

Consolidated Financial Statement for the Fiscal Year Ended March 31, 2006

May 26, 2006

Trade Name: **Nihon Micro Coating Co., Ltd.**
 Stock Code: 5381 (URL <http://www.mipox.co.jp>)
 Name and Title of Representative: Nobuyoshi Watanabe, President
 Contact: Tokio Tonami, Executive Managing Director Tel: (042)543-4711
 Board of Directors Meeting: May 26, 2006
 Adoption of American Account Standard: NO

1. Summary of Consolidated Financial Results

1. Financial Result for the Fiscal Year Ended March 31, 2006

(1) Consolidated Operating Result

Amounts to nearest Million yen

Fiscal Year ended	Net Sales		Operating Income		Ordinary Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2006	8,966	(17.0)	851	(29.2)	896	(29.9)
March 31, 2005	10,799	(50.0)	1,202	(41.4)	1,280	(65.8)

Fiscal Year ended	Net Income		Net Income Per Share	Diluted Net Income Per Share	Ratio of Net Income to Shareholders' Equity	Ratio of Ordinary Income to Total Assets	Ratio of Ordinary Income to Sales
	Millions of yen	%	Yen	Yen	%	%	%
March 31, 2006	529	(28.3)	49.30	49.28	6.7	6.4	10.0
March 31, 2005	738	(61.5)	67.73	67.59	9.9	9.7	11.9

- (Note) 1) Equity in net losses of affiliates (Millions of Yen): March 31, 2006 (0) March 31, 2005 (0)
 2) Average number of shares outstanding (Consolidated): During the Fiscal Year ended March 31, 2006 10,216,265 shares
 During the Fiscal Year ended March 31, 2005 10,360,328 shares
 3) Changing of Accounting Procedure: None
 4) Percentages for net sales, operating income, ordinary income and net income indicate changes from previous year

(2) Financial Position

Fiscal Year ended	Total Assets	Shareholders' Equity	Shareholders' Equity Total Assets	Shareholders' Equity Per Share
	Millions of Yen	Millions of Yen	%	Yen
March 31, 2006	13,804	8,051	58.3	788.09
March 31, 2005	14,429	7,676	53.2	744.78

- (Note) Number of shares outstanding (Consolidated) As of March 31, 2006 10,182,862 shares
 As of March 31, 2005 10,257,462 shares

(3) Cash Flows

Fiscal Year ended	Cash Flow from Operating Activities	Cash Flow from Investment Activities	Cash flow from Financing Activities	Cash and Cash Equivalents at End of Fiscal Year
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
March 31, 2006	1,036	722	805	3,095
March 31, 2005	889	119	458	3,482

(4) Scope of consolidation, application of equity method

Number of Consolidated subsidiaries: 3 Number of unconsolidated subsidiaries accounted for by equity method: None
 Number of affiliated accounted for by equity method: None

(5) Change in scope of consolidation, application of equity method

Number of consolidated companies (added): None (Excluded): None
 Number of companies under equity method (added): None (Excluded): None

2. Financial forecasts for the Fiscal Year Ending March 31, 2007

Year ending	Net Sales	Ordinary Income	Net Income
	Million Yen	Million Yen	Million Yen
September 30, 2006	4,400	319	181
March 31, 2007	9,700	1,017	579

(Reference) Expected net income per share: 56.91 yen

*Above estimates were based on the available information as of the day of publication of this report, so that actual results may be different from these figures due to the various factors afterwards. Please refer to page11 of the attached documents regarding forecasts.

**Consolidated Financial
Statement Summary
for the Fiscal Year Ended
March 31, 2006**

	Fiscal Year ended March 31, 2005 (From April 1, 2004 To March 31, 2005)	Fiscal Year ended March 31, 2006 (From April 1, 2005 To March 31, 2006)	Percentage of net income indicate changes from previous year
	Millions of yen	Millions of yen	%
Net Sales	10,799	8,966	17.0
Operating Income	1,202	851	29.2
Ordinary Income	1,280	896	29.9
Net Income	738	529	28.3

Net Income per Share	Yen 67.73	Yen 49.30	%
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Financial Statement for the Fiscal Year ended March 31, 2006

(1) Consolidated Balance Sheet

(Unit: Thousand Yen)

