Financial Statements

(1) Financial Conditions

Due to decrease in accounts receivable and tangible fixed assets, the gross consolidated assets at the current fiscal year end amounted ¥58,912 million, ¥1,012 million down from the end of the previous fiscal year. Due to decrease in other current liabilities including short-term loan payable and construction accounts payable, liabilities amounted to ¥34,578 million, 2,329 million down from the end of the previous fiscal year. As a result, capital amounted to ¥24,333 million, ¥1,316 million up from the end of the previous fiscal year, and the equity ratio was up 2.9 points to 41.3%.

Cash and cash equivalents (hereafter "funds") in the current consolidated fiscal year amounted to ¥4,627 million, ¥968 million up from the end of the previous fiscal year (¥612 million for the previous fiscal year).

In cash flow by operating activities, the current net profit before tax adjustments amounted to ¥1,740 million (¥3,941 million for the previous fiscal year). Although depreciation and amortization were adjusted to ¥4,3 million (¥4,536 million for the previous fiscal year), corporation tax payments amounted ¥1,048 million (¥2,193 million for the previous fiscal year). In operating activities, funds increased ¥7,048 million (¥6,697 million for the previous fiscal year).

In cash flow by investment activities, expenditure for acquisition of property, plant and equipment amounted to ¥3,673 million (¥4,559 million for the previous fiscal year). In investment activities, funds decreased ¥3,444 million (¥4,691 million for the previous fiscal year)

In cash flow by financing activities, decrease in short-term loans payable amounted to ¥1,735 million (¥11 million for the previous fiscal year), expenditure by repayment of long-term loans payable to ¥742 million (expenditure of ¥876 million for the previous fiscal year), and dividends paid to ¥469 million (¥508 million for the previous fiscal year). In financing activities, funds decreased by ¥2,641 million (¥1,397 million for the previous fiscal year).

Due to the effect of a drop in sales in the leading semiconductor devices division, notes receivable and accounts receivable amounted to ¥15,502 million, ¥827 million down from the end of the previous fiscal year (ratio to total assets: 26.3%).

Forward exchange contracts are used on some accounts receivable denominated in US dollars to reduce exchange risks. In addition, we have strengthened the aging management of accounts receivable for all customers in order to collect them by due date, and have also strictly complied with regulations regarding to credit risk management to try to reduce the bad debt expense.

Inventories were forced to undergo production adjustment in the semiconductor devices division due to the drop in sales, and actual production (selling price) for the current consolidated fiscal year amounted to ¥58,116 million, an 8.7% decrease over the previous year. Inventories amounted to ¥14,914 million (ratio to total assets: 25.3%), ¥29 million up from the end of the previous fiscal year.

To shorten delivery term to meet our customers' needs, we have observed the production period through the production process, from start to finish while reducing inventories. We have also tried to keep a stable financial position due to the reduction in inventory and the write-down of assets in corporation with the production and sales divisions.

For property, plant and equipment, we have made capital expenditures in our semiconductor devices, a key electronics device to keep abreast of rapid technical innovation and market changes in the electronics business. We expect to continue to make significant capital expenditures focusing on streamlining production process and equipment to enhance production capacity and R&D based on market trends. As a result of further reductions in the original estimates due to the downturn in the semiconductor devices division, capital expenditures for the current consolidated fiscal year amounted to ¥2,714 million and property, plant and equipment amounted to ¥15,739 million (ratio to total assets: 26.7%), ¥1,390 million down from the previous fiscal year.

We have made efforts to reduce interest-bearing debt in order to improve and strengthen the financial position. At the current consolidated fiscal year end, interest-bearing debt amounted to ¥10,810 million (ratio to total liabilities and shareholders' equity: 18.3%), ¥3,013 million down from the end of the previous fiscal year; the ratio decreased by 4.8 points from the previous fiscal year.

(2) Results of Operations

For sales and operating profit and loss by division and location for the current consolidated fiscal year, sales in the microwave application products division, where component products for satellite communications are main products, underwent growth. However, sales in the semiconductor devices division, which is the main division of our group, especially bipolar ICs and commissioned products, remained sluggish. Operating income amounted to ¥1,754 million, 51.3% down from the previous fiscal year.

For ordinary profit or loss, interest costs decreased because of reduction of interest-bearing debt. However, due greatly to the reductions in currency exchange profits and operating income, ordinary income amounted to ¥1,811 million, 54.4% down from the previous fiscal year.

For current net profit or loss before tax adjustments, the burden of corporation taxes was relieved by tax credits on the total of experiment and research expenses. However, due to the large decline in ordinary profits, the current net income amounted to ¥1,118 million, 56.5% down from the previous fiscal year.

Operating income by products

Unit: Millions of Yen

	Semiconductor Devices	Microwave Application Products	Microwave Tubes and Radar Components	Total
Net Sales	50,811	4,960	4,562	60,333
Operating Expenses	44,800	4,083	3,936	52,819
Segment operating income	6,011	877	626	7,514
Eliminations	—	—	—	5,759
Operating income	—	—	—	1,755

Note: Consolidated operating income, subtracting eliminations of ¥5,759 million, was ¥1,755 million.

Net Sales by geographic segment

Unit: Millions of Yen

	2006		2005	
Japan	**31,629**	**(52.4%)**	37,371	(57.4%)
Asia	**20,454**	**(33.9%)**	20,050	(30.8%)
North America	**4,477**	**(7.4%)**	3,679	(5.7%)
Europe	**1,589**	**(2.7%)**	1,535	(2.4%)
Others	**2,184**	**(3.6%)**	2,418	(3.7%)
Total	**60,333**	**(100.0%)**	65,053	(100.0%)

Note: Sales by geographic segment are classified by the customer location.

