Semi-Annual Consolidated Financial Statements for Fiscal 2007, Ending March 31, 2007

November 11, 2006

Company Name: Combi Corporation
Stock listing: First Section, Tokyo Stock Exchange
Company Code: 7935
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(URL: http://www.combi.co.jp/)
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Board of Directors' Meeting to Approve Results: November 10, 2006
Applied U.S. GAAPs: None

1. Consolidated First-Half Results for Fiscal 2007 (April 1, 2006 to September 30, 2006)

(1) Consolidated operating result (Amounts less than one million yen have been omitted)

	Net sales		Operating income		Recurring income	
	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)
1st half of FY2007	13,939	(1.8)	814	—	787	—
1st half of FY2006	14,188	0.0	(208)	—	(255)	—
FY2006	28,281	(6.2)	(309)	—	(379)	—

	Net income		Net income per share	Net income per share after full dilution
	(¥ million)	(%)	(¥)	(¥)
1st half of FY2007	933	—	52.42	—
1st half of FY2006	(516)	—	(28.79)	—
FY2006	(868)	—	(48.36)	—

Notes: 1. Equity in earnings from investments in affiliates
1st half of FY2007: ¥— million; 1st half of FY2006: ¥— million; FY2006: ¥— million
2. Average number of shares outstanding
1st half of FY2007: 17,812,918 shares; 1st half of FY2006: 17,955,624 shares; FY2006: 17,955,380 shares
3. Changes in accounting methods: None.
4. Percentage figures for net sales, operating income, recurring income and net income represent year-on-year changes.

(2) Consolidated financial position

	Total assets	Total shareholders' equity	Equity ratio	Shareholders' equity per share of common stocks
	(¥ million)	(¥ million)	(%)	(¥)
1st half of FY2007	27,139	16,955	62.3	953.59
1st half of FY2006	27,797	16,285	58.6	907.02
FY2006	27,385	16,087	58.7	896.00

Note: Number of shares outstanding at period-end
1st half of FY2007: 17,780,544 shares; 1st half of FY2006: 17,955,454 shares; FY2006: 17,955,044 shares

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	(¥ million)	(¥ million)	(¥ million)	(¥ million)
1st half of FY2007	1,490	(1,098)	(271)	5,250
1st half of FY2006	284	(135)	(227)	4,733
FY2006	741	112	(345)	5,438

(4) Scope of consolidation and application of equity method
Number of consolidated subsidiaries: 8;
Number of subsidiaries accounted for under the equity method: —;
Number of affiliates accounted for under the equity method: —

(5) Scope of consolidation and moving condition of application of equity method
Newly consolidated: 1; (Excluded): 1;
Newly applied to equity method: —; (Excluded): —

2. Consolidated Results Forecast for Fiscal 2007 (April 1, 2006 to March 31, 2007)

	Net sales	Recurring income	Net income
	(¥ million)	(¥ million)	(¥ million)
Full year	27,500	980	1,000

Reference: Forecast net income per share (full year): ¥56.24

*The above forecasts are based on information available at the time of announcement and subject to a number of uncertainties that could affect future results. Therefore, actual results may differ significantly depending on forecasts due to various factors. For precautions concerning the assumptions upon which the forecasts are based and the use of the forecasts, please refer to page 10.

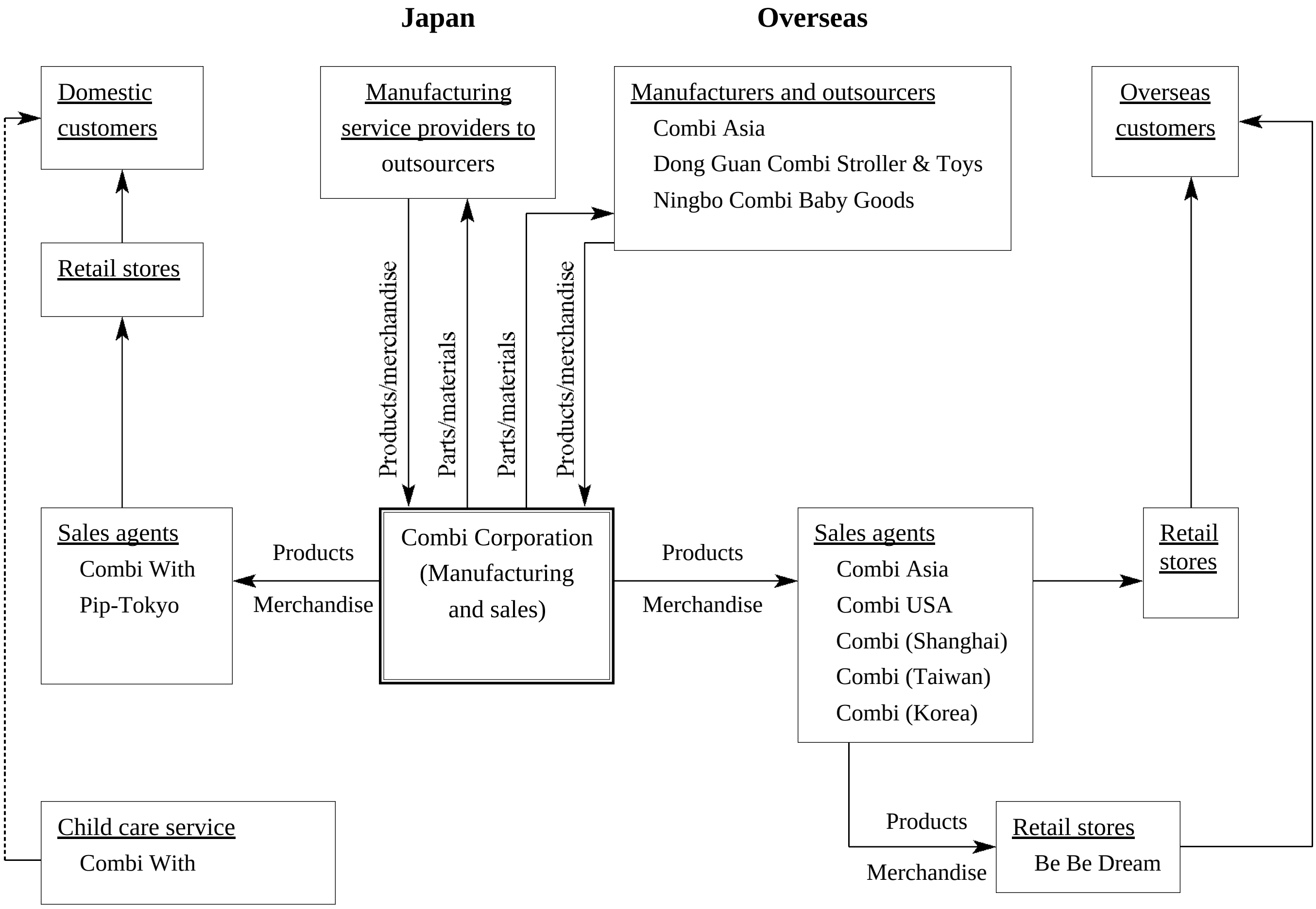
The Combi Group

The Combi Group is made up of the Company, its eight subsidiaries and one affiliated companies, and is engaged in the manufacturing and sales of products in the Baby Care Products and Toys, and Health Care Products industry segments.
The following table shows the specifics of each segment, and the positioning of the Company and its subsidiaries and their involvement in each segment. The segments shown are the same as the industry segments.

Segment	Main products	Companies involved
Baby Care Products and Toys	Strollers, high chairs, child car seats, baby carriers, baby tableware, baby mugs, baby baths, pacifiers, BCS (diaper changing beds, baby rests, etc.), infant toys, education toys, child wear, nursery school operations, others	Manufacturing: Combi Corporation Combi Asia Limited *1 (Hong Kong, China) Dong Guan Combi Stroller & Toys Co., Ltd. *1 (Dongguan, Guang Dong, China) Ningbo Combi Baby Goods Co., Ltd. *1 (Yuyao, Zhe Jiang, China) Sales: Combi USA, Inc. *1 (South Carolina, U.S.A.) Combi Asia Limited *1 (Hong Kong, China) Combi (Shanghai) Co., Ltd. *1 (Shanghai, China) CombiWith Corporation *1 (Tokyo) Combi (Taiwan) Co., Ltd. *1 (Taipei, Taiwan) Combi Korea Co., Ltd. (Seoul, Republic of Korea) Be Be Dream Limited *2 (Hong Kong, China) Pip -Tokyo Co., Ltd. *3
Health Care Products	Fitness machines (Aerobike, etc.), nursing care products (portable toilets, shower chairs, etc.), functional food products, others	Manufacturing: Combi Corporation Combi Asia Limited *1 (Hong Kong, China) Dong Guan Combi Stroller & Toys Co., Ltd. *1 (Dongguan, Guang Dong, China) Ningbo Combi Baby Goods Co., Ltd. *1 (Yuyao, Zhe Jiang, China)

Note: *1 consolidated subsidiary
*2 affiliated company
*3 segment hub company

The following diagram depicts the Combi Group.



Subsidiaries

Consolidated Subsidiaries

Company	Location	Capital	Main business segments	Voting rights or shareholdings (%)	Relationships	Notes
Combi Asia Limited	Hong Kong, China	HK$15 mil.	Baby care products and toys, health care products	100	Manufactures the Company's strollers and carts for seniors as well as selling the Company's baby care products to Southeast Asia. Has concurrently serving directors.	Note 2
Combi USA, Inc.	South Carolina, U.S.A.	US$8.5 mil.	Baby care products and toys	100	Sells the Company's baby care products in the U.S.A. Has concurrently serving directors. The company provides finance to this company and guarantees its bank loans.	Note 2
Combi (Shanghai) Co., Ltd.	Shanghai, China	US$6.3 mil.	Baby care products and toys	100	Sells the Company's baby care products in China. Has concurrently serving directors. Guarantees the Company's bank borrowings.	Note 2
Dong Guan Combi Stroller & Toys Co., Ltd.	Guang Dong, China	HK$71.387 mil.	Baby care products and toys, health care products	100 [100]	Manufactures the Company's baby care and health care products. Wholly owned subsidiary of Combi Asia. Has concurrently serving directors.	Note 2 Note 3
Ningbo Combi Baby Goods Co., Ltd.	Zhe Jiang, China	US$2 mil.	Baby care products and toys, health care products	100 [100]	Manufactures the Company's baby care and health care products. Wholly owned subsidiary of Combi Asia. Has concurrently serving directors.	Note 3
Combi (Taiwan) Co., Ltd.	Taipei, Taiwan	NT$20 mil.	Baby care products and toys	75 [75]	Sells the Company's baby care products in Taiwan. 75% owned by Combi Asia. Has concurrently serving directors.	Note 3
CombiWith Corporation	Taito-ku, Tokyo	¥30 mil.	Baby care products and toys	100	Sells the Company's baby care products to facilities. Has concurrently serving directors. The Company guarantees CombiWith's bank loans.	
Combi Korea Co., Ltd.	Seoul, Republic of Korea	W600 mil.	Baby care products and toys	100	Sells the Company's baby care products in Korea. Wholly owned subsidiary of Combi Asia. Has concurrently serving directors.	Note 3

Notes:
1. "Main Business Segments" shows the names of industry segments.
2. This company is a specified subsidiary.
3. Figures in parentheses show the percentage of indirect ownership through Combi Asia Limited.
4. None of the consolidated subsidiaries files a registration statement or financial report.
5. Because the net sales of each consolidated subsidiary (excluding sales among consolidated subsidiaries) above are less than 10% of consolidated net sales, major profit and loss accounts and other information have not been presented.
6. Combi Korea Co., Ltd. is included in the scope of consolidation from the interim period under review due to the increased importance of its business operations.
7. Combi Wellness Corporation is excluded from the scope of consolidation as all the company's stock was transferred to Konami Corporation during the interim period under review.

