

Consolidated Financial Statement for the Six Months Ended September 30, 2006

November 24, 2006

Trade Name: Nihon Micro Coating Co., Ltd.

Stock Exchange: JQ

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

Interim Board of Directors Meeting: November 24, 2006

Adoption of American Account Standard: NO

1. Summary of Consolidated Interim Financial Results.

1. Financial Result for the Six months Ended September 30, 2006

(1) Consolidated Operating Result Amounts to nearest Million yen

	Net Sales		Operating Income		Ordinary Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended						
September 30, 2006	4,724	(19.9)	571	(132.1)	590	(116.0)
September 30, 2005	3,941	(24.1)	246	(55.1)	273	(55.5)
Year ended March 31, 2006	8,966		851		896	

	Net Income		Net Income Per Share		Diluted Net Income Per Share	
	Millions of yen	%	Yen		Yen	
Six months ended						
September 30, 2006	406	(166.3)	39. 93			
September 30, 2005	152	(59.3)	14. 90		14. 89	
Year ended March 31, 2006	529		49. 30		49. 28	

(Note) 1) Equity in net losses of affiliates (Millions of Yen): September 30, 2006 (0) September 30, 2005 (0) March 31, 2006 (0)

2) Average number of shares outstanding (Consolidated):
 During the six months ended September 30, 2006 10,182,682 shares
 During the six months ended September 30, 2005 10,248,705 shares
 During the year ended March 31, 2006 10,216,265 shares

3) Changing of Accounting Procedure: NO

4) Percentages for net sales, operating income, ordinary income and net income indicate changes from previous year

(2) Financial Position

	Total Assets	Total Net Assets	Shareholders' Equity Ratio	Total Net Assets Per Share
	Millions of Yen	Millions of Yen	%	Yen
As of September 30, 2006	13,444	8,301	61.7	815. 27
As of September 30, 2005	12,792	7,633	59.7	746. 81
Year ended March 31, 2006	13,804	8,051	58.3	788. 09

(Note) Number of shares outstanding (Consolidated):
 As of September 30, 2006 10,182,462 shares
 As of September 30, 2005 10,221,782 shares
 As of March 31, 2006 10,182,862 shares

(3) Cash Flows

	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
Six months ended				
September 30, 2006	146	360	626	1,968
September 30, 2005	477	484	439	3,107
Year ended March 31, 2006	1,036	722	805	3,095

(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

	Net Sales	Ordinary Income	Net Income
	Million Yen	Million Yen	Million Yen
Year ending			
March 31, 2007	9,700	1,017	579

(Reference) Expected net income per share: 56.94 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.

Financial Statement for the Six Months ended September 30, 2006

(1) Consolidated Balance Sheet

(Unit: Thousand Yen)

	As of September 30, 2005		As of September 30, 2006		Condensed Consolidated Balance Sheet for Previous Fiscal Year (As of March 31, 2006)	
	Amount	%	Amount	%	Amount	%
(Assets)		%		%		%
Current Assets						
1 Cash and Cash Equivalents	3,253,876		2,115,548		3,241,718	
2 Notes Receivable	2,139,225		3,355,310		3,115,764	
3 Inventories	1,014,736		1,377,914		904,459	
4 Deferred Tax Assets	105,492		167,108		159,823	
5 Others	108,997		128,100		143,052	
Doubtful Notes and Accounts	6,188		9,108		5,816	
Total Current Assets	6,616,140	51.7	7,134,872	53.1	7,559,002	54.8
Fixed Assets						
1 Tangible Fixed Assets						
(1) Buildings and Structures	5,617,634		5,663,744		5,636,958	
(2) Equipment and Vehicles	1,366,069		1,473,108		1,361,121	
(3) Others	375,345		402,678		402,966	
Accumulated Depreciation	3,579,897	3,779,151	3,938,368	3,601,162	3,727,243	3,673,804
(4) Land	1,444,289		1,444,289		1,444,289	
Total Tangible Fixed Assets	5,223,441	40.8	5,045,452	37.5	5,118,094	37.1
2 Intangible Fixed Assets						
(1) Others	32,439		248,757		114,091	
Total Intangible Fixed Assets	32,439	0.3	248,757	1.9	114,091	0.8
3 Investments and Other Assets						
(1) Investment Securities	441,914		549,272		543,435	
(2) Deferred Tax Assets	216,713		213,101		209,418	
(3) Others	273,225		264,373		272,144	
Allowance for Doubtful Debts	11,793		11,497		11,497	
Total Investments and Other Assets	920,060	7.2	1,015,249	7.5	1,013,500	7.3
Total Fixed Assets	6,175,940	48.3	6,309,459	46.9	6,245,686	45.2
Total Assets	12,792,080	100.0	13,444,332	100.0	13,804,689	100.0

