

## Financial Results for the Fiscal Year Ended October 31, 2006 (Non-Consolidated)

Date: December 11, 2006  
 Company: Tomoe Engineering Co., Ltd.  
 (Web Site: [http://www.tomo-e.co.jp/index\\_e.html](http://www.tomo-e.co.jp/index_e.html))  
 Stock exchange listing: 1<sup>st</sup> Section, Tokyo Stock Exchange  
 Head Office: 9-2, Nihonbashi 3-chome, Chuo-ku, Tokyo, Japan  
 President: Hideaki Fukuma  
 Investor Relations Contacts: Koichi Karita, Director, General Manager of Accounting Division, Tel: (03) 3271-4056  
 Date of resolution of Board of Directors: December 11, 2006  
 Date of annual shareholders meeting: January 30, 2007  
 Date of the Dividend payment: January 31, 2007  
 Unit share system: Yes (Unit stock: 100 shares)

### 1. Non-Consolidated Financial Results (November 1, 2005 – October 31, 2006)

#### (1) Results of Operation (Non-Consolidated)

\* Any fractional sums less than one million (or one thousand) yen are disregarded.

Years ended October 31	2006		2005	
	Millions of yen	Change from the previous year (%)	Millions of yen	Change from the previous year (%)
Sales	41,316	3.3	39,978	(9.1)
Operating income	1,609	9.0	1,475	(7.0)
Recurring profit	1,791	11.4	1,608	(5.5)
Net income	952	7.2	888	5.8
Net income per share	¥95.45		¥84.84	
Return on equity	6.7%		6.6%	
Return on assets	3.7%		3.7%	
Return on sales	2.3%		2.2%	

Notes:

- (1) The average numbers of outstanding shares (consolidated) during fiscal years ended October 31, 2006 and 2005 were 9,979,218 and 9,979,460 respectively.
- (2) There is no change in accounting methods.

#### (2) Financial Condition (Non-Consolidated)

Years ended October 31	Millions of yen	
	2006	2005
Total assets (A)	25,737	24,142
Net assets (B)	14,695	13,823
(B) / (A)	57.1%	57.3%
Net assets per share	¥1,472.62	¥1,381.05

Notes:

- (1) Average numbers of outstanding shares (excluding the numbers of treasury stocks) as of the year-end of the fiscal years ended October 31, 2006 and 2005 were 9,979,192 and 9,979,285 respectively.
- (2) The numbers of treasury stocks as of the year-end ended October 31, 2006 and 2005 were 554,008 and 553,915 respectively.

### 2. Prospects for the Year ending October 31, 2007

	Millions of yen	
	6 months ending April 30, 2007	The year ending October 31, 2007
Sales	21,800	43,800
Operating income	1,080	2,020
Recurring profit	1,140	2,100

Net income

600

1,100

We expect that consolidated net income per share for the year ending October 31, 2007 will be ¥110.23.

### 3. Payment of Dividends, Cash Dividends

Years ended Oct. 31	Dividend per share (¥)		Total dividend (Millions of yen)	Dividend payout (%)	Net assets dividend rate (%)
	Year end	Annual total			
2005	25.00	25.00	249	29.5	1.8
2006	30.00	30.00	299	31.4	2.1
2007 (Projection)	30.00	30.00			

Note: Year-end dividend for the year ended October 31, 2006 contains commemorative dividend of ¥10.00.

Above projections are based on the information available on the day of this announcement. Actual business results may show different figures from this projection depending upon future factors.

## 1. Non-Consolidated Financial Statements

### (1) Non-Consolidated Balance Sheets

Years ended October 31, 2005 and 2006

Thousands of yen

<b>Assets</b>	<b>2005</b>	<b>2006</b>
<b>I. Current assets</b>		
Cash and deposits	1,093,205	555,011
Bills receivable	4,594,133	4,310,258
Trade receivables	9,496,653	10,358,057
Goods	1,893,303	1,988,428
Products	25,803	140,039
Raw materials	531,959	638,864
Inventories - work in process	577,203	1,093,126
Inventories - supplies	38,190	19,028
Advance payment	11,790	81,832
Prepaid expenses	319,807	106,360
Accounts receivable	10,696	277,965
Short term loans	40,525	32,479
Deferred tax assets	463,561	503,026
Other current assets	53,716	59,874
Allowance for doubtful receivables	(131,271)	(37,903)
<b>Total current assets</b>	<b>19,019,279</b>	<b>20,126,451</b>
<b>II. Fixed assets</b>		
<b>(1) Tangible fixed assets</b>		
1. Buildings	1,680,222	1,705,033
Accumulated depreciation	(833,142)	(914,318)
Net	797,080	790,714
2. Structures	127,477	128,627
Accumulated depreciation	(102,703)	(106,341)
Net	24,774	22,286
3. Machinery & equipment	2,446,482	2,349,596
Accumulated depreciation	(1,829,433)	(1,774,949)
Net	617,049	574,647
4. Vehicles	50,177	48,137
Accumulated depreciation	(47,233)	(45,695)
Net	2,943	2,442
5. Spare parts and tools	884,413	860,365
Accumulated depreciation	(787,492)	(778,308)
Net	96,920	82,056
6. Land	931,080	931,080
7. Construction in progress	1,280	1,797
<b>Total tangible fixed assets</b>	<b>2,471,129</b>	<b>2,405,025</b>
<b>(2) Intangible fixed assets</b>		
1. Telephone rights	8,165	8,165
2. Software	5,574	2,569
<b>Total intangible fixed assets</b>	<b>13,740</b>	<b>10,735</b>

