

## Consolidated Financial Results

### for the Six-Months Period ended September 30, 2006

October 30, 2006

KOMERI CO., LTD.

Company code number: 8218 (URL <http://www.komeri.bit.or.jp>)  
 Shares traded: TSE1  
 Location of headquarters: Niigata  
 Name & Executive position of legal representative: Kenichi Sasage  
 Chairman and CEO  
 Please address all communications to: Shigeki Sakamoto, Executive Officer and  
 General Manager, Accounting Department  
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Date of Board of Directors' meeting for approval  
 of financial results: October 30, 2006  
 Adoption of U.S. accounting standards: No

## 1. Consolidated operating results

### (1) Consolidated financial results

(In millions of yen, with fractional amounts discarded)

	Operating revenue		Operating income		Ordinary profit	
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%
Six-months ended September 30, 2006	129,533	5.4	9,455	3.1	9,903	4.4
Six-months ended September 30, 2005	122,892	5.2	9,171	23.0	9,485	23.2
March 31, 2006	247,461		14,624		15,234	

	Net income		Net income per share		Net income per share, fully diluted	
	(Millions of yen)	%	(Yen)		(Yen)	
Six-months ended September 30, 2006	5,503	4.4	104.06		-	
Six-months ended September 30, 2005	5,273	27.0	99.71		-	
Year ended March 31, 2006	8,706		163.56		-	

(Notes)

- Gains or losses on investments through equity method accounting:  
 September 2006 interim period: -      September 2005 interim period: -      March 2006 period: -
- Average number of outstanding shares during period (consolidated):  
 September 2006 interim period: 52,888,780 shares      September 2005 interim period: 52,891,259 shares  
 March 2006 period: 52,890,499 shares
- Changes in accounting methods: No
- The percentages shown next to operating revenue, operating income, ordinary profit and net income represent year-on-year changes.

**(2) Consolidated financial position**

	Total assets	Net assets	Equity ratio	Net assets per share
	(Millions of yen)	(Millions of yen)	%	(Yen)
September 30, 2006	197,914	90,830	45.9	1,717.39
September 30, 2005	188,733	83,568	44.3	1,580.02
March 31, 2006	201,084	86,325	42.9	1,631.16

(Notes) Number of outstanding shares at end of period (consolidated):

September 2006 interim period: 52,888,359 shares

September 2005 interim period: 52,890,461 shares

March 2006 period: 52,889,264 shares

**(3) Consolidated cash flow statement**

	Net cash provided by operating activities	Net cash used in investment activities	Net cash used in financing activities	Cash and cash equivalents at end of period
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
Six-months ended September 30, 2006	11,635	(5,627)	(6,672)	9,022
Six-months ended September 30, 2005	12,130	(5,274)	(6,190)	11,468
Year ended March 31, 2006	12,436	(11,445)	(2,108)	9,686

**(4) Scope of consolidation and application of the equity method**

Consolidated subsidiaries: 9

Nonconsolidated subsidiaries accounted for under equity method: —

Affiliated companies accounted for under equity method: —

**(5) Changes in scope of consolidation and application of the equity method**

Consolidation (new): — (elimination): —

Equity method (new): — (elimination): —

**2. Consolidated forecasts for March 2007 period (April 1, 2006 to March 31, 2007)**

	Operating revenue	Ordinary profit	Net income
	(Millions of yen)	(Millions of yen)	(Millions of yen)
Annual	261,000	16,400	9,300

(Note) Estimated earnings per share (annual): 175.84 yen

*The above forecasts are based on information available as of the date on which these materials were released. Actual results are subject to change due to various future events and may differ from these figures.*