Management Policies

1. Fundamental Management Policy

Combi makes your daily life more enjoyable and comfortable as we aim at bringing you a creative and heart-warming lifestyle.

In line with this corporate philosophy, the Combi Group strives to support mothers and their babies. Since its inception, the Company has been earning customers' trust for its technology and product quality as a supplier of juvenile products.

While adhering to its corporate philosophy, Combi is committed to the fundamental management policy of maximizing corporate value. Resources will be allocated primarily to core and growth businesses as the Company works to become more global in its operations. At the same time, the Company will continue to pursue self-innovation and thus transform itself into a corporate citizen worthy of the strong support of shareholders, customers, business partners, employees and all other stakeholders, while contributing to society in many ways.

2. Fundamental Policy Regarding Earnings Allocation

Returning earnings to shareholders is one of the highest management priorities of the Combi Group. The fundamental dividend policy is to distribute earnings in a manner that is stable and reflects operating results while ensuring the Group becomes more powerful. In concrete terms, this policy entails dividend payments that are continuous and stable while implementing other earnings distribution measures in accordance with operating results. Retained earnings will be used effectively to support future business development, such as by funding R&D programs to strengthen competitiveness, building a stronger base of operations and expanding global business activities.

3. Views and Policy Regarding Reduction of Minimum Investment Unit

The Company believes that the raising liquidity of Company stock with attracting a broader spectrum of investors is an important management issue. Need for a reduction of minimum investment unit will be considered observing the market trends and the stock price of the company.

4. Targeted Performance Indicators

To realize an operational structure with higher capital efficiency which makes possible to survive global competition, the Group strives to add more value to the Company's products, to reduce costs and to use shareholders' equity more productively. The Company will achieve a consolidated ROE of 6% in the fiscal year ending March 2009. In consideration of importance of cash flow management, the Group targets an operating income margin of 6% in the fiscal year ending March 2009.

5. Medium- and Long-Term Management Strategies

The Group is placing priority on growth strategies in order to become an organization capable of steady expansion. The Group is vigorously implementing these strategies, which center on making operations more global and achieving progress in three areas between now and 2010:

- Establishing world leadership as the top innovative brand.
- Becoming the worldwide leader in quality.
- Creating the world's most efficient organization and employees.

Specific management strategies are listed below. By making every effort to implement these strategies, the Group aims to further increase its corporate value and develop its business operations.

1) Aggressively implement overseas strategy (globalization of sales, manufacturing and purchasing activities)
2) Strengthen and expand the range of products and services for baby care product and toy business
3) Accelerate selection and concentration of business fields and promote alliances with other companies
4) Place priority on R&D programs (develop products and services with quality and added value that earns the support of consumers)
5) Reinforce internal systems (a personal system that sets out clear roles and responsibilities, a slim and powerful organization, promotion of operational reforms)

6. Key Issues

(1) Responding to the declining birthrate in Japan

As the number of children in Japan continues to decline, the Group will break into new business fields by working aggressively to develop new baby care products. In Japan, the Group plans to achieve an overwhelming competitive edge in the three core product categories where it has large market shares: strollers, child car seats, and high chairs. And the Group will attain further growth in child wear business as well. Outside Japan as well, the Group plans to rapidly develop its businesses, achieving further growth mainly through steady expansion in Asia and the United States. Meanwhile, the Japanese government is introducing measures such as Next Generation Raising Support Law. In response to a surging social need for the development and improvement of the child care environment, the Group will become more active than before in such key fields as the nursery school business and products and services that make it easier for parents to go outside the home.

(2) Operational reorganization of two poorly performing subsidiaries

Combi USA, Inc., which is responsible for operations in the North American market, returned to profitability due to a rapid improvement in performance accompanying strengthened merchandising and expanded sales channels targeting middle and upper-middle class consumer segments.

Subsidiary Combi (Shanghai) Co., Ltd., which is responsible for operations in the Chinese market, also achieved a recovery in performance and improved profitability through a rationalization of product lines, a reorganization of sales channels, and lower operating expenses.

7. Information Concerning Parent Company

Combi has no parent company.

8. Fundamental Policy regarding Related-Party Relationships

Yasuo Matsuura, the Company’s chairman and representative director, also serves as chairman of Pip-Tokyo Co., Ltd. (based in Chiyoda-ku, Tokyo), which is a major shareholder of the Company. Prices and other terms for sales of the Company’s products to Pip-Tokyo are not different in any way from those sold to companies that have no equity investment in the Company, and there will be no change in this policy.

Operating Results and Financial Position

1. Operating Results

(1) Interim period under review

1) Summary

In the interim period ended September 30, 2006, the Japanese economy gradually recovered, driven by higher private-sector capital investment accompanying improved corporate profits earnings and by robust consumer spending. Overseas, the direction of the U.S. economy remained uncertain because of the prolonged hike in crude oil prices and a slump in housing starts. On the other hand, the Asian economies continued to post strong growth, centered on the Chinese economy.

Against this backdrop, the Combi Group worked hard to develop and market innovative, high-value-added child care products and services. The Group also took steps to reduce operational costs.

In Japan, we drastically reexamined our sales policy, mainly in our core Juvenile Products Sales & Marketing Division, and implemented a shift in our sales strategies for strollers, child car seats, and high chairs from focusing on the number of products sold to maintaining profit margins. At the same time, we implemented comprehensive expenditure cuts.

Overseas, our operations returned to profitability, reflecting continuous strong sales in the Asian region and expanded sales channels targeting middle and upper-middle class consumer segments in the North American regionmarket.

The Company recorded an extraordinary gain of 456 million yen from transfer of income following the transfer of all outstanding stock of consolidated subsidiary Combi Wellness Corporation to Konami Corporation.

Consolidated net sales in the interim period under review ended endeddged down 1.8%, to 13,939 million yen. Recurring income was 787 million yen and net income was 933 million yen.

2) Results by business segment

<Baby Care Products and Toys>

In Japan, despite our change in sales policy to focus on achieving improved profit margins and the favorable results of our sales campaign promoting products for newborn babies, sales of such major products as strollers, child car seats, and high chairs decreased from the same period of the previous year, but profits increased from a year earlier. Outside Japan, in the Chinese and U.S. markets, sales and profits increased dramatically substantially from the same period of the previous year. In our child wear business, promoted mainly through catalog shopping. We acquired a patent for Wrap Compact following our earlier patenting of Wrap Crotch. Sales in the child wear business have steadily grown as growing numbers of consumers come to appreciate the functionality and good design of our products. In Japan’s toy sector, sales and profits fell below levels a year earlier. However, Combi’s successful launch of new products and strong demand in Asian markets contributed to increased sales and profits in the toy business compared with the same period of the previous year.

As a result, sales in this segment rose 0.4% from the same period of the previous year, to 12,905 million yen, and operating income totaled was 1,427 million yen, up 83.8% from a year earlier.

<Healthcare Products>

Sales of functional foods continue to grow steadily due to strong demand for lactic acid bacteria and such food product materials as “Collocalia.” However, sales in the fitness and healthcare business fell below the level a year earlier as Konami Corporation acquired the all outstanding shares of Combi’s consolidated subsidiary Combi Wellness Corporation and, as a consequence, sales to outside of consolidated Group companies decreased.

As a result, sales in this segment totaled 1,034 million yen, down 22.5% year on year, and operating income was 39 million yen.

3) Results by region

<Japan>

In Japan, in baby care products and toys, the company decreased in sales but increased in operating income, due to the change in sales policy from focusing on the number of products sold to maintaining profit margins. The child wear business continued to register strong growth, posting increased sales and profits. Sales in Japan totaled 11,890 million yen, a 6.7% decrease from the same period of the previous year, and operating income was up 163.4%, to 936 million yen.

<Asia>

In Asia, our Hong Kong subsidiary maintained stable growth through continuous efficient management. Meanwhile, our subsidiary in China, which supplies strollers to the U.S. market, posted increased sales and profits. Sales in Asia totaled 3,296 million yen, a 6.5% rise from the same period of the previous year, and operating income totaled was 384 million yen, up 23.3% from a year earlier.

<North America>

In North America, sales and profits grew sharply from a year earlier thanks to strengthened merchandising and expanded sales channels to reach middle and upper-middle class consumer segments. Sales in North America totaled 1,158 million yen, up 59.5% from the same period of the previous year, and operating income was 112 million yen.

(2) Outlook for the fiscal year ending March 31, 2007

The business environment is expected to remain severe, but the Combi Group will continue to reexamine its sales policy and strive to further cut operational costs. In the second half of the fiscal year, the Group will work hard to expand its business operations and maintain stable profitability by launching new products and developing sales situation with a new, innovative marketing concept that focuses on enhanced customer benefits.

In its core baby care products and toys segment, Combi will enhance its product lines in step with new consumer trends in order to maintain the dominant market positions of its products.

At the beginning of the second half of the fiscal year, we introduced “Mechakaru First” an A-type face-to-face stroller that is the lightest in its class. We also introduced a range of toy products featuring animation characterss “Tonari no Totoro” developed in collaboration with Studio Ghibli.

In the child wear business, sales of the Ribbon Casket product line, which is designed by entertainment celebrity Chiaki, maintain healthy growth. In the period ahead, the Group will work to improve operations and product development targeting Combi Mini, which is becoming one of the Group’s top brands.

Overseas, the Group will introduce new products into the North American market, where it maintains a stable performance through expanded sales channels targeting middle and upper-middle class consumers segments. In the Asian market, the Group is continuously pursuing profitable businesses while accelerating sales expansion in major cities in China, which continues to record rapid economic growth.

In fitness and healthcare products, the Group will maintain stable product supplies through close cooperation with Konami Corporation. In functional foods, the Group will make further efforts to expand sales channels for lactic acid bacteria its and such food product materials as, such as lactic acid bacteria and “Collocalia.”

With the implementation of these measures, in the fiscal year ending March 2007 we forecast net sales of 27,500 million yen, recurring profit of 980 million yen, and net income of 1 billion yen.

[Consolidated net sales] (¥ million, %)

Industry segment	FY2006 ended March 2006 (actual)	FY2007 ending March 2007 (forecast)	Change from previous FY	
Baby care products and toys	25,275	26,100	824	3.3%
Health care products	3,006	1,400	(1,606)	(53.4%)
Total	28,281	27,500	(781)	(2.8%)

(Cautionary statement)

Market forecasts and projections of operating results contained in this earnings report are based on information available to the Company and the Group at the time of announcement and are subject to a number of risks and uncertainties. Readers and potential investors are therefore warned that actual results may differ from forecasts due to changes in a number of factors.