**(3) Investments and others**

1. Investments in securities	(* 2)	1,292,244	1,278,055
2. Affiliated companies' stock		483,765	483,765
3. Investments in capital of affiliated companies		104,363	171,075
4. Long-term loans receivable		58,953	30,817
5. Long-term loans to employees		13,339	12,337
6. Claims in bankruptcy		5,109	4,715
7. Long-term prepaid pension expenses		0	368,382
8. Guarantee deposits		346,074	273,821
9. Deferred tax assets		131,924	0
10. Financial derivative		143,792	346,420
11. Other investments		146,996	311,755
Allowance for doubtful receivables		(88,610)	(85,809)
<b><i>Total investment and others</i></b>		<b>2,637,951</b>	<b>3,195,336</b>
<b><i>Total Fixed assets</i></b>		<b>5,122,820</b>	<b>5,611,096</b>
<b>Total Assets</b>		<b>24,142,100</b>	<b>25,737,548</b>

Thousands of yen

	2005	2006
<b>(Liabilities)</b>		
<b>I. Current liabilities</b>		
1. Bills payable	1,798,929	1,270,445
2. Trade-payables	4,598,474	5,439,282
3. Short-term debt (to be refunded within a year)	1,020,000	1,020,000
4. Long-term debt	180,000	180,000
5. Account payable-others	705,494	578,761
6. Accrued income tax	258,908	487,989
7. Income taxes payable business office	7,299	7,523
8. Accrued consumption tax	56,529	52,835
9. Accrued employees' bonuses	0	950,766
10. Accrued officers' bonuses	0	50,789
11. Allowance for product warranty	0	119,700
12. Accrued expenses	723,718	709
13. Advances from customers	56,108	37,282
14. Deposits received	48,655	77,551
15. Guarantee deposits received	66,233	55,794
<b>Total current liabilities</b>	<b>9,520,351</b>	<b>10,329,430</b>
<b>II. Long-term liabilities</b>		
1. Long-term debt	450,000	270,000
2. Accrued pension and severance liabilities	10,175	11,450
3. Officer's retirement allowance	193,910	229,640
4. Deferred tax liabilities	0	201,446
5. Financial derivatives	143,792	0
<b>Total long-term liabilities</b>	<b>797,878</b>	<b>712,536</b>
<b>Total liabilities</b>	<b>10,318,229</b>	<b>11,041,966</b>
<b>(Shareholder's equity)</b>		
<b>I. Common stock</b>	<b>1,061,210</b>	
<b>II. Capital surplus</b>	<b>1,483,410</b>	
<b>III. Retained earnings</b>		
1. Legal reserve	230,000	
2. Revenue reserve	9,885,168	
Including: (1) Dividend preparation reserve	<250,000>	
(2) Reserve for deferred fixed assets	<35,168>	
(3) General reserve	<9,600,000>	
3. Undistributed Profit	1,230,638	
<b>Total retained earnings</b>	<b>11,345,807</b>	
<b>IV. Unrealized gains and losses on marketable securities and investments</b>	<b>295,905</b>	
<b>V. Issued shares reacquired</b>	<b>(362,462)</b>	
<b>Total shareholder's equity</b>	<b>13,823,870</b>	
<b>Total liability and shareholder's equity</b>	<b>24,142,100</b>	

**(Net assets)**

**I. Shareholder's capital**

1. Common stock	1,061,210
2. Capital surplus	1,483,410
3. Retained earnings	
(1) Legal reserve	230,000
(2) Other retained earnings	
Dividend Preparation Reserve	250,000
Reserve for deferred fixed assets	31,368
General Reserve	10,300,000
Surpluses carried over	1,195,543

**Total retained earnings** 12,006,911

4. Issued shares reacquired (362,697)

**Total shareholder's capital** 14,188,834

**II. Revaluation and translation adjustments**

Unrealized gains and losses on marketable securities and investments	301,319
Financial derivative gains or losses	205,427

