2
Statutory tax rate based on the tax effect accounting	36.0	37.0

(Notes to Equity in Income of Affiliates)

Not applicable.

(Transactions with Concerned Parties)

Fiscal year ended Sep. 30, 2005 (From Oct. 1, 2004 to Sep. 30, 2005)

Directors and major individual shareholders

Name	Details of Transaction	
Yoshifumi Taguchi *1	Category Director Occupation Auditor of the Company and President of Image Plan Co., Ltd.	Description of transaction Consulting, and employee education and training services*2 Transaction value 3,150 thousand yen Payment due 1,102 thousand yen

(Notes)

1. Yoshifumi Taguchi retired as the external auditor of the company on December 17, 2004 and the transaction was conducted during his incumbency and the above payment due was the balance as of his retirement date.
2. Yoshifumi Taguchi conducted the transactions concerned with the Company as the representative of a disinterested party. The conditions of the transactions including fees were provided on the basis of reasonable transaction practices.
3. The amounts of the above transaction values do not include consumption tax, while the payment due does.

Fiscal year ended Sep. 30, 2006 (From Oct. 1, 2005 to Sep. 30, 2006)

(1) Parent company and institutional shareholders

Name	Details of Transaction	
Mitsui & Co., Ltd.	Category Institutional shareholder Address Chiyoda-ku, Tokyo Amount invested 295,797,424 thousand yen Description of business Trading conglomerate Voting interest 15.0%	Interlocking directorate No director is dispatched by Mitsui & Co. Description of transaction (Thousand of yen) 1. Materials and products purchasing *1&2 Transaction value: 1,884,375 Outstanding trade accounts payable: 680,938 2. Commissions *1&2 Transaction value: 7,044 Outstanding accounts payable: 5,751

(2) Directors and major individual shareholders

Name	Details of Transaction	
Fujiaki Mimura	Category Auditor Occupation Attorney at law	Description of transaction Attorney's fee*3 Transaction value (Thousands of yen) 4,035

(Notes)
1. The terms and conditions of the above transactions were decided on the basis of the same criteria used for other usual transactions.
2. The reasonable transaction value was applied to the above transaction.
3. The above attorney's fee was decided based on the pricing rules prepared by Sakai & Mimura Law Firm and through negotiations.
4. The amounts of the above transaction values do not include consumption tax, while the payment due does.

(Per Share Data)

Fiscal year ended Sep. 30, 2005	**Fiscal year ended Sep. 30, 2006**
Net assets per share 920.32 yen Net income per share 47.33 yen Fully-diluted net income per share is not presented because there are no residual securities, such as convertible bonds, issued by the Company.	Net assets per share 1,011.12 yen Net income per share 73.78 yen Fully-diluted net income per share is not presented because there are no residual securities, such as convertible bonds, issued by the Company.

(Note) The basis of calculating the above figures is as follows:

Fiscal year ended Sep. 30, 2005	**Fiscal year ended Sep. 30, 2006**
Net income for the fiscal year: 577,162 thousand yen Amount not applicable to ordinary shareholders (Bonus of directors): 15,500 thousand yen Net income applicable to ordinary shareholders: 561,662 thousand yen Average number of shares outstanding: 11,866,390 shares	Net income for the fiscal year: 915,877 thousand yen Amount not applicable to ordinary shareholders (Bonus of directors): - Net income applicable to ordinary shareholders: 915,877 thousand yen Average number of shares outstanding: 12,413,558 shares

(Significant Subsequent Events)

Fiscal year ended Sep. 30, 2005

Our company entered into a licensing agreement on a joint development and a distributorship grant for renal anemia agents with Jcr Pharmaceuticals Co., Ltd in November 2004. Under this agreement, our company and the partner had carried out joint development activities. However, the two companies recognized differences in views on the budgetary planning for the development and the licensing of new products when they reviewed the development structure and terms of the agreement. The two companies also realized differences in future direction for the alliance. Consequently, Jcr Pharmaceuticals and our company cancelled the agreement on November 11, 2005. This cancellation will not have any significant impact on financial results for the fiscal year ended September 30, 2006.

Fiscal year ended Sep. 30, 2006

Not applicable.