2. Financial Position

Cash and cash equivalents (hereinafter referred to as “funds”) on a consolidated basis as of September 30, 2006, increased by 786 million yen from a year earlier to 5,520 million yen and increased by 82 million yen from the previous fiscal year-end. The situation of each cash flow and the factors behind cash flow increases and decreases are described below.

(Cash Flows from Operating Activities)

Operating activities decreased by 1,250 million yen to 1,490 million yen in cash flows from a year previous. This is mainly because 1,071 million yen net loss before tax adjustment was reported for the fiscal half-year under review, while net income before tax adjustments totaled 373 million yen in the same period of the previous year.

(Cash Flows from Investment Activities)

Funds invested increased by 962 million yen to 1,098 million yen from a year previous. This is mainly because increase 444 million yen from a year earlier by stock transfer of consolidated subsidiary Combi Wellness Corporation, while fund of 1,236 million yen, a difference between payments and paying out of time deposit, and 237 million yen, cost of fixed assets, were used.

(Cash Flows from Financing Activities)

Funds used for financing activities totaled 271 million yen. This is mainly because of payback of 126 million yen and cash dividend of 90 million in payment.

Cash flows indicators at the Combi Group have trended as follows.

	1st half of FY2005	1st half of FY2006	1st half of FY2007	FY2006
Equity ratio (%)	58.3	58.6	62.3	58.7
Capital adequacy ratio on a market value basis (%)	51.9	54.8	44.6	48.6
Years to redeem debt	2.2	8.4	1.6	6.4
Interest coverage ratio	29.7	6.9	24.7	9.5

• Equity ratio: Total shareholders' equity/Total assets
• Capital adequacy ratio on a market value basis: Market capitalization/Total assets
• Number of years to redeem debt: Interest-bearing liabilities/Cash flows from operating activities (Interim operating cash flows x 2)
• Interest coverage ratio: Cash flows from operating activities/Interest payments

Notes: 1. All indicators are computed on a consolidated basis.
2. Market capitalization is determined by multiplying the closing price at the end of the first half by the number of shares outstanding on the same day (after deducting treasury stock).
3. This table was compiled using data on cash flows from operating activities. Interest-bearing liabilities represent all liabilities on the consolidated balance sheets on which interest is paid. Interest payments represent the amount of interest paid as shown on the consolidated statements of cash flows.

3. Business and Other Risks

Major items perceived as potential risks to the Group's business and operations are highlighted below. Some items are not considered as risk factors but are described here so that investors may have information that may be importantly useful to them in making investment decisions.
Combi takes proactive steps, to the extent possible, to prevent these potential problems from arising and to respond properly in the event a problem should occur. It should be noted that forward-looking statements included in this report represent judgments of the Group as of September 30, 2006.

(1) The declining birthrate

The Group has been developing baby care product and toy business as Combi's core business. Sales in this segment represent 92.6% of total net sales in current interim period. Therefore the Group's future results could be affected by decrease in the number of children due to a lower birthrate in Japan.
In Japan, the Group will strive to develop demand-creating products, enhancing differentiating product lineups with functionality and design consciousness and expand its nursery business by taking advantage of its child wear business and the Japanese government's measures to halt the falling birthrate. Efforts will be also made in Group's business activities overseas. However, if the Group could not forecast market and industry changes properly and implement measures above as planed, the Group's future results and financial condition could be adversely affected.

(2) Price competition

Competition in baby care product and toy business in Japan is heating up due to lower-priced imported products and intensifying competition among major business partners.

In response, the Company is determined to improve profitability by implementing producing at optimal global sites and procuring manufacturing parts from Group's overseas productions. Efforts towards cost-cutting and launching high-value-added differentiating products that could not be affected by market prices will also continue.

However, if the Group could not forecast changes in market conditions and customer needs, there is no assurance that the group can stay effectively competitive in the future. Price pressure and customer defection caused by ineffective competitiveness could affect the Group's future results and financial condition.

(3) Product and Service Reliability

Not only by complying with statutory safety standards, but also by setting even more rigorous company-wide quality control standards, the Group controls its products to ensure higher safety. Combi cannot be fully certain, however, that all of its products are defect-free and immune from recalls at some later date. The Group maintains product liability insurance but it is not assured that the amount of insurance held could exceed the amount of damages awarded. A product recall caused by product defects could result in high costs and critical influence on the Combi Group and as a consequence, the sales could decrease and the Group's future results and financial condition could be adversely affected.

The Group is also working hard to keep safety and sanitary condition in its nursery facilities. However, an incident in those could result in temporary facility close and have a negative impact on Combi's reputation, with the consequence of lower price, so that the Group's future results and financial condition could be adversely affected.

(4) Fluctuations in currency exchange rates

The Group is purchasing raw materials and articles and selling its own products abroad. Therefore, the global economic climate such as fluctuations in currency exchange rates could strongly affect the Group's sales. The Group is trading currency hedge to mitigate an adverse effect caused by fluctuations in currency exchange rates. Sudden fluctuations in foreign currency exchange rates, however, could turn out to be exchange risks and affect the Group's future results and financial condition.

(5) Global business activities

The Group is expanding its business globally by operating multiple manufacturing and marketing bases abroad. Through such business activities abroad, the Group may be exposed to various country risks. Due to manifestation of these risks, the Group could face the possible inability to recover its investments, difficulty in production and sales activities.

Giving careful consideration to these country risks, the Group is making investment decisions. However, sudden changes of conditions could affect the Group's future results and financial condition.

Consolidated Financial Statements

(1) Consolidated balance sheets

(Amounts less than one thousand yen have been omitted.)

Description / Period	First half of FY2006 (as of September 2005)		First half of FY2007 (as of September 2006)		FY2006 condensed balance sheet (as of March 2006)	
	Amount (¥ thousand)	% share	Amount (¥ thousand)	% share	Amount (¥ thousand)	% share
(ASSETS)						
I. Current Assets	19,696,305	70.9	19,103,080	70.4	19,105,643	69.8
Cash and deposits	4,950,162		6,727,230		5,424,470	
Accounts and notes receivable	7,417,065		6,925,278		7,280,653	
Marketable securities	964,027		934,279		933,775	
Inventories	5,235,531		3,763,265		4,619,783	
Deferred tax assets	607,969		162,414		136,867	
Other current assets	607,480		730,711		823,126	
Allowance for doubtful accounts	(85,932)		(140,100)		(113,032)	
II. Fixed Assets	8,101,120	29.1	8,035,937	29.6	8,279,447	30.2
1. Tangible Fixed Assets	5,834,313	21.0	5,735,993	21.1	5,768,651	21.1
Buildings and structures	2,269,548		2,217,772		2,250,872	
Land	2,740,813		2,740,813		2,740,813	
Other fixed assets	823,951		777,406		776,966	
2. Intangible Fixed Assets	651,027	2.3	509,950	1.9	580,751	2.1
3. Investments and Other Assets	1,615,779	5.8	1,789,993	6.6	1,930,044	7.0
Investments in securities	1,077,240		1,039,479		966,559	
Deferred tax assets	1,616		228,534		426,428	
Other investments	549,615		532,557		549,749	
Allowance for doubtful accounts	(12,692)		(10,576)		(12,692)	
Total Assets	27,797,426	100.0	27,139,018	100.0	27,385,090	100.0

(Amounts less than one thousand yen have been omitted.)

Period / Description	First half of FY2006 (as of September 2005)		First half of FY2007 (as of September 2006)		FY2006 condensed balance sheet (as of March 2006)	
	Amount (¥ thousand)	% share	Amount (¥ thousand)	% share	Amount (¥ thousand)	% share
(LIABILITIES)						
I. Current Liabilities	7,465,464	26.9	6,408,207	23.6	7,317,098	26.7
Accounts and notes payable	3,799,637		3,145,193		3,587,467	
Short-term bank loans	1,256,492		1,290,438		1,296,447	
Accounts expenses	1,449,384		1,096,781		1,508,473	
Income taxes payable	100,500		100,436		49,859	
Accrued bonuses to employees	388,519		290,384		210,058	
Other current liabilities	470,929		484,972		664,790	
II. Long-term Liabilities	3,995,015	14.3	3,775,473	13.9	3,928,704	14.4
Bonds	3,000,000		3,000,000		3,000,000	
Accrued retirement benefits for officers	244,540		256,530		254,360	
Deferred tax liabilities	116,192		81,239		88,861	
Other long-term liabilities	634,283		437,703		585,483	
Total Liabilities	11,460,479	41.2	10,183,680	37.5	11,245,803	41.1
(MINORITY INTEREST)						
Minority interest	50,981	0.2	—	—	51,547	0.2
(SHAREHOLDERS' EQUITY)						
I. Capital	2,991,922	10.8	—	—	2,991,922	10.9
II. Capital Surplus	2,783,731	10.0	—	—	2,783,731	10.1
III. Retained Earnings	10,545,105	37.9	—	—	10,104,044	36.9
IV. Variances in Securities Valuation	56,858	0.2	—	—	81,965	0.3
V. Currency Exchange Adjustment	(89,010)	(0.3)	—	—	129,032	0.5
VI. Treasury Stock	(2,643)	(0.0)	—	—	(2,956)	(0.0)
Total Shareholders' Equity	16,285,965	58.6	—	—	16,087,739	58.7
Total Liabilities and Shareholders' Equity	27,797,426	100.0	—	—	27,385,090	100.0
(NET ASSETS)						
I. Shareholders' Equity	—	—	16,594,012	61.1	—	—
1. Capital	—	—	2,991,922	11.0	—	—
2. Capital Surplus	—	—	2,783,731	10.3	—	—
3. Retained Earnings	—	—	10,947,959	40.3	—	—
4. Treasury Stock	—	—	(129,600)	(0.5)	—	—
II. Profit or Loss from Valuation	—	—	307,955	1.2	—	—
1. Variances in Securities Valuation	—	—	69,897	0.3	—	—
2. Profit or Loss of Deferred Hedge Accounting	—	—	190,540	0.7	—	—
3. Currency Exchange Adjustment	—	—	47,516	0.2	—	—
III. Minority Interest	—	—	53,369	0.2	—	—
Total Net Assets	—	—	16,955,337	62.5	—	—
Total Liability and Net Assets	—	—	27,139,018	100.0	—	—

(2) Consolidated statements of income

(Amounts less than one thousand yen have been omitted.)