**Total Revaluation and translation adjustments** 506,746

**Total net assets** 14,695,581

**Total liabilities and net assets** 25,737,548

## (2) Statements of Non-Consolidated Income

Years ended October 31, 2005 and 2006

Thousands of yen

	2005	2006
<b>I. Sales</b>		
1. Products sold	12,140,510	11,621,465
2. Merchandise sold	27,838,399	29,695,080
Total sales	39,978,910	41,316,546
<b>II. Cost of sales</b>		
(1) Cost of products sold		
1. Products at the beginning of the year	17,001	25,803
2. Cost of products manufactured for the year	8,565,282	8,400,899
3. Products at the end of the year	25,803	140,039
Total Cost of products sold	8,556,479	8,286,663
(2) Cost of merchandise sold		
1. Merchandise at the beginning of the year	1,918,234	1,893,303
2. Cost of merchandise manufactured for the year	24,214,558	25,811,484
3. Merchandise at the end of the year	1,893,303	1,988,428
Total cost of merchandise sold	24,239,489	25,716,358
Total cost of sales	32,795,969	34,003,021
<b>Gross profit</b>	7,182,940	7,313,524
<b>III. Selling, general and administrative expenses (*1,2)</b>	5,707,038	5,704,091
<b>Operating income</b>	1,475,901	1,609,432
<b>IV. Other income</b>		
1. Interests	7,515	3,267
2. Dividends	58,720	81,058
3. Rents	88,822	91,280
4. Foreign exchange gains	21,457	67,584
5. Sundry	46,184	30,256
<b>Other income total</b>	222,700	273,448
<b>V. Other expenses</b>		
1. Interests	22,333	22,335
2. Discounts on bills of exchange	1,290	5,155
3. Cost of rents	33,612	31,188
4. Commitment fee	20,019	10,023
5. Sundry	12,945	22,571
<b>Other expense total</b>	90,201	91,274
<b>Recurring profit</b>	1,608,400	1,791,606
<b>VI. Extraordinary gains</b>		
1. Realized gains on property and equipment (*4)	0	17,695
2. Reversal for allowance for doubtful receivables	0	95,775
<b>Extraordinary gains total</b>	0	113,470
<b>VII. Extraordinary losses</b>		
1. Realized losses on property and equipment (*5)	0	1,574
2. Written-off losses on property and equipment (*6)	1,842	16,193
3. Realized losses on investment in affiliates	0	57,524
4. Unrealized losses on investment securities	0	12,000
5. Provision for allowance for doubtful receivables	1,390	0

<b>Extraordinary losses total</b>	3,233	87,291
<b>Income before income taxes</b>	1,605,167	1,817,785
<b>Income taxes</b>		
Current	727,458	685,657
Deferred	(10,872)	179,612
<b>Income taxes total</b>	716,585	865,269
<b>Income from operations</b>	888,581	952,516
<b>Net income carried over from the previous period</b>	342,057	0
<b>Unappropriated retained earnings</b>	1,230,638	0

### (3) Appropriation of Retained Earnings

Year ended October 31, 2005	Thousands of yen
Unappropriated retained earnings	1,230,638
Reversal of reserve for deferred fixed assets	2,046
Total	1,232,685
The above amount of fund is to be appropriated as follows:	
Cash dividend paid	249,482
(¥25 per share)	
Common dividend	¥15
Commemorative dividend	¥10
Officers' bonuses	41,930
<Including Corporate Auditors' bonuses>	<11,250>
General reserve	700,000
Net income carried over to the next period	241,273

#### Dividend per share:

	Annual total	Interim	Year end
Common share	¥25.00	0	¥25.00
(Breakdown)			
Commemorative dividend	¥10.00	0	¥10.00
Extra dividend	0	0	0

#### (4) Non-Consolidated Statements of Changes in Shareholder's Equity

Year ended Oct. 31, 2006

Thousands of yen

	Shareholder's equity				
	Common stock	Capital surplus Capital reserve	Retained earnings		
			Legal reserve	Other surplus	
				Dividend Preparation Reserve	Reserve for deferred fixed assets
Surplus as of October 31, 2005	1,061,210	1,483,410	230,000	250,000	35,168
Changes during this fiscal year					
Cash dividend paid	0	0	0	0	0
Officer's bonuses	0	0	0	0	0
Net income	0	0	0	0	0
Issued shares reacquired	0	0	0	0	0
Transfer of reserve for deferred fixed assets (*Note)	0	0	0	0	(3,800)
Provision of general reserve	0	0	0	0	0
Total amount changed	0	0	0	0	(3,800)
Balance, end of fiscal year ended October 31, 2006	1,061,210	1,483,410	230,000	250,000	31,368

Thousands of yen

	Shareholder's equity				
	Retained earnings			Issued shares reacquired	Total shareholder's equity
	Other surplus		Total retained earnings		
	General reserve	Surpluses carried over			
Surplus as of October 31, 2005	9,600,000	1,230,638	11,345,807	(362,462)	13,527,965
Changes during this fiscal year					
Cash dividend paid	0	(249,482)	(249,482)	0	(249,482)
Officer's bonuses	0	(41,930)	(41,930)	0	(41,930)
Net income	0	952,516	952,516	0	952,516
Issued shares reacquired	0	0	0	(235)	(235)
Transfer of reserve for deferred fixed assets (*Note)	0	3,800	0	0	0
Provision of general reserve	700,000	(700,000)	0	0	0
Total amount changed	700,000	(35,095)	661,104	(235)	660,869
Balance, end of fiscal year ended October 31, 2006	10,300,000	1,195,543	12,006,911	(362,697)	14,188,834