## Consolidated balance sheet

Millions of yen	September 30, 2005	%	September 30, 2006	%	March 31, 2006	%
<b>Current assets</b>						
Cash and deposits	11,794		9,311		10,002	
Notes and accounts receivable	1,449		2,115		2,184	
Marketable securities	9		-		10	
Inventories	58,697		64,341		65,363	
Prepaid expenses	1,580		1,519		1,012	
Deferred tax assets	1,223		1,319		1,874	
Others	3,539		3,720		4,468	
Allowance for doubtful accounts	(3)		(4)		(3)	
	<u>78,291</u>	41.5	<u>82,323</u>	41.6	<u>84,912</u>	42.2
<b>Fixed assets</b>						
<b>Tangible fixed assets</b>						
Buildings and structures	108,107		116,655		114,559	
Accumulated depreciation	<u>44,346</u>		<u>48,934</u>		<u>46,628</u>	
	63,760		67,721		67,930	
Machinery and transportation equipment	4,292		5,322		5,302	
Accumulated depreciation	<u>2,768</u>		<u>3,225</u>		<u>3,000</u>	
	1,523		2,097		2,302	
Land	22,076		22,072		22,116	
Construction in progress	832		1,641		1,454	
Others	7,150		7,788		7,621	
Accumulated depreciation	<u>4,697</u>		<u>5,326</u>		<u>4,989</u>	
	2,452		2,462		2,631	
	<u>90,646</u>	48.0	<u>95,995</u>	48.5	<u>96,435</u>	48.0
<b>Intangible fixed assets</b>						
Leaseholds	3,734		3,763		3,757	
Others	<u>1,004</u>		<u>1,133</u>		<u>1,118</u>	
	4,739	2.5	4,897	2.5	4,876	2.4
<b>Investments and other assets</b>						
Investment securities	931		886		950	
Long-term prepaid expenses	1,578		1,316		1,434	
Deferred tax assets	2,308		2,335		2,260	
Guarantee deposits and deposits on leased real estate	9,648		9,593		9,677	
Others	587		566		537	
Allowance for doubtful accounts	(0)		(0)		(0)	
	<u>15,054</u>	8.0	<u>14,697</u>	7.4	<u>14,859</u>	7.4
Total fixed assets	<u>110,440</u>	58.5	<u>115,590</u>	58.4	<u>116,171</u>	57.8
<b>Deferred assets</b>						
New share issuance expenses	1		-		-	
Bond discounts (premiums)	<u>0</u>		<u>-</u>		<u>-</u>	
	1	0.0	-	-	-	-
<b>Total assets</b>	<u>188,733</u>	100.0	<u>197,914</u>	100.0	<u>201,084</u>	100.0

Millions of yen	September 30, 2005	%	September 30, 2006	%	March 31, 2006	%
<b>Current liabilities</b>						
Notes and accounts payable	35,007		37,102		36,706	
Short-term borrowings	31,080		30,450		33,630	
Long-term debt due within 1 year	5,442		5,728		5,481	
Bonds redeemable within 1 year	200		-		-	
Accounts payable - other	4,235		5,535		7,136	
Accrued expenses payable	440		315		397	
Income taxes payable	3,959		3,335		3,684	
Consumption taxes payable	661		972		193	
Allowance for bonuses	1,407		1,638		1,437	
Allowance for directors' bonuses	-		27		-	
Allowance for losses related to restructuring	88		-		88	
Allowances for losses on store closures	320		195		107	
Allowance for "point" rebate expenses	-		430		-	
Notes payable related to capital investment	890		1,503		2,714	
Others	622		818		612	
	<u>84,356</u>	44.7	<u>88,052</u>	44.5	<u>92,190</u>	45.9
<b>Long-term liabilities</b>						
Bonds	100		-		-	
Long-term debt	12,103		11,853		14,638	
Deferred tax liabilities	182		55		39	
Employees' retirement benefits	2,346		2,638		2,491	
Reserve for directors' retirement allowances	942		988		968	
Allowance for "point" rebate expenses	383		-		392	
Guarantee deposits received	2,346		2,262		2,298	
Consolidation translation adjustments	1,906		-		1,512	
Negative goodwill	-		1,118		-	
Others	305		114		175	
	<u>20,617</u>	10.9	<u>19,031</u>	9.6	<u>22,517</u>	11.2
<b>Total liabilities</b>	<u>104,974</u>	55.6	<u>107,083</u>	54.1	<u>114,707</u>	57.1
<b>Minority interests</b>						
	191	0.1	-	-	50	0.0
<b>Shareholders' equity</b>						
Common stock	18,802	10.0	-	-	18,802	9.4
Capital reserves	25,260	13.4	-	-	25,260	12.6
Retained earnings	43,647	23.1	-	-	46,339	23.0
Unrealized gains or losses on other securities	233	0.1	-	-	304	0.1
Treasury stock	(4,374)	(2.3)	-	-	(4,380)	(2.2)
Total shareholders' equity	<u>83,568</u>	44.3	<u>-</u>	-	<u>86,325</u>	42.9
<b>Total liabilities, minority interests and shareholders' equity</b>	<u>188,733</u>	100.0	<u>-</u>	-	<u>201,084</u>	100.0

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Millions of yen	September 30, 2005	%	September 30, 2006	%	March 31, 2006	%
<b>Net assets</b>						
Shareholders' equity						
Common stock	-	-	18,802	9.5	-	-
Capital reserves	-	-	25,260	12.7	-	-
Retained earnings	-	-	50,835	25.7	-	-
Treasury stock	-	-	(4,383)	(2.2)	-	-
<b>Total shareholders' equity</b>	-	-	90,514	45.7	-	-
Valuation and translation adjustments						
Unrealized gains or losses on other securities	-	-	271	0.2	-	-
Gains or losses on deferred hedge	-	-	44	0.0	-	-
<b>Total valuation and translation adjustments</b>	-	-	315	0.2	-	-
<b>Minority interests</b>	-	-	-	-	-	-
<b>Total net assets</b>	-	-	90,830	45.9	-	-
<b>Total liabilities and net assets</b>	-	-	197,914	100.0	-	-