Description \ Period	First half of FY2006 (ended September 2005)		First half of FY2007 (ended September 2006)		FY2006 condensed balance sheet (ended March 2006)	
	Amount (¥ thousand)	% share	Amount (¥ thousand)	% share	Amount (¥ thousand)	% share
I. Net Sales	14,188,000	100.0	13,939,564	100.0	28,281,867	100.0
II. Cost of Sales	7,977,746	56.2	7,980,843	57.3	16,329,830	57.7
Gross profit	6,210,254	43.8	5,958,720	42.7	11,952,036	42.3
III. Selling, General and Administrative Expenses	6,418,280	45.3	5,144,022	36.9	12,261,432	43.4
Operating Income	(208,026)	(1.5)	814,698	5.8	(309,395)	(1.1)
IV. Non-operating Income	115,386	0.8	106,227	0.8	250,335	0.9
Interest income	16,488		41,780		46,775	
Dividend income	1,448		1,636		10,961	
Exchange gain	24,891		—		64,444	
Commissions received	39,144		28,310		83,935	
Other income	33,413		34,500		44,218	
V. Non-operating Expenses	162,933	1.1	133,886	1.0	320,699	1.1
Interest expenses	38,678		47,627		78,226	
Sales discounts	70,251		59,176		137,740	
Exchange losses	—		6,655		—	
Lease payments	30,913		7,760		79,071	
Other expenses	23,089		12,666		25,659	
Recurring Income	(255,573)	(1.8)	787,040	5.6	(379,759)	(1.3)
IV. Extraordinary Income	33,307	0.2	458,067	3.3	43,283	0.1
VII. Extraordinary Losses	151,069	1.1	173,611	1.2	305,248	1.1
Income before Income Taxes	(373,335)	(2.7)	1,071,496	7.7	(641,724)	(2.3)
Income tax, residential tax and enterprise tax	62,581	0.4	89,838	0.7	145,110	0.5
Income taxe adjustments	62,598	0.4	43,982	0.3	64,540	0.2
Minority interest gains	18,435	0.1	3,984	0.0	16,859	0.1
Net Income	(516,951)	(3.6)	933,689	6.7	(868,235)	(3.1)

(3) Consolidated statements of capital surplus and retained earnings, and variation of shareholders' equity

Consolidated statements of capital surplus and retained earnings

(Amounts less than one thousand yen have been omitted.)

Period / Description	First half of FY2006 (ended September 2005)	FY2006 condensed statements (ended March 2006)
	Amount (¥ thousand)	Amount (¥ thousand)
(CAPITAL SURPLUS)		
I. Capital Surplus Brought Forward	2,783,731	2,783,731
II. Capital Surplus Carried Forward	2,783,731	2,783,731
(RETAINED EARNINGS)		
I. Retained Earnings Brought Forward	11,241,614	11,241,614
II. Decreases in Retained Earnings	696,508	1,137,570
1. Cash dividends	179,557	269,334
2. Loss	516,951	868,235
III. Retained Earnings Carried Forward	10,545,105	10,104,044

Consolidated statements of variation of shareholders' equity

Consolidated First-Half Financial Accounting Period (April 1, 2006 to September 30, 2006)

(Amounts less than one thousand yen have been omitted.)

	Shareholders' Equity					Profit or Loss from Valuation				Minority interests	Total net assets
	Capital	Capital surplus	Retained earnings	Treasury stocks	Total shareholders' equity	Variances on securities valuation	Profit or loss of deferred hedge accounting	Foreign currency translation adjustment	Total profit or loss from valuation		
	(¥ thousand)	(¥ thousand)	(¥ thousand)	(¥ thousand)	(¥ thousand)	(¥ thousand)	(¥ thousand)	(¥ thousand)	(¥ thousand)	(¥ thousand)	(¥ thousand)
Shareholders' equity brought forward as of March 31, 2006	2,991,922	2,783,731	10,104,044	(2,956)	15,876,741	81,965	—	129,032	210,997	51,547	16,139,285
Amount of variation in this accounting period											
Dividends of surplus			(89,775)		(89,775)						(89,775)
Net income			933,689		933,689						933,689
				(126,644)	(126,644)						(126,644)
						(12,067)	190,540	(81,515)	96,957	1,821	98,779
Total of variation during interim consolidated settlement of accounting	—	—	843,914	(126,644)	717,270	(12,067)	190,540	(81,515)	96,957	1,821	816,050
Shareholders' equity carried forward as of September 30, 2006	2,991,922	2,783,731	10,947,959	(129,600)	16,594,012	69,897	190,540	47,516	307,955	53,369	16,955,337

(4) Consolidated statements of cash flows

(Amounts less than one thousand yen have been omitted.)

Period / Description	First half of FY2006 (ended September 2005) Amount (¥ thousand)	First half of FY2007 (ended September 2006) Amount (¥ thousand)	FY2006 condensed statement (ended March 2006) Amount (¥ thousand)
I. Cash Flows from Operating Activities			
Income before income taxes	(373,335)	1,071,496	(641,724)
Depreciation/amortization	334,036	328,270	712,549
Increase (decrease) in allowances	(143,776)	132,654	(291,342)
Interest and dividend income	(17,937)	(43,416)	(57,737)
Interest expenses	38,678	47,627	78,226
Exchange (gain) loss	(5,248)	(15,187)	(79,593)
Gain on sales of investments in affiliated company	—	(456,371)	—
Loss on disposal of fixed assets	26,435	7,366	36,415
Impairment lose	33,548	—	137,839
Gain on sale of fixed assets	(18,244)	(129)	(18,013)
Decrease (increase) in trade receivables	671,649	(375,835)	939,443
Decrease (increase) in inventories	(337,886)	680,159	373,381
Increase (decrease) in trade payables	(390,950)	310,101	(590,960)
Others	327,768	(145,694)	147,195
Sub-total	144,736	1,541,041	745,679
Payment of income taxes	(32,247)	(60,387)	(176,856)
Income and other taxes refunds	172,402	10,233	172,402
Net cash provided by operating activities	284,891	1,490,886	741,224
II. Cash Flows from Investing Activities			
Interest and dividend income received	18,106	43,449	58,080
Increase in time deposits	(460,000)	(1,724,852)	(1,311,673)
Decrease in time deposits	668,016	487,930	1,783,316
Proceeds from sale of securities	94,000	—	154,000
Payments for purchase of tangible fixed assets	(363,204)	(237,185)	(587,189)
Proceeds from sale of tangible fixed assets	63,819	536	63,889
Payments for purchase of intangible fixed assets	(68,214)	(46,691)	(81,761)
Payments for purchase investment securities	(69,538)	(100,000)	(69,538)
Proceeds from sale of investment securities	—	—	125,534
Proceeds from stock transfer of consolidated subsidiary	—	444,343	—
Others	(18,482)	34,367	(22,099)
Net cash used in investing activities	(135,497)	(1,098,103)	112,557
III. Cash Flows from Financing Activities			
Payment of interest expenses	(41,473)	(60,409)	(77,776)
Increase in short-term bank loans	400,000	450,000	900,000
Decrease in short-term bank loans	(406,015)	(444,111)	(896,048)
Dividends paid	(179,946)	(90,246)	(270,849)
Increase in treasury stock	—	(126,644)	(553)
Others	(240)	—	—
Net cash provided by financing activities	(227,675)	(271,411)	(345,227)
IV. Effect of Exchange Rate Changes on Cash and Cash Equivalents	81,369	(39,331)	198,672
V. Increase (Decrease) in Cash and Cash Equivalents	3,087	82,040	707,227
VI. Cash and Cash Equivalents at Beginning of Period	4,730,819	5,438,046	4,730,819
VII. Cash and Cash Equivalents at End of Period	4,733,906	5,520,087	5,438,046

Basis of Presentation of the Consolidated Financial Statements

1. Scope of Consolidation

The Company has eight subsidiaries, all of which are consolidated:

Combi Asia Limited, Combi USA, Inc., Combi (Shanghai) Co., Ltd., Dong Guan Combi Stroller & Toys Co., Ltd., Ningbo Combi Baby Goods Co., Ltd., Combi (Taiwan) Co., Ltd., Combi Korea Co., Ltd., and CombiWith Corporation.

Combi Korea Co., Ltd. is included in the scope of consolidation as importance of the company gained.

Combi Wellness Corporation is excluded from the scope of consolidation as all the company's stock was transferred during the interim period under review.

2. Application of Equity Method

(1) There were no non-consolidated subsidiaries or affiliates to which the equity method is applied.

(2) The equity method is not applied to the following two affiliates:

Be Be Dream Limited.

This is because companies to which the equity method is not applied do not have much impact on the Group's net income, consolidated retained earnings, etc. for the fiscal first half, and also because they have no significant influence on the Group's financial results as a whole.

3. Matters Concerning Ends of Fiscal First Half of Consolidated Subsidiaries

Of the consolidated subsidiaries, Combi Asia Limited, Combi USA, Inc., Combi (Shanghai) Co., Ltd., Dong Guan Combi Stroller & Toys Co., Ltd., Nigbo Combi Baby Goods Co., Ltd., Combi (Taiwan) Co., Ltd., and Combi Korea Co., Ltd. end their fiscal first half on June 30 each year. The accounts of these subsidiaries have been consolidated using the financial statements as of this interim date, with necessary adjustments of consolidation for important transactions occurring between the above date and the end of the Company's consolidated fiscal first half.

The ends of fiscal first half of CombiWith Corp. coincide with the end of the consolidated fiscal first half.

4. Summary of Significant Accounting Principles

(1) Valuation standards and accounting treatment for important assets

(a) Securities

Held-to-maturity debt securities: Stated at amortized cost (straight-line method)

Other securities:

Securities with market quotations: Stated at fair value determined by the market value at end of interim period. (Unrealized gains or losses are recorded in shareholders' equity. Cost is determined by the moving-average method.)

Securities without market quotations: Stated at cost determined mainly by the moving-average method.

(b) Inventories

Stated at cost determined mainly by the average cost method.

(c) Derivatives

The Company applies market value method, which eliminated deferred gain and loss of foreign currency reservation

(2) Depreciation and amortization of important depreciable assets

(a) Tangible fixed assets

The Company and its domestic consolidated subsidiaries compute depreciation with the declining-balance method. However, depreciation expenses for buildings (other than improvements) acquired on or after April 1, 1998, are computed using the straight-line method. Oversea consolidated subsidiaries also use the straight-line method.

The period of depreciation/amortization for the main tangible fixed assets are as follows:

Buildings: 8-50 years

Machinery and equipment: 5-11 years

(b) Intangible fixed assets

Amortization is computed using the straight-line method.

Amortization of software costs for internal use is computed using the straight-line method based on an internal useful life of 5 years.

(3) Accounting for allowances

(a) Allowance for doubtful accounts

The Company and its domestic consolidated subsidiaries provide for losses on ordinary receivables using the historical default rate, and provide for losses on specific receivables where there is a fear of default based on the estimated amount of uncollectible receivables on an individual basis.

(b) Accrued bonuses to employees

To provide for the payment of bonuses to employees, the Company and its domestic subsidiaries make provisions for the amount of future payments incurred in the interim period.

(c) Accrued retirement benefits for employees

To provide for employees’ retirement benefits, the Company records an amount that is recognized as arising at the end of the interim period based on the estimated retirement benefit obligations and value of pension assets at the end of the fiscal year concerned.

Unrecognized actuarial differences are proportionally divided using the straight-line method over a set period that is not longer than the average remaining service period for employees in service at the time the liabilities are incurred in each consolidated accounting year. In this case, actuarial differences are expensed over 10 years starting in the following fiscal year.

(d) Accrued retirement benefits for directors

To provide for the payment of retirement benefits to directors and executive officers, the Company records an amount to adequately cover payments at the end of the interim period in accordance with internal rules.

(4) Standards for the conversion of important foreign currency-denominated assets and liabilities into yen

Foreign currency-denominated monetary receivables and payables are converted into Japanese yen at the exchange rate prevailing at the end of the interim period, with gains and losses on translation recognized in the consolidated statements of income. The assets and liabilities of overseas subsidiaries and converted into Japanese yen at the spot exchange rate prevailing on their interim account-settlement date, while revenue and expense accounts are converted at the average exchange rate during the interim period. Gain and losses are included in the “foreign currency transaction adjustment” and “minority interests” accounts in Net Assets.