Item	Period	As of March 31, 2005		As of March 31, 2006		Increase (Decrease)
		Amount	Composition	Amount	Composition	
(Assets)			%		%	
I Current Assets						
1 Cash and Cash Equivalents		3,626,364		3,241,718		384,645
2 Notes Receivable, Trade		3,154,592		3,115,764		38,827
3 Inventories		1,110,325		904,459		205,865
4 Deferred Tax		174,119		159,823		14,295
5 Others		189,648		143,052		46,596
Doubtful Notes and Accounts		6,341		5,816		524
Total Current Assets		8,248,708	57.2	7,559,002	54.8	689,706
II Fixed Assets						
1 Tangible Fixed Assets						
(1) Buildings and Structures		5,521,038		5,636,958		115,920
(2) Equipment and Vehicles		1,267,757		1,361,121		93,364
(3) Others		364,216		402,966		38,749
Total Depreciation		3,413,760		3,727,243		313,482
(4) Land		1,444,289		1,444,289		
Total Tangible Fixed Assets		5,183,542	35.9	5,118,094	37.1	65,447
2 Intangible Fixed Assets						
(1) Others		29,009		114,091		85,082
Total intangible Fixed Assets		29,009	0.2	114,091	0.8	85,082
3 Investments and Other Assets						
(1) Investment Securities		470,667		543,435		72,768
(2) Deferred Tax		239,375		209,418		29,957
(3) Others		273,728		272,144		1,584
Allowance for Doubtful Debts		15,239		11,497		3,742
Total Investments and Other Assets		968,531	6.7	1,013,500	7.3	44,969
Total Fixed Assets		6,181,083	42.8	6,245,686	45.2	64,603
Total Assets		14,429,791	100.0	13,804,689	100.0	625,102

(Unit: Thousand Yen)

Item	Period	As of March 31, 2005		As of March 31, 2006		Increase (Decrease)
		Amount	Composition	Amount	Composition	
	(Liabilities)		%		%	
I	Current Liabilities					
1	Notes Receivable, Trade	1,348,130		1,229,405		118,725
2	Short-term Borrowings	1,550,000		1,669,861		119,861
3	Current Portion of Long Term Borrowings	753,712		609,438		144,274
4	Accrued Income Taxes and Other Taxes	447,745		216,454		231,290
5	Reserve for Employees' Bonuses	145,000		130,000		15,000
6	Others	586,490		468,248		118,242
	Total Current Liabilities	4,831,078	33.5	4,323,407	31.3	507,670
II	Fixed Liabilities					
1	Long-term Borrowings	1,438,664		912,564		526,100
2	Reserve for Employees' Retirement Benefits	168,323		191,682		23,358
3	Reserve for Directors' Retirement Benefits	315,217				315,217
4	Accrued Directors' Retirement Benefits			315,217		315,217
5	Deferred Tax			10,782		10,782
	Total Fixed Liabilities	1,922,205	13.3	1,430,246	10.4	491,959
	Total Liabilities	6,753,283	46.8	5,753,653	41.7	999,630
	(Minority Interests)					
	Minority Interests					
	(Shareholders' Equity)					
I	Capital Stock	1,998,700	13.8	1,998,700	14.5	
II	Capital Surplus	2,953,700	20.5	2,953,700	21.4	
III	Earned Surplus	3,071,020	21.3	3,368,329	24.4	297,308
IV	Revaluation of Investment Securities	41,355	0.3	82,194	0.6	40,838
V	Foreign Currency Translation Adjustments	32,821	0.2	128,527	0.9	95,706
VI	Treasury Stock	421,090	2.9	480,415	3.5	59,325
	Total Shareholders' Equity	7,676,507	53.2	8,051,035	58.3	374,528
	Total Liabilities and Shareholders' Equity	14,429,791	100.0	13,804,689	100.0	625,102

(2) Consolidated Statements of Income

(Unit: Thousand Yen)