Year ended Oct. 31, 2006

Thousands of yen

	Revaluation and translation adjustments			Total net assets
	Unrealized gains and losses on marketable securities and investments	Financial derivative loss or gain	Total revaluation and translation adjustments	
Surplus as of October 31, 2005	295,905	0	295,905	13,823,870
Changes during this fiscal year				
Cash dividend paid	0	0	0	(249,482)
Officer's bonuses	0	0	0	(41,930)
Net income	0	0	0	952,516
Issued shares reacquired	0	0	0	(235)
Transfer of reserve for deferred fixed assets (*Note)	0	0	0	0
Provision of general reserve	0	0	0	0
Total (net) amount changed (except shareholder's equity)	5,413	205,427	210,841	210,841
Total amount changed	5,413	205,427	210,841	871,710
Balance, end of fiscal year ended October 31, 2006	301,319	205,427	506,746	14,695,581

Note: This amount is due to the transfer of reserve for deferred fixed assets for tax purposes, carried out as the appropriation item of retained earnings in shareholders' meeting held in January 2006 and the closing procedures for the period ended in October, 2006. The amount transferred was 1,753 thousand yen.

## Significant Accounting Policies

Year ended October 31, 2005:	Year ended October 31, 2006:
<p><b>1. Valuation standard and method for securities:</b>            Stock of subsidiary and affiliates:                Stated at cost determined by the moving-average method.            Other securities:                Securities with fair market value:                    Stated at fair market value based on the quoted market price, etc. as of the end of the term under review. (All of the valuation differences are directly included in Shareholders' equity, and the cost of sales is computed by the moving-average method.)                Securities without fair market value:                    Stated at cost determined by the moving-average method.</p> <p><b>2. Appraisal standard and appraisal method for inventories:</b>            (1) Goods: Cost method based on moving-average method (cost method based on individual method for certain specific goods)            (2) Finished products and products in process:                Mainly cost method based on individual method            (3) Raw materials: Mainly cost method based on first-in first-out method            (4) Supplies: Last cost method</p> <p><b>3. Depreciation method of fixed assets:</b>            (1) Tangible fixed assets:                Depreciated by declining balance method. However, buildings acquired on and after April 1, 1998 are depreciated by straight-line method, except for building attachments. Meanwhile, service lives of the main assets are as follows:                Buildings: 5-47 years                Structures: 7-22 years                Machinery: 2-15 years                Vehicles: 4-6years                Tools &amp; parts: 2-20 years                 (Depreciation assets of small amount)                Assets acquired at 100,000 yen or more and below 200,000 are depreciated equally for three years as lump sum each year.            (2) Intangible fixed assets:                Software: Straight-line method based on estimated utilizable period (5 years) is adopted.             (3) Long-term prepaid expenses: straight-line method</p> <p><b>4. Allocation standard of reserves:</b>            (1) Allowance of doubtful receivables:                Mainly preparing for bad debts, estimated</p>	<p><b>1. Valuation standard and method for securities:</b>            Stock of subsidiary and affiliates: Same as left             Other securities:            Securities with fair market value:                Stated at fair market value based on the quoted market price, etc. as of the end of the term under review. (All of the valuation differences are directly included in Shareholders' equity, and the cost of sales is computed by the moving-average method.)            Securities without fair market value:                Same as left</p> <p><b>2. Appraisal standard and appraisal method for inventories:</b>            (1) Goods: Same as left             (2) Finished products and products in process:                Same as left            (3) Raw materials: Same as left             (4) Supplies: Same as left</p> <p><b>3. Depreciation method of fixed assets:</b>            (1) Tangible fixed assets:                Same as left                 (Depreciation assets of small amount)                Same as left             (2) Intangible fixed assets: Same as left             (3) Long-term prepaid expenses: Same as left</p> <p><b>4. Allocation standard of reserves:</b>            (1) Allowance of doubtful receivables:                Same as left</p>