Consolidated Balance Sheets

New Japan Radio Co., Ltd. and Subsidiaries   March 31, 2006 and 2005

ASSETS	Millions of Yen 2006	Millions of Yen 2005	Thousands of U.S. Dollars (Note 1) 2006
CURRENT ASSETS:			
Cash and cash equivalents	¥ 4,628	¥ 3,659	$ 39,393
Notes and accounts receivable:			
Trade notes	1,475	1,878	12,560
Trade accounts	14,027	14,453	119,411
Allowance for doubtful accounts	(89)	(91)	(760)
Inventories (Note 4)	14,914	14,885	126,964
Deferred tax assets (Note 7)	1,043	1,193	8,881
Other current assets (Note 3):	424	475	3,605
Total current assets	36,422	36,452	310,054
PROPERTY, PLANT AND EQUIPMENT (Note 5):			
Land	229	224	1,947
Buildings and structures	25,288	24,957	215,270
Machinery and equipment	58,764	57,429	500,251
Furniture and fixtures	10,841	10,507	92,284
Construction in progress	135	207	1,152
Total	95,257	93,324	810,904
Accumulated depreciation	(79,517)	(76,194)	(676,913)
Net property, plant and equipment	15,740	17,130	133,991
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 3)	2,605	1,900	22,173
Long-term loans	23	139	194
Deferred tax assets (Note 7)	3,246	3,286	27,636
Other assets	909	1,052	7,744
Allowance for doubtful accounts	(33)	(35)	(283)
Total investments and other assets	6,750	6,342	57,464
TOTAL	¥58,912	¥59,924	$501,509

See notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2006	2005	2006
CURRENT LIABILITIES:			
Short-term bank loans (Note 5)	¥ 9,677	¥11,404	$ 82,382
Current portion of long-term debt (Note 5)	210	710	1,792
Notes and accounts payable:			
Trade accounts	8,346	7,304	71,046
Construction and other	1,383	2,352	11,770
Income taxes payable	357	661	3,043
Accrued expenses	3,995	4,106	34,008
Other current liabilities	410	355	3,488
Total current liabilities	24,378	26,892	207,529
LONG-TERM LIABILITIES:			
Long-term debt (Note 5)	441	380	3,755
Long-term payables — construction and other		205	
Liability for retirement benefits (Note 6)	9,471	9,109	80,622
Other long-term liabilities	288	321	2,453
Total long-term liabilities	10,200	10,015	86,830
CONTINGENT LIABILITIES (Note 12)			
SHAREHOLDERS' EQUITY (Notes 8, 16 and 18):			
Common stock — authorized, 138,000,000 shares; issued, 39,131,000 shares in 2006 and 2005	5,220	5,220	44,437
Additional paid-in capital	5,224	5,224	44,470
Retained earnings	13,639	13,030	116,105
Net unrealized gain on available-for-sale securities	759	279	6,462
Foreign currency translation adjustments	(506)	(734)	(4,309)
Treasury stock — at cost, 2,226 shares in 2006 and 2005	(2)	(2)	(15)
Total shareholders' equity	24,334	23,017	207,150
TOTAL	¥58,912	¥59,924	$501,509

Consolidated Statements of Income

New Japan Radio Co., Ltd. and Subsidiaries   Years Ended March 31, 2006, 2005 and 2004

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2006	2005	2004	2006
NET SALES	¥60,333	¥65,053	¥67,062	$513,603
COST OF SALES (Notes 9)	47,243	50,114	51,201	402,173
Gross profit	13,090	14,939	15,861	111,430
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 9)	11,335	11,336	11,248	96,490
Operating income	1,755	3,603	4,613	14,940
OTHER INCOME (EXPENSES):				
Interest and dividend income	31	31	31	263
Interest expense	(104)	(132)	(183)	(890)
Foreign exchange gains (losses)	74	408	(465)	632
Reversal of allowance for doubtful accounts	11	4	62	92
Other — net (Note 10)	(26)	28	(44)	(217)
Other income (expenses) — net	(14)	339	(599)	(120)
INCOME BEFORE INCOME TAXES	1,741	3,942	4,014	14,820
INCOME TAXES (Note 7)**:**				
Current	754	1,635	2,007	6,413
Deferred	(131)	(262)	(572)	(1,114)
Total income taxes	623	1,373	1,435	5,299
NET INCOME	¥ 1,118	¥ 2,569	¥ 2,579	$ 9,521

	Yen			U.S. Dollars
PER SHARE OF COMMON STOCK (Notes 2.q and 17)**:**				
Basic net income	¥27.69	¥64.64	¥64.92	$0.24
Diluted net income	27.69	64.60	64.85	0.24
Cash dividends applicable to the year	12.00	12.00	12.00	0.10

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

New Japan Radio Co., Ltd. and Subsidiaries   Years Ended March 31, 2006, 2005 and 2004

	Thousands	Millions of Yen					
	Issued Number of Shares of Common Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Net Unrealized Gain on Available-for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock — At Cost
BALANCE, APRIL 1, 2003	39,100	¥5,207	¥5,211	¥ 8,953	¥161	¥(622)	¥(1)
Net income				2,579			
Cash dividends, ¥12 per share				(469)			
Bonuses to directors				(40)			
Net increase in unrealized gain on available-for-sale securities					245		
Net decrease in foreign currency translation adjustments						(155)	
Exercise of stock options	31	13	13				
Prior year adjustment of the opening retained earnings (Note 11)				(13)			
BALANCE, MARCH 31, 2004	39,131	5,220	5,224	11,010	406	(777)	(1)
Net income				2,569			
Cash dividends, ¥12 per share				(509)			
Bonuses to directors				(40)			
Net decrease in unrealized gain on available-for-sale securities					(127)		
Net increase in foreign currency translation adjustments						43	
Increase in treasury stock (1,345 shares)							(1)
BALANCE, MARCH 31, 2005	39,131	5,220	5,224	13,030	279	(734)	(2)
Net income				1,118			
Cash dividends, ¥12 per share				(469)			
Bonuses to directors				(40)			
Net increase in unrealized gain on available-for-sale securities					480		
Net increase in foreign currency translation adjustments						228	
BALANCE, MARCH 31, 2006	**39,131**	**¥5,220**	**¥5,224**	**¥13,639**	**¥759**	**¥(506)**	**¥(2)**

