FP CORPORATION and Subsidiaries

Consolidated Financial Statements for the Years Ended March 31, 2006 and 2005, and Independent Auditors' Report

Deloitte.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
FP CORPORATION:

We have audited the accompanying consolidated balance sheets of FP CORPORATION (the "Company") and subsidiaries as of March 31, 2006 and 2005, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of FP CORPORATION and subsidiaries as of March 31, 2006 and 2005, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

As discussed in Note 2.f to the consolidated financial statements, the Company adopted the new accounting standard for impairment of fixed assets as of April 1,2005.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

June 29, 2006

Deloitte Touche Tohmatsu

Consolidated Balance Sheets

FP CORPORATION and Subsidiaries

March 31, 2006 and 2005

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2006	2005	2006
CURRENT ASSETS:			
Cash and cash equivalents	¥ 8,422	¥ 5,994	$ 71,695
Marketable securities (Note 3)		1	
Short-term investments (Note 4)	6	10	51
Receivables			
Trade notes	11,878	11,632	101,115
Trade accounts	16,508	16,309	140,529
Other	2,910	3,309	24,772
Allowance for doubtful accounts	(209)	(351)	(1,779)
Inventories (Note 5)	12,261	16,592	104,376
Prepaid expenses and other current assets (Note 14)	963	766	8,198
Total Current Assets	52,739	54,262	448,957
PROPERTY, PLANT AND EQUIPMENT (Note 6):			
Land (Note 9)	19,775	19,842	168,341
Buildings and structures (Note 9)	46,561	46,300	396,365
Machinery and equipment	14,691	14,917	125,062
Tools, furniture and fixtures	10,487	12,339	89,274
Construction in progress	45	37	383
Total	91,559	93,435	779,425
Accumulated depreciation	(46,032)	(46,532)	(391,862)
Net Property, Plant and Equipment	45,527	46,903	387,563
INVESTRMENTS AND OTHER ASSETS:			
Investment securities (Note 3)	4,123	4,014	35,098
Investments in associated companies	103	52	877
Long-term loans	4,558	5,090	38,801
Goodwill	34	39	290
Deferred tax assets (Note 14)	152	571	1,294
Other assets	4,560	5,100	38,818
Allowance for doubtful accounts	(384)	(420)	(3,269)
Total Investments and Other Assets	13,146	14,446	111,909
TOTAL	¥ 111,412	¥ 115,611	$ 948,429

See notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2006	2005	2006
CURRENT LIABILITIES:			
Short-term bank loans (Note 8)	¥ 9,050	¥ 14,250	$ 77,041
Current portion of long-term debt (Note 8)	13,536	7,020	115,229
Payables			
Trade notes	2,367	3,125	20,150
Trade accounts	16,290	17,324	138,674
Other(Note 9)	3,928	3,325	33,438
Accrued income taxes	1,797	588	15,297
Accrued expenses	1,663	1,440	14,157
Current portion of obligations under reorganization proceeding of subsidiaries(Note 9)		881	
Other current liabilities	146	94	1,243
Total Current Liabilities	48,777	48,047	415,229
LONG-TERM LIABILITIES:			
Long-term debt (Note 8)	11,396	18,764	97,012
Liability for employees' retirement benefits (Note 10)	1,119	998	9,526
Retirement allowance for directors and corporate auditors (Note 11)	294	317	2,503
Obligations under reorganization proceeding of subsidiaries(Note 9)		1,831	
Other long-term liabilities(Note 9)	1,388	732	11,815
Total Long-Term Liabilities	14,197	22,642	120,856
MINORITY INTERESTS	54	126	460
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 15, 16 and 17)			
SHAREHOLDERS' EQUITY (Notes 12 and 19):			
Common stock,			
Authorized — 31,750,600 shares in 2006 and 2005			
Issued — 22,142,106 shares in 2006 and 2005	13,151	13,151	111,952
Capital surplus	15,488	15,488	131,846
Retained earnings	19,041	16,410	162,092
Net unrealized gain on available-for-sale securities	1,016	604	8,649
Treasury stock, at cost, 143,000 shares in 2006 and 292,247 shares in 2005	(312)	(857)	(2,655)
Total Shareholders' Equity	48,384	44,796	411,884
TOTAL	¥ 111,412	¥ 115,611	$ 948,429

See notes to consolidated financial statements.