## Consolidated statement of income

Millions of yen	Six-months ended September 30, 2005		Six-months ended September 30, 2006		Year-on Year change		Year ended March 31, 2006	
		%		%		%		%
<b>Net sales</b>	118,642	100.0	125,094	100.0	105.4		238,882	100.0
<b>Cost of goods sold</b>	81,229	68.5	86,565	69.2	106.6		167,191	70.0
Gross profit on sales	37,412	31.5	38,529	30.8	103.0		71,691	30.0
<b>Other revenue</b>								
Real estate rental revenue	4,249	3.6	4,438	3.6	104.4		8,578	3.6
Gross profit on operating revenue	41,662	35.1	42,967	34.4	103.1		80,269	33.6
<b>Selling, general and administrative expenses</b>								
Advertising expenses	1,653		1,657				3,778	
Expenses for sales supplies	237		226				468	
Reversal of allowance for "point" rebate expenses	383		430				392	
Salaries, bonuses and allowances	10,699		10,940				21,251	
Bonuses	206		25				1,699	
Employee benefit expenses	1,869		1,977				3,274	
Reserve provision for employees' bonuses	1,407		1,638				1,437	
Reserve provision for directors' retirement allowances	27		27				55	
Retirement benefit expenses	245		243				1,058	
Supplies	449		430				1,108	
Water, electricity and heating expenses	1,626		1,783				3,434	
Taxes and public dues	905		899				1,838	
Rental expenses	5,618		5,842				11,284	
Depreciation expenses	3,225		3,398				6,659	
Store management expenses	492		502				999	
Others	3,444		3,488				6,903	
	32,491	27.4	33,512	26.8	103.1		65,645	27.5
Operating income	9,171	7.7	9,455	7.6	103.1		14,624	6.1
<b>Nonoperating income</b>								
Interest income	34		28				52	
Amortization of consolidation adjustments	397		-				795	
Amortization of negative goodwill	-		397				-	
Others	141		268				243	
	573	0.5	694	0.5	121.1		1,092	0.5
<b>Nonoperating expenses</b>								
Interest expenses	183		199				346	
Amortization of new share issuance expenses	1		-				3	
Foreign currency gain or loss	27		-				86	
Others	46		47				45	
	258	0.2	247	0.2	95.6		481	0.2
Ordinary profit	9,485	8.0	9,903	7.9	104.4		15,234	6.4

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Years ended March 31; Millions of yen	Six-months ended	Six-months ended		Year-on Year change		Year ended	
	September 30, 2005	%	September 30, 2006	%	%	March 31, 2006	
<b>Extraordinary income</b>							
Gain on sales of tangible fixed assets	0		-			-	
Property and casualty insurance receipts	-		-			31	
Gain on sales of investment securities	-		9			105	
Gain on devaluation of derivative transactions	199		-			319	
Others	22		18			97	
	<u>222</u>	0.2	<u>27</u>	0.0	6.2	<u>554</u>	0.2
<b>Extraordinary losses</b>							
Loss on sale of fixed assets	61		31			121	
Impairment losses	637		397			1,566	
Provision for allowances for losses on store closures	-		98			-	
Loss arising from casualty	5		-			30	
Employees' pension fund contribution	-		153			-	
Others	125		41			339	
	<u>829</u>	0.7	<u>721</u>	0.5	68.2	<u>2,058</u>	0.9
Income before taxes and other adjustments	8,878	7.5	9,209	7.4	103.7	13,730	5.7
Corporate, inhabitant and enterprise taxes	3,828		3,270			6,177	
Deferred taxes	(145)		485		102.0	(933)	
	<u>3,683</u>	3.1	<u>3,756</u>	3.0	(933)	<u>5,244</u>	2.2
Loss of minority shareholders	78	0.1	50	0.0	64.6	219	0.1
Net income for the term	<u>5,273</u>	4.5	<u>5,503</u>	4.4	104.4	<u>8,706</u>	3.6

## Consolidated statement of retained earnings and changes in net assets

Millions of yen	Six-months ended September 30, 2005	Year ended March 30, 2006
<b>Capital reserves</b>		
Capital reserves, beginning of period	25,260	25,260
Increase in capital reserves	25,260	25,260
<b>Retained earnings</b>		
Retained earnings, beginning of period	39,193	39,193
Increase in retained earnings		
Net income	5,273	8,706
	5,273	8,706
Reduction in retained earnings		
Dividends	766	1,507
Directors' bonuses	52	52
Loss on disposal of treasury stock	0	0
	819	1,560
Retained earnings, end of period	43,647	46,339