	Thousands of U.S. Dollars (Note 1)					
	Common Stock	Additional Paid-in Capital	Retained Earnings	Net Unrealized Gain on Available-for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock — At Cost
BALANCE, MARCH 31, 2005	$44,437	$44,470	$110,922	$2,374	$(6,249)	$(15)
Net income			9,521			
Cash dividends, $0.10 per share			(3,997)			
Bonuses to directors			(341)			
Net increase in unrealized gain on available-for-sale securities				4,088		
Net increase in foreign currency translation adjustments					1,940	
BALANCE, MARCH 31, 2006	**$44,437**	**$44,470**	**$116,105**	**$6,462**	**$(4,309)**	**$(15)**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

New Japan Radio Co., Ltd. and Subsidiaries   Years Ended March 31, 2006, 2005 and 2004

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2006	2005	2004	**2006**
OPERATING ACTIVITIES:				
Income before income taxes	**¥1,741**	¥3,942	¥4,014	**$14,820**
Adjustments for:				
Income taxes paid	**(1,048)**	(2,194)	(2,721)	**(8,925)**
Depreciation and amortization	**4,300**	4,536	5,021	**36,609**
Loss on sales and disposals of property, plant and equipment	**90**	135	67	**762**
Bonuses to directors	**(40)**	(40)	(41)	**(341)**
Changes in assets and liabilities:				
Decrease in allowance for doubtful accounts	**(11)**	(5)	(117)	**(92)**
Increase in liability for retirement benefits	**361**	522	610	**3,075**
Decrease in interest payable	**(2)**	(2)	(25)	**(17)**
Decrease (increase) in notes and accounts receivable	**993**	769	(3,279)	**8,452**
Decrease in inventories	**100**	335	660	**848**
Increase (decrease) in notes and accounts payable	**901**	(1,075)	1,966	**7,674**
Other — net	**(337)**	(226)	1,046	**(2,866)**
Total adjustments	**5,307**	2,755	3,187	**45,179**
Net cash provided by operating activities	**7,048**	6,697	7,201	**59,999**
INVESTING ACTIVITIES:				
Purchases of property, plant and equipment	**(3,674)**	(4,560)	(4,191)	**(31,273)**
Proceeds from sales of property, plant and equipment	**4**	21	6	**34**
Purchases of investment securities	**(2)**	(102)	(2)	**(18)**
Collection of loans receivable	**163**	61	61	**1,389**
Other — net	**64**	(111)	(325)	**543**
Net cash used in investing activities	**(3,445)**	(4,691)	(4,451)	**(29,325)**
FINANCING ACTIVITIES:				
Net change in short-term bank loans	**(1,736)**	(11)	1,840	**(14,777)**
Proceeds from long-term debt	**306**		500	**2,607**
Repayments of long-term debt	**(743)**	(877)	(4,986)	**(6,323)**
Proceeds from exercise of stock options			26	
Repurchase of treasury stock		(1)		
Cash dividends	**(469)**	(509)	(469)	**(3,997)**
Net cash used in financing activities	**(2,642)**	(1,398)	(3,089)	**(22,490)**
FORWARD	**¥ 961**	¥ 608	¥ (339)	**$ 8,184**

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2006	2005	2004	2006
FORWARD	**¥ 961**	¥ 608	¥ (339)	**$ 8,184**
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	**8**	4	(25)	**59**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**969**	612	(364)	**8,243**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**3,659**	3,047	3,411	**31,150**
CASH AND CASH EQUIVALENTS, END OF YEAR	**¥4,628**	¥3,659	¥3,047	**$39,393**

See notes to consolidated financial statements.

1. BASIS OF PRESENTING FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Securities and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2005 and 2004 consolidated financial statements to conform to the classifications used in 2006.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which New Japan Radio Co., Ltd. (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥117.47 to U.S.$1, the approximate rate of exchange at March 31, 2006. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. **Consolidation** — The consolidated financial statements include the accounts of the Company and all its subsidiaries (together, the "Companies"). Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Company has the ability to exercise significant influence are accounted for by the equity method. There are no companies that are accounted for by the equity method.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Companies is eliminated.

b. **Cash and Cash Equivalents** — Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits which mature within three months of the date of acquisition.

c. **Foreign Currency Transactions** — All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the income statement to the extent that they are not hedged by forward exchange contracts.

d. **Foreign Currency Financial Statements** — Financial statements of foreign subsidiaries are translated into Japanese yen at the current exchange rates as of the balance sheet date for all balance sheet accounts except for shareholders' equity accounts, which are translated at the historical exchange rate.

Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate.

e. **Marketable and Investment Securities** — All marketable securities the Companies own are classified as available-for-sale securities and are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of shareholders' equity. The cost of securities sold is determined based on the moving-average method.

Non-marketable available-for-sale securities are stated at cost determined by the moving-average method.

For other than temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

f. **Inventories** — Merchandise and finished goods are stated at cost determined by the moving-average method. Raw materials are stated at cost determined by the average method. Work in process is stated at cost, determined by the average method, or using the specific identification method. Inventories of foreign consolidated subsidiaries are stated at the lower of cost or market determined by the average method.

g. **Property, Plant and Equipment** — Property, plant and equipment are recorded at cost.

Depreciation of property, plant and equipment of the Companies, except for one domestic subsidiary, is computed by the declining-balance method at rates based upon the usage of the assets over the estimated useful lives of the assets, while the straight-line method is applied to property, plant and equipment of the domestic subsidiary and buildings of the Company and its domestic subsidiaries acquired after April 1, 1998.