Consolidated Statements of Income

FP CORPORATION and Subsidiaries

Years ended March 31, 2006 and 2005

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2006	2005	2006
NET SALES	¥ 126,816	¥ 124,152	$ 1,079,561
COST OF SALES (Note 13)	94,842	94,228	807,372
Gross Profit	31,974	29,924	272,189
SELLING , GENERAL AND ADMINISTRATIVE EXPENSES (Note 13)	25,867	26,712	220,201
Operating Income	6,107	3,212	51,988
OTHER INCOME (EXPENSES):			
Interest and dividend income	201	217	1,711
Interest expense	(259)	(283)	(2,205)
Gain on early extinguishment of obligation under reorganization proceeding of subsidiaries		970	
Loss on valuation of investment of securities	(5)	(94)	(43)
Loss on valuation of inventories	(534)	(779)	(4,546)
Other, net	672	370	5,721
Total Other Income (Expenses)	75	401	638
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	6,182	3,613	52,626
INCOME TAXES (Note 14):			
Current	2,469	1,099	21,018
Deferred	16	(15)	136
Total	2,485	1,084	21,154
MINORITY INTERESTS IN NET INCOME	11	92	94
NET INCOME	¥ 3,686	¥ 2,437	$ 31,378

	Yen		U.S. Dollars (Note 1)
PER SHARE OF COMMON STOCK (Note 2.p):			
Basic net income	¥ 165.16	¥ 107.65	$ 1.41
Cash dividends	45.00	32.00	0.38

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity
FP CORPORATION and Subsidiaries
March 31, 2006 and 2005

	Shares / Millions of Yen					
	Issued number of shares of common stock	Common stock	Capital surplus	Retained earnings	Net unrealized gain (loss) on available-for-sale securities	Treasury stock
BALANCE AT APRIL 1, 2004	24,192,106	¥13,151	¥15,488	¥19,124	¥244	¥(4,210)
Net income				2,437		
Cash dividends, ¥32.00 per share				(708)		
Bonuses to directors and corporate auditors				(41)		
Disposal of treasury stock				(0)		
Retirement of treasury stock	(2,050,000)			(4,402)		4,402
Increase in treasury stock						(1,049)
Net increase in unrealized gain on available-for-sale securities					360	
BALANCE AT MARCH 31, 2005	22,142,106	¥13,151	¥15,488	¥16,410	¥604	¥(857)
Net income				3,686		
Cash dividends, ¥45.00 per share				(812)		
Bonuses to directors and corporate auditors				(47)		
Increase in treasury stock						(16)
Disposal of treasury stock				(196)		561
Net increase in unrealized gain on available-for-sale securities					412	
BALANCE AT MARCH 31, 2006	22,142,106	¥ 13,151	¥ 15,488	¥ 19,041	¥ 1,016	¥ (312)

	Thousands of U.S. Dollars (Note 1)				
	Common stock	Capital surplus	Retained earnings	Net unrealized gain on available-for-sale securities	Treasury stock
BALANCE AT MARCH 31, 2005	$ 111,952	$ 131,846	$ 139,695	$ 5,142	$(7,295)
Net income			31,378		
Cash dividends, $0.38 per share			(6,912)		
Bonuses to directors and corporate auditors			(400)		
Increase in treasury stock					(136)
Disposal of treasury stock			(1,669)		4,776
Net increase in unrealized gain on available-for-sale securities				3,507	
BALANCE AT MARCH 31, 2006	$ 111,952	$ 131,846	$ 162,092	$ 8,649	$ (2,655)

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows
FP CORPORATION and Subsidiaries
Years ended March 31, 2006 and 2005

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2006	2005	2006
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 6,182	¥ 3,613	$ 52,626
Adjustments for:			
Income taxes-paid	(1,384)	(1,235)	(11,782)
Depreciation and amortization	3,965	4,135	33,753
Provision for (reversal of)allowance for doubtful accounts	(178)	182	(1,515)
Gain on early extinguishment of obligations under reorganization proceeding of subsidiaries		(970)	
Loss on disposal of property, plant and equipment	76	75	647
Provision for retirement benefits	121	45	1,030
Bonuses to directors and corporate auditors	(47)	(41)	(400)
Changes in operating assets and liabilities, net of effects:			
Increase in trade receivables	(443)	(277)	(3,771)
Decrease in inventories	4,331	2,415	36,869
Decrease in trade payables	(1,792)	(154)	(15,255)
Other, net	684	2,762	5,823
Total adjustments	5,333	6,937	45,399
Net cash provided by operating activities	11,515	10,550	98,025
INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	(1,905)	(2,887)	(16,217)
Proceeds from sales of investment securities	694	135	5,907
Purchases of investment securities	(112)	(136)	(953)
Increase in short-term loans, net	(100)	(275)	(851)
Payments for long-term loans	(225)	(103)	(1,915)
Proceeds from collection of long-term loans	782	516	6,657
Increase in other assets	(162)	(122)	(1,379)
Net cash used in investing activities	(1,028)	(2,872)	(8,751)
FINANCING ACTIVITIES:			
Increase in short-term bank loans, net	(5,200)	920	(44,267)
Proceeds from long-term debt	6,915	6,370	58,866
Repayments of long-term debt	(7,766)	(8,891)	(66,110)
Purchase of treasury stock	(4)	(500)	(34)
Dividends paid	(806)	(708)	(6,861)
Repayments of obligations under reorganization proceeding of subsidiaries	(1,560)	(5,531)	(13,280)
Other, net	362	1	3,081
Net cash used in financing activities	(8,059)	(8,339)	(68,605)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	0	0	0
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,428	(661)	20,669
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	5,994	6,655	51,026
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 8,422	¥ 5,994	$ 71,695

See notes to consolidated financial statements.

