

For Immediately Release

Consolidated Financial Statements

For the First Quarter ended June 30, 2006

INNOTECH CORPORATION

Stock Listed: JASDAQ Securities Exchange
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 U.S. Accounting Principle: Not adopted

Consolidated Financial Highlights for the First Quarter ended June 30, 2006

(April 1, 2006 to June 30, 2006)

(1) Consolidated Operating Results

(Millions of Yen)

	between April 1 and June 30				Full year ended March 31, 2006
	2006	% change	2005	% change	
Net Sales.	12,497	26.5%	9,882	33.6%	45,053
Operating Income.	782	38.4%	565	93.3%	2,093
Recurring Profit.	700	19.2%	587	45.8%	2,006
Net Income.	369	313.2%	89	-61.4%	766
Net Income per Share(¥).	¥16.13	-	¥4.76	-	¥37.15
Net Income per Share, Diluted(¥).	¥15.89	-	¥4.69	-	¥35.77

Note (1) Changes in accounting method:

- ①A part of Laundaring about allowance for doubtful general accounts receivable is applied in brief method.
- ②Tax expenses on consolidate subsidiaries are accounted by the estimated effect tax rate.

Note (2) Percentages shown for net sales, operating income, recurring profit and net income are the increase and decrease compared with the previous same term.

(2) Consolidated Financial Position

(Millions of Yen)

	First Half		Full Year
	between April 1 and June 30		Full year ended
	2006	2005	March 31, 2006
Total Assets.	41,299	39,387	39,581
Shareholders' Equity.	21,437	16,400	19,096
Shareholders' Equity Ratio (%).	51.6%	41.6%	48.2%
Shareholders' Equity per Share (¥).	¥925.09	¥850.68	¥897.40

	First Half		Full Year
	between April 1 and June 30		Full year ended
	2006	2005	March 31, 2006
Net cash provided by (used in) operating activities.	940	-	212
Net cash provided by (used in) investing activities.	960	-	1,043
Net cash provided by (used in) financing activities.	-1,082	-	-844
Cash and cash equivalents at end of period.	4,139	-	3,305

Consolidated Balance Sheets

(Thousands of Yen)

ASSETS:	First Quarter as of June 30		Change	Full year as of March 31	
	2006	2005		%	,2006
Current Assets:					
Cash and bank deposits	4,139,716	3,506,395	633,320	18.1	3,305,273
Notes and accounts receivable,trade	14,487,823	11,845,383	2,642,439	22.3	13,562,630
Inventories	3,339,481	2,587,223	752,257	29.1	2,393,277
Deferred tax assets	691,997	756,999	△65,002	△8.6	890,173
Other	2,042,337	2,171,185	△128,848	△5.9	2,533,195
Allowance for doubtful accounts	△8,844	△1,492	△7,351	492.6	△8,844
Total current assets	24,692,512	20,865,695	3,826,816	18.3	22,675,707
Fixed Assets:					
Property, Plant and Equipment:					
Buildings and structures	5,459,244	5,719,819	△260,574	△4.6	5,535,761
Land	5,702,397	5,717,727	△15,329	△0.3	5,717,727
Other	606,206	621,203	△14,997	△2.4	611,484
Intangible Assets:	1,475,622	1,757,944	△282,322	△16.1	1,548,145
Investments and Other Assets:					
Investments in securities	2,187,600	2,143,680	43,920	2.0	2,252,153
Deferred tax assets	283,178	768,812	△485,633	△63.2	347,010
Other	1,046,603	1,874,354	△827,750	△44.2	1,046,749
Allowance for doubtful accounts	△153,437	△81,448	△71,989	88.4	△153,437
Total fixed assets	16,607,417	18,522,092	△1,914,675	△10.3	16,905,594
Total assets	41,299,929	39,387,788	1,912,140	4.9	39,581,301
LIABILITIES:					
Current Liabilities:					
Notes and accounts payable,trade	5,505,085	2,990,387	2,514,698	84.1	3,180,153
Short-term borrowings	5,968,045	11,421,216	△5,453,170	△47.7	6,257,216
Other	2,112,290	2,368,152	△255,861	△10.8	1,957,234
Total current liabilities	13,585,422	16,779,755	△3,194,333	△19.0	11,394,603
Long-term Liabilities:					
CB with warrant	—	323,500	△323,500	—	1,900,000
Long-term debt	5,894,600	5,390,706	503,894	9.3	6,698,420
Allowance for retirement and severance benefits	218,517	249,560	△31,043	△12.4	222,870
Other	164,358	156,179	8,178	5.2	166,499
Total long-term liabilities	6,277,475	6,119,946	157,528	2.6	8,987,789
Total liabilities	19,862,897	22,899,702	△3,036,804	△13.3	20,382,392
Minority interests in consolidated subsidiaries	—	87,432	—	—	102,406
SHAREHOLDERS' EQUITY:					
Common stock	—	9,016,936	—	—	9,501,302
Capital reserves	—	7,687,484	—	—	8,279,570
Retained earnings	—	307,380	—	—	904,601
Unrealized gain(loss) on other securities	—	△51,353	—	—	406,531
Foreign currency translation adjustments	—	△1,688	—	—	5,682
Treasury stock	—	△558,106	—	—	△1,184
Total shareholders' equity	—	16,400,654	—	—	19,096,502
Total liabilities, minority interests and shareholders'equity	—	39,387,788	—	—	39,581,301
NET ASSETS:					
Owners' Equity:					
Common stock	10,465,547	—	—	—	—
Capital reserves	9,244,227	—	—	—	—
Retained earnings	1,161,168	—	—	—	—
Treasury stock	△451	—	—	—	—
Total owners' equity	20,870,491	—	—	—	—
Valuation and Translation Adjustments:					
Unrealized gain(loss) on other securities	400,763	—	—	—	—
Deferred losses on hedges	△7,169	—	—	—	—
Foreign currency translation adjustments	37,859	—	—	—	—
Total valuation and translation adjustr	431,453	—	—	—	—
Share Warrant	34,201	—	—	—	—
Minority interests in consolidated subsidiaries	100,886	—	—	—	—
Total net assets	21,437,032	—	—	—	—
Total liabilities and net assets	41,299,929	—	—	—	—