Estimated useful lives are as follows:

Buildings and structures	2 to 50 years
Machinery and equipment	2 to 15 years
Furniture and fixtures	1 to 20 years

h. **Long-lived Assets** — In August 2002, the Business Accounting Council ("BAC") issued a Statement of Opinion, "Accounting for Impairment of Fixed Assets," and in October 2003 the Accounting Standards Board of Japan ("ASBJ") issued ASBJ Guidance No. 6, "Guidance for Accounting Standard for Impairment of Fixed Assets." These new pronouncements were effective for fiscal years beginning on or after April 1, 2005 with early adoption permitted for fiscal years ending on or after March 31, 2004.

The Companies adopted the new accounting standard for impairment of fixed assets as of April 1, 2005.

The Companies review its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

The adoption of the new accounting standard did not have any impact on the financial position or results of operations of the Companies for the year ended March 31, 2006.

i. **Other Assets** — Intangible assets are carried at cost less accumulated amortization, which is calculated by the straight-line method principally over 3 to 10 years for intangible assets.

j. **Retirement Benefits** — The Company has a non-contributory funded pension plan covering only employees who have 18 years or more of service.

The Companies accounted for the liability for retirement benefits based on projected benefit obligations and plan assets at the balance sheet date.

The Company has provided an allowance for directors' and corporate auditors' retirement benefits calculated in accordance with the Company's rules and has included this amount in the liability for retirement benefits.

k. **Allowance for Doubtful Accounts** — The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the Companies' past credit loss experience and an evaluation of potential losses in the receivables outstanding.

l. **Research and Development Costs** — Research and development costs are charged to income as incurred.

m. **Income Taxes** — The provision for income taxes is computed based upon pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to temporary differences.

The Companies file a tax return under the consolidated corporate-tax system from the fiscal year ended March 31, 2005, which allows companies to base tax payments on the combined profits or losses of the parent company and its wholly owned domestic subsidiaries.

n. **Appropriations of Retained Earnings** — Appropriations of retained earnings are accounted for and reflected in the accompanying consolidated financial statements when approved by the shareholders.

o. **Leases** — All leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's consolidated financial statements.

p. **Derivative Financial Instruments** — The Companies use derivative financial instruments to manage their exposures to fluctuations in foreign exchange rates. Foreign exchange forward contracts are utilized by the Companies to reduce foreign currency exchange rate risk. Derivative transactions entered into by the Companies have been made in accordance with internal policies which regulate the authorization and credit limit amount. The Companies do not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: (a) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the income statement and (b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

q. Per Share Information — Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits. The average number of common shares used in the computation was 39,128,774 shares, 39,129,599 shares and 39,114,884 shares for 2006, 2005 and 2004, respectively.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised into common stock. Diluted net income per share of common stock assumes full exercise of outstanding warrants.

Cash dividends per share shown in the consolidated statements of income are the amounts applicable to the respective years without giving retroactive adjustment for subsequent stock splits.

r. New Accounting Pronouncements

Business combination and business separation

In October 2003, the BAC issued a Statement of Opinion, "Accounting for Business Combinations," and on December 27, 2005 the ASBJ issued "Accounting Standard for Business Separations" and ASBJ Guidance No. 10, "Guidance for Accounting Standard for Business Combinations and Business Separations." These new accounting pronouncements are effective for fiscal years beginning on or after April 1, 2006.

The accounting standard for business combinations allows companies to apply the pooling of interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests. These specific criteria are as follows:

(a) the consideration for the business combination consists solely of common shares with voting rights,

(b) the ratio of voting rights of each predecessor shareholder group after the business combination is nearly equal, and

(c) there are no other factors that would indicate any control exerted by any shareholder group other than voting rights.

For business combinations that do not meet the uniting-of-interests criteria, the business combination is considered to be an acquisition and the purchase method of accounting is required. This standard also prescribes the accounting for combinations of entities under common control and for joint ventures. Goodwill, including negative goodwill, is to be systematically amortized over 20 years or less, but is also subject to an impairment test.

Under the accounting standard for business separations, in a business separation where the interests of the investor no longer continue and the investment is settled, the difference between the fair value of the consideration received for the transferred business and the book value of net assets transferred to the separated business is recognized as a gain or loss on business separation in the statement of income. In a business separation where the interests of the investor continue and the investment is not settled, no such gain or loss on business separation is recognized.

Stock options

On December 27, 2005, the ASBJ issued "Accounting Standard for Stock Options" and related guidance. The new standard and guidance are applicable to stock options newly granted on and after May 1, 2006.

This standard requires companies to recognize compensation expense for employee stock options based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to non-employees based on the fair value of either the stock option or the goods or services received. In the balance sheet, the stock option is presented as a stock acquisition right as a separate component of shareholders' equity until exercised. The standard covers equity-settled, share-based payment transactions, but does not cover cash-settled, share-based payment transactions. In addition, the standard allows unlisted companies to measure options at their intrinsic value if they cannot reliably estimate fair value.

Bonuses to directors and corporate auditors

Prior to the fiscal year ended March 31, 2005, bonuses to directors and corporate auditors were accounted for as a reduction of retained earnings in the fiscal year following approval at the general shareholders meeting. The ASBJ issued ASBJ Practical Issues Task Force (PITF) No. 13, "Accounting Treatment for Bonuses to Directors and Corporate Auditors," which encouraged companies to record bonuses to directors and corporate auditors on the accrual basis with a related charge to income, but still permitted the direct reduction of such bonuses from retained earnings after approval of the appropriation of retained earnings.