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of FP Corporation (the "Company") have been prepared in accordance with the provisions set forth in the Japanese Securities and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2005 financial statements to conform to the classifications used in 2006.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at the rate of ¥117.47 to $1, the rate of exchange at March 31, 2006. Such translations should not be construed as representation that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of consolidation

The consolidated financial statements as of March 31, 2006 and 2005 include the accounts of the Company and all subsidiaries (30 in 2006 and 29 in 2005) (together, the "Group").

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated.

Investments in the associated companies are stated at cost. If the equity method of accounting had been applied to the investments in those companies, the effect on the accompanying consolidated financial statements would not be material.

The significant excess of the Company's investments in consolidated subsidiaries over its equity in the net assets at the respective dates of acquisition is being amortized over a period of five years. The insignificant excess of cost over net assets of subsidiaries acquired is charged to income when incurred.

Negative goodwill is reported in the balance sheet as other long-term liabilities and is amortized using the straight-line method over five years.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

(b) Cash Equivalents

Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Cash Equivalents include time deposits and mutual funds investing in bonds that represent short-term investments, all of which mature or become due within three months of the date of acquisition.

(c) Marketable and Investment Securities

Marketable and investment securities are classified as available-for-sale securities and are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of shareholders' equity. The cost of securities sold is determined based on the moving-average method. Non-marketable available-for-sale securities are stated at cost determined by the moving-average method. For other than temporary declines in fair value, marketable and non-marketable available-for-sale securities are reduced to net realizable value by a charge to income.

(d) Inventories

Merchandise, finished products, semi-finished products, raw materials and work in process are stated at cost determined by the monthly average-method. Real estate for sale and paintings and antiques are stated at cost determined by the specific identification method, and supplies are stated at cost determined by the last purchased cost method.

(e) Property, Plant and Equipment

Property, plant and equipment are stated at cost.
Depreciation is computed substantially by the declining-balance method over the estimated useful lives of the assets.
Additionally, equipment of certain consolidated subsidiaries is depreciated by the straight-line method.

The range of useful lives are mainly as follows:
Buildings ・・・・・・・・・・・・・・・・・ 15 to 35 years
Machinery and equipment ・・・・ 4 to 8 years

(f) Long-Lived assets

In August 2002, the Business Accounting Council (BAC) issued a Statement of Opinion, *Accounting for Impairment of Fixed Assets*, and in October 2003 the Accounting Standards Board of Japan (ASB) issued ASB Guidance No.6, *Guidance for Accounting Standard for Impairment of Fixed Assets*. These new pronouncements are effective for fiscal years beginning on or after April 1, 2005.
The Group reviewed its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.
The effect of adoption of the new accounting standard for impairment of fixed assets was to decrease income before income taxes for the year ended March 31,2006 by 186 million ($1,583 thousand).

(g) Other Assets

Intangible assets are carried at cost less accumulated amortization, which is calculated by the straight-line method principally over five years.

(h) Allowance for Doubtful Accounts

The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the Group's past credit loss experience and an evaluation of potential losses in the receivables outstanding.

(i) Liability for Employees' Retirement Benefits

The Company and certain consolidated subsidiaries have non-contributory funded defined benefit pension plans and unfunded retirement benefit plans for employees which cover approximately 50%, respectively, of their benefits. Most of the other consolidated subsidiaries have defined contribution annuity plans.

Effective April 1, 2000, the Group adopted a new accounting standard for employees' retirement benefits and accounted for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date.

(j) Retirement Allowance for Directors and Corporate Auditors

Retirement allowance for directors and corporate auditors of the Company and certain subsidiaries are also provided under the internal guidelines.

(k) Research and Development Costs

Research and development costs are charged to income as incurred.

(l) Leases

All leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain “as if capitalized” information is disclosed in the notes to the lessee’s financial statements.

(m) Income taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

(n) Appropriations of Retained Earnings

Appropriations of retained earnings are reflected in the accompanying consolidated financial statements for the following year upon shareholders’ approval.