Item	Period	As of March 31, 2005		As of March 31, 2006		Increase (Decrease)
		Amount	%	Amount	%	
I	Net Sales	10,799,530	100.0	8,966,039	100.0	1,833,491
II	Cost of Sales	7,310,850	67.7	5,591,198	62.4	1,719,651
	Gross Profit	3,488,680	32.3	3,374,840	37.6	113,839
III	Selling and General Administrative Expenses	2,286,115	21.2	2,523,600	28.1	237,484
	Operating Gains	1,202,564	11.1	851,240	9.5	351,324
IV	Non-Operating Income	124,835	1.2	95,839	1.1	28,995
1	Interest Income	2,494		3,815		1,320
2	Rent Income	33,380		21,832		11,548
3	Foreign Exchange Gain	35,056		41,052		5,995
4	Others	53,903		29,139		24,764
V	Non-Operating Expenses	46,982	0.4	50,083	0.6	3,101
1	Interest Expenses	43,499		48,020		4,521
2	Others	3,482		2,062		1,420
	Ordinary Gains	1,280,418	11.9	896,996	10.0	383,421
VI	Extraordinary Gains	14,622	0.1	3,978	0.0	10,643
1	Gain on Doubtful Debts			1,677		1,677
2	Gain on Sale of Fixed Assets	1,690		1,801		111
3	Gain on Sale of Golf Club Member ship			500		500
4	Gain on Sales of Investment Securities	12,932				12,932
VII	Extraordinary Losses	114,824	1.1	102,539	1.1	12,287
1	Loss on Sale of Fixed Assets	20,565		705		19,860
2	Loss on Disposal of Fixed Assets	41,524		30,243		11,280
3	Loss on Allowance for Doubtful Debts	21				21
4	Loss on Sale of Golf Club Member ship			595		595
5	Loss on Revaluation of Golf Club Member ship	955				955
6	Loss on Disposal of Obsolete Inventories	25,735		70,992		45,257
7	Loss on Revaluation of Inventories	26,021				26,021
	Net Income before Tax	1,180,216	10.9	798,438	8.9	381,777
	Income Taxes-Current	494,226		225,827		268,398
	Income Taxes-Deferred	52,706		42,986		95,693
	Net Gain	738,696	6.8	529,624	5.9	209,072

(4) Consolidated Statement of Cash Flows

(Unit: Thousand Yen)

item	Period	As of March 31, 2005	As of March 31, 2006	Increase (Decrease)
		Amount	Amount	
I Cash Flow from Operating Activities				
1	Net Losses Before Taxes	1,180,216	798,438	381,777
2	Allowance for Depreciation	466,343	485,482	19,138
3	Increase/Decrease() in Reserve for Employees' Bonuses	55,000	15,000	70,000
4	Increase/Decrease() in Allowance for Employees' Retirement Benefits	23,797	23,358	439
5	Interest and Dividends Earned	9,496	10,563	1,067
6	Interest Expenses	43,499	48,020	4,521
7	Increase()/Decrease in Accounts Receivable	8,893	1,784	10,678
8	Increase()/Decrease in Accounts Receivable	1,101,746	3,976	1,105,722
9	Increase()/Decrease in Inventories	176,803	236,417	413,221
10	Increase/Decrease() in Accounts Payable	517,900	118,508	636,408
11	Increase/Decrease() in Advance Receipt	107,486	57,968	49,518
12	Amount Paid on Director's Bonuses	20,000	37,000	17,000
13	Others	278,273	153,587	124,686
	Sub Total	1,140,605	1,512,025	371,419
14	Interest and Dividends Received	9,556	10,492	935
15	Interest Paid	47,924	44,388	3,536
16	Income Taxes Paid	212,988	441,868	228,879
	Net Cash used in Operating Activities	889,248	1,036,261	147,012
II Cash Flows from Investing Activities				
1	Payment for Time Deposits		2,448	2,448
2	Proceed from repayment of the time deposit	438,351		438,351
3	Payment for Investment Securities		15,280	15,280
4	Proceed from Investment Securities	29,325		29,325
5	Payment for Tangible Fixed Assets	540,542	616,345	75,802
6	Proceeds from Tangible Fixed Assets	19,856	10,263	9,592
7	Payment for Intangible Fixed Assets	16,550	38,495	21,944
8	Payment for incorporation of subsidiary		64,310	64,310
9	Payment for Investment in Subsidiary	52,100		52,100
10	Increase()/Decrease in Other Investment	2,197	4,137	1,939
	Net Cash Provided by Investing Activities	119,461	722,479	603,017
III Cash Flows from Financing Activities				
1	Proceeds from Short-term Loans	500,000	119,861	380,138
2	Repayment of Short-term Loans	300,000		300,000
3	Proceeds from Long-term Loans	1,100,000	100,000	1,000,000
4	Repayment of Long-term Loans	575,612	770,374	194,762
5	Proceeds from Sales Treasury Stock	62,056	10,296	51,760
6	Payments for Purchases Treasury Stock	249,875	70,445	179,429
7	Amount Paid for Dividend Payable by Parent Company	78,246	194,543	116,297
	Net Cash Provided by Financing Activities	458,323	805,206	1,263,529
IV	Effect of Exchange Rate Changes on Cash and Equivalents	14,889	45,246	30,356
V	Net Increase/Decrease() in Cash and Cash Equivalents	1,242,999	446,178	1,689,177
VI	Cash and Cash Equivalents at Beginning of Year	2,239,764	3,482,764	1,242,999
VII	Cash and Cash Equivalents at End of Year	3,482,764	3,095,669	387,094