The ASBJ replaced the above accounting pronouncement by issuing a new accounting standard for bonuses to directors and corporate auditors on November 29, 2005. Under the new accounting standard, bonuses to directors and corporate auditors must be expensed and are no longer allowed to be directly charged to retained earnings. This accounting standard is effective for fiscal years ending on or after May 1, 2006. The companies must accrue bonuses to directors and corporate auditors at the year end to which such bonuses are attributable.

3. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities at March 31, 2006 and 2005, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	**2006**
Current — Government and corporate bonds		**¥ 10**	
Total		**¥ 10**	
Non-current:			
Marketable equity securities	**¥2,598**	¥1,893	**$22,113**
Trust fund investments and other	**7**	7	**60**
Total	**¥2,605**	¥1,900	**$22,173**

The carrying amounts and aggregate fair values of marketable and investment securities at March 31, 2006 and 2005, were as follows:

	Millions of Yen			
	2006			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale —				
Equity securities	**¥1,324**	**¥1,275**	**¥1**	**¥2,598**
Total	**¥1,324**	**¥1,275**	**¥1**	**¥2,598**

	Millions of Yen			
	2005			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale:				
Equity securities	¥1,428	¥466	¥1	¥1,893
Debt securities	6	4		10
Total	¥1,434	¥470	¥1	¥1,903

	Thousands of U.S. Dollars			
	2006			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale —				
Equity securities	**$11,265**	**$10,850**	**$2**	**$22,113**
Total	**$11,265**	**$10,850**	**$2**	**$22,113**

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2006 and 2005, were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	**2006**
Available-for-sale — Equity securities	**¥7**	¥7	**$60**
Total	**¥7**	¥7	**$60**

Sales of marketable and investment securities at March 31, 2006, consisted of the following:

	Millions of Yen	Thousands of U.S. Dollars
The amount of sale	¥171	$1,459
The amount of a gain on sale	64	547

4. INVENTORIES

Inventories at March 31, 2006 and 2005, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	**2006**
Merchandise	**¥ 93**	¥ 85	**$ 789**
Finished goods	**5,082**	4,913	**43,264**
Work in process	**7,834**	7,794	**66,690**
Raw materials	**950**	2,093	**8,087**
Supplies	**955**		**8,134**
Total	**¥14,914**	¥14,885	**$126,964**

5. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans at March 31, 2006 and 2005, consisted of notes to banks. The annual weighted average interest rates for short-term bank loans for the years ended March 31, 2006 and 2005, were 0.73 percent and 0.74 percent, respectively.

Long-term debt at March 31, 2006 and 2005, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	**2006**
Loans from banks and other financial institutions, due serially to 2011 with interest rates ranging from 0.71 to 1.05 percent (2006), from 0.64 to 2.01 percent (2005):			
Collateralized	**¥280**	¥ 876	**$2,383**
Unsecured	**371**	214	**3,164**
Total	**651**	1,090	**5,547**
Less current portion	**(210)**	(710)	**(1,792)**
Long-term debt, less current portion	**¥441**	¥ 380	**$3,755**

Annual maturities of long-term debt outstanding at March 31, 2006, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2007	¥210	$1,792
2008	181	1,535
2009	170	1,450
2010	60	513
2011	30	257
Total	¥651	$5,547

The carrying amounts of assets pledged as collateral for long-term debt of ¥280 million ($2,384 thousand) at March 31, 2006, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Property, plant and equipment — net of accumulated depreciation	¥5,493	$46,760

6. RETIREMENT BENEFITS

The Company and its domestic subsidiaries maintain pension plans for their employees. The plans provide for lump-sum payments to terminated employees who have two years or more of continuous service.

The Company has a non-contributory funded pension plan covering only employees with 18 years or more of service. Such employees receive a lump-sum distribution upon mandatory retirements, equal to 50 percent of their total retirement benefits, payable from the pension fund.

Certain foreign subsidiaries have a contributory funded pension plan covering only employees who have one year or more continuous service.

Retirement allowances for employees are determined on the basis of length of service and current basic salary at the time of termination. If the termination is involuntary, the employee is usually entitled to greater payment than in the case of voluntary termination.

The liability for employees' retirement benefits at March 31, 2006 and 2005, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	**2006**
Projected benefit obligation	**¥14,525**	¥13,870	**$123,652**
Fair value of plan assets	**(4,330)**	(3,337)	**(36,866)**
Unrecognized actuarial loss	**(957)**	(1,664)	**(8,143)**
Net liability	**¥ 9,238**	¥ 8,869	**$ 78,643**

The components of net periodic benefit costs are as follows:

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2006	2005	2004	**2006**
Service cost	**¥ 810**	¥ 791	¥ 771	**$6,898**
Interest cost	**345**	329	307	**2,937**
Expected return on plan assets	**(133)**	(30)		**(1,136)**
Amortization of prior service cost		(20)		
Recognized actuarial loss	**146**	153	172	**1,241**
Net periodic benefit costs	**¥1,168**	¥1,223	¥1,250	**$9,940**

Assumptions used for the years ended March 31, 2006 and 2005, are set forth as follows:

	2006	2005
Discount rate	2.5%	2.5%
Expected rate of return on plan assets	4.0%	1.0%
Recognition period of actuarial gain/loss	15 years	15 years
Amortization period of prior service cost	1 year	1 year

The liability for retirement benefits to directors and corporate auditors included in the accompanying consolidated balance sheets amounted to ¥233 million ($1,979 thousand) and ¥240 million at March 31, 2006 and 2005, respectively. Amounts payable to directors and corporate auditors upon retirement are subject to the approval of the shareholders.

7. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 40.4 percent for the years ended March 31, 2006 and 2005.