**Six-months ended September 30, 2006**

Millions of yen	Shareholders' equity				
	Common stock	Capital reserve	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2006	18,802	25,260	46,339	(4,380)	86,021
Changes during the period					
Dividends of surplus *			(952)		(952)
Directors' bonuses *			(55)		(55)
Net income			5,503		5,503
Acquisition of treasury stock				(3)	(3)
Disposal of treasury stock		0		0	0
Change in items other than shareholders' equity (net)					
Total changes during the period	-	0	4,496	(3)	4,492
Balance as of September 30, 2006	18,802	25,260	50,835	(4,383)	90,514

Millions of yen	Valuation and translation adjustments			Minority interests	Total net assets
	Unrealized gains or losses on other securities	Gains or losses on deferred hedge	Total valuation and translation adjustments		
Balance as of March 31, 2006	304	-	304	50	86,376
Changes during the period					
Dividends of surplus *					(952)
Directors' bonuses *					(55)
Net income					5,503
Acquisition of treasury stock					(3)
Disposal of treasury stock					0
Change in items other than shareholders' equity (net)	(32)	44	11	(50)	(39)
Total changes during the period	(32)	44	11	(50)	4,453
Balance as of September 30, 2006	271	44	315	-	90,830

Note: Items with an asterisk are those stated in the appropriation of retained earnings for the annual shareholder meeting held in June 2006.

## Consolidated statement of cash flows

Millions of yen	Six-months ended September 30, 2005	Six-months ended September 30, 2006	Year ended March 31,2006
<b>Net cash provided by operating activities</b>			
Net income before taxes and other adjustments	8,878	9,209	13,730
Depreciation	3,225	3,398	6,659
Impairment losses	637	397	1,566
Loss arising from casualty	4	-	7
Amortization of consolidation differences	(393)	-	(787)
Amortization of negative goodwill	-	(393)	-
Increase (decrease) in reserve for bonuses	188	200	218
Increase (decrease) in reserve for directors' bonuses	-	27	-
Increase (decrease) in retirement benefits	159	146	304
Increase (decrease) in directors' retirement allowances	26	19	51
Increase (decrease) in allowance for "point" rebate expenses	34	38	43
Increase (decrease) in allowance for losses on store closures	78	98	51
Increase (decrease) in allowance for doubtful accounts	(231)	0	(1)
Interest and dividend income	(34)	(28)	(52)
Interest expenses	183	199	346
Amortization of new share issuance expenses	1	-	3
Valuation loss of investment securities	-	4	9
Gain on sales of investment securities	(18)	(9)	(105)
Gain on sales of tangible fixed assets	(0)	-	-
Loss on disposal of tangible fixed assets	50	30	101
Decrease (increase) in trade receivables	287	69	(447)
Decrease (increase) in inventories	106	1,021	(6,559)
Increase (decrease) in trade payables	1,284	395	2,982
Increase (decrease) in consumption tax payable	(40)	778	(508)
Director's bonuses	(52)	(55)	(52)
Others	466	(293)	494
	14,841	15,257	18,056
Interest and dividend income	34	28	52
Interest expenses	(178)	(182)	(363)
Income tax and others	(2,566)	(3,467)	(5,309)
	12,130	11,635	12,436

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Millions of yen	Six-months ended September 30, 2005	Six-months ended September 30, 2006	Year ended March 31,2006
<b>Net cash used in investment activities</b>			
Net decrease (increase) in time deposits	(95)	26	(83)
Payments for acquisition of tangible fixed assets	(5,425)	(5,494)	(11,098)
Proceeds from sales of tangible fixed assets	7	5	20
Payments for acquisition of intangible fixed assets	(175)	(216)	(528)
Proceeds from sales of investment securities	27	24	190
Net decrease (increase) in leasing and guarantee deposits	428	84	207
Others	(41)	(55)	(153)
	(5,274)	(5,627)	(11,445)
<b>Net cash used in financing activities</b>			
Net increase (decrease) in short-term borrowings	(2,080)	(3,180)	470
Increase in long-term debt	350	-	5,506
Repayments of long-term debt	(3,592)	(2,537)	(6,175)
Payments for redemption of corporate bond	(100)	-	(400)
Payments for acquisition of treasury stock	-	(3)	-
Proceeds from disposal of treasury stock	-	0	-
Dividends	(767)	(951)	(1,508)
	(6,190)	(6,672)	(2,108)
Increase (decrease) in cash and cash equivalents	664	(664)	(1,116)
Cash and cash equivalents, beginning of period	10,803	9,686	10,803
Cash and cash equivalents, end of period	11,468	9,022	9,686