Consolidated Statements of Income

(Thousands of Yen)

	First Quarter From April 1 to June 30		Change		Full year as of March 31 ,2006
	2006	2005	Amount	%	
Net Sales	12,497,099	9,882,106	2,614,993	26.5	45,053,407
Cost of Goods Sold	10,434,395	8,157,278	2,277,117	27.9	38,080,840
Gross Profit on Sales	2,062,703	1,724,828	337,875	19.6	6,972,567
Selling, General and Administrative Expenses	1,280,161	1,159,595	120,566	10.4	4,878,959
Opreating income	782,542	565,232	217,309	38.4	2,093,608
Total non-operating income	191,018	241,165	△ 50,146	△ 20.8	908,256
Total non-operating expenses	272,792	218,450	54,342	24.9	994,929
Ordinary Profit	700,768	587,947	112,820	19.2	2,006,935
Total extraordinary gain	9,492	4,500	4,992	110.9	205,258
Total extraordinary loss	3,779	244,039	△ 240,260	△ 98.5	943,275
Income before Income Taxes	706,481	348,407	358,073	102.8	1,268,919
Income taxes and Deferred income taxes	336,626	253,638	82,987	32.7	467,842
Minority interests in income (losses) of consolidated subsidiaries	693	5,432	△ 4,739	△ 87.2	34,316
Net income	369,161	89,336	279,824	313.2	766,759

Consolidated Statements of Cash Flows

(Thousands of Yen)

	First Quarter		Change		Full year as of March 31 ,2006
	From April 1 to June 30 2006	2005	Amount	%	
I Net cash provided by (used in) operating activities:					
Income before income taxes	706,481	-	-	-	1,268,919
Depreciation expenses	123,691	-	-	-	512,920
Increase (decrease) in allowance for retirement and severance bene	△4,353	-	-	-	△ 38,669
Interest and dividend income	△4,191	-	-	-	△ 13,638
Interest expenses	77,122	-	-	-	346,389
Equity in losses of affiliated companies	10,186	-	-	-	60,030
Decrease (increase) in trade receivables	△958,180	-	-	-	△ 1,542,751
Decrease (increase) in inventories and advances to suppliers	△1,208,587	-	-	-	△ 981,286
Increase (decrease) in trade payables	2,345,443	-	-	-	634,957
Other	129,429	-	-	-	363,175
Subtotal	1,217,042	-	-	-	610,045
Interest and dividends received	4,191	-	-	-	19,781
Interest paid	△63,023	-	-	-	△ 351,505
Payment (refund) of corporate income taxes	△217,342	-	-	-	△ 65,447
Total	940,868	-	-	-	212,874
II Net cash provided by (used in) investing activities:					
Payments for purchase of property, plant and equipment	△6,665	-	-	-	△ 45,734
Proceeds from sales of property, plant and equipment	32,405	-	-	-	—
Payments for purchase of investment securities	△11,298	-	-	-	△ 80,110
Proceeds from sales of investment securities	13,790	-	-	-	277,614
Proceeds from collection of long-term loans	10,318	-	-	-	94,388
Proceeds from transfer of distribution rights	900,518	-	-	-	860,032
Other	21,236	-	-	-	△ 62,400
Total	960,306	-	-	-	1,043,790
III Net cash provided by (used in) financing activities:					
Net increase (decrease) in short-term borrowings	△360,786	-	-	-	△ 4,672,940
Payments of long-term debt	△704,950	-	-	-	△ 5,859,132
Payments for purchase of treasury stock	△357	-	-	-	△ 2,554
Dividends paid by parent company	△7,924	-	-	-	△ 171,369
Dividends paid to minority shareholders	△1,810	-	-	-	△ 2,320
Other	△6,730	-	-	-	9,863,872
Total	△1,082,559	-	-	-	△ 844,443
Effect of exchange rate changes on cash and cash equivalents	15,827	-	-	-	15,630
Increase (decrease) in cash and cash equivalents	834,442	-	-	-	427,853
Cash and cash equivalents at beginning of year	3,305,273	-	-	-	2,877,420
Cash and cash equivalents at end of year	4,139,716	-	-	-	3,305,273