<p>non-recoverable amount is accounted for by loss ratio for general debts and collectability of specific debts such as doubtful debt, claim in bankruptcy, and claim in reorganization is taken into consideration individually.</p> <p>(2) Accrued pension and severance liabilities: Preparing for employee's accrued pension, the amount acknowledged being incurred as of the end of the current fiscal term is accounted for based on estimated amount of accrued pension debts and pension assets as of the end of the current fiscal term. Meanwhile, mathematical calculation difference is processed proportionately as cost in each consolidated fiscal term of its occurrence by straight-line method based on certain number of years (10 years) within employees' average remaining work period.</p> <p>(3) Officer's retirement allowance: Term-end payable allowances based on the bylaw are appropriated to prepare for payment of officer's retirement allowances.</p> <p>None</p> <p>None</p>	<p>(2) Accrued pension and severance liabilities: Same as left</p> <p>(3) Officer's retirement allowance: Same as left</p> <p>(4) Accrued employees' bonuses: Allowance is provided in provisions for payment of bonuses to employees in the amount of estimated bonuses, which are attributable to the current fiscal year. (Additional information) Accrued bonuses for employees had been shown in "other current liabilities"; however, in conjunction with the review of bonus system, amount of bonuses payable to employees cannot be decided at the time of preparing the financial statements. Therefore, from the current financial year, they will be shown as "accrued employees' bonuses" in the current liabilities based on the Research Center Review Information No.15 "Concerning Financial Statement Titles to Be Used for Accrued Bonuses for Employees" issued by the JICPA. The amount of accrued bonuses for employees included in the "other current liabilities" in the previous financial year was 722,812 thousand yen.</p> <p>(5) Accrued officers' bonuses: Allowance is provided in provisions for payment of bonuses to officers in the amount of estimated bonuses. (Change of accounting method) Officers' bonus had been recorded as decrease of unappropriated retained earnings by appropriation of earnings; however, from the current fiscal year, it is recorded as expense when incurred based on the "Accounting Standard for Directors' Bonuses" (The 4th Accounting Standards on November 29, 2005 by ASBJ). As a result, operating income, recurring profit, and income before income tax</p>
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<p>None</p> <p><b>5. Process method of important lease transaction:</b> Finance lease transactions other than those in which ownership of leased objects is acknowledged being transferred to lessee are processed in accordance with the method for ordinary rental transactions.</p> <p><b>6. Method of important hedge accounting:</b></p> <p>(1) Method of hedge accounting: Deferred hedge accounting is adopted. For exchange contracts and currency swaps, appropriated process is adopted if requirements for appropriated process are satisfied. Special process is adopted for interest swaps if requirements for special process are satisfied.</p> <p>(2) Means for hedging and objects for hedging: <u>Means for hedging</u>      <u>Objects for hedging</u> Interest swaps              Interest rate fluctuation on borrowings  Exchange contracts and currency swaps      Exchange rate fluctuation for debts and credits in foreign currencies</p> <p>(3) Hedge policy: We hedge risks against fluctuation of exchange rate, interest rate, etc. In principle, we hedge risks based on actual demand and no derivative transactions are made for speculation purpose.</p> <p>(4) Appraisal method of hedge effectiveness: We make our hedge transactions in accordance with our risk management method and acknowledge that the correlation between means for hedging against fluctuation of exchange rate, interest rate, etc. and objects for hedging are completely justified.</p> <p><b>7. Accounting procedure for consumption tax, etc:</b> Accounting procedure for consumption tax and local consumption tax is in accordance with net of tax method.</p>	<p>each decreased by 50,789 thousand yen compared to the case when previous method is applied.</p> <p>(6) Allowance for product warranty In order to account for product-related loss and warranty expenses to be incurred after delivery of products, the possibility of incurring such expenses is individually estimated, and the amount is provided for as warranty provision.</p> <p><b>5. Process method of important lease transaction:</b> Same as left</p> <p><b>6. Method of important hedge accounting:</b></p> <p>(1) Method of hedge accounting: Same as left</p> <p>(2) Means for hedging and objects for hedging: Same as left</p> <p>(3) Hedge policy: Same as left</p> <p>(4) Appraisal method of hedge effectiveness: Same as left</p> <p><b>7. Accounting procedure for consumption tax, etc:</b> Same as left</p>
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## Change in accounting procedure

Year ended October 31, 2005:	Year ended October 31, 2006:
None	<p><b>(Accounting standard for presentation of net assets in the balance sheet)</b></p> <p>From the current financial year, the Company adopted the "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Accounting Standards Board Statement No. 5, December 9, 2005 by ASBJ) and "Implementation Guidance on Accounting Standards for Presentation of Net Assets in the Balance Sheet" (Accounting Standards Board Implementation Guidance No. 8, December 9, 2005 by ASBJ). The effect of this change on Statements of Incomes is insignificant. The total amount of "Stockholders' Equity" in accordance with the old standard would be 14,490,153 thousand yen. Also, net assets in the balance sheet for the current financial year is presented according to the revised rules for consolidated financial statements.</p>

## Description Changes

Year ended October 31, 2005:	Year ended October 31, 2006:
<p><b>(Statements of Non-Consolidated Income)</b></p> <p>The amount of "Commitment fee" was included in "Sundry" of "Other expenses" in the previous non-consolidated fiscal term, but this expense item is stated separately in the current non-consolidated fiscal term since it exceeded 10/100 of the total amount of "Other expenses."</p> <p>In the meantime, the amount of "Commitment fee" in the previous non-consolidated fiscal term was 9,257 thousand yen.</p>	N/A

## Additional Information

Year ended October 31, 2005:	Year ended October 31, 2006:
<p><b>(Pro Forma Standard Taxation)</b></p> <p>The "Law on amendment of part of Local Tax Law, etc." (Law No.9 of 2003) was officially announced on March 31, 2003 and the Pro Forma Standard Taxation System was introduced for fiscal term commencing April 1, 2005 or later. Added value allocation of corporate enterprise tax and capital allocation are hereby accounted for in selling expense and general and administration expenses in accordance with the "Practical handling of description in profit and loss statement for the portion of Pro Forma Standard Taxation in corporate enterprise tax" (Practical Response Report No. 12 of ASBJ dated February 13, 2005).</p> <p>As a result, selling expense and general and administration expenses were increased by 29,625 thousand yen and Operating income, Recurring profit and Income from operations for the current fiscal term were decreased by the same amount respectively.</p>	N/A