(o) Derivatives and Hedging Activities

The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange and interest rates. Foreign exchange forward contracts and interest rate swaps are utilized by the Group to reduce foreign currency exchange and interest rate risks. The Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: a) all derivatives be recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the income statement and b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

The foreign currency forward contracts employed to hedge foreign exchange exposures for export sales are measured at the fair value and the unrealized gains / losses are recognized in income. Forward contracts applied for forecasted (or committed) transactions are also measured at the fair value but the unrealized gains / losses are deferred until the underlying transactions are completed.

Interest rate swaps are utilized to hedge interest rate exposures of long-term debt. These swaps that qualify for hedge accounting are measured at market value at the balance sheet date and unrealized gains or losses are deferred until maturity as an other liability or asset.

Other than those above, interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements is recognized and included in interest expense or income.

(p) Per share information

Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period. The average number of common shares used in the computation was 21,966,942 shares for the year ended March 31, 2006 and 22,202,884 shares for the year ended March 31, 2005, respectively.

Diluted net income per share was not presented because there was no dilution for the years ended March 31, 2006 and 2005.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

(q) New Accounting Pronouncements

Business Combination and Business Separation

In October 2003, the BAC issued a Statement of Opinion, *Accounting for Business Combinations,* and on December 27, 2005 the ASBJ issued *Accounting Standard for Business Separations* and ASBJ Guidance No.10, *Guidance for Accounting Standard for Business Combinations and Business Separations*. These new accounting pronouncements are effective for fiscal years beginning on or after April 1, 2006.

The accounting standard for business combinations allows companies to apply the pooling of interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests. These specific criteria are as follows:

(a) the consideration for the business combination consists solely of common shares with voting rights,

(b) the ratio of voting rights of each predecessor shareholder group after the business combination is nearly equal, and

(c) there are no other factors that would indicate any control exerted by any shareholder group other than voting rights.

For business combinations that do not meet the uniting-of-interests criteria, the business combination is considered to be an acquisition and the purchase method of accounting is required. This standard also prescribes the accounting for combinations of entities under common control and for joint ventures. Goodwill, including negative goodwill, is to be systematically amortized over 20 years or less, but is also subject to an impairment test.

Under the accounting standard for business separations, in a business separation where the interests of the investor no longer continue and the investment is settled, the difference between the fair value of the consideration received for the transferred business and the book value of net assets transferred to the separated business is recognized as a gain or loss on business separation in the statement of income. In a business separation where the interests of the investor continue and the investment is not settled, no such gain or loss on business separation is recognized.

Stock options

On December 27, 2005, the ASBJ issued *Accounting Standard for Stock Options* and *related guidance*. The new standard and guidance are applicable to stock options newly granted on and after May 1, 2006.

This standard requires companies to recognize compensation expense for employee stock options based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to non-employees based on the fair value of either the stock option or the goods or services received. In the balance sheet, the stock option is presented as a stock acquisition right as a separate component of shareholders' equity until exercised. The standard covers equity-settled, share-based payment transactions, but does not cover cash-settled, share-based payment transactions. In addition, the standard allows unlisted companies to measure options at their intrinsic value if they cannot reliably estimate fair value.

Bonuses to directors and corporate auditors

Prior to the fiscal year ended March 31, 2005, bonuses to directors and corporate auditors were accounted for as a reduction of retained earnings in the fiscal year following approval at the general shareholders meeting. The ASBJ issued ASBJ Practical Issues Task Force (PITF) No.13, *Accounting treatment for bonuses to directors and corporate auditors*, which encouraged companies to record bonuses to directors and corporate auditors on the accrual basis with a related charge to income, but still permitted the direct reduction of such bonuses from retained earnings after approval of the appropriation of retained earnings.

The ASBJ replaced the above accounting pronouncement by issuing a new accounting standard for bonuses to directors and corporate auditors on November 29, 2005. Under the new accounting standard, bonuses to directors and corporate auditors must be expensed and are no longer allowed to be directly charged to retained earnings. This accounting standard is effective for fiscal years ending on or after May 1, 2006. The companies must accrue bonuses to directors and corporate auditors at the year end to which such bonuses are attributable.

3. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2006 and 2005 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Current:			
Corporate bonds	¥	¥ 1	$
Total	¥	¥ 1	$
Non-current:			
Marketable equity securities	¥ 3,273	¥ 2,711	$ 27,862
Trust fund investment and other	850	1,303	7,236
Total	¥ 4,123	¥ 4,014	$ 35,098

The carrying amounts and aggregate fair values of marketable and investment securities at March 31, 2006 and 2005 were as follows:

	Millions of Yen			
March 31, 2006	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 1,549	¥ 1,732	¥ (8)	¥ 3,273

	Millions of Yen			
March 31, 2005	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 1,653	¥ 1,088	¥ (30)	¥ 2,711
Corporate bonds	1	0		1
Trust fund investments	571	9	(27)	553