(5) Accounting treatment of important leasing transactions

The Company and its domestic consolidated subsidiaries account for finance leases, excluding those in which the ownership of the leased property is considered to be transferred to the lessee, in accordance with standards for ordinary operating leases.

(6) Hedge accounting

(a) Hedge accounting

The Company applies deferred hedge accounting. When a foreign currency swap, a foreign currency option contracts, and foreign currency reservation fulfills certain conditions, gains and losses are deferred

(b) Hedging instruments, hedged items and hedging policy

The Company hedges its exposure to the risk of fluctuations in foreign currency exchange rates in accordance with the market risk management regulations of the Company’s internal rules. With regard to the significant risk of fluctuations in foreign currency exchange rates on foreign currency-denominated purchase transactions (including planned transactions), the Company principally hedges up to 90% of foreign currency-denominated transactions due for settlement within one year, and up to 70% of such transactions for settlement in a period exceeding one year.

The following are the hedging instruments and hedged items applied in the fiscal half-year under review:

Hedging instruments: foreign currency swap, foreign currency option contracts, and foreign currency reservation

Hedged items: foreign currency-denominated transactions (including planned transactions)

(c) Method for measuring effectiveness

In principle, the Company evaluates the effectiveness of hedges by reference to the accumulated gains or losses on the hedging instruments and movement of cash flows, and the related hedged items and movement of cash flows. Effectiveness is not assessed for foreign currency reservation accounted by the designation accounting.

(7) Accounting for consumption tax

The Company and its domestic consolidated subsidiaries account for consumption tax using the tax exclusion method.

5. Cash and Cash Equivalents in the First-Half Consolidated Statements of Cash Flows

Cash and cash equivalents in the consolidated statements of cash flows of cash on hand, bank deposits withdraw able on demand, and short-term investments with an original maturity of three months or less, which can be easily converted into money and which present only a minor risk of fluctuation in value.

Change of Significant Accounting Policies in the Preparation of Interim Consolidated Financial Statements

(Accounting for presentation of net assets on the balance sheet)

Accounting for Presentation of Net Assets the current interim period, the Company has adopted the new accounting standards for the presentation of the Net Assets on Balance Sheet “Accounting Standard’s Implementation No. 5: Accounting Standards for Presentation of Net Assets,” (ASBJ; December 9, 2005) and the “Accounting Standard Implementation No. 8: Guidance for Accounting Standards for Presentation of Net Assets,” (ASBJ; December 9, 2005). Under such condition, the Company reported 16,711,427 thousand yen as the equivalent amount of total Shareholders’ Equities in the period under review.

Accounting of Net Assets in the consolidated balance sheet in the fiscal half-year under review was reflected in accordance with the Revised Standards for the Preparation of Interim Consolidated Financial Statements, along with revision of Standards for the Preparation of Interim Consolidated Financial Statement.

Notes to the Consolidated Financial Statements

(¥ thousand)

First half of FY2006 (as of September 30, 2005)	First half of FY2007 (as of September 30, 2006)	FY2006 (as of March 30, 2006)
1. Accumulated depreciation on tangible fixed assets: 4,793,932	1. Accumulated depreciation on tangible fixed assets: 4,996,504	1. Accumulated depreciation on tangible fixed assets: 4,969,607
2. Assets pledged as collateral Buildings and structures 950,256 Land 783,502 Total 1,733,759 Collateralized obligations Bonds 1,000,000	2. Assets pledged as collateral Buildings and structures 883,051 Land 783,502 Total 1,666,554 Collateralized obligations Bonds 1,000,000	2. Assets pledged as collateral Buildings and structures 914,663 Land 783,502 Total 1,698,165 Collateralized obligations Bonds 1,000,000
3. Guarantee obligations: 32,372	3. Guarantee obligations: 16,050	3. Guarantee obligations: 25,183
4.——————	4. Maturity of bill on last day of interim consolidated settlement of accounts Accounting procedures adopted with regard to the bill which matured on the last day of the interim consolidated settlement of accounts were completed on the day the bill was cleared. Matured bill of the next interim consolidated settlement of accounts was included in the balance at the end of the interim consolidated settlement of accounts because the last day of the interim consolidated settlement of accounts was a bank holiday. Matured Bill: 10,623	4.——————
5. Main selling, general and administrative expense items: Freight-out 540,637 Advertising and promotion 1,243,316 Bonuses and allowances 1,358,997 Retirement benefit expenses 110,142 Provision for employees' bonuses 319,944 Provision for officers' retirement benefits 13,730 Provision for allowance for doubtful accounts 47,699 Depreciation and amortization 159,096	5. Main selling, general and administrative expense items: Freight-out 454,129 Advertising and promotion 1,079,816 Bonuses and allowances 1,181,235 Retirement benefit expenses 87,057 Provision for employees' bonuses 220,721 Provision for officers' retirement benefits 12,730 Provision for allowance for doubtful accounts 10,421 Depreciation and amortization 159,164	5. Main selling, general and administrative expense items: Freight-out 1,062,203 Advertising and promotion 2,323,809 Bonuses and allowances 3,051,206 Retirement benefit expenses 217,570 Provision for employees' bonuses 160,600 Provision for officers' retirement benefits 26,620 Provision for allowance for doubtful accounts 77,281 Depreciation and amortization 329,152
6. Main extraordinary income items Gain on sales of fixed assets 18,307 Subsidy income 15,000 Main extraordinary loss items Loss on disposal of fixed assets 28,311 Impairment losses 33,548 Expenses of voluntary product recall 48,085 Flood damage 39,888	6. Main extraordinary income items Gain on sales of investments in affiliated company 456,371 Main extraordinary loss items Loss on disposal of fixed assets 8,767 Premium severance pay 119,848 Contribution on withdrawal from welfare pension fund 44,463	6. Main extraordinary income items Gain on sales of fixed assets 18,308 Subsidy income 15,000 Reversal from accrued retirement benefits for officers 9,975 Main extraordinary loss items Loss on disposal of fixed assets 45,659 Impairment losses 137,839 Expenses of voluntary product recall 55,486 Flood damage 33,756 Loss on cancellation of agency contact 30,762
7. Notes to consolidated statements of cash flows Reconciliation of cash and cash equivalents at end of period with cash items on balance sheet Cash on hand and in banks 4,950,162 Securities 964,027 Total 5,914,190 Time deposits exceeding three months (1,119,973) Bonds with redemption periods exceeding three months (60,310) Cash and cash equivalents at end of period 4,733,906	7. Notes to consolidated statements of cash flows Reconciliation of cash and cash equivalents at end of period with cash items on balance sheet Cash on hand and in banks 6,727,230 Securities 934,279 Total 7,661,510 Time deposits exceeding three months (2,111,411) Bonds with redemption periods exceeding three months (30,012) Cash and cash equivalents at end of period 5,520,087	7. Notes to consolidated statements of cash flows Reconciliation of cash and cash equivalents at end of period with cash items on balance sheet Cash on hand and in banks 5,424,470 Securities 933,775 Total 6,358,245 Time deposits exceeding three months (890,168) Bonds with redemption periods exceeding three months (30,029) Cash and cash equivalents at end of period 5,438,046

<table>
<tr><th>First half of FY2006
(as of September 30, 2005)</th><th>First half of FY2007
(as of September 30, 2006)</th><th>FY2006
(as of March 30, 2006)</th></tr>
<tr><td>8. Impairment losses
In the fiscal half year under review, the Group recognized impairment loss on the following asset group.
<table><tr><th>Location</th><th>Application</th><th>Category</th></tr><tr><td>Combi Plaza Kawaguchi nursery school</td><td>Nursery facility</td><td>Building and equipments</td></tr></table>As for the method of grouping asset, the Group regards management accounting classification as a basic minimum unit to produce cash flow and is adopting a grouping method based on this minimum unit. However, regarding nursery facility operating business and kids photo studio business, facilities are grouped individually as a largely independent minimum unit to produce cash flow. For the asset group which Combi Plaza Kawaguchi nursery school uses was written down to recoverable levels, and that write-down reported as an impairment loss resulting in an extraordinary loss of 33,548 thousand yen as further ordinary losses are expected due to its business structural problems. Breakdown of impairment losses are building = 33,548 thousand yen and equipments = 1,479 thousand yen. The recoverable value of this asset group was calculated by utility value and reported as zero due to its negative future cash flow.</td><td>8.——————————</td><td>8. Impairment loss
In the first half of the fiscal year under review, / In the first half of the current fiscal year, / In the first half of the fiscal year ending March 2007, the Group recognized impairment losses on the following asset groups.
<table><tr><th>Location</th><th>Application</th><th>Category</th></tr><tr><td>Chiba, Chiba Prefecture</td><td>Children photography shop facilities</td><td>Buildings, fixtures, construction in progress, software in progress, and long-term advances</td></tr><tr><td>Kawaguchi nursery</td><td>Nursery facilities</td><td>Buildings and fixtures</td></tr></table>When grouping assets, the Group mainly categorizes its assets based on minimum cash flow units by management accounting classifications. The assets are then grouped according to those units. However, because each of the nursery business and children’s photography shop business facilities are independent minimum cash flow units, they are grouped by individual facility.
As the children’s photography shop facilities are expected to post further ordinary losses, the book values of the asset groups that these facilities use have been written down to potential recovery values and reported as impairment losses, resulting in an extraordinary loss of 104,290 thousand yen. Of this amount, buildings accounted for 26,366 thousand yen; equipment for 11,618 thousand yen; construction in progress for 20,877 thousand yen; software suspense account for 43,622 thousand yen; and long-term prepaid expenses for 1,806 thousand yen. The potential recovery values of these asset groups were calculated using utility value and reported as zero due to their expected future negative cash flows.
As the Combi Plaza Kawaguchi nursery facilities are expected to post further ordinary losses due to business structure problems, the book values of the asset groups that these facilities use have been written down to potential recovery values and reported as impairment losses, resulting in an extraordinary loss of 33,548 thousand yen. Of this amount buildings accounted for 32,068 thousand yen and equipment for 1,479 thousand yen.
The potential recovery values of these asset groups were calculated using utility value and reported as zero due to their expected future negative cash flows.</td></tr>
</table>

Interim Consolidated Statements of Changes in Shareholders' Equity

Period for the first half for fiscal 2006 (April 1, 2006 to September 30, 2006)

1. Type and number of shares in issue tand type and number of treasury stocks

	March 31, 2006	Increase	Decrease	September 30, 2006
	(thousand shares)	(thousand shares)	(thousand shares)	(thousand shares)
Shares in issue Common stock	17,959	—	—	17,959
Total	17,959	—	—	17,959
Treasury Stock Common stock*	4	174	—	178
Total	4	174	—	178

Note: 174 thousand stocks, increase in the Treasury Stock reflects Company purhsase a result of an action by the directors.

2. Divedends

(1) Dividend payments

Resolution	Category	Total amount of dividend (¥ thousand)	Dividend per share (¥)	Dividend record date	Effective date
Annual meeting of shareholders	Common stock	89,775	5.0	March 31, 2006	June 29, 2006

(2) Dividend recode date

Resolution	Category	Total amount of dividend (¥ thousand)	Funds for dividend	Dividend per share (¥)	Dividend record date	Effective date
Board Directors Meeting held on November 1, 2006	Common stock	142,244	Retained earnings	8.0	September 30, 2006	December 11, 2006

Segment Information

(1) Segment Information by Industry Segment

The following tables show segment information by industry segment for the first half of fiscal 2005 and fiscal 2006, and for fiscal 2005.