Limit of overdraft and total amount of loan commitment	6,600,000	Limit of overdraft and total amount of loan commitment	6,000,000
Balance of executed borrowings	<u>1,020,000</u>	Balance of executed borrowings	<u>1,020,000</u>
Balance	<u>5,580,000</u>	Balance	<u>4,980,000</u>

**(Statements of Non-Consolidated Income)**

Year ended October 31, 2005 (Thousands of yen)	Year ended October 31, 2006 (Thousands of yen)																																				
<p>*1 Among the main expense items of selling and general administrative expenses (SGA), selling expense accounts for 74% and general administrative expenses account for 26% of SGA. Main expense items and amount in selling costs and general administrative costs are as follows:</p> <table> <tr><td>Packing and freight costs</td><td>733,105</td></tr> <tr><td>Accrued pension costs</td><td>130,117</td></tr> <tr><td>Money transferred for officer's retirement allowance</td><td>42,570</td></tr> <tr><td>Employee's salary costs</td><td>1,678,283</td></tr> <tr><td>Welfare costs</td><td>348,973</td></tr> <tr><td>Provision for allowance for doubtful receivables</td><td>46,870</td></tr> <tr><td>Traveling and transportation costs</td><td>323,064</td></tr> <tr><td>Depreciation costs</td><td>57,046</td></tr> <tr><td>Rent</td><td>329,588</td></tr> <tr><td>Fatigue duty costs</td><td>2,339</td></tr> </table>	Packing and freight costs	733,105	Accrued pension costs	130,117	Money transferred for officer's retirement allowance	42,570	Employee's salary costs	1,678,283	Welfare costs	348,973	Provision for allowance for doubtful receivables	46,870	Traveling and transportation costs	323,064	Depreciation costs	57,046	Rent	329,588	Fatigue duty costs	2,339	<p>*1 Among the main expense items of selling and general administrative expenses (SGA), selling expense accounts for 73% and general administrative expenses account for 27% of SGA. Main expense items and amount in selling costs and general administrative costs are as follows:</p> <table> <tr><td>Packing and freight costs</td><td>755,040</td></tr> <tr><td>Accrued pension costs</td><td>88,145</td></tr> <tr><td>Money transferred for officer's retirement allowance</td><td>35,730</td></tr> <tr><td>Employee's salary costs</td><td>1,698,506</td></tr> <tr><td>Welfare costs</td><td>354,990</td></tr> <tr><td>Traveling and transportation costs</td><td>317,961</td></tr> <tr><td>Depreciation costs</td><td>55,442</td></tr> <tr><td>Rent</td><td>327,116</td></tr> </table>	Packing and freight costs	755,040	Accrued pension costs	88,145	Money transferred for officer's retirement allowance	35,730	Employee's salary costs	1,698,506	Welfare costs	354,990	Traveling and transportation costs	317,961	Depreciation costs	55,442	Rent	327,116
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<p>*2 Research and development costs included in general administrative costs and manufacturing costs for the current term are 232,002 thousand yen.</p>	<p>*2 Research and development costs included in general administrative costs and manufacturing costs for the current term are 225,704 thousand yen.</p>																																				
<p>*3 Rent Rent received includes those from affiliated companies in the amount of 76,822 thousand yen.</p>	<p>*3 Rent Rent received includes those from affiliated companies in the amount of 79,280 thousand yen.</p>																																				
<p>*4 None</p>	<p>*4 Realized gains on property and equipment:</p> <table> <tr><td>Machinery and equipment:</td><td>16,677</td></tr> <tr><td>Spare parts and tools</td><td><u>1,018</u></td></tr> <tr><td>Total</td><td><u>17,695</u></td></tr> </table>	Machinery and equipment:	16,677	Spare parts and tools	<u>1,018</u>	Total	<u>17,695</u>																														
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<p>*5 None</p>	<p>*5 Realized losses on property and equipment:</p> <table> <tr><td>Machinery and equipment:</td><td>1,574</td></tr> </table>	Machinery and equipment:	1,574																																		
Machinery and equipment:	1,574																																				
<p>*6 Written-off losses on property and equipment:</p> <table> <tr><td>Building</td><td>276</td></tr> <tr><td>Machinery and equipment</td><td>371</td></tr> <tr><td>Vehicle</td><td>69</td></tr> <tr><td>Spare parts and tools</td><td><u>1,125</u></td></tr> <tr><td>Total</td><td><u>1,842</u></td></tr> </table>	Building	276	Machinery and equipment	371	Vehicle	69	Spare parts and tools	<u>1,125</u>	Total	<u>1,842</u>	<p>*6 Written-off losses on property and equipment:</p> <table> <tr><td>Building</td><td>19</td></tr> <tr><td>Machinery and equipment</td><td>13,906</td></tr> <tr><td>Vehicle</td><td>102</td></tr> <tr><td>Spare parts and tools</td><td><u>2,164</u></td></tr> <tr><td>Total</td><td><u>16,193</u></td></tr> </table>	Building	19	Machinery and equipment	13,906	Vehicle	102	Spare parts and tools	<u>2,164</u>	Total	<u>16,193</u>																
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Total	<u>16,193</u>																																				

**(Statements of Changes in Non-Consolidated Shareholder's Equity, etc.)**

**Year ended October 31, 2006**

1. Matters concerning the types and number of shares of treasury stock

	<b>No. of shares as of October 31, 2005</b>	<b>Increase (shares)</b>	<b>Decrease (shares)</b>	<b>No. of shares as of October 31, 2006</b>
Treasury stock				
Common stock (*Note)	553,915	93	0	554,008
Total	553,915	93	0	554,008

Note: The increase in the number of treasury stocks is due to acquisition of the odd-lot stock (shares of less than one Unit Stock).