	Thousands of U.S. Dollars			
March 31, 2006	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	$ 13,186	$ 14,744	$ (68)	$ 27,862

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2006 and 2005 were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Available-for-sale:			
Equity securities	¥ 850	¥ 750	$ 7,236
Total	¥ 850	¥ 750	$ 7,236

Proceeds from sales of available-for-sale securities for the years ended March 31, 2006 and 2005 were ¥ 780 million ($ 6,640 thousand) and ¥ 135 million, respectively. Gross realized gains and losses on these sales, computed on the moving average cost basis, were ¥ 111 million ($ 945 thousand) and 19 million($162 thousand), respectively, for the year ended March 31, 2006 and ¥ 64 million and no losses, respectively, for the year ended March 31, 2005.

The carrying values of corporate bonds and trust fund investments by contractual maturities for securities classified as available-for-sale at March 31, 2006 were none:

4. SHORT-TERM INVESTMENTS

Short-term investments consisted of time deposits which mature over three months.

5. INVENTORIES

Inventories at March 31, 2006 and 2005 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Merchandise	¥ 536	¥ 646	$ 4,563
Real estate for sale	53	300	451
Finished products	8,867	9,789	75,483
Semi-finished products and work in process	492	846	4,188
Raw materials	980	3,666	8,343
Supplies	348	330	2,963
Paintings and antiques	985	1,015	8,385
Total	¥ 12,261	¥ 16,592	$ 104,376

6. PROPERTY, PLANT AND EQUIPMENT

Depreciation expense for the years ended March 31, 2006 and 2005 were ¥3,965 million ($33,753 thousand) and ¥4,135 million, respectively.

7. LONG-LIVED ASSETS

In order to test for impairment and to measure impairment loss, assets are grouped at the lowest level for which identifiable cash flows are largely independent of the cash flows generated by other asset groups.
However, assets scheduled for disposal, assets scheduled for discontinuance of business and idle assets are grouped as a minimum unit which generates the cash flow.
Common property including the head office is measured by a larger unit which added a common property to the two or more property groups.
As a result, the Group recognized an impairment loss of ¥186 million ($1,583 thousand) as follows:

	Millions of Yen	Thousands of U.S. dollars
	Impairment loss	
Land	¥ 42	$ 358
Machinery, equipment, and vehicles	79	672
Other assets	65	553
Total	¥ 186	$ 1,583

Recoverable amount in this asset group was measured by the respective net selling prices. The net selling prices were based on assessed value of fixed assets.

8. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans at March 31, 2006 and 2005 bore interest at annual rates of 0.213 % to 0.35 % and 0.25 % to 1.75 %, respectively.

Long-term debt at March 31, 2006 and 2005 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Unsecured loans from banks and other financial institutions due 2006 to 2011 with interest rates ranging from 0.39 % to 2.375 %	¥ 24,932	¥ 25,784	$ 212,241
Total	24,932	25,784	212,241
Less-current portion	13,536	7,020	115,229
Long-term debt, less current portion	¥ 11,396	¥ 18,764	$ 97,012

The aggregate annual maturities of long-term debt as of March 31, 2006 were as follows:

Year ending March 31	Millions of Yen	Thousands of U.S. Dollars
2007	¥ 13,536	$ 115,229
2008	5,364	45,663
2009	4,639	39,491
2010	1,095	9,321
2011	298	2,537
Total	¥ 24,932	$ 212,241

The Company and certain subsidiaries entered into credit agreements with several Japanese banks under which the banks committed a maximum of ¥ 35,330 million ($ 300,758 thousand) and ¥ 38,580 million to the Company and certain subsidiaries in the form of cash borrowings at March 31, 2006 and 2005. The unused lines of credit under these agreement amounted ¥ 26,580 million ($ 226,271 thousand) and ¥ 24,330 million at March 31, 2006 and 2005, respectively.

9. PLEDGED ASSETS

The carrying amounts of assets of a subsidiary pledged as collateral for payables at March 31, 2006 that are stated as Current portion of obligation under reorganization proceeding of subsidaries at March 31, 2005 and other long-term liabilities at March 31,2006 that are stated as Obligation under reorganization proceeding of subsidaries at March 31, 2005 were as follows:

	Millions of Yen		Thousands of U.S Dollars
	2006	2005	2006
Inventories	¥	¥ 265	$
Land	1,591	1,591	13,544
Buildings and structures-net of accumulated depreciation	1,469	1,559	12,505
Total	¥ 3,060	¥ 3,415	$ 26,049

10. LIABILITY FOR EMPLOYEES' RETIREMENT BENEFITS

The Company and certain subsidiaries have severance payment plans for employees.

Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service and certain other factors. Such retirement benefits are made in the form of a lump-sum severance payment from the Company or from certain subsidiaries and annuity payments from a trustee. Employees are entitled to larger payments if the termination is involuntary, or by voluntary retirement at certain specific ages prior to the mandatory retirement age.
Most of the other subsidiaries entered into the Smaller Enterprise Retirement Allowance Mutual Aid Corporation which is a defined contribution pension plan.

The liability for employees' retirement benefits as of March 31, 2006 and 2005 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Projected benefit obligation	¥ 1,949	¥ 1,834	$ 16,591
Fair value of plan assets	(844)	(734)	(7,184)
Unrecognized actuarial loss	14	(102)	119
Net liability	¥ 1,119	¥ 998	$ 9,526

The components of net periodic benefit costs for the years ended March 2006 and 2005 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Service cost	¥ 287	¥ 265	$ 2,443
Interest cost	28	26	238
Expected return on plan assets	(8)	(6)	(68)
Amortization of actuarial loss	57	53	485
Net periodic benefit costs	¥ 364	¥ 338	$ 3,098

Assumptions used for the years ended March 31, 2006 and 2005 were set forth as follows:

	2006	2005
Discount rate	2.0 %	2.0 %
Expected rate of return on plan assets	1.5 %	1.5 %
Recognition period of actuarial gain / loss	5 years	5 years

11. RETIREMENT ALLOWANCE FOR DIRECTORS AND CORPORATE AUDITORS

Retirement allowance for directors and corporate auditors are paid subject to approval of the shareholders in accordance with the Japanese Commercial Code (the "Code").
The Company and certain subsidiaries recorded a liability for their unfunded retirement allowance plan covering all of its directors and corporate auditors. The annual provisions for retirement allowance for directors and corporate auditors for the years ended March 31, 2006 and 2005 were ¥ 58 million ($ 494 thousand) and ¥ 195 million, respectively.

12. SHAREHOLDERS' EQUITY

Through May 1, 2006, Japanese companies are subject to the Commercial Code of Japan (the "Code").

The Code requires that all shares of common stock be issued with no par value and at least 50% of the issue price of new shares is required to be recorded as common stock and the remaining net proceeds are required to be presented as additional paid-in capital, which is included in capital surplus. The Code permits Japanese companies, upon approval of the Board of Directors, to issue shares to existing shareholders without consideration by way of a stock split. Such issuance of shares generally does not give rise to changes within the shareholders' accounts.

The Code also provides that an amount of 10% or more of the aggregate amount of cash dividends and certain other appropriations of retained earnings associated with cash outlays applicable to each period (such as bonuses to directors) shall be appropriated as a legal reserve (a component of retained earnings) until the total of such reserve and additional paid-in capital equals 25% of common stock. The amount of total legal reserve and additional paid-in capital that exceeds 25% of the common stock may be available for dividends by resolution of the shareholders after transferring such excess in accordance with the Code. In addition, the Code permits the transfer of a portion of additional paid-in capital and legal reserve to the common stock by resolution of the Board of Directors.

The Code allows Japanese companies to purchase treasury stock and dispose of such treasury stock upon resolution of the Board of Directors. The aggregate purchased amount of treasury stock cannot exceed the amount available for future dividends plus the amount of common stock, additional paid-in capital or legal reserve that could be transferred to retained earnings or other capital surplus other than additional paid-in capital upon approval of such transfer at the annual general meeting of shareholders.

In addition to the provision that requires an appropriation for a legal reserve in connection with the cash outlays, the Code also imposes certain limitations on the amount of capital surplus and retained earnings available for dividends. The amount of capital surplus and retained earnings available for dividends under the Code was ¥ 15,691 million ($133,575 thousand) as of March 31, 2006, based on the amount recorded in the parent company's general books of account.

Dividends are approved by the shareholders at a meeting held subsequent to the end of the fiscal year to which the dividends are applicable. Semiannual interim dividends may also be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Code.

On May 1, 2006, a new corporate law (the "Corporate Law") became effective, which reformed and replaced the Code with various revisions that would, for the most part, be applicable to events or transactions which occur on or after May 1, 2006 and for the fiscal years ending on or after May 1, 2006. The significant changes in the Corporate Law that affect financial and accounting matters are summarized below:

(a) Dividends
Under the Corporate Law, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) if the company has prescribed so in its articles of incorporation.
The Corporate Law permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. Under the Code, certain limitations were imposed on the amount of capital surplus and retained earnings available for dividends. The Corporate Law also provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥ 3 million.

(b) Increases / decreases and transfer of common stock, reserve and surplus
The Corporate Law requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Code, the aggregate amount of additional paid-in capital and legal reserve that exceeds 25% of the common stock may be made available for dividends by resolution of the shareholders. Under the Corporate Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation of such threshold. The Corporate Law also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury stock and treasury stock acquisition rights
The Corporate Law also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula.
Under the Corporate Law, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of shareholders' equity.
The Corporate Law also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of shareholders' equity or deducted directly from stock acquisition rights.