(Unit: Thousand Yen)

	As of September 30, 2005		As of September 30, 2006		Condensed Consolidated Balance Sheet for Previous Fiscal Year (As of March 31, 2006)	
	Amount	%	Amount	%	Amount	%
(Liabilities)		%		%		%
Current Liabilities						
1 Notes Payable	488,568		1,243,121		1,229,405	
2 Short-term Borrowings	1,613,683		1,550,000		1,669,861	
3 Current Portion of Long-term Borrowings	770,956		426,561		609,438	
4 Income Taxes and Other Taxes Payable	32,287		192,445		216,454	
5 Reserve for Employees' Bonuses	110,000		130,069		130,000	
6 Others	503,824		357,088		468,248	
Total Current Liabilities	3,519,319	27.5	3,899,287	29.0	4,323,407	31.3
Fixed Liabilities						
1 Long-term Borrowings	1,144,564		721,350		912,564	
2 Reserve for Employees' Retirement Benefits	179,266		196,180		191,682	
3 Reserve for Directors' Retirement Benefits	315,217					
4 Accrued Directors' Retirement Benefits			311,050		315,217	
5 Deferred Tax			15,035		10,782	
Total Fixed Liabilities	1,639,048	12.8	1,243,616	9.3	1,430,246	10.4
Total Liabilities	5,158,367	40.3	5,142,903	38.3	5,753,653	41.7
(Minority Interests)						
Minority Interests						
(Shareholders' Equity)						
Capital Stock	1,998,700	15.6			1,998,700	14.5
Capital Surplus	2,953,700	23.1			2,953,700	21.4
Earned Surplus	2,991,376	23.4			3,368,329	24.4
Revaluation of Other Investment Securities	60,887	0.5			82,194	0.6
Foreign Currency Translation Adjustments	78,047	0.6			128,527	0.9
Treasury Stock	448,997	3.5			480,415	3.5
Total Shareholders' Equity	7,633,712	59.7			8,051,035	58.3
Total Liabilities, Minority Interest and Shareholders' Equity	12,792,080	100.0			13,804,689	100.0

(Unit: Thousand Yen)

	As of September 30, 2005		As of September 30, 2006		Condensed Consolidated Balance Sheet for Previous Fiscal Year (As of March 31, 2006)	
	Amount	%	Amount	%	Amount	%
(Net Assets)		%		%		%
Shareholders' Equity						
1 Capital Stock			1,998,700	14.8		
2 Capital Surplus			2,953,700	22.0		
3 Earned Surplus			3,616,566	26.9		
4 Treasury Stock			480,756	3.6		
Total Shareholders' Equity			8,088,210	60.1		
Valuation and Translation Adjustments						
1 Revaluation of Other Investment Securities			76,709	0.6		
2 Foreign Currency Translation Adjustments			136,508	1.0		
Total Valuation and Translation Adjustments			213,218	1.6		
Total Net Assets			8,301,428	61.7		
Total Liabilities and Net Assets			13,444,332	100.0		

(2) Consolidated Statements of Income

(Unit: Thousand Yen)