**(Lease)**

<b>Year ended October 31, 2005</b> (Thousands of yen)	<b>Year ended October 31, 2006</b> (Thousands of yen)																																																		
Finance lease transactions other than those of which ownership of leased item is acknowledged to be transferred to lessee:	Finance lease transactions other than those of which ownership of leased item is acknowledged to be transferred to lessee:																																																		
1. Acquisition price equivalent, accumulated depreciation equivalent, accumulated depletion loss equivalent of leased items and term-end outstanding balance equivalent:	1. Acquisition price equivalent, accumulated depreciation equivalent, accumulated depletion loss equivalent of leased items and term-end outstanding balance equivalent:																																																		
<table border="0" style="width: 100%;"> <tr> <td style="width: 25%;">Acquisition price equivalent</td> <td style="width: 25%;">Accumulated depreciation equivalent</td> <td style="width: 25%;">Accumulated depletion loss equivalent</td> <td style="width: 25%;">Term-end outstanding balance equivalent</td> </tr> </table>	Acquisition price equivalent	Accumulated depreciation equivalent	Accumulated depletion loss equivalent	Term-end outstanding balance equivalent	<table border="0" style="width: 100%;"> <tr> <td style="width: 25%;">Acquisition price equivalent</td> <td style="width: 25%;">Accumulated depreciation equivalent</td> <td style="width: 25%;">Term-end outstanding balance equivalent</td> </tr> </table>	Acquisition price equivalent	Accumulated depreciation equivalent	Term-end outstanding balance equivalent																																											
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<table border="0" style="width: 100%;"> <tr> <td colspan="4">Machinery and equipment</td> </tr> <tr> <td style="text-align: right;">21,500</td> <td style="text-align: right;">14,333</td> <td style="text-align: right;">0</td> <td style="text-align: right;">7,166</td> </tr> <tr> <td colspan="4">Vehicles</td> </tr> <tr> <td style="text-align: right;">0</td> <td style="text-align: right;">0</td> <td style="text-align: right;">0</td> <td style="text-align: right;">0</td> </tr> <tr> <td colspan="4">Spare parts and tools</td> </tr> <tr> <td style="text-align: right;"><u>217,573</u></td> <td style="text-align: right;"><u>116,857</u></td> <td style="text-align: right;"><u>0</u></td> <td style="text-align: right;"><u>100,716</u></td> </tr> <tr> <td colspan="4">Total</td> </tr> <tr> <td style="text-align: right;"><u>239,073</u></td> <td style="text-align: right;"><u>131,190</u></td> <td style="text-align: right;"><u>0</u></td> <td style="text-align: right;"><u>107,882</u></td> </tr> </table>	Machinery and equipment				21,500	14,333	0	7,166	Vehicles				0	0	0	0	Spare parts and tools				<u>217,573</u>	<u>116,857</u>	<u>0</u>	<u>100,716</u>	Total				<u>239,073</u>	<u>131,190</u>	<u>0</u>	<u>107,882</u>	<table border="0" style="width: 100%;"> <tr> <td colspan="3">Machinery and vehicles</td> </tr> <tr> <td style="text-align: right;">21,500</td> <td style="text-align: right;">18,633</td> <td style="text-align: right;">2,866</td> </tr> <tr> <td colspan="3">Spare parts and tools</td> </tr> <tr> <td style="text-align: right;"><u>195,712</u></td> <td style="text-align: right;"><u>101,821</u></td> <td style="text-align: right;"><u>93,890</u></td> </tr> <tr> <td colspan="3">Total</td> </tr> <tr> <td style="text-align: right;"><u>217,212</u></td> <td style="text-align: right;"><u>120,455</u></td> <td style="text-align: right;"><u>96,757</u></td> </tr> </table>	Machinery and vehicles			21,500	18,633	2,866	Spare parts and tools			<u>195,712</u>	<u>101,821</u>	<u>93,890</u>	Total			<u>217,212</u>	<u>120,455</u>	<u>96,757</u>
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2. Term-end balance equivalent of unexpired lease fee and outstanding balance of lease assets depletion account: Term-end balance equivalent of unexpired lease fee: Within one year 41,549 Exceeding one year 69,746 Total 111,296	2. Term-end balance equivalent of unexpired lease fee and outstanding balance of lease assets depletion account: Term-end balance equivalent of unexpired lease fee: Within one year 42,610 Exceeding one year 57,036 Total 99,647																																																		
Outstanding balance of lease assets depletion account: None																																																			
3. Lease fee paid, amount withdrawn from lease assets depletion account, depreciation cost equivalent, interests paid equivalent and depletion loss:  Lease fee paid 54,515 Amount withdrawn from lease assets depletion account 0 Depreciation cost equivalent 51,499 Interests paid equivalent 2,707 Depletion loss 0	3. Lease fee paid, amount withdrawn from lease assets depletion account, depreciation cost equivalent, interests paid equivalent and depletion loss:  Lease fee paid 46,052 Depreciation cost equivalent 43,721 Interests paid equivalent 1,857																																																		
4. Calculation methods of depreciation cost equivalent and interests equivalent:  Calculation method of depreciation cost equivalent: By straight-line method with service life being lease period and residual value being zero.  Calculation method of interests equivalent: Allocation for each term is by interest method with the difference between the total amount of lease fee and acquisition price equivalent of leased items being interests equivalent.	4. Calculation methods of depreciation cost equivalent and interests equivalent:  Calculation method of depreciation cost equivalent: Same as left  Calculation method of interests equivalent: Same as left (Concerning depletion loss) There is no depletion loss allocated to lease assets.																																																		