On December 9, 2005, the ASBJ published a new accounting standard for presentation of shareholders' equity. Under this accounting standard, certain items which were previously presented as liabilities are now presented as components of shareholders' equity. Such items include stock acquisition rights, minority interest, and any deferred gain or loss on derivatives accounted for under hedge accounting. This standard is effective for fiscal years ending on or after May 1, 2006.

13. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to operating expenses, were ¥751million ($6,393 thousand) and ¥689 million for the years ended March 31, 2006 and 2005, respectively.

14. INCOME TAXES

The Group is subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 40.4% for the years ended March 31, 2006 and 2005.

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The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2006 and 2005 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Deferred Tax Assets:			
Tax loss carry forwards	¥ 155	¥ 272	$ 1,319
Accrued enterprise tax	142	70	1,209
Accrued expenses	446	370	3,797
Inventories-intercompany profits	54	8	460
Allowance for doubtful accounts	166	216	1,413
Accrued pension and severance costs	431	374	3,669
Retirement allowances for directors and corporate auditors	118	128	1,004
Allowance for loss on investments	113	372	962
Other	285	298	2,426
Less valuation allowance	(398)	(549)	(3,388)
Total	1,512	1,559	12,871
Deferred Tax Liabilities:			
Allowance for doubtful accounts-intercompany balances	(12)	(18)	(102)
Unrealized gain on available-for-sale securities	(699)	(443)	(5,950)
Other	(3)	(4)	(26)
Total	(714)	(465)	(6,078)
Net deferred tax assets	¥ 798	¥ 1,094	$ 6,793

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income for the year ended March 31, 2005 was as follows:

	2005
Normal effective statutory tax rate	40.4%
Tax effects on permanent differences	0.6
Per capita levy of inhabitants taxes	1.2
Tax loss carryforwards of subsidiaries	(8.2)
Tax special deduction of IT investment	(3.0)
Other – net	(1.0)
Actual effective tax rate	30.0%

A reconciliation schedule for the year ended March 31, 2006 was omitted, because the difference between the normal effective statutory tax rate and the actual effective tax rate after applying tax effect accounting was less than 5 percent of the normal effective statutory tax rate. This treatment is permitted by the Japanese accounting regulations.

At March 31, 2006, certain subsidiaries have tax loss carryforwards aggregating approximately ¥155 million ($1,319 thousand) which are available to be offset against taxable income of such subsidiaries in future years. These tax loss carryforwards, if not utilized, will expire as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2007	¥	$
2008		
2009	1	8
2010	1	8
2011 and thereafter	153	1,303
Total	¥ 155	$ 1,319

15. LEASES

(a)As lessee

The Group lease certain machinery, computer equipment and other assets.

Total rental expenses for the years ended March 31, 2006 and 2005 were ¥ 4,952 million ($ 42,155 thousand) and ¥ 4,731 million, respectively, including ¥ 3,400 million ($ 28,944 thousand) and ¥ 3,207 million of lease payments under finance leases.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligation under finance leases, depreciation expense and interest expense of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2006 and 2005 was as follows:

	Millions of Yen		
2006	Machinery and equipment	Tools, furniture and fixtures	Total
Acquisition cost	¥ 14,965	¥ 4,118	¥ 19,083
Accumulated depreciation	8,136	1,822	9,958
Net leased property	¥ 6,829	¥ 2,296	¥ 9,125
2005			
Acquisition cost	¥ 14,753	¥ 3,653	¥ 18,406
Accumulated depreciation	7,854	1,689	9,543
Net leased property	¥ 6,899	¥ 1,964	¥ 8,863

	Thousands of U.S. Dollars		
2006	Machinery and equipment	Tools, furniture and fixtures	Total
Acquisition cost	$ 127,394	$ 35,056	$ 162,450
Accumulated depreciation	69,260	15,511	84,771
Net leased property	$ 58,134	$ 19,545	$ 77,679

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Obligations under finance leases:			
Due with one year	¥ 2,864	¥ 2,826	$ 24,381
Due after one year	6,489	6,319	55,239
Total	¥ 9,353	¥ 9,145	$ 79,620

Depreciation expense and interest expense under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Depreciation expense	¥ 3,178	¥ 2,895	$ 27,054
Interest expense	182	210	1,549
Total	¥ 3,360	¥ 3,105	$ 28,603

Depreciation expense and interest expense, which were not reflected in the accompanying statements of income, were computed by the straight-line method and the interest method, respectively.

(b)As lessor

The Group subleases certain machinery, computer equipment, vehicle and other assets.