5. Goods Manufactured, Orders Received and Sales

(1) Breakdown of goods manufactured

(Thousands of yen)

Business segment	Fiscal year ended Sep. 30 2005		Fiscal year ended Sep. 30 2006		YOY Change
	Amount	(%)	Amount	(%)	(%)
Diagnostic drugs	3,872,854	39.7	4,462,620	41.8	115.2
Hormone drugs	2,944,508	30.1	3,004,521	28.1	102.0
Circulatory drugs	1,009,657	10.3	1,033,994	9.7	102.4
Antibiotics & Chemotherapeutics	445,638	4.6	625,381	5.9	140.3
Urogenital & genital organ drugs	443,950	4.5	281,664	2.6	63.4
Dermatological preparation	300,993	3.1	309,535	2.9	102.8
Others	748,228	7.7	957,165	9.0	127.9
Total	9,765,830	100.0	10,674,882	100.0	109.3

(Notes) 1. The above amounts are calculated based on selling prices and do not include consumption tax.
2. Fractions less than one thousand yen are omitted.

(2) Breakdown of goods purchased

(Thousand of yen)

Business segment	Fiscal year ended Sep. 30 2005		Fiscal year ended Sep. 30 2006		YOY Change
	Amount	(%)	Amount	(%)	(%)
In vitro diagnostic	283,764	70.3	328,856	71.3	115.9
Dermatological preparation	47,428	11.8	38,205	8.3	80.6
Hormone drugs	11,007	2.7	32,456	7.0	294.9
Antibiotics & Chemotherapeutics	-	-	5,952	1.3	-
Others	61,251	15.2	55,769	12.1	91.0
Total	403,452	100.0	461,240	100.0	114.3

(3) Manufacturing based on the orders received

The Company manufactures products not on a build-to-order basis, but on a sales projection basis.

(4) Breakdown of sales

(Thousand of yen)

Business segment	Fiscal year ended Sep. 30 2005		Fiscal year ended Sep. 30 2006		YOY Change
	Amount	(%)	Amount	(%)	(%)
Goods manufactured					
Diagnostic drugs	3,867,817	38.2	4,489,708	39.9	116.1
Hormone drugs	2,712,619	26.8	2,883,480	25.7	106.3
Circulatory drugs	1,001,446	9.9	993,246	8.8	99.2
Antibiotics & Chemotherapeutics	507,852	5.0	552,423	4.9	108.8.
Urogenital & genital organ drugs	309,416	3.0	308,405	2.8	99.7
Dermatological preparation	280,398	2.8	293,848	2.6	104.8
Others	701,237	6.9	874,909	7.8	124.8
Sub total	9,380,789	92.6	10,396,022	92.5	110.8
Goods purchased					
In vitro diagnostic	571,931	5.6	597,356	5.3	104.4
Dermatological preparation	106,737	1.1	101,969	0.9	95.5
Hormone drugs	13,359	0.1	29,586	0.3	221.4
Antibiotics & Chemotherapeutics	16,289	0.2	14,664	0.1	90.0
Others	39,538	0.4	101,050	0.9	255.6
Sub total	747,855	7.4	844,617	7.5	112.9
Total	10,128,644	100.0	11,240,639	100.0	111.0

(Notes) 1. The above amounts are calculated based on selling prices and do not include consumption tax.
2. Fractions less than one thousand yen are omitted.

(Information on major clients)

Client	Fiscal year ended September 30, 2005	Fiscal year ended September 30, 2006
Konica Minolta Medical & Graphics Inc.	Transaction amount (%)	Transaction amount (%)
	2,717,209 thousand yen (26.8%)	3,152,109 thousand yen (28.0%)

Ⅵ. Reshuffle in the Board of Directors and the Board of Auditors

We will implement the following reshuffle in the Board of Directors after obtaining the approval of shareholders in the regular shareholder meeting scheduled on December 20, 2006.

(1) Change of representative director
Not applicable.

(2) Reshuffle of other board members
1. Newly-appointed director
Takayuki Iwai, Director (a current employee of Mitsui & Co., Ltd.)
(Note) Mr. Iwai will be seconded by Mitsui & Co. and appointed as the General Manager of the Corporate Planning Department on December 1, 2006.
2. Retiring director
Shigeru Hongo, General Manager of Internal Auditing Department

(3) Formal appointment date of the new director
December 20, 2006