The tax effects of significant temporary differences and loss carryforwards which result in deferred tax assets and liabilities at March 31, 2006 and 2005, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
Current	2006	2005	2006
Deferred tax assets:			
Inventories	¥ 156	¥ 159	$ 1,325
Accrued bonuses	821	897	6,990
Accrued enterprise tax	27	65	234
Others	157	187	1,332
Valuation allowance	(1)	(7)	(8)
Total	1,160	1,301	9,873
Deferred tax liabilities:			
Inventories	105	108	892
Allowance for doubtful accounts	1		1
Others	11		99
Total	117	108	992
Net deferred tax assets	¥1,043	¥1,193	$ 8,881

Non-current	Millions of Yen 2006	2005	Thousands of U.S. Dollars 2006
Deferred tax assets:			
Liability for retirement benefits	¥3,771	¥3,498	$32,104
Tax loss carryforwards	95	29	806
Others	155	128	1,324
Valuation allowance	(132)	(32)	(1,130)
Total	3,889	3,623	33,104
Deferred tax liabilities:			
Special reserve for tax purposes	23	43	190
Undistributed earnings of subsidiaries	515	103	4,386
Unrealized gain on available-for-sale securities	104	190	882
Others	1	1	10
Total	643	337	5,468
Net deferred tax assets	¥3,246	¥3,286	$27,636

A reconciliation between the normal effective statutory tax rate for the years ended March 31, 2006, 2005 and 2004, and the actual effective tax rate reflected in the accompanying consolidated statements of income is as follows:

	2006	2005	2004
Normal effective statutory tax rate	40.4%	40.4%	42.0%
Taxation on per capita basis	0.9	0.4	0.3
Expenses not deductible for income tax purposes	(0.3)	(0.2)	
Lower income tax rates applicable to income in certain foreign countries	(0.2)	0.3	(0.4)
Valuation allowance	4.0	(1.1)	(2.0)
Tax deduction of research and development	(7.0)	(6.2)	(6.0)
Others — net	(2.0)	1.2	1.8
Actual effective tax rate	35.8%	34.8%	35.7%

At March 31, 2006, certain subsidiaries have tax loss carryforwards aggregating approximately ¥95 million ($806 thousand) which are available to be offset against taxable income of such subsidiaries in future years. These tax loss carryforwards, if not utilized, will expire as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2007	¥40	$341
2008	42	356
2009	5	38
2011 and thereafter	8	71
Total	¥95	$806

8. SHAREHOLDERS' EQUITY

Through May 1, 2006, Japanese companies are subject to the Commercial Code of Japan (the "Code").

The Code requires that all shares of common stock be issued with no par value and at least 50 percent of the issue price of new shares is required to be recorded as common stock and the remaining net proceeds are required to be presented as additional paid-in capital. The Code permits Japanese companies, upon approval of the Board of Directors, to issue shares to existing shareholders without consideration by way of a stock split. Such issuance of shares generally does not give rise to changes within the shareholders' accounts.

The Code also provides that an amount of 10 percent or more of the aggregate amount of cash dividends and certain other appropriations of retained earnings associated with cash outlays applicable to each period (such as bonuses to directors) shall be appropriated as a legal reserve (a component of retained earnings) until the total of such reserve and additional paid-in capital equals 25 percent of common stock. The amount of total legal reserve and additional paid-in capital that exceeds 25 percent of the common stock may be available for dividends by resolution of the shareholders after transferring such excess in accordance with the Code. In addition, the Code permits the transfer of a portion of additional paid-in capital and legal reserve to the common stock by resolution of the Board of Directors.

The Code allows Japanese companies to purchase treasury stock and dispose of such treasury stock upon resolution of the Board of Directors. The aggregate purchased amount of treasury stock cannot exceed the amount available for future dividends plus the amount of common stock, additional paid-in capital or legal reserve that could be transferred to retained earnings or other capital surplus other than additional paid-in capital upon approval of such transfer at the annual general meeting of shareholders.

In addition to the provision that requires an appropriation for a legal reserve in connection with the cash outlays, the Code also imposes certain limitations on the amount of capital surplus and retained earnings available for dividends. The amount of capital surplus and retained earnings available for dividends under the Code was ¥10,223 million ($87,027 thousand) as of March 31, 2006, based on the amount recorded in the parent company's general books of account.

Dividends are approved by the shareholders at a meeting held subsequent to the end of the fiscal year to which the dividends are applicable. Semiannual interim dividends may also be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Code.

On May 1, 2006, a new corporate law (the "Corporate Law") became effective, which reformed and replaced the Code with various revisions that would, for the most part, be applicable to events or transactions which occur on or after May 1, 2006 and for the fiscal years ending on or after May 1, 2006. The significant changes in the Corporate Law that affect financial and accounting matters are summarized below:

a. Dividends

Under the Corporate Law, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as: (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) if the company has prescribed so in its articles of incorporation.

The Corporate Law permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. Under the Code, certain limitations were imposed on the amount of capital surplus and retained earnings available for dividends. The Corporate Law also provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

b. Increases/Decreases and Transfer of Common Stock, Reserve and Surplus

The Corporate Law requires that an amount equal to 10 percent of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25 percent of the common stock. Under the Code, the aggregate amount of additional paid-in capital and legal reserve that exceeds 25 percent of the common stock may be made available for dividends by resolution of the shareholders. Under the Corporate Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation of such threshold. The Corporate Law also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

c. Treasury Stock and Treasury Stock Acquisition Rights

The Corporate Law also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula.

Under the Corporate Law, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of shareholders' equity.

The Corporate Law also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of shareholders' equity or deducted directly from stock acquisition rights.

On December 9, 2005, the ASBJ published a new accounting standard for presentation of shareholders' equity. Under this accounting standard, certain items which were previously presented as liabilities are now presented as components of shareholders' equity. Such items include stock acquisition rights, minority interest, and any deferred gain or loss on derivatives accounted for under hedge accounting. This standard is effective for fiscal years ending on or after May 1, 2006.