	Six months ended September 30, 2005 (From April 1, 2005 to September 30, 2005)			Six months ended September 30, 2006 (From April 1, 2006 to September 30, 2006)			Condensed Consolidated Statement of Income for Previous Fiscal Year (From April 1, 2005 to March 31, 2006)		
	Amount		%	Amount		%	Amount		%
Net Sales		3,941,246	100.0		4,724,984	100.0		8,966,039	100.0
Cost of Sales		2,455,070	62.3		2,857,610	60.5		5,591,198	62.4
Gross Profit		1,486,176	37.7		1,867,374	39.5		3,374,840	37.6
Selling and General Administrative Expenses									
1 Freight Outwards	70,196			79,411			137,491		
2 Payroll and Bonus	374,724			322,399			797,528		
3 Provision for Bonus Reserve	34,525			25,221			40,014		
4 Expenses for Employees' Retirement Benefits	7,459			8,333			13,914		
5 Depreciation Expenses	48,185			50,256			98,283		
6 Research and Development Expenses	223,966			414,405			515,483		
7 Others	480,902	1,239,959	31.5	395,753	1,295,781	27.4	920,885	2,523,600	28.1
Operating Income		246,217	6.2		571,592	12.1		851,240	9.5
Non-Operating Income									
1 Interest Income	1,265			3,675			3,815		
2 Dividends Income	6,748			6,984					
3 Rent Income	11,073			11,088			21,832		
4 Foreign Currency Exchange Gain	21,820			7,775			41,052		
5 Others	11,401	52,309	1.3	13,426	42,950	0.9	29,139	95,839	1.1
Non-Operating Expenses									
1 Interest Expenses	24,295			21,245			48,020		
2 Others	835	25,131	0.6	2,814	24,060	0.5	2,062	50,083	0.6
Ordinary Income		273,395	6.9		590,482	12.5		896,996	10.0
Extraordinary Gains									
1 Gain on Doubtful Debts	845						1,677		
2 Gain on Sale of Fixed Assets	1,229						1,801		
3 Gain on Reserve for Directors' Retirement Benefits	500	2,574	0.1				500	3,978	0.0
Extraordinary Losses									
1 Loss on Sale of Fixed Assets	454						705		
2 Loss on Disposal of Fixed Assets	5,380			1,556			30,243		
3 Loss on Revaluation of Investment in Golf Club Membership	595						595		
4 Loss on Disposal of Obsolete Inventories	3,961	10,392	0.3	1,556			70,992	102,536	1.1
Net Income Before Tax		265,577	6.7		588,926	12.5		798,438	8.9
Income Taxes-Current	36,306			185,514			225,827		
Income Taxes-Deferred	76,600	112,906	2.8	3,201	182,312	3.9	42,986	268,814	3.0
Net Income		152,670	3.9		406,614	8.6		529,624	5.9

(3) Consolidated Statement of Surplus

(Unit: Thousand Yen)

	Six months ended September 30, 2005 (From April 1, 2005 to September 30, 2005)		Consolidated Statement of Surplus for Previous Fiscal Year (From April 1, 2005 to March 31, 2006)	
	Amount		Amount	
(Capital Surplus)				
Year Starting Balance on Capital Surplus		2,953,700		2,953,700
Mid Year Ending (Year Ending) Balance on Capital Surplus		2,953,700		2,953,700
(Earned Surplus)				
Year Starting Balance on Earned Surplus		3,071,020		3,071,020
Increased Amount of Earned Surplus				
Net Income	152,670		529,624	
Increased Amount of Earned Surplus of a New Consolidated Subsidiary	400	153,071	400	530,024
Reduced Amount of Earned Surplus				
1 Dividend Payable	194,891		194,891	
2 Director's Bonuses	37,000		37,000	
3 Loss on Sale of Treasury Stock	824	232,716	824	232,716
Mid year Ending (Year Ending) Balance on Earned Surplus		2,991,376		3,368,329

(4) Consolidated Statement of Changes in Shareholders' Equity

Six months ended September 30, 2006 (From April 1, 2006 to September 30, 2006)

	Shareholders' Equity				
	Capital Stock	Capital Surplus	Earned Surplus	Treasury Stock	Total Shareholders' Equity
Balance as of March 31,2006 (Thousand Yen)	1,998,700	2,953,700	3,368,329	480,415	7,840,313
Changes during the period					
Dividends of Retained Earnings			132,377		132,377
Director's Bonuses			26,000		26,000
Net Income			406,614		406,614
Purchase of Treasury Stock				340	340
Net Changes in Items other than Shareholders' Equity					
Total Changes during the period (Thousand Yen)			248,237	340	247,896
Balance as of September 30,2006 (Thousand Yen)	1,998,700	2,953,700	3,616,566	480,756	8,088,210