**(Securities)**

**Year ended October 31, 2006:**

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Subsidiary and affiliate stocks for which market prices are available:  
Not applicable

**Year ended October 31, 2005**

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Subsidiary and affiliate stocks for which market prices are available  
Not applicable

**(Tax effect accounting)**

<b>Year ended October 31, 2005</b>	(Thousands of yen)	<b>Year ended October 31, 2006</b>	(Thousands of yen)
1. Breakdown of deferred tax assets and deferred tax liabilities by main causes of occurrence:		1. Breakdown of deferred tax assets and deferred tax liabilities by main causes of occurrence:	
(Deferred tax assets)		(Deferred tax assets)	
Denial on accrued pension costs	105,437	Denial on accrued pension costs	108,364
Denial on unpaid bonus	294,184	Accrued employees' bonuses	386,962
Denial on inventory assets appraisal loss	24,198	Allowance for product warranty	48,717
Denial on investment securities appraisal loss	62,715	Denial on investment securities appraisal loss	87,998
Denial on reserves of officer's retirement allowances	78,921	Denial on reserves of officer's retirement allowances	93,463
Amount exceeding limit of doubtful accounts transferred	62,554	Amount exceeding limit of doubtful accounts transferred	33,924
Unpaid legal welfare expenses	22,831	Unpaid legal welfare expenses	35,955
Depletion loss	30,093	Depletion loss	30,093
Others	170,466	Others	92,293
Sub total of deferred tax assets	851,403	Sub total of deferred tax assets	917,774
Valuation reserves	(30,093)	Valuation reserves	(109,963)
<b>Total deferred tax assets</b>	<b><u>821,310</u></b>	<b>Total deferred tax assets</b>	<b><u>807,810</u></b>
(Deferred tax liabilities)		(Deferred tax liabilities)	
Reserves for deferred fixed assets	(22,732)	Difference of appraisal loss on other securities	(176,392)
Difference of appraisal loss on other securities	(203,091)	Prepaid pension expense	(167,315)
<b>Total deferred tax liabilities</b>	<b><u>(225,824)</u></b>	Financial derivative loss & gain	(140,993)
		Reserves for deferred fixed assets	<u>(21,529)</u>
<b>Net of deferred tax assets</b>	<b><u>595,485</u></b>	<b>Total deferred tax liabilities</b>	<b><u>(506,230)</u></b>
		<b>Net of deferred tax assets</b>	<b><u>301,579</u></b>
2. Breakdown of main items causing difference between legal effective tax rate and contribution percentage of corporate tax, etc. after adopting tax effective accounting:		2. Breakdown of main items causing difference between legal effective tax rate and contribution percentage of corporate tax, etc. after adopting tax effective accounting:	
Legal effective tax rate	40.7%	Legal effective tax rate	40.7%
(Adjustment)		(Adjustment)	
Permanently nondeductible expenses (entertainment, etc.)	2.7%	Permanently nondeductible expenses (entertainment, etc.)	1.5%
Per capita residence tax	0.9%	Per capita residence tax	0.8%
Permanently nontaxable income (dividends received, etc.)	(0.9%)	Permanently nontaxable income (dividends received, etc.)	(0.8%)
Allowance account	1.9%	Accrued officers' bonuses	1.1%
Others	(0.7%)	Allowance account	4.4%
Contribution percentage of corporate tax, etc. after adopting tax effective accounting	<b><u>44.6%</u></b>	Others	(0.1%)
		Contribution percentage of corporate tax, etc. after adopting tax effective accounting	<b><u>47.6%</u></b>

**(Important post-balance sheet events)**

Not applicable

**(Change in executive office)**

**(1) Change of directors** (Scheduled for January 30, 2007)

- 1) Candidate for President  
Minoru Honma, President (Currently Managing Director, General Manager of  
Chemical Products Division)
- 2) President stepping down:  
Hideaki Fukuma (To be installed as Chairman)

**(2) Change of other directors**

Will be disclosed as soon as it becomes possible to disclose such information. (Scheduled to be disclosed on  
December 15, 2006)