(¥ thousand)

Period		Baby care products and toys	Health care products	Total	Eliminations and corporate expenses	Consolidated
1st half of FY2006 (ended Sept. 30, 2005)	Net sales and operating income					
	Net sales					
	(1) Sales to outside customers	12,852,645	1,335,355	14,188,000	—	14,188,000
	(2) Intersegment sales/transfers	—	—	—	—	—
	Total	12,852,645	1,335,355	14,188,000	—	14,188,000
	Operating expenses	12,075,963	1,508,996	13,584,959	811,067	14,396,027
	Operating income (loss)	776,682	(173,640)	603,041	(811,067)	(208,026)
1st half of FY2007 (ended Sept. 30, 2006)	Net sales and operating income					
	Net sales					
	(1) Sales to outside customers	12,905,325	1,034,239	13,939,564	—	13,939,564
	(2) Intersegment sales/transfers	—	—	—	—	—
	Total	12,905,325	1,034,239	13,939,564	—	13,939,564
	Operating expenses	11,477,909	995,109	12,473,018	651,847	13,124,865
	Operating income (loss)	1,427,415	39,129	1,466,545	(651,847)	814,698
FY2006 (ended Mar. 31, 2006)	Net sales and operating income					
	Net sales					
	(1) Sales to outside customers	25,275,068	3,006,799	28,281,867	—	28,281,867
	(2) Intersegment sales/transfers	—	—	—	—	—
	Total	25,275,068	3,006,799	28,281,867	—	28,281,867
	Operating expenses	23,938,771	3,203,959	27,142,730	1,448,532	28,591,262
	Operating income (loss)	1,336,296	(197,160)	1,139,136	(1,448,532)	(309,395)

Notes: 1. Method for classifying industry segments and main products in each segment

(1) Industry segments are classified based on the main products handled.

(2) Main products and business are specified in each industry segment.

Industry segment	Main products and businesses
Baby care products and toys	Baby care products, strollers, child car seats, nursing products, toys, baby care products, child wear, nursery school management etc.
Health care products	Fitness machines, nursing care products, functional food products, etc.

2. Unallocatable expenses included in “Eliminations and corporate expenses” under “Operating expenses”

(¥ thousand)

	1st half of FY2006	1st half of FY2007	FY2006	Main expenses
Unallocatable expenses included in “Eliminations and corporate expenses”	811,067	651,847	1,448,532	Expenses incurred in the Company’s general affairs and personnel, finance, corporate planning and other management departments

(2) Segment Information by Geographic Segment

The following tables show segment information by geographic segment for the first half of fiscal 2005 and fiscal 2006, and for fiscal 2005.

(¥ thousand)

Period		Japan	Asia	North America	Total	Eliminations and corporate expenses	Consolidated
1st half of FY2006 (ended Sept. 30, 2005)	Net sales and operating income						
	Net sales						
	(1) Sales to outside customers	12,665,065	797,017	725,917	14,188,000	—	14,188,000
	(2) Intersegment sales/transfers	73,723	2,297,822	—	2,371,546	(2,371,546)	—
	Total	12,738,789	3,094,839	725,917	16,559,546	(2,371,546)	14,188,000
	Operating expenses	12,383,196	2,783,153	807,275	15,973,624	(1,577,597)	14,396,027
	Operating income (loss)	355,593	311,686	(81,357)	585,922	(793,949)	(208,026)
1st half of FY2007 (ended Sept. 30, 2006)	Net sales and operating income						
	Net sales						
	(1) Sales to outside customers	11,791,814	989,886	1,157,863	13,939,564	—	13,939,564
	(2) Intersegment sales/transfers	98,786	2,306,126	244	2,405,157	(2,405,157)	—
	Total	11,890,601	3,296,012	1,158,107	16,344,722	(2,405,157)	13,939,564
	Operating expenses	10,954,146	2,911,712	1,045,487	14,911,346	(1,786,480)	13,124,865
	Operating income (loss)	936,455	384,300	112,620	1,433,375	(618,677)	814,698
FY2006 (ended Mar. 31, 2006)	Net sales and operating income						
	Net sales						
	(1) Sales to outside customers	25,219,916	1,532,606	1,529,344	28,281,867	—	28,281,867
	(2) Intersegment sales/transfers	182,686	4,786,283	—	4,968,969	(4,968,969)	—
	Total	25,402,603	6,318,889	1,529,344	33,250,837	(4,968,969)	28,281,867
	Operating expenses	24,642,392	5,736,639	1,774,141	32,153,173	(3,561,910)	28,591,262
	Operating income (loss)	760,211	582,249	(244,797)	1,097,663	(1,407,059)	(309,395)

Notes: 1. Regions are classified by geographical proximity.

2. The countries included in geographic segments other than Japan are as follows:

Asia: China, Taiwan, Korea; North America: U.S.A.

3. Unallocatable expenses included in "Eliminations and corporate" under "Operating expenses"

(¥ thousand)

	1st half of FY2006	1st half of FY2007	FY2006	Main expenses
Unallocatable expenses included in "Eliminations and corporate expenses"	811,067	651,847	1,448,532	Expenses incurred in the Company's general affairs and personnel, finance, corporate planning and other management departments

(3) Overseas Sales (Export Sales and Sales by Overseas Subsidiaries)

First half of FY2006 (April 1, 2005 – September 30, 2005)

(¥ thousand)

	Asia	North America	Other	Total
I Overseas sales	746,729	728,623	42,583	1,517,936
II Consolidated sales				14,188,000
III Overseas sales to total sales (%)	5.3	5.1	0.3	10.7

Notes: 1. Regions are classified by geographical proximity.
2. The countries included in geographic segments other than Japan are as follows:
Asia: China, Taiwan; North America: U.S.A.
3. Overseas sales refer to sales posted by the Company and its consolidated subsidiaries in countries and regions outside Japan.

First half of FY2007 (April 1, 2006 – September 30, 2006)

(¥ thousand)

	Asia	North America	Other	Total
I Overseas sales	757,231	1,160,197	30,855	1,948,284
II Consolidated sales				13,939,564
III Overseas sales to total sales (%)	5.4	8.3	0.2	14.0

Notes: 1. Regions are classified by geographical proximity.
2. The countries included in geographic segments other than Japan are as follows:
Asia: China, Taiwan, Korea; North America: U.S.A.
3. Overseas sales refer to sales posted by the Company and its consolidated subsidiaries in countries and regions outside Japan.

FY2006 (April 1, 2005 – March 31, 2006)

(¥ thousand)

	Asia	North America	Other	Total
I Overseas sales	1,608,041	1,529,344	72,615	3,210,000
II Consolidated sales				28,281,867
III Overseas sales to total sales (%)	5.7	5.4	0.3	11.4

Notes: 1. Regions are classified by geographical proximity.
2. The countries included in geographic segments other than Japan are as follows:
Asia: China, Taiwan, Korea; North America: U.S.A.
3. Overseas sales refer to sales posted by the Company and its consolidated subsidiaries in countries and regions outside Japan.

Lease Transactions

The Company has not presented information on lease transactions because it discloses information using the EDINET.

Securities

1. **First Half of FY2006** (as of September 30, 2005)

(1) Held-to-maturity securities with market value (¥ thousand)

	Carrying amount	Market value	Gross unrealized gain
1) Governmental bonds	130,741	131,689	947
2) Corporate bonds	60,192	60,252	60
Total	190,933	191,941	1,008

(2) Other securities with market quotations (¥ thousand)

	Acquisition cost	Carrying amount	Gross gain (losses)
1) Equity securities	22,807	116,619	93,812
2) Debt securities			
Corporate bonds	8,711	10,300	1,588
Total	31,519	126,919	95,400

(3) Other securities without market quotations (¥ thousand)

	Carrying amount
Other securities	
1) Unlisted equity securities	
(excluding over-the-counter securities)	813,696
2) Money management fund	909,717

2. **First Half of FY2007** (as of September 30, 2006)

(1) Held-to-maturity securities with market value (¥ thousand)

	Carrying amount	Market value	Gross unrealized gain
1) Governmental bonds	80,520	80,640	119
2) Corporate bonds	160,103	160,096	(7)
Total	240,624	240,736	111

(2) Other securities with market quotations (¥ thousand)

	Acquisition cost	Carrying amount	Gross gain (losses)
1) Equity securities	22,807	140,085	117,278
2) Debt securities			
Corporate bonds	—	—	—
Total	22,807	140,085	117,278

(3) Other securities without market quotations (¥ thousand)

	Carrying amount
Other securities	
1) Unlisted equity securities	
(excluding over-the-counter securities)	688,780
2) Money management fund	904,267

3. FY2006 (As of March 31, 2006)

(1) Held-to-maturity securities with market value (¥ thousand)

	Carrying amount	Market value	Gross unrealized gain
1) Governmental bonds	80,626	80,415	(211)
2) Corporate bonds	60,148	60,252	104
Total	140,774	140,667	(106)

(2) Other securities with market quotations (¥ thousand)

	Acquisition cost	Carrying amount	Gross gain (losses)
1) Equity securities	22,807	160,334	137,526
2) Debt securities			
Corporate bonds	—	—	—
Total	22,807	160,334	137,526

(3) Other securities without market quotations (¥ thousand)

	Carrying amount
Other securities	
1) Unlisted equity securities	
(excluding over-the-counter securities)	689,480
2) Money management fund	909,745

Derivative Transactions

The Company has not presented information on derivative transactions because it discloses information using the EDINET.

Stock Option

There are no such items.

Status of Production, Orders and Sales

1. Production

(¥ thousand)

Industry segment	First half of FY2006 (ended Sept. 30, 2005)	First half of FY2007 (ended Sept. 30, 2006)	FY2006 (ended March 31, 2006)
Baby care products and toys	5,141,215	4,567,360	9,953,854
Health care products	755,465	603,406	1,414,303
Total	5,896,680	5,170,767	11,368,157

Notes: 1. The above figures, and the figures below, intersegment transactions represent amounts after internal transfer.
2. Figures represent the cost of production.
3. The above figures, and the figures below, do not include consumption tax.

2. Orders

The Company does not conduct order-based production.