	Valuation and Translation Adjustments			Total Net Assets
	Revaluation of Other Investment Securities	Foreign Currency Translation Adjustments	Total Valuation and Translation Adjustments	
Balance as of March 31,2006 (Thousand Yen)	82,194	128,527	210,722	8,051,035
Changes during the period				
Dividends of Retained Earnings				132,377
Director's Bonuses				26,000
Net Income				406,614
Purchase of Treasury Stock				340
Net Changes in Items other than Shareholders' Equity	5,484	7,980	2,496	2,496
Total Changes during the period (Thousand Yen)	5,484	7,980	2,496	250,392
Balance as of September 30,2006 (Thousand Yen)	76,709	136,508	213,218	8,301,428

(5) Consolidated Statement of Cash Flows

(Unit: Thousand Yen)

	Six months ended September 30, 2005 (From April 1, 2005 to September 30, 2005)	Six months ended September 30, 2006 (From April 1, 2006 to September 30, 2006)	Consolidated Statement of Cash Flows for Previous Fiscal Year (From April 1, 2005 to March 31, 2006)
	Amount	Amount	Amount
Cash Flow from Operating Activities			
1 Net Income Before Taxes	265,577	588,926	798,438
2 Depreciation Expense	233,507	240,141	485,482
3 Increase/Decrease in Allowance for Employees' Bonuses (Decrease())	35,000	69	15,000
4 Increase/Decrease in Allowance for Employees' Retirement Benefits (Decrease())	10,942	4,498	23,358
5 Interest and Dividends Earned	8,013	10,659	10,563
6 Interest Expenses	24,295	21,245	48,020
7 Foreign Currency Translation Losses(Gain ())	896	574	1,784
8 Increase/Decrease in Accounts Receivable (Increase())	980,514	239,545	3,976
9 Increase/Decrease in Inventories (Increase())	126,140	473,454	236,417
10 Increase/Decrease in Accounts Payable (Decrease())	859,345	11,284	118,508
11 Increase/Decrease in Advance Receipt (Decrease())	110,098	7,888	57,968
12 Cash paid for Director's Bonuses	37,000	26,000	37,000
13 Others	108,912	29,179	153,587
Sub Total	919,733	94,642	1,512,025
14 Interest and Dividends Received	8,001	10,679	10,492
15 Interest Paid	23,991	21,124	44,388
16 Income Taxes Paid	425,864	230,506	441,868
Net Cash Provided by Operating Activities	477,878	146,309	1,036,261
Cash Flows from Investing Activities			
1 Payments for Time Deposits	2,802	650	2,448
2 Payments for Investment Securities	14,000	15,085	15,280
3 Payments for Tangible Fixed Assets	489,862	189,666	616,345
4 Proceeds from Tangible Fixed Assets	11,388		10,263
5 Payments for Intangible Fixed Assets	999	153,917	38,495
6 Payment for incorporation of subsidiary			64,310
7 Increase/Decrease in Other Investments (Increase())	11,847	1,606	4,137
Net Cash Provided by Investing Activities	484,427	360,926	722,479
Cash Flows from Financing Activities			
1 Proceeds from Short-term Loans	60,724		119,861
2 Repayments of Short-term Loans		119,861	
3 Proceeds from Long-term Loans	100,000		100,000
4 Repayments of Long-term Loans	376,856	374,091	770,374
5 Proceeds from Sales Treasury Stock	10,296		10,296
6 Payments for Purchases Treasury Stock	39,027	340	70,445
7 Amount Paid for Dividend Payable by Parent Company	194,224	131,723	194,543
Net Cash Provided by Financing Activities	439,087	626,015	805,206
Effect of Exchange Rate Changes on Cash and Equivalents	11,262	6,431	45,246
Increase/Decrease in Cash and Cash Equivalents (Decrease())	434,373	1,126,820	446,178
Cash and Cash Equivalents at Beginning of Year	3,482,764	3,095,669	3,482,764
Increase/Decrease in Cash and Cash Equivalents for Consolidation of a new Subsidiary (Decrease())	59,083		59,083
Cash and Cash Equivalents at Mid year Ending (Year Ending)	3,107,473	1,968,848	3,095,669