At the general shareholders meeting of the Company held on June 27, 2003, the Company's shareholders approved the following stock option plan. The plan provides for granting options to directors, corporate auditors and a key employee to purchase up to 140 thousand shares of the Company's common stock in the period from January 7, 2004 to December 20, 2007. The options will be exercisable at ¥995 per share. The exercise price will be subject to adjustment if there are stock splits or additional shares issued for less than the market price.

9. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥6,305 million ($53,671 thousand), ¥6,198 million and ¥6,382 million for the years ended March 31, 2006, 2005 and 2004, respectively.

10. OTHER INCOME (EXPENSES) — OTHER — NET

Other income (expenses) — other — net consisted of the following:

	Millions of Yen			Thousands of U.S. Dollars
	2006	2005	2004	**2006**
Loss on sales and disposals of property, plant and equipment	**¥(90)**	¥(135)	¥(67)	**$(762)**
Gain on sales of waste	**63**	58	37	**537**
Loss on damages	**(50)**	(9)	(2)	**(428)**
Gain on sales of property, plant and equipment	**4**			**30**
Gain on sales of investment securities	**64**			**547**
Loss on disposal of long-term prepaid expenses	**(60)**			**(511)**
Other — net	**43**	114	(12)	**370**
Total	**¥(26)**	¥ 28	¥(44)	**$(217)**

11. PRIOR YEAR ADJUSTMENT

NJR (SINGAPORE) PTE LTD., a subsidiary in Singapore, adopted Interpretation to Singapore Financial Reporting Standards 19, effective April 1, 2003.

The effect of this adoption was to decrease opening retained earnings by ¥13 million as of April 1, 2003.

12. LEASES

The Company and domestic subsidiaries have several lease agreements relating to office space, computer equipment and circuit equipment. Total lease payments under finance lease agreements that do not transfer ownership of the leased property to the Company and domestic subsidiaries were ¥218 million ($1,859 thousand), ¥296 million and ¥316 million for the years ended March 31, 2006, 2005 and 2004, respectively.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligations under finance leases, depreciation expense and interest expense of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2006 and 2005, was as follows:

	Millions of Yen				Thousands of U.S. Dollars			
	2006				2006			
	Machinery and Equipment	Furniture and Fixtures	Other	Total	Machinery and Equipment	Furniture and Fixtures	Other	Total
Acquisition cost	¥18	¥525	¥306	¥849	$155	$4,465	$2,610	$7,230
Accumulated depreciation	6	300	157	463	51	2,551	1,340	3,942
Net leased property	¥12	¥225	¥149	¥386	$104	$1,914	$1,270	$3,288

	Millions of Yen			
	2005			
	Machinery and Equipment	Furniture and Fixtures	Other	Total
Acquisition cost	¥16	¥746	¥472	¥1,234
Accumulated depreciation	9	466	295	770
Net leased property	¥ 7	¥280	¥177	¥ 464

Obligations under finance leases as of March 31, 2006 and 2005, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Due within one year	¥154	¥198	$1,307
Due after one year	238	273	2,026
Total	¥392	¥471	$3,333

The imputed interest expense portion which is computed using the interest method is excluded from the above obligations under finance leases.

Depreciation expense and interest expense under finance leases for the years ended March 31, 2006, 2005 and 2004, were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2006	2005	2004	**2006**
Depreciation expense	**¥210**	¥283	¥301	**$1,783**
Interest expense	**7**	9	12	**63**
Total	**¥217**	¥292	¥313	**$1,846**

Depreciation expense and interest expense, which are not reflected in the accompanying consolidated statements of income, are computed by the straight-line method and the interest method, respectively.

13. DERIVATIVES

The Company enters into foreign exchange forward contracts to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies and forecasted transactions.

All derivative transactions are entered into to hedge foreign currency exposures incorporated with its financing activities. The Company does not hold or issue derivatives for trading purposes.

Because the counterparties to these derivatives are limited to major international financial institutions, the Company does not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Company have been made in accordance with internal policies which regulate the authorization and credit limit amount.

The Company had no derivatives contracts outstanding at March 31, 2006 and had the following derivatives contracts outstanding at March 31, 2005:

	Millions of Yen		
	2005		
	Contract Amount	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts — Selling U.S.$	¥2,528	¥2,560	¥(32)

The contract amounts of derivatives which are shown in the above table do not represent the amounts exchanged by the parties and do not measure the Company's exposure to credit or market risk.

14. SEGMENT INFORMATION

Information about industry segments, geographical segments and sales to foreign customers of the Companies for the years ended March 31, 2006, 2005 and 2004, is as follows:

(1) Industry Segments

Industry segments information is not shown since substantially all consolidated net sales, operating income and identifiable assets for 2006, 2005 and 2004 resulted from the primary business of the Companies, which is to manufacture and sell electronics devices such as electron tubes and semiconductor devices.

(2) Geographical Segments

The segment information is grouped by geographic area based on the countries and areas where the Companies are located. The segments mainly consist of the following countries:

Asia — Thailand, Singapore
North America — United States of America

The geographical segments of the Companies for the years ended March 31, 2006, 2005 and 2004, are summarized as follows:

	Millions of Yen				
	2006				
	Japan	Asia	North America	Eliminations or Corporate	Consolidated
Sales:					
To customers	¥52,967	¥4,617	¥2,749		¥60,333
Interarea transfers	6,236	6,210	192	¥(12,638)	
Total	59,203	10,827	2,941	(12,638)	60,333
Operating expenses	51,554	10,904	2,890	(6,770)	58,578
Operating income (loss)	¥ 7,649	¥ (77)	¥ 51	¥ (5,868)	¥ 1,755
Total assets	¥49,228	¥4,231	¥ 674	¥ 4,779	¥58,912