3. Purchased Products

(¥ thousand)

Industry segment	First half of FY2006 (ended Sept. 30, 2005)	First half of FY2007 (ended Sept. 30, 2006)	FY2006 (ended March 31, 2006)
Baby care products and toys	1,424,683	1,303,842	2,738,974
Health care products	218,660	83,452	388,893
Total	1,643,344	1,387,295	3,127,867

4. Sales

(¥ thousand)

Industry segment	First half of FY2006 (ended Sept. 30, 2005)	First half of FY2007 (ended Sept. 30, 2006)	FY2006 (ended March 31, 2006)
Baby care products and toys	12,852,645	12,905,325	25,275,068
Health care products	1,335,355	1,034,239	3,006,799
Total	14,188,000	13,939,564	28,281,867

Semi-Annual Non-Consolidated Financial Statements for Fiscal 2007, Ending March 31, 2006

November 10, 2006

Company Name: Combi Corporation
Stock listing: First Section, Tokyo Stock Exchange
Company Code: 7935
Head Office: Tokyo
(URL: http://www.combi.co.jp/)
President & CEO: Hiromasa Matsuura
Person in Charge of Inquiries: Ichiro Suzuki, General Manager, Finance
Tel: +81-(3) 5828-7661
Board of Directors' Meeting to Approve Results: November 10, 2006
Interim Dividend Payment Date: December 11, 2006
Interim Dividend System: Yes
Trading Unit System: Yes (1 unit = 500 shares)

1. Non-Consolidated First-Half Results for Fiscal 2007 (April 1, 2006 to September 30, 2006)

(1) Non-consolidated operating results (Amounts less than one million yen have been omitted)

	Net sales		Operating income		Recurring income	
	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)
1st half of FY2007	10,985	(2.9)	264	—	244	—
1st half of FY2006	11,309	(6.1)	(145)	—	(117)	—
FY2006	22,243	(10.4)	(433)	—	(323)	—

	Net income		Net income per share
	(¥ million)	(%)	(¥)
1st half of FY2007	59	—	3.32
1st half of FY2006	(191)	—	(10.68)
FY2006	(723)	—	(40.32)

Notes: 1. Average number of shares outstanding
1st half of FY2007: 17,812,918 shares; 1st half of FY2006: 17,955,624 shares; FY2006: 17,955,380 shares
2. Changes in accounting methods: None.
3. Percentage figures for net sales, operating income, recurring income and net income represent year-on-year changes.

(2) Non-consolidated financial position

	Total assets	Total shareholders' equity	Equity ratio	Shareholders' equity per share of common stocks
	(¥ million)	(¥ million)	(%)	(¥)
1st half of FY2007	21,752	13,267	61.0	746.17
1st half of FY2006	23,258	13,843	59.5	770.98
FY2006	22,496	13,246	58.9	737.75

Notes: 1. Number of shares outstanding at period-end
1st half of FY2007: 17,780,544 shares; 1st half of FY2006: 17,955,454 shares; FY2006: 17,955,044 shares
2. Number of treasury shares at period-end
1st half of FY2007: 178,614 shares; 1st half of FY2006: 3,704 shares; FY2006: 4,114 shares

2. Consolidated Results Forecast for Fiscal 2007 (April 1, 2006 to March 31, 2007)

	Net sales	Recurring income	Net income
	(¥ million)	(¥ million)	(¥ million)
Full year	22,000	400	120

Reference: Forecast net income per share (full year): ¥6.75

3. Dividends

<table>
<tr><td rowspan="2"></td><td colspan="4">Dividend per share (¥)</td></tr>
<tr><td>Interim</td><td>Year-end</td><td>Other</td><td>Annual</td></tr>
<tr><td>FY2006</td><td>5.00</td><td>5.00</td><td>—</td><td>10.00</td></tr>
<tr><td>1st half of FY2007 (results)</td><td>8.00</td><td>—</td><td>—</td><td rowspan="2">18.00</td></tr>
<tr><td>FY2007 (estimate)</td><td>—</td><td>10.00</td><td>—</td></tr>
</table>

*The above forecasts are based on information available at the time of announcement and subject to a number of uncertainties that could affect future results. Consequently, actual results may differ significantly from forecasts due to a number of factors. Please refer to page 11 of the supplementary materials for details of the assumptions upon which the forecasts are based and cautionary statements concerning use of the forecasts.

Non-Consolidated Financial Statements

(1) Non-consolidated balance sheets

(Amounts less than one thousand yen have been omitted.)

Description / Period	First half of FY2006 (as of September 2005)		First half of FY2007 (as of September 2006)		FY2006 condensed balance sheet (as of March 2006)	
	Amount (¥ thousand)	% share	Amount (¥ thousand)	% share	Amount (¥ thousand)	% share
(ASSETS)						
I. Current Assets	15,752,922	67.7	14,366,507	66.0	14,684,206	65.3
Cash and deposits	2,430,487		3,920,659		2,491,143	
Notes receivable	1,053,525		950,595		1,136,623	
Accounts receivable	5,354,141		4,911,443		5,043,092	
Securities	964,027		934,279		933,775	
Inventories	3,736,584		2,506,793		3,227,547	
Short-term loans receivable	1,180,000		400,000		1,020,000	
Deferred tax assets	476,555		135,090		98,718	
Other current assets	581,702		626,089		755,402	
Allowance for doubtful accounts	(24,100)		(18,445)		(22,097)	
II. Fixed Assets	7,505,557	32.3	7,385,719	34.0	7,811,912	34.7
1. Tangible Fixed Assets	4,651,597	20.0	4,527,310	20.8	4,585,205	20.4
Buildings	1,475,659		1,413,238		1,448,218	
Land	2,740,813		2,740,813		2,740,813	
Others	435,124		373,258		396,173	
2. Intangible Fixed Assets	501,700	2.2	397,621	1.9	467,727	2.1
3. Investments and Others	2,352,259	10.1	2,460,786	11.3	2,758,979	12.2
Investments in securities	1,237,056		1,262,692		1,250,159	
Deferred tax assets	—		222,664		423,222	
Others	1,184,799		1,233,487		1,343,655	
Allowance for doubtful accounts	(69,596)		(258,057)		(258,057)	
Total assets	23,258,480	100.0	21,752,226	100.0	22,496,119	100.0

(Amounts less than one thousand yen have been omitted.)

Period / Description	First half of FY2006 (as of September 2005)		First half of FY2007 (as of September 2006)		FY2006 condensed balance sheet (as of March 2006)	
	Amount (¥ thousand)	% share	Amount (¥ thousand)	% share	Amount (¥ thousand)	% share
(LIABILITIES)						
I. Current Liabilities	5,639,745	24.3	4,823,350	22.2	5,506,987	24.5
Notes payable	2,218,130		1,924,300		1,892,534	
Accounts payable	1,048,079		804,100		1,188,655	
Short-term bank loans	710,000		766,668		743,336	
Income taxes payable	17,000		20,000		23,000	
Accrued bonuses to employees	296,370		233,710		145,237	
Other current liabilities	1,350,166		1,074,571		1,514,223	
II. Long-Term Liabilities	3,775,373	16.2	3,661,511	16.8	3,742,878	16.6
Bonds	3,000,000		3,000,000		3,000,000	
Accrued retirement benefits for officers	244,540		256,530		254,360	
Deferred tax liabilities	8,622		—		—	
Other long-term liabilities	522,211		404,981		488,518	
Total liabilities	9,415,119	40.5	8,484,861	39.0	9,249,865	41.1
(CAPITAL)						
I. Capital	2,991,922	12.9	—	—	2,991,922	13.3
II. Capital Surplus	2,783,731	12.0	—	—	2,783,731	12.4
1. Additional paid-in capital	2,783,731		—		2,783,731	
III. Retained Earnings	8,013,490	34.4	—	—	7,391,590	32.9
1. Legal Earnings Reserve	324,459		—		324,459	
2. Voluntary Reserve	994,842		—		994,842	
3. Unappropriated Retained Earnings	6,694,188		—		6,072,288	
IV. Variances on Securities Valuation	56,858	0.2	—	—	81,965	0.3
V. Treasury stock	(2,643)	(0.0)	—	—	(2,956)	(0.0)
Total shareholders' equity	13,843,360	59.5	—	—	13,246,253	58.9
Total liabilities and total shareholders' equity	23,258,480	100.0	—	—	22,496,119	100.0
(NET ASSETS)						
I. Shareholders' Equity	—	—	13,006,926	59.8	—	—
1. Capital	—	—	2,991,922	13.8	—	—
2. Capital Surplus	—	—	2,783,731	12.8	—	—
(1) Additional paid-in capital	—		2,783,731		—	
3. Retained Earnings	—	—	7,360,872	33.8	—	—
(1) Legal earnings reserve	—		324,459		—	
(2) Other retained earnings						
Reserve for compression of fixed assets	—		166,966		—	
Reserve for special depreciation	—		4,569		—	
Other reserve	—		810,000		—	
Brought-forward retained earnings	—		6,054,877		—	
4. Treasury Stock	—	—	(129,600)	(0.6)	—	—
II. Profit or Loss from Valuation	—	—	260,438	1.2	—	—
1. Variances on Securities Valuation	—	—	69,897	0.3	—	—
2. Profit or Loss of Deferred Hedge Accounting	—	—	190,540	0.9	—	—
Total Net Assets	—	—	13,267,364	61.0	—	—
Total Liability and Net Assets	—	—	21,752,226	100.0	—	—

(2) Non-consolidated statements of income

(Amounts less than one thousand yen have been omitted.)

Period / Description	First half of FY2006 (as of September 2005)		First half of FY2007 (as of September 2006)		FY2006 condensed balance sheet (as of March 2006)	
	Amount (¥ thousand)	% share	Amount (¥ thousand)	% share	Amount (¥ thousand)	% share
I. Net Sales	11,309,291	100.0	10,985,415	100.0	22,243,020	100.0
II. Cost of Sales	6,598,401	58.3	6,493,135	59.1	13,486,375	60.6
Gross profit	4,710,890	41.7	4,492,279	40.9	8,756,644	39.4
III. Selling, General and Administrative Expenses	4,856,864	43.0	4,227,542	38.5	9,190,160	41.3
Operating Income	(145,973)	(1.3)	264,737	2.4	(433,515)	(1.9)
IV. Non-Operating Income	135,662	1.2	87,761	0.8	316,115	1.4
V. Non-Operating Expenses	106,819	0.9	108,336	1.0	206,153	1.0
Recurring Income	(117,129)	(1.0)	244,161	2.2	(323,553)	(1.5)
VI. Extraordinary Income	18,275	0.1	36,635	0.3	28,250	0.1
VII. Extraordinary Losses	58,643	0.5	170,267	1.5	455,766	2.0
Income before Income Taxes	(157,498)	(1.4)	110,529	1.0	(751,070)	(3.4)
Income tax, residential tax and enterprise tax	5,063	0.0	8,264	0.1	14,640	0.0
Income taxes adjustment	29,246	0.3	43,206	0.4	(41,779)	(0.1)
Net income	(191,808)	(1.7)	59,057	0.5	(723,931)	(3.3)
Retained earnings brought forward	6,885,996		—		6,885,996	
Interim dividends	—		—		89,777	
Unappropriated retained earnings	6,694,188		—		6,072,288	

(3) Non-consolidated statements of changes in shareholders’ equity

Period for the first half for fiscal 2006 (April 1, 2006 to September 30, 2006)

(Amounts less than one thousand yen have been omitted.)