Total lease payments under finance leases for the years ended March 31, 2006 and 2005 were ¥194 million ($1,651 thousand) and ¥168 million, respectively.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, receivables on finance leases, depreciation expense, and interest income of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2006 and 2005 was as follows:

	Millions of Yen		
2006	Machinery and equipment	Tools, furniture and fixtures	Total
Acquisition cost	¥ 1,137	¥ 57	¥ 1,194
Accumulated depreciation	700	21	721
Net leased property	¥ 437	¥ 36	¥ 473
2005			
Acquisition cost	¥ 971	¥ 54	¥ 1,025
Accumulated depreciation	544	20	564
Net leased property	¥ 427	¥ 34	¥ 461

	Thousands of U.S. Dollars		
2006	Machinery and equipment	Tools, furniture and fixtures	Total
Acquisition cost	$ 9,679	$ 485	$ 10,164
Accumulated depreciation	5,959	179	6,138
Net leased property	$ 3,720	$ 306	$ 4,026

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Receivables on finance leases:			
Due within one year	¥ 140	¥ 148	$ 1,192
Due after one year	354	331	3,013
Total	¥ 494	¥ 479	$ 4,205

Depreciation expense and interest expense under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Depreciation expense	¥ 167	¥ 145	$ 1,422
Interest expense	30	31	255
Total	¥ 197	¥ 176	$ 1,677

Depreciation expense and interest expense, which were not reflected in the accompanying statements of income, were computed by the straight-line method and the interest method, respectively.

16. DERIVATIVES

The Group enters into foreign currency forward contracts to hedge foreign exchange risk associated with certain assets denominated in foreign currencies. The Group also enters into interest rate swap contracts to manage its interest rate exposures on certain liabilities.

All derivative transactions are entered into to hedge interest and foreign currency exposures incorporated within its business. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged assets or liabilities.

Because the counterparties to these derivatives are limited to major international financial institutions, the Group does not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Group have been made in accordance with internal policies which regulate the authorization and credit limit amount.

The Group had the following derivatives contracts outstanding at March 31, 2005:

	Millions of Yen		
	2005		
	Contract Amount	Fair Value	Unrealized Gain
Foreign currency forward contracts:			
Selling U.S. Dollars	¥ 29	¥ 30	¥ (1)

The contract amounts of derivatives which are shown in the above table do not represent the amounts exchanged by the parties and do not measure the Group's exposure to credit or market risk.
There were no foreign currency forward contracts for 2006. There were no interest swaps for 2006 and 2005.

17. CONTINGENT LIABILITIES

At March 31, 2006, the Group was contingently liable for repurchase of notes receivable amounting to ¥315 million ($2,682 thousand).

The Group also had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Trade notes endorsed	¥ 93	$ 792

18. SEGMENT INFORMATION

The Group operates in the following industries:

Industry A consists of manufacturing and selling of polystyrene foam containers business.
Industry B consists of trading business.
Industry C consists of the other businesses.

(1) Industry Segments

The Group business is specialized in the production manufacturing and selling of polystyrene foam containers business, since the amount of operating income of manufacturing and selling of polystyrene foam container business for 2006 exceeds 90% of the amount of operating income of the Group, the information on operations by industry segments for 2006 is not disclosed.

a. Sales and Operating Income

	Millions of Yen				
	2005				
	Industry A	Industry B	Industry C	Eliminations/ Corporate	Consolidated
Sales to customers	¥ 121,582	¥ 1,594	¥ 976	¥	¥ 124,152
Intersegment sales	3	2	102	(107)	
Total sales	121,585	1,596	1,078	(107)	124,152
Operating expenses	119,004	1,112	964	(140)	120,940
Operating income	¥ 2,581	¥ 484	¥ 114	¥ 33	¥ 3,212

b. Total assets, Depreciation and Capital Expenditures

	Millions of Yen				
	2005				
	Industry A	Industry B	Industry C	Eliminations/ Corporate	Consolidated
Total assets	¥ 110,249	¥ 2,286	¥ 958	¥ 2,118	¥ 115,611
Depreciation	4,010	1	124		4,135
Capital expenditures	2,550	0	194		2,744

(2) Geographical Segments

Geographical segments are not presented herein because the Group's operations primarily consist of domestic businesses.

(3) Sales to Foreign Customers

Sales to foreign customers are not presented herein because total sales to foreign customers were not material for the years ended March 31, 2006 and 2005.

19. SUBSEQUENT EVENTS

The following appropriation of retained earnings for the year ended March 31, 2006 was approved at the Company's general shareholders' meeting held on June 29, 2006:

	Millions of Yen	Thousands of U.S. Dollars
Cash dividends, ¥24 ($0.20) per share	¥ 528	$ 4,495
Bonuses to directors and corporate auditors	51	434

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