	Thousands of U.S. Dollars				
	2006				
	Japan	Asia	North America	Eliminations or Corporate	Consolidated
Sales:					
To customers	$450,894	$39,305	$23,404		$513,603
Interarea transfers	53,086	52,866	1,633	$(107,585)	
Total	503,980	92,171	25,037	(107,585)	513,603
Operating expenses	438,861	92,831	24,600	(57,629)	498,663
Operating income (loss)	$ 65,119	$ (660)	$ 437	$ (49,956)	$ 14,940
Total assets	$419,067	$36,018	$ 5,739	$ 40,685	$501,509

	Millions of Yen				
	2005				
	Japan	Asia	North America	Eliminations or Corporate	Consolidated
Sales:					
To customers	¥57,389	¥4,640	¥3,024		¥65,053
Interarea transfers	6,942	5,347	184	¥(12,473)	
Total	64,331	9,987	3,208	(12,473)	65,053
Operating expenses	55,209	9,707	3,175	(6,641)	61,450
Operating income	¥ 9,122	¥ 280	¥ 33	¥ (5,832)	¥ 3,603
Total assets	¥51,827	¥4,377	¥ 644	¥ 3,076	¥59,924

	Millions of Yen				
	2004				
	Japan	Asia	North America	Eliminations or Corporate	Consolidated
Sales:					
To customers	¥59,144	¥4,695	¥3,223		¥67,062
Interarea transfers	6,874	4,357	180	¥(11,411)	
Total	66,018	9,052	3,403	(11,411)	67,062
Operating expenses	56,034	8,882	3,384	(5,851)	62,449
Operating income	¥ 9,984	¥ 170	¥ 19	¥ (5,560)	¥ 4,613
Total assets	¥53,831	¥3,761	¥ 699	¥ 2,623	¥60,914

Notes: 1. The unallocated operating expenses for the years ended March 31, 2006, 2005 and 2004, amounting to ¥5,759 million ($49,028 thousand), ¥5,638 million and ¥5,462 million, respectively, were included in "Eliminations or Corporate" column, which mainly consisted of administration expenses of the Company.

2. The corporate assets at March 31, 2006, 2005 and 2004, amounting to ¥8,330 million ($70,913 thousand), ¥6,549 million and ¥6,018 million, respectively, were included in "Eliminations or Corporate" column, and consisted primarily of funds held by the Company for investing purposes (cash, time deposits, marketable securities and investment securities) and assets held for administration of the Company.

(3) Sales to Foreign Customers

Sales to foreign customers for the years ended March 31, 2006, 2005 and 2004, amounted to ¥28,704 million ($244,351 thousand), ¥27,682 million and ¥26,619 million, respectively, and accounted for 47.6 percent, 42.6 percent and 39.7 percent, respectively, of the consolidated net sales.

The segment information is grouped by geographic area based on the countries where the Companies' customers are located. The segments mainly consist of the following countries:

Asia — Hong Kong, Republic of Korea, Taiwan, Singapore, Malaysia
North America — United States of America
Europe — United Kingdom, Holland, Germany
Other — Israel, Mexico

	Millions of Yen				
	2006				
	Asia	North America	Europe	Other	Total
Sales	**¥20,454**	**¥4,477**	**¥1,589**	**¥2,184**	**¥28,704**

	Thousands of U.S. Dollars				
	2006				
	Asia	North America	Europe	Other	Total
Sales	**$174,117**	**$38,112**	**$13,528**	**$18,594**	**$244,351**

	Millions of Yen				
	2005				
	Asia	North America	Europe	Other	Total
Sales	¥20,050	¥3,679	¥1,535	¥2,418	¥27,682

	Millions of Yen				
	2004				
	Asia	North America	Europe	Other	Total
Sales	¥20,554	¥2,579	¥1,390	¥2,096	¥26,619

15. RELATED PARTY TRANSACTIONS

Nisshinbo Industries, Inc. had become a parent company at December 9, 2005. At March 31, 2006, Nisshinbo Industries, Inc. (the "Parent") held 20,593 thousand shares of common stock of the Company, 52.63 percent of the total outstanding shares.

Transactions with and balances due from and to the Parent for the year ended March 31, 2006 are not disclosed because they are immaterial.

16. STOCK OPTION PLAN

The stock option plan which was approved by the shareholders on June 27, 2003, provides options to purchase the Company's common stock up to an aggregate maximum of 124,000 shares for directors, corporate auditors (total 16 persons) and employee (1 person) of the Company. The exercise period for these stock options is between January 7, 2004 and December 20, 2007, at an exercise price of ¥995 per share. The exercise price of stock options is subject to adjustment in certain circumstances.

17. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2006, 2005 and 2004 is as follows:

	Millions of Yen	Thousands of U.S. Dollars	Yen	U.S. Dollars
Year Ended March 31, 2006	Net Income	Weighted-average Shares	EPS	
Basic EPS — Net income available to common shareholders	¥1,083	39,129	¥27.69	$0.24
Effect of dilutive securities — Warrants		3		
Diluted EPS — Net income for computation	¥1,083	39,132	¥27.69	$0.24
Year Ended March 31, 2005				
Basic EPS — Net income available to common shareholders	¥2,529	39,130	¥64.64	
Effect of dilutive securities — Warrants		21		
Diluted EPS — Net income for computation	¥2,529	39,151	¥64.60	
Year Ended March 31, 2004				
Basic EPS — Net income available to common shareholders	¥2,539	39,114	¥64.92	
Effect of dilutive securities — Warrants		42		
Diluted EPS — Net income for computation	¥2,539	39,156	¥64.85	

18. SUBSEQUENT EVENT

At the general shareholders meeting of the Company held on June 29, 2006, the appropriations of retained earnings were duly approved as follows:

	Millions of Yen	Thousands of U.S. Dollars
Cash dividends, ¥6.0 ($0.05) per share	¥235	$1,999
Bonuses to directors	35	298
Total	¥270	$2,297