	Shareholders’ equity									
		Capital surplus	Retained earnings							
				Other retained earnings						
	Capital	Capital reserve	Legal earnings reserve	Reserve for compression of fixed assets	Reserve for special depreciation	Other reserve	Brought-forward retained earnings	Total retained earnings	Treasury stocks	Total share-holders’ equity
	(¥ thousand)	(¥ thousand)	(¥ thousand)	(¥ thousand)	(¥ thousand)	(¥ thousand)	(¥ thousand)	(¥ thousand)	(¥ thousand)	(¥ thousand)
Shareholders’ equity brought forward as of March 31, 2006	2,991,922	2,783,731	324,459	176,997	7,844	810,000	6,072,288	7,391,590	(2,956)	13,164,288
Amount of variation in this accounting period										
Reversal of reserve for special depreciation					(3,275)		3,275	—		—
Reversal of reserve for reduction in fixed assets				(10,031)			10,031	—		—
Dividends of surplus							(89,775)	(89,775)		(89,775)
Net income							59,057	59,057		59,057
Payback									(126,644)	(126,644)
Change in non-share capital in interim accounting period (net)										
Total of variation during interim consolidated settlement of accounting	—	—	—	(10,031)	(3,275)	—	(17,410)	(30,717)	(126,644)	(157,361)
Shareholders’ equity carried forward as of September 30, 2006	2,991,922	2,783,731	324,459	166,966	4,569	810,000	6,054,877	7,360,872	(129,600)	13,006,926

	Profit or Loss from Valuations			
	Other variances on securities valuation	Profit or loss of deferred hedge accounting	Total profit or loss from valuation	Total net assets
	(¥ thousand)	(¥ thousand)	(¥ thousand)	(¥ thousand)
Shareholders’ equity brought forward as of March 31, 2006	81,965	—	81,965	13,246,253
Amount of variation in this accounting period				
Reversal of reserve for special depreciation				—
Reversal of reserve for reduction in fixed assets				—
Dividends of surplus				(89,775)
Net income				59,057
Payback				(126,644)
Change in non-share capital in interim accounting period (net)	(12,067)	190,540	178,472	178,472
Total of variation during interim consolidated settlement of accounting	(12,067)	190,540	178,472	21,110
Shareholders’ equity carried forward as of September 30, 2006	69,897	190,540	260,438	13,267,364

Basis of Presentation of the Non-Consolidated Financial Statements

1. Valuation standards and accounting treatment for important assets

(1) Securities

Held-to-maturity debt securities: Stated at amortized cost (straight-line method)

Affiliate stock: Stated at cost, cost being determined by the moving-average method.

Other securities:

Securities with market quotations: Stated at fair value determined by the market value at end of interim period. (Unrealized gains or losses are recorded in shareholders' equity. Cost is determined by the moving-average method.)

Securities without market quotations: Stated at cost determined mainly by the moving-average method.

(2) Inventories

Stated at cost determined mainly by the average cost method.

(3) Derivatives

The Company applies market value method, which eliminated deferred gain and loss of foreign currency reservation

2. Depreciation and amortization of important depreciable assets

(1) Tangible fixed assets

The Company computes depreciation with the declining-balance method. However, depreciation expenses for buildings (other than improvements) acquired on or after April 1, 1998, are computed using the straight-line method.

The period of depreciation/amortization for the main tangible fixed assets are as follows:

Buildings: 8–50 years

Machinery and equipment: 11 years

(2) Intangible fixed assets

Amortization is computed using the straight-line method.

Amortization of software costs for internal use is computed using the straight-line method based on an internal useful life of 5 years.

3. Accounting for allowances

(1) Allowance for doubtful accounts

The Company provides for losses on ordinary receivables using the historical default rate, and provide for losses on specific receivables where there is a fear of default based on the estimated amount of uncollectible receivables on an individual basis.

(2) Accrued bonuses to employees

To provide for the payment of bonuses to employees, the Company makes provisions for the amount of future payments incurred in the interim period.

(3) Accrued retirement benefits for employees

To provide for employees' retirement benefits, the Company records an amount that is recognized as arising at the end of the interim period based on the estimated retirement benefit obligations and value of pension assets at the end of the fiscal year concerned.

Unrecognized actuarial differences are proportionally divided using the straight-line method over a set period that is not longer than the average remaining service period for employees in service at the time the liabilities are incurred in each accounting year. In this case, actuarial differences are expensed over 10 years starting in the following fiscal year.

(4) Accrued retirement benefits for directors

To provide for the payment of retirement benefits to directors and executive officers, the Company records an amount to adequately cover payments at the end of the interim period in accordance with internal rules.

4. Accounting treatments of important leasing transactions

The Company accounts for finance leases, excluding those in which the ownership of the leased property is considered to be transferred to the lessee, in accordance with standards for ordinary operating leases.

5. Hedge accounting

(1) Hedge accounting

The Company applies deferred hedge accounting. When a foreign currency option contracts and foreign currency reservation contract fulfills certain conditions, gains or losses are deferred.

(2) Hedging Instruments, Hedged Items and Hedging Policy

The Company hedges its exposure to the risk of fluctuations in foreign currency exchange rates in accordance with the market risk management regulations of the Company's internal rules. With regard to the significant risk of fluctuations in foreign currency exchange rates on foreign currency-denominated purchase transactions (including planned transactions), the Company principally hedges up to 90% of foreign currency-denominated transactions due for settlement within one year, and up to 70% of such transactions for settlement in a period exceeding one year.

The following are the hedging instruments and hedged items applied in the fiscal half-year under review:

Hedging instruments: foreign currency swap, foreign currency option contracts and foreign currency reservation

Hedged items: foreign currency-denominated transactions (including planned transactions)

(3) Method for measuring effectiveness

In principle, the Company evaluates the effectiveness of hedges by reference to the accumulated gains or losses on the hedging instruments and movement of cash flows, and the related hedged items and movement of cash flows. Effectiveness is not assessed for foreign currency reservation accounted by the designation accounting.

6. Accounting for consumption tax

The Company accounts for consumption tax using the tax exclusion method.

Change of Significant Accounting Policies in the Preparation of Non-Consolidated Financial Statements

(Accounting for presentation of net assets on the balance sheet)
Accounting for Presentation of Net Assets the current interim period, the Company has adopted the new accounting standards for the presentation of the Net Assets on Balance Sheet “Accounting Standard’s Implementation No. 5: Accounting Standards for Presentation of Net Assets,” (ASBJ; December 9, 2005) and the “Accounting Standard Implementation No. 8: Guidance for Accounting Standards for Presentation of Net Assets,” (ASBJ; December 9, 2005). Under such condition, the Company reported 13,076,823 thousand yen as the equivalent amount of total Shareholders’ Equities in the period under review.
Accounting of Net Assets in the consolidated balance sheet in the fiscal half-year under review was reflected in accordance with the Revised Standards for the Preparation of Interim Consolidated Financial Statements, along with revision of Standards for the Preparation of Interim Consolidated Financial Statement.

Notes to the Consolidated Financial Statements

(¥ thousand)

<table>
<tr><th>First half of FY2006
(as of September 30, 2005)</th><th>First half of FY2007
(as of September 30, 2006)</th><th>FY2006
(as of March 30, 2006)</th></tr>
<tr><td>1. Accumulated depreciation
on tangible fixed assets: 3,677,397</td><td>1. Accumulated depreciation
on tangible fixed assets: 3,640,573</td><td>1. Accumulated depreciation
on tangible fixed assets: 3,621,600</td></tr>
<tr><td>2. Assets pledged as collateral
Buildings 868,566
Structures 81,690
Land 783,502
Total 1,733,759

Collateralized obligations
Bonds 1,000,000

3. Guarantee obligations: 1,223,777</td><td>2. Assets pledged as collateral
Buildings 812,510
Structures 70,540
Land 783,502
Total 1,666,554

Collateralized obligations
Bonds 1,000,000

3. Guarantee obligations: 1,153,712</td><td>2. Assets pledged as collateral
Buildings 839,017
Structures 75,645
Land 783,502
Total 1,698,165

Collateralized obligations
Bonds 1,000,000

3. Guarantee obligations: 1,214,446</td></tr>
<tr><td>4.―――――――</td><td>4. Maturity of bill on last day of interim consolidated settlement of accounts
Accounting procedures adopted with regard to the bill which matured on the last day of the interim consolidated settlement of accounts were completed on the day the bill was cleared. Matured bill of the next interim consolidated settlement of accounts was included in the balance at the end of the interim consolidated settlement of accounts because the last day of the interim consolidated settlement of accounts was a bank holiday.
Matured Bill: 2,482</td><td>4.―――――――</td></tr>
<tr><td>5. Main extraordinary income items
Gain on sales of fixed assets 18,275

Main extraordinary loss items
Loss on disposal of fixed assets 8,754
Expenses of voluntary product recall 10,000
Flood damage 39,888</td><td>5. Main extraordinary income items
Gains from carry back of doubtful accounts 3,652
Gain on sales of investments in affiliated company 32,912

Main extraordinary loss items
Loss on disposal of fixed assets 5,423
Premium severance pay 119,848
Contribution on withdrawal from welfare pension fund 44,463</td><td>5. Main extraordinary income items
Gain on sales of fixed assets 18,275
Reversal from accrued retirement benefits for officers 9,975

Main extraordinary loss items
Loss on disposal of fixed assets 19,414
Impairment loss 104,290
Loss on investment in affiliated company 98,283
Provision to allowance for doubtful accounts 188,461
Flood damage 33,756
Expenses of voluntary product recall 11,128</td></tr>
<tr><td>6. Depreciation and amortization
Tangible fixed assets 102,873
Intangible fixed assets 75,536</td><td>6. Depreciation and amortization
Tangible fixed assets 91,700
Intangible fixed assets 81,605</td><td>6. Depreciation and amortization
Tangible fixed assets 219,345
Intangible fixed assets 153,543</td></tr>
<tr><td>7. ―――――――</td><td>7. ―――――――</td><td>7. Impairment loss
In the first half of the fiscal year under review, / In the first half of the current fiscal year, / In the first half of the fiscal year ending March 2007, the Group recognized impairment losses on the following asset groups.
<table><tr><th>Place</th><th>Application</th><th>Category</th></tr><tr><td>Chiba, Chiba Prefecture</td><td>Children photography shop facilities</td><td>Buildings, fixtures, construction in progress, software in progress, and long-term advances</td></tr></table></td></tr>
</table>

First half of FY2006 (as of September 30, 2005)	First half of FY2007 (as of September 30, 2006)	FY2006 (as of March 30, 2006)
		When grouping assets, the Group mainly categorizes its assets based on minimum cash flow units by management accounting classifications. The assets are then grouped according to those units. However, because each of the nursery business and children's photography shop business facilities are independent minimum cash flow units, they are grouped by individual facility. As the children's photography shop facilities are expected to post further ordinary losses, the book values of the asset groups that these facilities use have been written down to potential recovery values and reported as impairment losses, resulting in an extraordinary loss of 104,290 thousand yen. Of this amount, buildings accounted for 26,366 thousand yen; equipment for 11,618 thousand yen; construction in progress for 20,877 thousand yen; software suspense account for 43,622 thousand yen; and long-term prepaid expenses for 1,806 thousand yen. The potential recovery values of these asset groups were calculated using utility value and reported as zero due to their expected future negative cash flows. The potential recovery values of these asset groups were calculated using utility value and reported as zero due to their expected future negative cash flows.

Interim Statements of Changes in Shareholders' Equity

Period for the first half for fiscal 2006 (April 1, 2006 to September 30, 2006)

1. Type and number of treasury stocks

	March 31, 2006	Increase	Decrease	September 30, 2006
	(thousand shares)	(thousand shares)	(thousand shares)	(thousand shares)
Common Stock*	4	174	—	178
Total	4	174	—	178

Note: 174 thousand stocks, increase in the Treasury Stock reflects Company purhsase a result of an action by the directors.

Lease Transactions

The Company has not presented information on lease transactions because it discloses information using the EDINET.

Securities

There are no investments in subsidiaries and affiliates with market quotations.